

VERNON TOWNSHIP SCHOOL DISTRICT

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

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2018**

**Comprehensive Annual
Financial Report**

of the

VERNON TOWNSHIP BOARD OF EDUCATION

Vernon, New Jersey

For the Fiscal Year Ended June 30, 2018

Prepared by

**Vernon Township Board of Education
Business Office**

VERNON TOWNSHIP SCHOOL DISTRICT
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INTRODUCTORY SECTION



OFFICE OF THE BUSINESS ADMINISTRATOR/BOARD SECRETARY

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August 25, 2018

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, 2018, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the Independent Auditors' Report, the management's discussion and analysis, the basic financial statements and notes providing an overview of the District's financial position and operating results, and supplementary schedules providing detailed budgetary information. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of 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 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 2017-2018 school year with an Average Daily Enrollment (ADE) of 3,095, which is 50 students less than the previous year's ADE.

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. 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 several 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 significantly improved 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. Over the past several years, the declining enrollment situation has generated discussion regarding the use of all District facilities. It was decided in the spring of 2017, to re-district the various grades, leaving only pre-K in the Walnut Ridge School. The Board decided to attempt to sell both office buildings; the Board Office on Route 515 and the former Child Study Team Building on Route 94. The offices formerly housed on Route 515 were relocated to classrooms in Walnut Ridge. During the spring of 2018, both buildings were sold.

3) MAJOR INITIATIVES:

During the 2017-18 school year, the Vernon Township School District continued to work with instruction based around the Common Core Standards and technology. The goal was to ensure students reach their maximum potential and show appropriate educational progress. Again, PARCC testing was completed and the District was extremely successful with testing a much greater percentage of the student population. An increase in the number of access points will be implemented during the summer of 2018 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 a 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 2017-18 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 ongoing in an effort to keep all staff up-to-date with the changes in the industry.

During the 2017-2018 school year, the District entered its third year of the grant related to Career and Technical Education (CTE) programs. Five CTE's were developed during the winter and spring months of 2016 and will be implemented throughout this grant cycle. 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. Through the District's Community Outreach Initiative, the District has seen less of an impact in the enrollment decline.

4) INTERNAL ACCOUNTING CONTROLS:

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

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

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

5) BUDGETARY CONTROLS:

In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by a vote 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, 2018.

6) ACCOUNTING SYSTEM AND REPORTS:

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

7) CASH MANAGEMENT:

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

8) RISK MANAGEMENT:

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

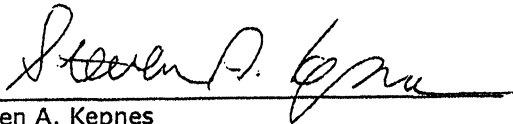
9) OTHER INFORMATION:

Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP, CPAs, was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the 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.

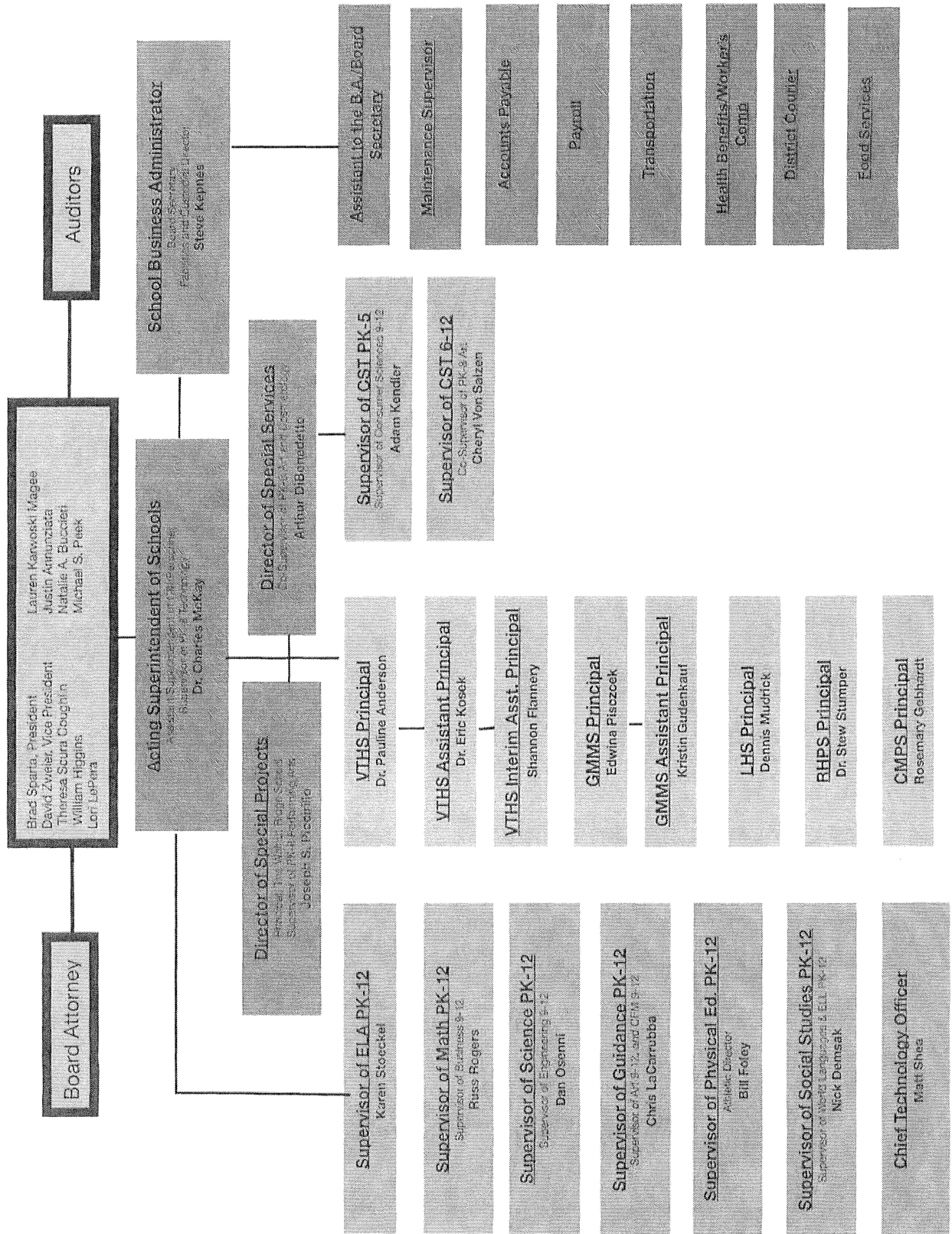
Respectfully submitted,



Steven A. Kepnes
Business Administrator

VERNON TOWNSHIP BOARD OF EDUCATION
Organizational Chart (as of June 13, 2018)

Board of Education



VERNON TOWNSHIP SCHOOL DISTRICT
 ROSTER OF OFFICIALS
 June 30, 2018

<u>Members of the Board of Education</u>	<u>Term Expires</u>
David Zweier, President	2019
Brad Sparta - Vice President	2018
Justin Annunziata	2020
Natalie Buccieri	2020
Lauren Karwoski Magee	2019
William J. Higgins	2018
Theresa Coughlin	2018
Lori LePera	2019
Michael Peek	2020

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
 Pauline Anderson, Principal
 Eric Kosek, Assistant Principal
 Shannon Flannery, Assistant Principal

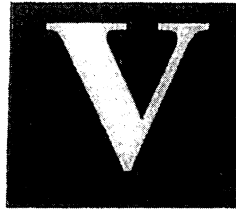
Glen Meadow Middle School
 Edwina Piszczek, Principal
 Kristen Gudenkauf, Assistant Principal

Lounsberry Hollow Middle School
 Dennis Mudrick, Principal

Cedar Mountain Primary School
 Rosemary Gebhardt, Principal

Rolling Hills Primary School
 Stewart Stumper Ed.D., Principal

Walnut Ridge Primary School
 Joseph Piccirillo, Principal



VERNON TOWNSHIP BOARD OF EDUCATION
Consultants and Advisors – 2017/2018 School Year

Audit Firm

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

Attorneys

Kraemer and Corazzo
328D Sparta Avenue
Sparta, NJ 07871

Schwartz, Simon, Edelstein & Celso, LLC (Until 1/18/2018)
100 South Jefferson Road
Suite 200
Whippany, NJ 07981

Scarinci and Hollenbeck, LLC (Starting 1/18/2018)
1100 Valley Brook Ave.
PO box 790
Lyndhurst, NJ 07071

Official Depositories

Lakeland Bank
529 Route 515
Vernon, NJ 07462

PNC Bank
1 Garrett Mountain Plaza
West Paterson, NJ 07424

TD Bank
2300 Litton Lane STE102
Hebron, KY 41018

FINANCIAL SECTION

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, 2018, 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.

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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 17 to the basic financial statements, the District implemented Governmental Accounting Standards Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, during the fiscal year ended June 30, 2018. Our opinions are not modified with respect to this matter.

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 and postemployment benefit schedules in Exhibits L-1 – L-5 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 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 January 22, 2019 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.

January 22, 2019
Mount Arlington, New Jersey

NISIVOCCIA LLP


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

REQUIRED SUPPLEMENTARY INFORMATION

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, 2018. 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 \$92.75 million.
- Overall expenditures were \$92.62 million
- Enrollment in the District has been decreasing for the last several years.

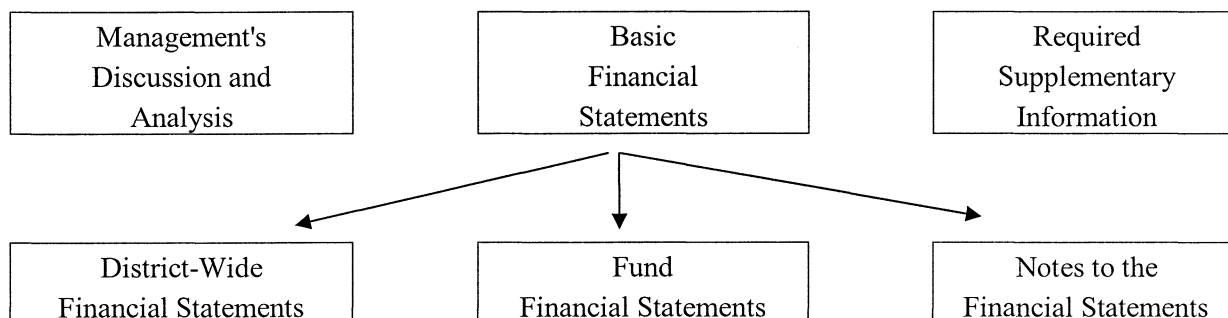
Overview of the Financial Statements

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.

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

Notes to Basic Financial Statements: Provide additional information essential to a full understanding of the District-wide and fund financial statements.

Financial Analysis of the District as a Whole

Net Position. The District's combined net position increased by \$129,209. Net position from governmental activities increased by \$111,469 combined with an increase in net position from business-type activities of \$17,740. Net investment in capital assets increased by \$478,962, restricted net position decreased by \$701,552, and unrestricted net position increased by \$351,799.

Figure A-3

Condensed Statement of Net Position

	Government Activities		Business-Type Activities		Total School District		Total
	2017/2018	2016/2017	2017/2018	2016/2017	2017/2018	2016/2017	Percentage Change
Current and Other Assets	\$ 3,083,335	\$ 3,230,830	\$ 365,927	\$345,232	\$ 3,449,262	\$ 3,576,062	-3.55%
Capital Assets, Net	26,673,999	28,007,974	188,268	178,628	26,862,267	28,186,602	-4.70%
Total Assets	29,757,334	31,238,804	554,195	523,860	30,311,529	31,762,664	-4.57%
Deferred Outflows of Resources	5,536,309	7,826,481			5,536,309	7,826,481	-29.26%
Other Liabilities	841,798	913,579	78,660	66,065	920,458	979,644	-6.04%
Long-Term Liabilities	30,812,821	38,862,109			30,812,821	38,862,109	-20.71%
Total Liabilities	31,654,619	39,775,688	78,660	66,065	31,733,279	39,841,753	-20.35%
Deferred Inflows of Resources	4,663,610	425,652			4,663,610	425,652	995.64%
Net Position:							
Net Investment in							
Capital Assets	17,375,195	16,905,873	188,268	178,628	17,563,463	17,084,501	2.80%
Restricted	1,990,829	2,692,381			1,990,829	2,692,381	-26.06%
Unrestricted/(Deficit)	(20,390,610)	(20,734,309)	287,267	279,167	(20,103,343)	(20,455,142)	1.72%
Total Net Position/Deficit	\$ (1,024,586)	\$ (1,136,055)	\$ 475,535	\$457,795	\$ (549,051)	\$ (678,260)	-19.05%

Changes in Net Position. The District's combined net position was (\$549,051) June 30, 2018, or \$129,209 more than it was the year before. (See Figure A-3). The increase in the District's combined net position is primarily due to the fact that there was a decrease in the pension related liability, all other revenues and expenses came in as budgeted. Additionally, there was an increase in net position of \$17,740 in business-type activities.

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

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2017/2018	2016/2017	2017/2018	2016/2017	2017/2018	2016/2017	
Revenue:							
Program Revenue:							
Charges for Services	\$ 223,277	\$ 244,295	\$ 730,611	\$ 762,892	\$ 953,888	\$ 1,007,187	-5.29%
Operating Grants & Contributions	30,579,079	28,273,786	336,197	338,958	30,915,276	28,612,744	8.05%
General Revenue:							
Property Taxes	38,941,390	38,794,350			38,941,390	38,794,350	0.38%
Unrestricted Federal & State Aid	21,433,320	21,586,440			21,433,320	21,586,440	-0.71%
Other	491,395	264,214	17,774	586	509,169	264,800	92.28%
Total Revenue	<u>91,668,461</u>	<u>89,163,085</u>	<u>1,084,582</u>	<u>1,102,436</u>	<u>92,753,043</u>	<u>90,265,521</u>	2.76%
Expenses:							
Instruction	50,941,452	49,106,604			50,941,452	49,106,604	3.74%
Pupil and Instruction Services	18,863,615	18,789,933			18,863,615	18,789,933	0.39%
Administrative and Business	7,138,295	7,344,406			7,138,295	7,344,406	-2.81%
Maintenance and Operations	7,298,413	8,133,089			7,298,413	8,133,089	-10.26%
Transportation	4,981,215	5,225,519			4,981,215	5,225,519	-4.68%
Other	2,334,002	2,301,230	1,066,842	1,050,237	3,400,844	3,351,467	1.47%
Total Expenses	<u>91,556,992</u>	<u>90,900,781</u>	<u>1,066,842</u>	<u>1,050,237</u>	<u>92,623,834</u>	<u>91,951,018</u>	0.73%
Increase/(Decrease) in Net Position	<u>\$ 111,469</u>	<u>\$(1,737,696)</u>	<u>\$ 17,740</u>	<u>\$ 52,199</u>	<u>\$ 129,209</u>	<u>\$(1,685,497)</u>	107.67%

Revenue Sources. The District's total revenue for the school year was \$92,753,043, (See Figure A-4). Property taxes accounted for less than half of the District's revenue in the amount of \$38,941,390 of the total, or 41.98 percent. (See Figure A-5). Approximately 56.44 percent came from state and federal aid and the remainder from miscellaneous sources.

**Figure A-5
Sources of School District Revenue - Fiscal Year 2018**

	Amount	Percentage
Sources of Income:		
State Formula Aid	\$ 21,433,320	23.11%
Property Taxes	38,941,390	41.98%
Federal and State Categorical Grants	30,915,276	33.33%
Charges for Services	953,888	1.03%
Other	509,169	0.55%
	<u>\$ 92,753,043</u>	<u>100.00%</u>

The total cost of all programs and services was \$92,623,834. The District's expenses are predominantly related to instructing, caring for (pupil services) and transporting students (80.75 percent). (See Figure A-6). The District's administrative and maintenance and operations costs accounted for 15.58 percent of total costs. It is important to remember that \$1,725,369 in depreciation is included in expenses for the year.

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**Figure A-6
Sources of School District Expenses - Fiscal Year 2018**

Expense Category:	<u>Amount</u>	<u>Percentage</u>
Instruction	\$ 50,941,452	55.00%
Pupil and Instruction Services	18,863,615	20.37%
Administrative and Business	7,138,295	7.70%
Maintenance and Operations	7,298,413	7.88%
Transportation	4,981,215	5.38%
Other	3,400,844	3.67%
	<u>\$ 92,623,834</u>	<u>100.00%</u>

Governmental Activities

As discussed elsewhere in this commentary, the financial position of the District declined. 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/ continued 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 past several years and is expected to increase only slightly for the 2017-2018 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 expenses 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 expenses carefully. Increasing parental and student demands for new activities and programs must be evaluated thoroughly. District resources are at their tightest level in a decade.

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

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

	Total Costs of Services		Net Cost of Services	
	2017/2018	2016/2017	2017/2018	2015/2016
Instruction	\$ 50,941,452	\$ 49,106,604	\$ 29,207,156	\$ 29,287,632
Pupil and Instruction Services	18,863,615	18,789,933	13,724,605	13,880,442
Administrative and Business	7,138,295	7,344,406	5,439,070	5,770,349
Maintenance and Operations	7,298,413	8,133,089	7,298,413	8,133,089
Transportation	4,981,215	5,225,519	2,751,390	3,009,958
Other	2,334,002	2,301,230	2,334,002	2,301,230
	<u>\$ 91,556,992</u>	<u>\$ 90,900,781</u>	<u>\$ 60,754,636</u>	<u>\$ 62,382,700</u>

- The cost of all governmental activities this year was \$91.56 million.
- The federal and state governments subsidized certain programs with grants and contributions of \$46.36 million.
- Approximately \$38.94 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 \$17,740, (Refer to Figure A-4). Factors contributing to these results included:

- Food service revenues exceeded expenses by \$17,740, accounting for all of the increase in the net position of the business-type activities.
- This increase was primarily a result of 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 District's 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 was 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.

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Capital Asset and Long- Term Liabilities Administration

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

	Government Activities		Business-Type Activities		Total School District		Total Percentage Change
	2017/2018	2016/2017	2017/2018	2016/2017	2017/2018	2016/2017	
Land	\$ 1,935,348	\$ 1,935,348			\$ 1,935,348	\$ 1,935,348	0.00%
Site Improvements	491,760	532,345			491,760	532,345	-7.62%
Building and Building Improvements	22,531,406	23,834,618			22,531,406	23,834,618	-5.47%
Machinery and Equipment	1,715,485	1,705,663	\$ 188,268	\$ 178,628	1,903,753	1,884,291	1.03%
Total Capital Assets (Net)	\$26,673,999	\$28,007,974	\$ 188,268	\$ 178,628	\$26,862,267	\$28,186,602	-4.70%

- The change in Capital Assets is a result of the acquisition of assets net of deletions and related accumulated depreciation, in the amount of \$391,394 offset by depreciation expense of \$1,725,369.

Long-term Liabilities

At year-end, the District had a net of \$9,375,000 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
	2017/2018	2016/2017	
School Bonds (including energy savings)	\$ 9,375,000	\$ 11,200,000	-16.29%
Net Pension Liability	18,899,768	24,982,639	-24.35%
Other Long-Term Liabilities	2,538,053	2,679,470	-5.28%
	\$ 30,812,821	\$ 38,862,109	-20.71%

- The District retired \$1,825,000 of debt.
- Compensated absences payable decreased by a net amount of \$105,242.
- The District has \$127,010 in outstanding capital leases and paid down \$159,639 during the year.
- The District had a net decrease of \$6,082,871 in net pension liability.
- The District has \$317,694 of unamortized bond premium outstanding at year end and amortized \$35,299 during the year.

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Factors Bearing on the District's Future

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

- A5 – known as School District Accountability. This new law, approved by the Governor on March 15, 2007 provides for various school district accountability measures.
- A1 – known as Tax Levy CAP. This new law, approved by the Governor on April 3, 2007 originally established a 4% cap on tax levy increases and is currently at an allowable 2% increase, changes the accounting/transfers for and expands the number of permitted fund balance reserves.
- A4 – known as CORE. This new law, approved by the Governor on April 3, 2007 implements CORE proposals and the primary focus of this new law is to establish uniform shared services and consolidation through the use of new “Executive County Superintendent”.
- The continued impact of S1701 legislation. S1701, adopted by the State of New Jersey on June 17, 2004, places limits on the School's ability to transfer funds into capital reserve for the construction and maintenance of school facilities, the ability to transfer available balance as needed and the ability to transfer available funds between appropriation accounts. Taking away the option of transferring available funds during the budget year will severely impact our ability to maintain and improve our facilities.
- 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.
- Due to attrition of retiring staff members, along with a declining enrollment, the number of employees is less.
- The Board of Education sold two administrative buildings for a total one-time revenue of \$335,000
- The Board of Education decided to budget \$200,000 of their fund balance to offset costs related to security.
- The Board was informed in early July 2018, that approximately \$1,000,000 of State Aid would be reduced from the 2018-2019 budget

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 625 Route 517, P.O. Box 99, Vernon, NJ 07462.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

VERNON TOWNSHIP SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS:</u>			
Cash and Cash Equivalents	\$ 1,386,799	\$ 319,203	\$ 1,706,002
Receivables from Federal Government	179,967	24,974	204,941
Receivables from State Government	822,797	853	823,650
Receivables from Other Governments	24,516		24,516
Other Accounts Receivable	410		410
Inventory		20,897	20,897
Restricted Assets:			
Capital Reserve - Cash and Cash Equivalents	666,376		666,376
Maintenance Reserve - Cash and Cash Equivalents	2,470		2,470
Capital Assets:			
Sites (Land)	1,935,348		1,935,348
Depreciable Site Improvements, Building and Building Improvements and Machinery and Equipment	24,738,651	188,268	24,926,919
Total Assets	<u>29,757,334</u>	<u>554,195</u>	<u>30,311,529</u>
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>			
Deferred Amount on Refunding	203,206		203,206
Deferred Outflow Related to Pensions	5,333,103		5,333,103
Total Deferred Outflows of Resources	<u>5,536,309</u>		<u>5,536,309</u>
<u>LIABILITIES:</u>			
Accounts Payable	67,814	74,421	142,235
Payable to State Government	772,714		772,714
Unearned Revenue	1,270	4,239	5,509
Noncurrent Liabilities:			
Due Within One Year, Net	1,892,052		1,892,052
Due Beyond One Year, Net	28,920,769		28,920,769
Total Liabilities	<u>31,654,619</u>	<u>78,660</u>	<u>31,733,279</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>			
Deferred Inflow Related to Pensions	4,663,610		4,663,610
Total Deferred Inflows of Resources	<u>4,663,610</u>		<u>4,663,610</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	17,375,195	188,268	17,563,463
Restricted for:			
Capital Projects	666,376		666,376
Other Purposes	1,324,453		1,324,453
Unrestricted/(Deficit)	<u>(20,390,610)</u>	<u>287,267</u>	<u>(20,103,343)</u>
Total Net Position	<u>\$ (1,024,586)</u>	<u>\$ 475,535</u>	<u>\$ (549,051)</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, 2018

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:						
Instruction:						
Regular	\$ 38,605,743		\$ 13,852,350	\$ (24,753,393)		\$ (24,753,393)
Special Education	10,404,348	\$ 223,277	7,058,202	(3,122,869)		(3,122,869)
Other Instruction	919,284		600,467	(318,817)		(318,817)
School -Sponsored Instruction	1,012,077			(1,012,077)		(1,012,077)
Support Services:						
Tuition	2,078,649			(2,078,649)		(2,078,649)
Student and Instruction Related Services	16,784,966		5,139,010	(11,645,956)		(11,645,956)
General Administration Services	1,574,880		403,520	(1,171,360)		(1,171,360)
School Administration Services	4,132,709		876,317	(3,256,392)		(3,256,392)
Central Services	1,280,554		419,388	(861,166)		(861,166)
Administrative Information Technology	150,152			(150,152)		(150,152)
Plant Operations and Maintenance	7,298,413			(7,298,413)		(7,298,413)
Pupil Transportation	4,981,215		2,229,825	(2,751,390)		(2,751,390)
Interest on Long-Term Debt	180,405			(180,405)		(180,405)
Unallocated Depreciation	1,458,473			(1,458,473)		(1,458,473)
Capital Outlay	45,716			(45,716)		(45,716)
Transfer to Charter School	649,408			(649,408)		(649,408)
Total Governmental Activities	91,556,992	223,277	30,579,079	(60,754,636)		(60,754,636)
Business-Type Activities:						
Food Service	1,066,842	730,611	336,197		\$ (34)	(34)
Total Business-Type Activities	1,066,842	730,611	336,197		(34)	(34)
Total Primary Government	92,623,834	953,888	30,915,276	(60,754,636)	(34)	(60,754,670)

VERNON TOWNSHIP SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-type Activities	Total
General Revenues:			
Taxes:			
Property Taxes, Levied for General Purposes, Net	\$ 37,904,067		\$ 37,904,067
Taxes Levied for Debt Service	1,037,323		1,037,323
Federal and State Aid not Restricted	21,433,320		21,433,320
Investment Earnings	13,160	\$ 558	13,718
Miscellaneous Income	478,235	17,216	495,451
Total General Revenue	60,866,105	17,774	60,883,879
Change in Net Position	111,469	17,740	129,209
Net Position/(Deficit) - Beginning	(1,136,055)	457,795	(678,260)
Net Position/(Deficit) - Ending	\$ (1,024,586)	\$ 475,535	\$ (549,051)

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, 2018

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<u>ASSETS:</u>					
Cash and Cash Equivalents	\$ 1,368,543			\$ 18,256	\$ 1,386,799
Interfund Receivable	192,227				192,227
Receivables From Federal Government		\$ 179,967			179,967
Receivables From State Government	801,626	21,171			822,797
Receivables From Other Governments	24,516				24,516
Other Accounts Receivables		410			410
Restricted Cash and Cash Equivalents	668,846				668,846
Total Assets	\$ 3,055,758	\$ 201,548	\$ -0-	\$ 18,256	\$ 3,275,562
<u>LIABILITIES AND FUND BALANCES:</u>					
Liabilities:					
Interfund Payable		\$ 192,227			\$ 192,227
Accounts Payable	\$ 64,850	2,964			67,814
Payable to State Government		5,087		\$ 18,256	23,343
Unearned Revenue		1,270			1,270
Total Liabilities	64,850	201,548	-0-	18,256	284,654
Fund Balances:					
Restricted for:					
Excess Surplus - 2019-2020	361,982				361,982
Excess Surplus - 2018-2019	960,001				960,001
Capital Reserve Account	666,376				666,376
Maintenance Reserve Account	2,470				2,470
Assigned for:					
Designated for Subsequent Year's Expenditures	335,318				335,318
Other Purposes	664,761				664,761
Total Fund Balances	2,990,908	-0-	-0-	18,256	2,990,908
Total Liabilities and Fund Balances	\$ 3,055,758	\$ 201,548	\$ -0-	\$ 18,256	

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 \$64,238,414 and the Accumulated Depreciation is \$37,564,415	\$ 26,673,999
Bond Issuance Premiums are reported as revenue in the Governmental Funds in the year the bonds are sold. The original amount for Refunding Bonds was \$423,591 and accumulated amortization is \$105,897.	(317,694)
The Deferred amount on the refunding is not reported as an expenditure in the governmental funds in the year of the expenditure.	203,206

VERNON TOWNSHIP SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

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.	\$ (18,899,768)
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 - Pension - 2014, 2015, 2016	3,807,652
Difference between Expected and Actual Experience	445,024
Investments in Gains - Pensions	128,695
Changes in Proportions - Pensions - 2016	202,361
Changes in Assumptions - Pensions - 2017	(3,793,692)
Changes in Proportions - Pensions - 2017, 2015, and 2014	(869,918)
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>(11,595,359)</u>
Net Position of Governmental Activities	<u><u>\$ (1,024,586)</u></u>

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

VERNON TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 37,904,067			\$ 1,037,323	\$ 38,941,390
Tuition	223,277				223,277
Miscellaneous	491,395	\$ 8,440			499,835
Total - Local Sources	38,618,739	8,440		1,037,323	39,664,502
State Sources	34,815,620	112,770		670,801	35,599,191
Federal Sources	90,429	1,133,957			1,224,386
Total Revenues	73,524,788	1,255,167		1,708,124	76,488,079
EXPENDITURES:					
Current:					
Regular Instruction	19,991,584	451,773			20,443,357
Special Education Instruction	4,781,337	795,807			5,577,144
Other Special Instruction	80,250				80,250
School-Sponsored/Other Instruction	1,003,947				1,003,947
Support Services and Undistributed Costs:					
Tuition	2,078,649				2,078,649
Student and Other Instruction Related Services	9,219,801				9,219,801
General Administration Services	1,030,162				1,030,162
School Administration Services	2,455,326				2,455,326
Central Services	711,164				711,164
Administrative Information Technology	102,195				102,195
Plant Operations and Maintenance	6,005,328				6,005,328
Student Transportation	4,942,287				4,942,287
Unallocated Benefits	20,246,550				20,246,550
Debt Service:					
Principal				1,515,000	1,515,000
Interest and Other Charges				193,125	193,125
Capital Outlay	461,276	7,587			468,863
Transfer of Funds to Charter School	649,408				649,408
Total Expenditures	73,759,264	1,255,167		1,708,125	76,722,556
Excess/(Deficit) of Revenue Over/(Under) Expenditures	(234,476)			(1)	(234,477)
OTHER FINANCING SOURCES/(USES):					
Capital Leases	158,763				158,763
Total Other Financing Sources/(Uses)	158,763				158,763
Net Change in Fund Balances	(75,713)			(1)	(75,714)
Fund Balance - July 1	3,066,621			1	3,066,622
Fund Balance - June 30	<u>\$ 2,990,908</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 2,990,908</u>

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

VERNON TOWNSHIP SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2) \$ (75,714)

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	\$ (1,725,369)	
	Capital outlays, net of deletions	391,394	
			(1,333,975)

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 (+).

105,242

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

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.

159,639

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.

(22,579)

Lease obligations are other financing sources in the Governmental Funds, but the obligations increase Long-term Liabilities in the Statement of Net Position and are not reported in the Statement of Activities.

(158,763)

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	6,082,871
Deferred Outflows:	
Changes in Assumptions - 2014, 2015, 2016	(1,367,416)
Difference between Actual and Expected Experience	(19,577)
Change in Proportions - 2016	(56,685)
Net Difference between projected and actual investment earnings on Pension Plan Investments	(823,915)
Deferred Inflows:	
Change in Proportions - 2014, 2015, and 2017	(444,266)
Changes in Assumptions - 2017	(3,793,692)

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. (+)

35,299

\$ 111,469

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

VERNON TOWNSHIP SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	Business-type Activities - Enterprise Funds Food Service
<u>ASSETS:</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 319,203
Intergovernmental Accounts Receivable:	
State	853
Federal	24,974
Inventories	20,897
Total Current Assets	365,927
Non-Current Assets:	
Capital Assets	611,791
Less: Accumulated Depreciation	(423,523)
Total Non-Current Assets	188,268
Total Assets	554,195
<u>LIABILITIES:</u>	
Accounts Payable - Vendors	74,421
Unearned Revenue	4,239
Total Liabilities	78,660
<u>NET POSITION:</u>	
Investment in Capital Assets	188,268
Unrestricted	287,267
Total Net Position	\$ 475,535

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

VERNON TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Business-type Activities - Enterprise Funds
	Food Service
Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 403,571
Daily Sales - Non-Reimbursable Programs	291,110
Special Events	35,930
Miscellaneous Revenue	17,216
Total Operating Revenue	747,827
Operating Expenses:	
Cost of Sales - Reimbursable Programs	325,815
Cost of Sales - Non-Reimbursable Programs	48,685
Salaries, Benefits & Payroll Taxes	386,165
Supplies, Insurance & Other Costs	161,277
Management Fee	131,093
Depreciation Expense	13,807
Total Operating Expenses	1,066,842
Operating Loss	(319,015)
Non-Operating Revenue:	
Local Sources:	
Interest Earnings	558
State Sources:	
State School Lunch Program	8,966
Federal Sources:	
National School Lunch Program	220,880
Special Milk Program	247
School Breakfast Program	31,060
Food Distribution Program	75,044
Total Non-Operating Revenue	336,755
Change in Net Position	17,740
Net Position - Beginning of Year	457,795
Net Position - End of Year	\$ 475,535

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

VERNON TOWNSHIP SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Business-type Activities - Enterprise Funds Food Service
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 747,827
Payments to Food Service Contractor	(874,208)
Payments to Suppliers	(77,723)
Net Cash Used for Operating Activities	(204,104)
Cash Flows from Capital and Related Financing Activities:	
Purchases of Capital Assets	(23,447)
Net Cash Used for Capital and Related Financing Activities	(23,447)
Cash Flows from Noncapital Financing Activities:	
State Sources	8,682
Federal Sources	247,375
Net Cash Provided by Noncapital Financing Activities	256,057
Cash Flows from Investing Activities:	
Interest Income	558
Net Cash Provided by Investing Activities	558
Net Increase in Cash and Cash Equivalents	29,064
Cash and Cash Equivalents, July 1	290,139
Cash and Cash Equivalents, June 30	\$ 319,203
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (319,015)
Adjustment to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	13,807
Food Distribution Program	75,044
Changes in Assets and Liabilities:	
Decrease in Inventory	13,465
Increase in Accounts Payable	16,027
(Decrease) in Unearned Revenue	(3,432)
Net Cash Used for Operating Activities	\$ (204,104)

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 \$71,612 and Utilized Commodities Valued at \$75,044.

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

VERNON TOWNSHIP SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2018

	<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	\$ 790,903	\$ 173,597	\$ 89,275	\$ 19,177
Total Assets	<u>\$ 790,903</u>	<u>\$ 173,597</u>	<u>\$ 89,275</u>	<u>\$ 19,177</u>
<u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	\$ 504,834			
Due to Student Groups	286,069			
Total Liabilities	<u>790,903</u>			
<u>NET POSITION:</u>				
Restricted for Unemployment Claims		\$ 173,597		
Restricted for Flexible Spending Claims				\$ 19,177
Restricted for Scholarships			\$ 89,275	
Total Net Position	<u>\$ -0-</u>	<u>\$ 173,597</u>	<u>\$ 89,275</u>	<u>\$ 19,177</u>

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

VERNON TOWNSHIP SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Unemployment Compensation Trust	Private Purpose Scholarship Trust	Flexible Spending Trust
Additions:			
Contributions:			
Plan Members	\$ 103,200		\$ 21,130
Donations		\$ 10,957	
Total Contributions	103,200	10,957	21,130
Investment Earnings:			
Interest	338	179	37
Net Investment Earnings	338	179	37
Total Additions	103,538	11,136	21,167
Deductions:			
Unemployment Claims	104,402		
Flexible Spending Claims			21,361
Administrative Charges			660
Scholarships Awarded		15,801	
Total Deductions	104,402	15,801	22,021
Change in Net Position	(864)	(4,665)	(854)
Net Position - Beginning of the Year	174,461	93,940	20,031
Net Position - End of the Year	\$ 173,597	\$ 89,275	\$ 19,177

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, 2018

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 ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. (3). The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. 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.

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

B. Basis of Presentation: (Cont'd)

District-Wide Financial Statements: (Cont'd)

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.

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.

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

B. Basis of Presentation: (Cont'd)

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.

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, 2018
(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 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	\$ 73,475,298	\$ 1,326,796
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		(85,584)
Prior Year Encumbrances, Net of Cancellations		13,955
Prior Year State Aid Payments Recognized for GAAP Statements	2,489,809	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(2,440,319)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	\$ 73,524,788	\$ 1,255,167

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(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	\$ 73,759,264	\$ 1,326,796
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		(85,584)
Prior Year Encumbrances, Net of Cancellations		13,955
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 73,759,264	\$ 1,255,167

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.

The District generally records investments at fair value and records the unrealized gains and losses as part of investment income. Fair value is the price that would be received to sell an investment in an orderly transaction between market participants at the measurement date. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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

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

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

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.

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, 2018.

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

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 acquisition value. The cost of normal maintenance and repairs is not capitalized. The District does not possess any infrastructure. Capital assets have been reviewed for impairment.

The capitalization threshold (the dollar value above which asset acquisitions are added to the capital asset accounts) is \$2,000. The depreciation method is straight-line.

The estimated useful lives of capital assets reported in the District-wide statements and proprietary funds are as follows:

	<u>Estimated Useful Life</u>
Buildings and Building Improvements	50 years
Site Improvements	20 years
Machinery 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, 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, 2018.

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

N. Compensated Absences:

The District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by GASB 16. 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.

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 \$2,990,998 General Fund fund balance at June 30, 2018, \$664,761 is assigned for year-end encumbrances; \$335,318 is assigned and has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2019, which is \$1,124,682 less than on a budgetary basis due to the final two state aid payments; \$666,376 is restricted in the capital reserve account; \$2,470 is restricted in the maintenance reserve account; \$1,321,983 is restricted for excess surplus in accordance with N.J.S.A. 18A:7F-7 as amended by P.L. 2004, C.73 (S1701) (\$960,001 of prior year excess surplus has been appropriated and included as anticipated revenue for the fiscal year ending June 30, 2019; \$361,982 of current year excess surplus will be appropriated and included as anticipated revenue for the fiscal year ending June 30, 2020); and \$-0- is unassigned fund balance, which is \$1,315,637 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, 2019.

Debt Service Fund: The Debt Service Fund has \$-0- of fund balance at June 30, 2018.

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 \$1,321,983 in excess surplus as detailed above.

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

P. Fund Balance Appropriated: (Cont'd)

Unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis in the amount of \$1,315,637; 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 \$1,124,682 as of June 30, 2018 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.

Q. Deficit Net Position

The District has a deficit in unrestricted net position from governmental activities in the amount of \$20,390,610. This is primarily due to \$18,899,768 of net pension liability. 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, 2018 for the deferred amount on refunding of debt related to the District's 2015 refunding bonds, difference in expected and actual – pensions, changes in assumptions in pensions, changes in proportion in pension and the net difference between projected, and actual investments earnings on pension plan investments, and the District contribution subsequent to measurement date for pensions.

The District had deferred inflows of resources at June 30, 2018 for the changes in proportion in pension and changes in assumptions in pensions.

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.

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

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

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

S. Fund Balance Restrictions, Commitments and Assignments:

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

Fund balance restrictions have been established for excess surplus, a capital reserve, and a maintenance reserve at June 30, 2018.

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, 2018.

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 2018/2019 budget in the General Fund on a budgetary basis at June 30, 2018.

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.

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

T. Revenue - Exchange and Nonexchange Transactions: (Cont'd)

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

U. Operating Revenue and Expenses:

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

V. Management Estimates:

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

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.

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.

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

GASB 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 below and on the following page.

Custodial Credit Risk – The District's policy with respect to custodial credit risk requires that the District ensures that District funds are only deposited in financial institutions in which NJ school districts are permitted to invest their funds.

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;

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

Investments: (Cont'd)

- (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 of the school district or bonds or other obligations of the local unit or units within which the school district is located.
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law", P.L. 1983, c.313 (C.40A:5A-1 et seq.). Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Investment in the Department of the Treasury for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); or
- (8) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a. or are bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the requirements of the "Local Authorities Fiscal Control Law," P.L. 1983, c. 313 (C.40A:5A-1 et seq.). ;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41); and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed; or
- (9) Deposit of funds in accordance with the following conditions:
 - (a) The funds are initially invested through a public depository as defined in section 1 of P.L. 1970, c. 236 (C.17:9-41) designated by the school district;
 - (b) The designated public depository arranges for the deposit of the funds in deposit accounts in one or more federally insured banks, savings banks or savings and loan associations or credit unions for the account of the school district;

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

Investments: (Cont'd)

- (c) 100 percent of the principal and accrued interest of each deposit is insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund;
- (d) The designated public depository acts as custodian for the school district with respect to these deposits; and
- (e) On the same date that the school district's funds are deposited pursuant to subparagraph (b) of this paragraph, the designated public depository receives an amount of deposits from customers of other financial institutions, wherever located, equal to the amounts of funds initially invested by the school district through the designated public depository.

As of June 30, 2018, cash and cash equivalents of the District consisted of the following:

	Cash and Cash Equivalents	<u>Restricted Cash and Cash Equivalents</u>		Total
		Capital Reserve Account	Maintenance Reserve Account	
Checking Accounts	\$ 2,778,954	\$ 666,376	\$ 2,470	\$ 3,447,800
	<u>\$ 2,778,954</u>	<u>\$ 666,376</u>	<u>\$ 2,470</u>	<u>\$ 3,447,800</u>

During the period ended June 30, 2018, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2018, was \$3,447,800 and the bank balance was \$4,794,624.

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 4. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2018 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	32,150		1,469,837
Buildings and Building Improvements	56,553,858	82,527		56,636,385
Machinery and Equipment	3,982,886	276,717	\$ (62,759)	4,196,844
Total Capital Assets Being Depreciated	<u>61,974,431</u>	<u>391,394</u>	<u>(62,759)</u>	<u>62,303,066</u>
Governmental Activities Capital Assets	<u>63,909,779</u>	<u>391,394</u>	<u>(62,759)</u>	<u>64,238,414</u>
Less Accumulated Depreciation for:				
Site Improvements	(905,342)	(72,735)		(978,077)
Buildings and Building Improvements	(32,719,240)	(1,385,739)		(34,104,979)
Machinery and Equipment	(2,277,223)	(266,895)	62,759	(2,481,359)
	<u>(35,901,805)</u>	<u>(1,725,369)</u>	<u>62,759</u>	<u>(37,564,415)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 28,007,974</u>	<u>\$ (1,333,975)</u>	<u>\$ -0-</u>	<u>\$ 26,673,999</u>
Business Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 588,344	\$ 23,447		\$ 611,791
Less Accumulated Depreciation	<u>(409,716)</u>	<u>(13,807)</u>		<u>(423,523)</u>
Business Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 178,628</u>	<u>\$ 9,640</u>	<u>\$ -0-</u>	<u>\$ 188,268</u>
Depreciation expense was charged to governmental functions as follows:				
Regular Instruction				\$ 96,800
Special Education				1,699
Other Instruction				23,799
Student and Instruction Related Services				8,130
School Administration				123,840
Operations and Maintenance of Plant				12,628
Unallocated				<u>1,458,473</u>
				<u>\$ 1,725,369</u>

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(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, 2017 to June 30, 2018 fiscal year is as follows:

Beginning Balance, July 1,	\$ 665,060
Add:	
Interest Earnings	1,316
	\$ 666,376
Ending Balance, June 30,	

The June 30, 2018 LRFP balance of local support costs of uncompleted capital projects at June 30, 2018 exceeds the balance in the capital reserve account as of June 30, 2018.

NOTE 6. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2018, the following changes occurred in liabilities reported in the District-wide financial statements:

	Beginning Balance	Accrued	Retired	Ending Balance
Serial Bonds Payable	\$ 11,200,000		\$ 1,825,000	\$ 9,375,000
Capital Leases Payable	127,886	\$ 158,763	159,639	127,010
Net Pension Liability	24,982,639		6,082,871	18,899,768
Unamortized Bond Premium	352,993		35,299	317,694
Compensated Absences Payable	2,198,591	6,482	111,724	2,093,349
	\$ 38,862,109	\$ 165,245	\$ 8,214,533	\$ 30,812,821

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, 2018
 (CONTINUED)

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

A. Bonds Payable: (Cont'd)

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 2026. 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.

The District had serial bonds outstanding as of June 30, 2018 as follows:

	<u>Issue Dates</u>	<u>Interest Rates</u>	<u>Final Date of Maturity</u>	<u>Balance 6/30/2018</u>
School Refunding Bonds	09/15/15	3.00-4.00%	12/01/26	\$ 4,715,000
Energy Savings Obligation Refunding Bonds	07/19/12	3.00%-4.00%	07/15/27	4,660,000
				<u>\$ 9,375,000</u>

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

A. Bonds Payable: (Cont'd)

Principal and interest due on bonds outstanding are as follows:

Year	Serial Bonds		Total	Energy Savings Obligation Refunding Bonds		Total
	Principal	Interest		Principal	Interest	
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	305,000	50,025	355,025	420,000	121,225	541,225
2023	305,000	40,875	345,875	445,000	103,926	548,926
2024-2028	1,210,000	73,200	1,283,200	2,715,000	238,612	2,953,612
	<u>\$ 4,715,000</u>	<u>\$ 458,400</u>	<u>\$ 5,173,400</u>	<u>\$ 4,660,000</u>	<u>\$ 910,063</u>	<u>\$ 5,570,063</u>

B. Bonds Authorized But Not Issued:

As of June 30, 2018, the Board had no bonds authorized but not issued.

C. Capital Leases Payable:

The District is leasing musical equipment under a capital lease valued at \$158,763 of which \$31,753 has been amortized. The capital lease are for term 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, 2018.

<u>Year</u>	<u>Amount</u>
2019	\$ 37,564
2020	35,819
2021	33,956
2022	31,971
	<u>139,310</u>
Less: Amount Representing Interest	<u>(12,300)</u>
Present Value Net of Minimum Lease Payments	<u>\$ 127,010</u>

The current portion of capital leases payable at June 30, 2018 is \$31,753 and the long term portion is \$95,257 . 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 \$2,093,349. There is no current portion.

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

D. Compensated Absences: (Cont'd)

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, 2018, 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. Unamortized Bond Premium

The unamortized bond issuance premium of the governmental fund types is recorded in the noncurrent liabilities. The current portion of the unamortized bond issuance premium balance of the governmental funds is \$35,299 and is separated from the long-term liability balance of \$282,395.

F. 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, 2018 is \$-0- and the long-term portion is \$18,899,768. See Note 8 for further information on the PERS.

NOTE 7. PENSION PLANS

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey; 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.nj.gov/treasury/pensions/financial-reports.shtml.

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 7. PENSIONS PLANS (CONT'D)

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

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:

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

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 with 25 or more years of service credit before age 62 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. 43:15A 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 \$773,643 for fiscal year 2018.

The employee contribution rate was 7.34% effective July 1, 2017. 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.

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 7. PENSIONS PLANS (CONT'D)

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

Pension Liabilities and Pension Expense

At June 30, 2018, the District reported a liability of \$18,899,768 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. 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, 2017, the District's proportion was 0.0812%, which was a decrease of 0.032% from its proportion measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the District recognized pension expense of \$1,174,817. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Year of Deferral</u>	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	2014	6.44	\$ 214,398	
	2015	5.72	903,101	
	2016	5.57	2,690,152	
	2017	5.48		\$ 3,793,692
Difference Between Expected and Actual Experience	2015	5.72	250,561	
	2016	5.57	81,639	
	2017	5.48	112,824	
Changes in Proportion	2014	6.44		157,518
Changes in Proportion	2015	5.72		148,850
Changes in Proportion	2016	5.57	202,361	
	2017	5.48		563,550
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2014	5.00	(226,474)	
	2015	5.00	193,196	
	2016	5.00	810,044	
	2017	5.00	(648,070)	
District Contribution Subsequent to the Measurement Date	2017	1.00	<u>749,371</u>	
			<u>\$ 5,333,103</u>	<u>\$ 4,663,610</u>

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

Pension Liabilities and Pension Expense (Cont'd)

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
2018	\$ 444,920
2019	671,393
2020	406,830
2021	(541,085)
2022	(394,379)
	\$ 587,679

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions:

Inflation Rate	2.25%
Salary Increases:	
Through 2026	1.65 – 4.15% based on age
Thereafter	2.65 – 5.15% based on age
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward one year for females).

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. 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.

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2017) 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 method 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, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Market Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 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 contribution rate in the most recent fiscal year.

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

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

Discount Rate (Cont'd)

The local employers contributed 100% of their 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 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, 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, 2017 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:

	June 30, 2017		
	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
District's proportionate share of the Net Pension Liability	\$ 23,446,445	\$ 18,899,768	\$ 15,111,823

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.nj.gov/treasury/pensions/financial-reports.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:

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

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

Benefits Provided (Cont'd)

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

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 2018, the State's pension contribution was less than the actuarial determined amount.

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers, such as the District. This note discloses the portion of the District's total proportionate share of the net pension liability that is associated with the District. During the fiscal year ended 2018, the State of New Jersey contributed \$4,235,170 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$13,771,049.

The employee contribution rate was 7.34% effective July 1, 2017. 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, 2018, the State's proportionate share of the net pension liability associated with the District was \$198,788,337. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. 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, 2017, the District's proportion was 0.295%, which was an increase of 0.0008% from its proportion measured as of June 30, 2016.

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 7. 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)

District's Proportionate Share of the Net Pension Liability	\$	-0-
State's Proportionate Share of the Net Pension Liability Associated with the District		<u>198,788,337</u>
Total	\$	<u><u>198,788,337</u></u>

For the fiscal year ended June 30, 2018, the State recognized pension expense on behalf of the District in the amount of \$13,771,048 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2018 financial statements.

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

	Year of Deferral	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2014	8.5	\$ 1,383,974,317	
	2015	8.3	3,776,126,119	
	2016	8.3	8,218,154,928	
	2017	8.3		\$ 11,684,858,458
			<u>13,378,255,364</u>	<u>11,684,858,458</u>
Difference Between Expected and Actual Experience	2014	8.5		\$ 13,181,413
	2015	8.3	233,218,057	
	2016	8.3		102,199,790
	2017	8.3	207,898,332	
			<u>441,116,389</u>	<u>115,381,203</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2014	5	(435,309,142)	
	2015	5	385,284,122	
	2016	5	1,295,565,574	
	2017	5	(904,033,050)	
			<u>341,507,504</u>	
		<u>\$ 14,160,879,257</u>	<u>\$ 11,800,239,661</u>	

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 7. 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)

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
2018	\$ 740,341,056
2019	1,175,650,200
2020	983,008,137
2021	551,152,948
2022	624,850,883
Thereafter	(1,714,363,628)
	\$ 2,360,639,596

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.25%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.00%

Pre-retirement, post-retirement and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60 years average of Social Security data from 1953 to 2013.

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2017) 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 method 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.

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return (Cont'd)

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, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Allocation</u>	<u>Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Market Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 4.25% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 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 contribution rate in the most recent fiscal year. The State contributed 40% of the actuarially determined contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2036. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2036, 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, 2018
(Continued)

NOTE 7. 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, 2017 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:

	June 30, 2017		
	At 1% Decrease (3.25%)	At Current Discount Rate (4.25%)	At 1% Increase (5.25%)
State's Proportionate Share of the Net			
Pension Liability Associated with the District	\$ 236,166,761	\$ 198,788,337	\$ 167,995,800

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 \$59,532 for the fiscal year ended June 30, 2018. Employee contributions to DCRP amounted to \$95,797 for the fiscal year ended June 30, 2018.

NOTE 8. 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.

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 8. RISK MANAGEMENT (Cont'd)

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, 2018 was not available as of the date of this report. Selected, summarized financial information for the Fund as of June 30, 2017 is as follows:

	<u>School Alliance Insurance Fund</u>
Total Assets	\$ 41,637,320
Net Position	\$ 10,127,373
Total Revenue	\$ 41,896,275
Total Expenses	\$ 41,231,917
Change in Net Position	\$ 664,358
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:

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 8. RISK MANAGEMENT (Cont'd)

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions and Interest</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2018	\$ -0-	\$ 103,538	\$ 104,402	\$ 173,597
2017	-0-	99,177	86,122	174,461
2016	-0-	109,403	78,287	161,406

NOTE 9. ECONOMIC DEPENDENCY

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

NOTE 10. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2018:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 192,227	
Special Revenue Fund		\$ 192,227
	<u>\$ 192,227</u>	<u>\$ 192,227</u>

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

NOTE 11. DEFERRED COMPENSATION

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

The plan administrators are as follows:

- 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.

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 12. TAX CALENDAR

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

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

NOTE 13. 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 \$7,490,000 School Refunding Bonds dated April 1, 2005. The amount of liability at June 30, 2018, if any, is unknown.

Encumbrances

At June 30, 2018, 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
\$ 664,761	\$ 85,586	\$ 750,347

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 13. COMMITMENTS AND CONTINGENCIES (Cont'd)

On the District's Governmental Funds Balance Sheet as of June 30, 2018, \$-0- is assigned for year-end encumbrances in the Special Revenue Fund, which is \$85,586 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 unearned revenue.

NOTE 14. ACCOUNTS PAYABLE

	<u>Governmental Funds</u>			<u>District Contribution Subsequent to the Measurement Date</u>	<u>Total Governmental Activities</u>	<u>Business-Type</u>
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>			<u>Proprietary Funds</u>
State of New Jersey		\$ 5,087	\$ 18,256	\$ 749,371	\$ 772,714	
Vendors	\$ 64,850	2,964			67,814	\$ 74,421
	<u>\$ 64,850</u>	<u>\$ 8,051</u>	<u>\$ 18,256</u>	<u>\$ 749,371</u>	<u>\$ 840,528</u>	<u>\$ 74,421</u>

NOTE 15. TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2018, the District transferred \$104,801 to capital outlay accounts. The transfer of \$99,124 was made for equipment and therefore did not require approval from the County Superintendent. The transfer of \$5,677, was required for additional lease purchase agreement and required County Superintendent approval, see management report.

NOTE 16. 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.

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 16. MAINTENANCE RESERVE ACCOUNT (Cont'd)

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, 2017	\$ 40,470
Budgeted Withdrawal	<u>(38,000)</u>
Ending Balance, June 30, 2018	<u>\$ 2,470</u>

NOTE 17. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund)

General Information about the OPEB Plan

Plan Description and Benefits Provided

The District is in a “special funding situation”, as described in GASB Statement No. 75, in that OPEB contributions and expenses are legally required to be made by and are the sole responsibility of the State of New Jersey, not the District.

The State of New Jersey reports a liability as a result of its statutory requirements to pay other post-employment (health) benefits for the State Health Benefit Local Education Retired Education Plan. The State Health Benefit Local Education Retired Employees Plan is a multiple-employer defined benefit OPEB plan that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The State Health Benefits Local Education Retired Employees Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

The employer contributions for the participating local education employers are legally required to be funded by the State of New Jersey in accordance with N.J.S.A. 52:14-17.32f. According to N.J.S.A. 52:14-17.32f, the State provides employer-paid coverage to employees who retire from a board of education or county college with 25 years or more of service credit in, or retires on a disability pension from, one or more of the following plans: the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS), the Police and Firemen Retirement System (PFRS), or the Alternate Benefit Program (ABP). Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 years or more of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

The total nonemployer OPEB liability does not include certain other postemployment benefit obligations that are provided by the local education employers. The reporting of these benefits, if any, is the responsibility of the individual education employers.

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 17. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

Employees Covered by Benefit Terms

At June 30, 2016, the plan membership consisted of the following:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	142,331
Active Plan Members	<u>223,747</u>
Total	<u><u>366,078</u></u>

Total Nonemployer OPEB Liability

The total nonemployer OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. The total nonemployer OPEB liability as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2016.

Actuarial Assumptions and Other Inputs

The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

	<u>TPAF/ABP</u>	<u>PERS</u>	<u>PFRS</u>
Salary Increases:			
Through 2026	1.55 - 4.55%	2.15 - 4.15%	2.10 - 8.98%
	based on years of service	based on age	based on age
Thereafter	2.00 - 5.45%	3.15 - 5.15%	3.10 - 9.98%
	based on years of service	based on age	based on age

Preretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using MP-2017 scale. Postretirement mortality rates were based on the RP-2014 Headcount-Weighted Health Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2014 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies for the periods July 1, 2012 – June 30, 2015, July 1, 2010 – June 30, 2013, and July 1, 2011 – June 30, 2014 for TPAF, PFRS and PERS, respectively.

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30,2018
(Continued)

NOTE 17. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) medical benefits, this amount initially is 5.9% and decreases to a 5.0% long term trend rate after nine years. For self-insured post 65 PPO medical benefits, the trend rate is 4.5%. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long term rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% and decreases to a 5.0% long term rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount Rate

The discount rate for June 30, 2017 and 2016 was 3.58% and 2.85%, respectively. This represents the municipal bond rate as chosen by the State of New Jersey Division of Pensions and Benefits. The source is 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.

Changes in the State's Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2016	\$ 57,831,784,184
Changes for Year:	
Service Cost	2,391,878,884
Interest on the Total OPEB Liability	1,699,441,736
Changes of Assumptions	(7,086,599,129)
Gross Benefit Payments by the State	(1,242,412,566)
Contributions from Members	45,748,749
Net Changes	(4,191,942,326)
Balance at June 30, 2017	\$ 53,639,841,858

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 17. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

Sensitivity of the Total Nonemployer OPEB Liability Attributable to the District to Changes in the Discount Rate

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2017 and 2016, respectively, calculated using the discount rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District 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:

	June 30, 2017		
	At 1%	At	At 1%
	Decrease (2.58%)	Discount Rate (3.58%)	Increase (4.58%)
Total OPEB Liability Attributable to the District	\$ 199,783,167	\$ 168,299,094	\$ 143,325,628
	June 30, 2016		
	At 1%	At	At 1%
	Decrease (1.85%)	Discount Rate (2.85%)	Increase (3.85%)
Total OPEB Liability Attributable to the District	\$ 218,521,642	\$ 182,402,145	\$ 153,971,471

Sensitivity of the Total Nonemployer OPEB Liability Attributable to the District to Changes in the Healthcare Trend Rate

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2017 and 2016, respectively, calculated using the healthcare trend rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2017		
	1%	Healthcare	1%
	Decrease	Cost Trend Rate	Increase
Total OPEB Liability Attributable to the District	\$ 138,409,735	\$ 168,299,094	\$ 207,991,811
	June 30, 2016		
	1%	Healthcare	1%
	Decrease	Cost Trend Rate	Increase
Total OPEB Liability Attributable to the District	\$ 149,666,039	\$ 182,402,145	\$ 226,167,200

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 17. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018 the District recognized OPEB expense of \$8,446,293 as determined by the State of New Jersey Division of Pensions and Benefits. This expense and the related offsetting revenue are for benefits provided by the State through a defined benefit OPEB plan that meets the criteria in GASB Statement 75, in which there is a special funding situation.

In accordance with GASB Statement 75, as the District's proportionate share of the OPEB liability is \$-0, there is no recognition of the allocation of the proportionate share of the deferred inflows and outflows of resources. At June 30, 2017 the State had deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Assumption Changes		\$ (6,343,769,032)
Contributions Made in Fiscal Year Ending 2018 After June 30, 2017 Measurement Date	\$ 1,190,373,242	
	\$ 1,190,373,242	\$ (6,343,769,032)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,	Total
2018	\$ (742,830,097)
2019	(742,830,097)
2020	(742,830,097)
2021	(742,830,097)
2022	(742,830,097)
Thereafter	(2,629,618,547)
	\$ (6,343,769,032)

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 FOUR FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,			
	2015	2016	2017	2018
District's proportion of the net pension liability	0.0843885458%	0.0827624379%	0.0843519868%	0.0811901478%
District's proportionate share of the net pension liability	\$ 15,799,844	\$ 18,578,509	\$ 24,982,639	\$ 18,899,768
District's covered employee payroll	\$ 5,778,084	\$ 5,770,861	\$ 5,649,904	\$ 5,473,727
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	252.80%	273.79%	328.83%	456.41%
Plan fiduciary net position as a percentage of the total pension liability	52.08%	47.93%	40.14%	48.10%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2016.

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

	Fiscal Year Ending June 30,			
	2015	2016	2017	2018
Contractually required contribution	\$ 695,687	\$ 711,535	\$ 776,271	\$ 773,643
Contributions in relation to the contractually required contribution	<u>(695,687)</u>	<u>(711,535)</u>	<u>(776,271)</u>	<u>(773,643)</u>
Contribution deficiency/(excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered employee payroll	\$ 5,779,904	\$ 5,778,084	\$ 5,770,861	\$ 5,649,904
Contributions as a percentage of covered employee payroll	12.04%	12.31%	13.45%	13.69%

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 STATE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY ATTRIBUTABLE TO THE DISTRICT
TEACHERS' PENSION AND ANNUITY FUND
LAST FOUR FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,			
	2015	2016	2017	2018
State's proportion of the net pension liability attributable to the District	0.3231557554%	0.3083771978%	0.2876495285%	0.2948349246%
State's proportionate share of the net pension liability attributable to the District	\$ 172,716,234	\$ 194,907,558	\$ 226,283,434	\$ 198,788,337
District's covered employee payroll	\$ 29,704,883	\$ 29,611,739	\$ 29,505,022	\$ 28,676,340
State proportionate share of the net pension liability attributable to the district as a percentage of its covered employee payroll	581.44%	658.21%	766.93%	693.21%
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71% #	22.33% #	25.41%

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 STATE CONTRIBUTIONS
TEACHERS' PENSION AND ANNUITY FUND
LAST FOUR FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,			
	2015	2016	2017	2018
Contractually required contribution	\$ 9,293,755	\$ 11,900,861	\$ 17,002,051	\$ 13,771,049
Contributions in relation to the contractually required contribution	<u>(1,657,302)</u>	<u>(2,303,034)</u>	<u>(3,200,356)</u>	<u>(4,235,170)</u>
Contribution deficiency/(excess)	<u>\$ 7,636,453</u>	<u>\$ 9,597,827</u>	<u>\$ 13,801,695</u>	<u>\$ 9,535,879</u>
District's covered employee payroll	\$ 29,705,360	\$ 29,704,883	\$ 29,611,739	\$ 29,505,022
Contributions as a percentage of covered employee payroll	5.58%	7.75%	10.81%	14.35%

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 CHANGES IN THE STATE'S TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST TWO FISCAL YEARS
UNAUDITED

	Fiscal Years Ending	
	<u>June 30, 2016</u>	<u>June 30, 2017</u>
Total OPEB Liability		
Service Cost	\$ 1,723,999,319	\$ 2,391,878,884
Interest Cost	1,823,643,792	1,699,441,736
Changes in Assumptions	8,611,513,521	(7,086,599,129)
Member Contributions	46,273,747	45,748,749
Gross Benefit Payments	<u>(1,223,298,019)</u>	<u>(1,242,412,566)</u>
Net Change in Total OPEB Liability	10,982,132,360	(4,191,942,326)
Total OPEB Liability - Beginning	<u>46,849,651,824</u>	<u>57,831,784,184</u>
Total OPEB Liability - Ending	<u>\$57,831,784,184</u>	<u>\$53,639,841,858</u>
State's Covered Employee Payroll *	\$13,493,400,208	\$13,493,400,208
Total OPEB Liability as a Percentage of Covered Employee Payroll	429%	398%

* - Covered payroll for the fiscal years ending June 30, 2016 and June 30, 2017 is based on the payroll on the June 30, 2016 census data.

Note: This schedule does not contain ten years of information as GASB No. 75 was implemented during the fiscal year ended June 30, 2018.

VERNON TOWNSHIP BOARD OF EDUCATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 3.98% as of June 30, 2016 to 5.00% as of June 30, 2017. The municipal bond rate changed from 2.85% to 3.58%. The long-term expected rate of return on pension plan investments changed from 7.65% to 7.00%.

The inflation rate changed from 3.08% as of June 30, 2016 to 2.25% as of June 30, 2017.

B. TEACHERS' PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 3.22% as of June 30, 2016 to 4.25% as of June 30, 2017. The municipal bond rate changed from 2.85% to 3.58%. The long-term expected rate of return on pension plan investments changed from 7.65% to 7.00%.

The inflation rate changed from 2.50% as of June 30, 2016 to 2.25% as of June 30, 2017.

C. STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES OPEN PLAN

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 2.85% as of June 30, 2016 to 3.58% as of June 30, 2017.

BUDGETARY COMPARISON SCHEDULES

VERNON TOWNSHIP BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

REVENUES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Local Sources:					
Local Tax Levy	\$ 37,904,067		\$ 37,904,067	\$ 37,904,067	
Tuition from Other LEAs	111,000		111,000	77,645	\$ (33,355)
Tuition from Individuals	90,000		90,000	145,632	55,632
Tuition from Other Sources					
Unrestricted Miscellaneous Revenues	37,000		37,000	491,395	454,395
Total - Local Sources	38,142,067		38,142,067	38,618,739	476,672
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	120,328		120,328	120,328	
Security Aid	326,271		326,271	326,271	
Adjustment Aid	4,890,424		4,890,424	4,890,424	
Transportation Aid	2,202,151		2,202,151	2,202,151	
Extraordinary Aid for Special Education Costs	750,000		750,000	628,814	(121,186)
Emergency Aid				300,000	300,000
Nonpublic Transportation Aid				27,459	27,459
Per Pupil Growth Aid	33,480		33,480	33,480	
PARCC Readiness Aid	33,480		33,480	33,480	
Professional Learning Community Aid	30,670		30,670	30,670	
TPAF Pension Contributions (On-Behalf - Non-Budgeted)				4,235,170	4,235,170
TPAF Non-Contributory Insurance (On-Behalf - Non-Budgeted)				102,777	102,777
TPAF Long-Term Disability Insurance (On-Behalf - Non-Budgeted)				5,453	5,453
On-Behalf TPAF Post Retirement Medical Benefits (non-Budgeted)				2,801,788	2,801,788
Reimbursed TPAF Social Security Contributions (non-Budgeted)				2,046,421	2,046,421
Total State Sources	25,368,248		25,368,248	34,766,130	9,397,882
Federal Sources:					
Medicaid Reimbursement	61,070		61,070	90,429	29,359
Total Federal Sources	61,070		61,070	90,429	29,359
TOTAL REVENUES	63,571,385		63,571,385	73,475,298	9,903,913

VERNON TOWNSHIP BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 781,309	\$ (63,090)	\$ 718,219	\$ 711,228	\$ 6,991
Grades 1-5 - Salaries of Teachers	6,283,407	(293,058)	5,990,349	5,952,842	37,507
Grades 6-8 - Salaries of Teachers	4,216,601	(97,693)	4,118,908	4,117,566	1,342
Grades 9-12 - Salaries of Teachers	7,005,965	152,182	7,158,147	7,158,147	
Regular Programs - Home Instruction:					
Salaries of Teachers	53,560	31,754	85,314	75,282	10,032
Regular Programs - Undistributed Instruction:					
Other Purchased Services (400-500 series)	256,686	(10,126)	246,560	243,960	2,600
General Supplies	926,927	(116,082)	810,845	744,523	66,322
Textbooks	125,611	(3,271)	122,340	122,137	203
Other Objects	765,077	193,902	958,979	865,899	93,080
Total Regular Programs - Instruction	20,415,143	(205,482)	20,209,661	19,991,584	218,077
Special Education:					
Learning and/or Language Disabilities:					
Salaries of Teachers	741,304	(74,386)	666,918	666,918	
General Supplies	10,000	(1,264)	8,736	8,629	107
Total Learning and/or Language Disabilities	751,304	(75,650)	675,654	675,547	107
Behavioral Disabilities:					
Salaries of Teachers	58,273	(473)	57,800	56,896	904
General Supplies	2,000	(1,140)	860	848	12
Total Behavioral Disabilities	60,273	(1,613)	58,660	57,744	916

VERNON TOWNSHIP BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Special Education: (Cont'd)					
Multiple Disabilities:					
Salaries of Teachers	\$ 72,661	\$ (71,941)	\$ 720	\$ 720	\$ 13
General Supplies	12,000	(11,987)	13		13
Total Multiple Disabilities	84,661	(83,928)	733	720	
Resource Room/Resource Center:					
Salaries of Teachers	3,387,502	199,873	3,587,375	3,582,726	4,649
General Supplies	5,000	(3,047)	1,953	420	1,533
Total Resource Room/Resource Center	3,392,502	196,826	3,589,328	3,583,146	6,182
Autism:					
Salaries of Teachers	148,758	1,474	150,232	149,291	941
General Supplies	10,000	(5,040)	4,960	4,629	331
Total Autism	158,758	(3,566)	155,192	153,920	1,272
Preschool Disabilities - Part-Time:					
Salaries of Teachers	186,498	14,265	200,763	200,763	
General Supplies	3,000	1,966	4,966	4,715	251
Total Preschool Disabilities - Part-Time	189,498	16,231	205,729	205,478	251
Preschool Disabilities - Full-Time:					
Salaries of Teachers	58,044	5,970	64,014	64,014	
Total Preschool Disabilities - Full-Time	58,044	5,970	64,014	64,014	

VERNON TOWNSHIP BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Special Education: (Cont'd)					
Home Instruction - Special Education:					
Salaries of Teachers	\$ 50,000	\$ 8,229	\$ 58,229	\$ 40,768	\$ 17,461
Total Home Instruction - Special Education	50,000	8,229	58,229	40,768	17,461
Total Special Education Instruction	4,745,040	62,499	4,807,539	4,781,337	26,202
Basic Skills/Remedial - Instruction:					
General Supplies		200	200	200	
Total Basic Skills/Remedial - Instruction		200	200	200	
Bilingual Education - Instruction:					
Salaries of Teachers	77,990	3,143	81,133	80,050	1,083
Total Bilingual Education - Instruction	77,990	3,143	81,133	80,050	1,083
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	307,000	22,630	329,630	263,535	66,095
Purchased Services (300-500 series)	3,000	904	3,904	3,904	
Supplies and Materials	3,600	1,044	4,644	4,644	
Other Objects	38,339	28,324	66,663	35,473	31,190
Total School-Sponsored Cocurricular Activities - Instruction	351,939	52,902	404,841	307,556	97,285
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	461,000	21,855	482,855	464,111	18,744
Purchased Services (300-500 series)	6,700	(710)	5,990	4,529	1,461
Supplies and Materials	132,107		132,107	119,726	12,381
Other Objects	142,309	(15,224)	127,085	108,025	19,060
Total School-Sponsored Cocurricular Athletics - Instruction	742,116	5,921	748,037	696,391	51,646

VERNON TOWNSHIP BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Total Instruction	\$ 26,332,228	\$ (80,817)	\$ 26,251,411	\$ 25,857,118	\$ 394,293
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Regular	29,807	72,829	102,636	102,636	
Tuition to Other LEAs Within the State - Special	186,000	(164,271)	21,729	21,729	
Tuition to County Vocational School District - Regular	161,100	4,037	165,137	165,137	
Tuition to County Vocational School District - Special	53,700		53,700	53,700	
Tuition to CSSD & Regional Day Schools	565,000	(388,605)	176,395	176,085	310
Tuition to Private Schools for the Handicapped - Within State	819,733	745,936	1,565,669	1,559,362	6,307
Total Undistributed Expenditures - Instruction	1,815,340	269,926	2,085,266	2,078,649	6,617
Health Services:					
Salaries	640,250	44,105	684,355	672,292	12,063
Purchased Professional and Technical Services	16,401	2,309	18,710	17,592	1,118
Supplies and Materials	42,000	(12,075)	29,925	26,007	3,918
Total Health Services	698,651	34,339	732,990	715,891	17,099
Speech, OT, PT & Related Services:					
Salaries	731,014	10,215	741,229	730,147	11,082
Purchased Professional - Educational Services	30,000		30,000	30,000	
Supplies and Materials	2,049	3,082	5,131	5,131	
Total Speech, OT, PT & Related Services	763,063	13,297	776,360	735,278	41,082
Other Support Services - Students - Extraordinary Services					
Other Salaries for Instruction	1,888,955	121,557	2,010,512	2,000,876	9,636
Total Other Support Services - Students - Extraordinary Services	1,888,955	121,557	2,010,512	2,000,876	9,636
Guidance:					
Salaries of Other Professional Staff	1,053,543	14,158	1,067,701	1,057,779	9,922
Salaries of Secretarial and Clerical Assistants	174,960	(61,990)	112,970	112,811	159
Purchased Professional and Educational Services	288,000		288,000	253,230	34,770
Supplies and Materials	11,450	(1,897)	9,553	7,804	1,749
Total Guidance	1,527,953	(49,729)	1,478,224	1,431,624	46,600

VERNON TOWNSHIP BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Child Study Teams:					
Salaries of Other Professional Staff	\$ 1,673,310	\$ (46,826)	\$ 1,626,484	\$ 1,615,455	\$ 11,029
Salaries of Secretarial and Clerical Assistants	155,350	1,249	156,599	156,345	254
Other Salaries	14,000	41,938	55,938	47,743	8,195
Purchased Professional - Educational Services	502,815	(68,041)	434,774	374,169	60,605
Supplies and Materials	19,000	378	19,378	14,521	4,857
Other Objects	25,780	227	26,007	4,500	21,507
Total Child Study Teams	2,390,255	(71,075)	2,319,180	2,212,733	106,447
Improvement of Instructional Services:					
Salaries of Supervisor of Instruction	1,101,947	9,249	1,111,196	1,111,196	
Salaries of Other Professional Staff	160,394	14,704	175,098	175,098	
Salaries of Secretarial and Clerical Assistants	165,477	(26,653)	138,824	138,751	73
Purchased Prof-Educational Services	10,315		10,315	9,800	515
Total Improvement of Instructional Services	1,438,133	(2,700)	1,435,433	1,434,845	588
Educational Media Services/School Library:					
Salaries	496,915	(94,919)	401,996	397,091	4,905
Supplies and Materials	32,800	2,147	34,947	25,035	9,912
Other Objects	15,584	(4,623)	10,961	9,082	1,879
Total Educational Media Services/School Library	545,299	(97,395)	447,904	431,208	16,696
Instructional Staff Training Services:					
Purchased Professional - Educational Services	380,000	(90,234)	289,766	248,675	41,091
Other Purchased Services (400-500 series)	14,506	618	15,124	8,671	6,453
Total Instructional Staff Training Services	394,506	(89,616)	304,890	257,346	47,544

VERNON TOWNSHIP BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Support Services - General Administration:					
Salaries	\$ 613,513	\$ (68,109)	\$ 545,404	\$ 542,781	\$ 2,623
Legal Services	20,000	31,146	51,146	51,146	
Audit Fees	55,000	(15,000)	40,000	40,000	
Other Purchased Professional Services	40,000		40,000	39,175	825
Communications/Telephone	101,916	(1,820)	100,096	98,453	1,643
Miscellaneous Purchased Services (400-500 series)	199,043	(1,515)	197,528	188,713	8,815
General Supplies	17,898	10,591	28,489	27,521	968
Miscellaneous Expenditures	6,350	(163)	6,187	3,210	2,977
Board of Education Membership Dues and Fees	27,500	11,663	39,163	39,163	
Total Support Services - General Administration	1,081,220	(33,207)	1,048,013	1,030,162	17,851
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	1,246,349	(67,555)	1,178,794	1,178,744	50
Salaries of Secretarial and Clerical Assistants	1,003,948	197,078	1,201,026	1,182,720	18,306
Other Salaries	44,000	36	44,036	44,035	1
Other Purchased Services	3,100	186	3,286	2,526	760
Supplies and Materials	8,500		8,500	1,313	7,187
Other Objects	47,109	1,392	48,501	45,988	2,513
Total Support Services - School Administration	2,353,006	131,137	2,484,143	2,455,326	28,817
Support Services - Central Services:					
Salaries	511,741	52,383	564,124	564,124	
Purchased Professional Services	28,000	(5,006)	22,994	22,994	
Purchased Technical Services	33,000	(412)	32,588	32,383	205
Miscellaneous Purchased Services (400-500 series)	51,428	12,592	64,020	63,042	978
Supplies and Materials	21,200	7,690	28,890	28,621	269

VERNON TOWNSHIP BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Support Services - Central Services (Cont'd):					
Interest on Lease Purchase Agreements	\$ 5,000		\$ 5,000		5,000
Total Support Services - Central Services	650,369	\$ 67,247	717,616	\$ 711,164	\$ 6,452
Support Services - Administration Information Technology:					
Salaries	98,463	3,732	102,195	102,195	
Purchased Technical Services	2,000	(2,000)			
Total Support Services - Administration Information Technology	100,463	1,732	102,195	102,195	
Required Maintenance of School Facilities:					
Salaries	879,065	17,366	896,431	892,491	3,940
Cleaning, Repair and Maintenance Services	345,831	170,454	516,285	367,510	148,775
General Supplies	252,667	4,727	257,394	240,410	16,984
Other Objects	8,881		8,881	4,626	4,255
Total Required Maintenance of School Facilities	1,486,444	192,547	1,678,991	1,505,037	173,954
Custodial Services:					
Salaries	1,875,105	(52,640)	1,822,465	1,818,596	3,869
Purchased Professional and Technical Services	10,000		10,000	8,957	1,043
Cleaning, Repair and Maintenance Services	70,000		70,000	69,997	3
Other Purchased Property Services	106,000	10,559	116,559	111,191	5,368
Insurance	270,900	(7,260)	263,640	263,640	
General Supplies	120,200	(8,183)	112,017	94,724	17,293
Energy (Natural Gas)	24,000	967	24,967	21,683	3,284
Energy (Gasoline)	17,500		17,500	13,429	4,071
Energy (Electricity)	778,941	20,345	799,286	761,255	38,031
Energy (Oil)	250,000		250,000	204,675	45,325

VERNON TOWNSHIP BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Custodial Services (Cont'd):					
Other Objects	\$ 9,500		\$ 9,500	\$ 9,343	\$ 157
Interest - Energy Savings Impr Prog Bonds	174,125		174,125	174,125	
Principal - Energy Savings Impr Prog Bonds	310,000		310,000	310,000	
Total Custodial Services	4,016,271	(36,212)	3,980,059	3,861,615	118,444
Care & Upkeep of Grounds:					
Salaries	159,848	(6,212)	153,636	153,636	
Cleaning, Repair and Maintenance Services	132,483	(3,552)	128,931	104,234	24,697
General Supplies	23,000	36,714	59,714	59,376	338
Total Care & Upkeep of Grounds	315,331	26,950	342,281	317,246	25,035
Security:					
Salaries	336,145	(34,371)	301,774	301,774	
General Supplies	16,682	1,700	18,382	18,382	
Other Objects	7,000	(5,239)	1,761	1,274	487
Total Security	359,827	(37,910)	321,917	321,430	487
Student Transportation Services:					
Salaries for Transportation - Between Home & School - Regular	122,644	(38,398)	84,246	84,246	
Other Purchased Professional and Technical Services	4,500		4,500	4,100	400
Contracted Services:					
Between Home and School - Vendors	3,006,115	(207,211)	2,798,904	2,752,061	46,843
Other than Between Home and School - Vendors	371,334	173,512	544,846	539,765	5,081
Joint Agreements	13,000	(13,000)			
Special Education Students - Vendors	1,319,358	6,550	1,325,908	1,263,403	62,505
Regular Students - ESCs & CTSA's	125,000	(125,000)			
Special Education Students - ESCs & CTSA's	197,000	55,702	252,702	252,701	1
Aid in Lieu of Payments - Non Public Schools	30,000	5,740	35,740	33,676	2,064

VERNON TOWNSHIP BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Student Transportation Services (Cont'd):					
Transportation Supplies	\$ 10,835	\$ 1,500	\$ 12,335	\$ 12,335	
Total Student Transportation Services	5,199,786	(140,605)	5,059,181	4,942,287	116,894
Unallocated Benefits:					
Social Security Contributions	807,274	(9,128)	798,146	777,028	\$ 21,118.00
Other Retirement Contributions - PERS	800,000	(26,357)	773,643	773,643	
Other Retirement Contributions - Regular	60,000		60,000	59,532	468
Workmen's Compensation	544,000		544,000	525,470	18,530
Health Benefits	9,733,741	(513,709)	9,220,032	8,765,024	455,008
Other Employee Benefits	300,000	800	300,800	154,244	146,556
Total Unallocated Benefits	12,245,015	(548,394)	11,696,621	11,054,941	641,680
On-Behalf Contributions:					
On-behalf TPAF Pension Contributions (non-budgeted)				4,235,170	(4,235,170)
On-behalf Non-Contributory Insurance (non-budgeted)				102,777	(102,777)
On-behalf Long-Term Disability Insurance (non-budgeted)				5,453	(5,453)
On-Behalf TPAF Post Retirement Medical Benefits (non-budgeted)				2,801,788	(2,801,788)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				2,046,421	(2,046,421)
Total On-Behalf Contributions				9,191,609	(9,191,609)
Total Personal Services - Employee Benefits	12,245,015	(548,394)	11,696,621	20,246,550	(8,549,929)
Total Undistributed Expenses	39,269,887	(248,111)	39,021,776	46,791,462	(7,769,686)
TOTAL CURRENT EXPENSE	65,602,115	(328,928)	65,273,187	72,648,580	(7,375,393)

VERNON TOWNSHIP BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CAPITAL OUTLAY					
Equipment:					
Regular Programs - Grades 1-5	\$ 32,150	\$ 5,496	\$ 37,646	\$ 37,340	\$ 306
Regular Programs - Grades 9-12	76,000	3,997	79,997	60,921	19,076
Undistributed Expenditures:					
Instruction		18,206	18,206	18,206	
Support Services - Students Special		3,020	3,020	3,020	
General Admin.	7,250	68,405	75,655	18,404	57,251
Total Equipment	115,400	99,124	214,524	137,891	76,633
Facilities Acquisition and Construction Services:					
Lease Purchase Agreements - Principal	26,200	5,677	31,877	31,877	
Other Objects - Debt Service Assessment	9,419		9,419	9,419	
Construction Services	265,000		265,000	123,326	141,674
Total Facilities Acquisition and Construction Services	300,619	5,677	306,296	164,622	141,674
Assets Acquired Under Capital Leases (Non-Budgeted):					
Infrastructure - Telephone System				158,763	(158,763)
Total Assets Acquired Under Capital Leases (Non-Budgeted)				158,763	(158,763)
TOTAL CAPITAL OUTLAY	416,019	104,801	520,820	461,276	59,544
Transfer of Funds to Charter Schools	425,281	224,127	649,408	649,408	
TOTAL EXPENDITURES	66,443,415		66,443,415	73,759,264	(7,315,849)
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(2,872,030)		(2,872,030)	(283,966)	2,588,064
Other Financing Sources:					
Capital Leases (Non-budgeted)				158,763	158,763
Total Other Financing Sources				158,763	158,763

VERNON TOWNSHIP BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Fund Balance, July 1	\$ 5,556,430		\$ 5,556,430	\$ 5,556,430	
Fund Balance, June 30	\$ 2,684,400	\$ -0-	\$ 2,684,400	\$ 5,431,227	\$ 2,746,827
<u>Recapitulation:</u>					
<u>Restricted:</u>					
Excess Surplus to be Utilized for 2018-2019 school year				\$ 960,001	
Excess Surplus - Restricted for 2019-2020 school year				361,982	
Capital Reserve				666,376	
Maintenance Reserve				2,470	
<u>Assigned:</u>					
Designated for Subsequent-					
Year's Expenditures July 1, 2018 - August 1, 2018				635,000	
For Subsequent Year's Expenditures				825,000	
Year End Encumbrances				664,761	
Unassigned Fund Balance				1,315,637	
				5,431,227	
Reconciliation to Governmental Funds Statements (GAAP):					
Last State Aid Payments not Recognized on GAAP Basis				(2,440,319)	
Fund Balance per Governmental Funds (GAAP)				\$ 2,990,908	

VERNON TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources		\$ 10,510	\$ 10,510	\$ 8,420	\$ (2,090)
State Sources	4,699	130,275	134,974	130,057	(4,917)
Federal Sources	1,049,100	251,819	1,300,919	1,188,319	(112,600)
Total Revenues	1,053,799	392,604	1,446,403	1,326,796	(119,607)
EXPENDITURES:					
Instruction:					
Salaries of Teachers	156,559	171,510	328,069	313,721	14,348
Purchased Professional and Technical Services	15,668	7,428	23,096	22,894	202
Other Purchased Services	641,405	119,595	761,000	755,814	5,186
General Supplies	62,781	32,108	94,889	68,444	26,445
Textbooks	1,041		1,041	1,039	2
Other Objects	3,825	2,000	5,825	5,804	21
Total Instruction	881,279	332,641	1,213,920	1,167,716	46,204
Support Services:					
Salaries of Other Professional Staff	27,966	6,561	34,527	15,927	18,600
Personal Services - Employee Benefits	51,353	13,234	64,587	62,783	1,804
Purchased Professional and Technical Services	8,500	2,001	10,501	10,198	303
Other Purchased Services	53,199	35,567	88,766	57,770	30,996
Supplies and Materials	2,223	100	2,323	2,315	8
Other Objects		2,500	2,500	2,500	
Total Support Services	143,241	59,963	203,204	151,493	51,711
Facilities Acquisition and Construction Services:					
Instructional Equipment	29,279		29,279	7,587	21,692
Total Facilities Acquisition and Construction Services	29,279		29,279	7,587	21,692
Total Expenditures	\$ 1,053,799	\$ 392,604	\$ 1,446,403	\$ 1,326,796	\$ 119,607

VERNON TOWNSHIP BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 73,475,298	\$ 1,326,796
Differences - Budget to GAAP:		
Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not.		
Current Year Encumbrances		(85,584)
Prior Year Encumbrances, Net of Cancellations		13,955
Prior Year State Aid Payments Recognized for GAAP Statements	2,489,809	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(2,440,319)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 73,524,788</u>	<u>\$ 1,255,167</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 73,759,264	\$ 1,326,796
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		(85,584)
Prior Year Encumbrances, Net of Cancellations		13,955
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 73,759,264</u>	<u>\$ 1,255,167</u>

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budget 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, 2018
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.

SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)

SPECIAL REVENUE FUND

VERNON TOWNSHIP BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Career Pathways		Career Pathways Year 2	Elementary and Secondary Education Act			
	Year 3	Year 2		Title I	Title I - SIA	Title IIA	Title IV
REVENUE:							
Local Sources							
State Sources	\$ 21,171	\$ 99,504	\$ 221,936	\$ 67,883	\$ 54,322	\$ 9,564	
Federal Sources							
Total Revenue	21,171	99,504	221,936	67,883	54,322	9,564	
EXPENDITURES:							
Instruction:							
Salaries of Teachers		67,500	169,564	62,989			
Purchased Professional and Technical Services							
Other Purchased Services							
General Supplies	20,423	14,506	4,894	75		1,500	
Textbooks							
Other Objects							
Total Instruction	20,423	82,006	174,458	63,064		1,500	
Support Services:							
Salaries of Other Professional Staff		6,561					
Personal Services - Employee Benefits		5,737	47,478	4,819			
Purchased Professional & Technical Services							8,064
Other Purchased Professional Services							
Other Purchased Services	748	2,700			54,322		
Supplies and Materials							
Other Objects		2,500					
Total Support Services	748	17,498	47,478	4,819	54,322	8,064	
Facilities Acquisition:							
Instructional Equipment							
Total Facilities Acquisition							
Total Expenditures	\$ 21,171	\$ 99,504	\$ 221,936	\$ 67,883	\$ 54,322	\$ 9,564	

VERNON TOWNSHIP BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Carl D. Perkins Secondary	Non-Public			
		Textbook	Technology Initiative	Nursing	Security
REVENUE:					
Local Sources					
State Sources		\$ 1,039	\$ 665	\$ 2,134	\$ 1,650
Federal Sources	\$ 40,746				
Total Revenue	40,746	1,039	665	2,134	1,650
EXPENDITURES:					
Instruction:					
Salaries of Teachers					
Purchased Professional and Technical Services					
Other Purchased Services					
General Supplies	23,076	1,039			
Textbooks					
Other Objects					
Total Instruction	23,076	1,039			
Support Services:					
Salaries of Other Professional Staff	9,366				
Personal Services - Employee Benefits	717			2,134	
Purchased Professional & Technical Services					
Other Purchased Services			665		1,650
Supplies and Materials					
Total Support Services	10,083		665	2,134	1,650
Facilities Acquisition:					
Instructional Equipment	7,587				
Total Facilities Acquisition	7,587				
Total Expenditures	\$ 40,746	\$ 1,039	\$ 665	\$ 2,134	\$ 1,650

VERNON TOWNSHIP BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Chapter 193					Totals June 30, 2018
	IDEA	Preschool	Initial Exam & Class	Supplementary Instruction	Local Grants	
REVENUE:						
Local Sources					\$ 8,420	\$ 8,420
State Sources			\$ 2,546	\$ 1,348		130,057
Federal Sources	\$ 768,793	\$ 25,075				1,188,319
Total Revenue	768,793	25,075	2,546	1,348	8,420	1,326,796
EXPENDITURES:						
Instruction:						
Salaries of Teachers		13,043			625	313,721
Purchased Professional and Technical Services	11,000	8,000	2,546	1,348		22,894
Other Purchased Professional Services	755,814				3,970	755,814
General Supplies						68,444
Textbooks						1,039
Other Objects	1,979				3,825	5,804
Total Instruction	768,793	21,043	2,546	1,348	8,420	1,167,716
Support Services:						
Salaries of Other Professional Staff						15,927
Personal Services - Employee Benefits		4,032				62,783
Purchased Professional & Technical Services						10,198
Other Purchased Services						57,770
Supplies and Materials						2,315
Other Objects						2,500
Total Support Services		4,032				151,493
Facilities Acquisition:						
Instructional Equipment						7,587
Total Facilities Acquisition						7,587
Total Expenditures	\$ 768,793	\$ 25,075	\$ 2,546	\$ 1,348	\$ 8,420	\$ 1,326,796

VERNON TOWNSHIP SCHOOL DISTRICT
SPECIAL REVENUE FUND
PRESCHOOL EDUCATION AID
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOT APPLICABLE

CAPITAL PROJECTS FUND
NOT APPLICABLE

PROPRIETARY FUNDS

VERNON TOWNSHIP SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF NET POSITION
JUNE 30, 2018

ASSETS:

Current Assets:

Cash and Cash Equivalents	\$ 319,203
Intergovernmental Accounts Receivable:	
State	853
Federal	24,974
Inventories	20,897

Total Current Assets	<u>365,927</u>
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Non-Current Assets:

Capital Assets	611,791
Less: Accumulated Depreciation	<u>(423,523)</u>

Total Non-Current Assets	<u>188,268</u>
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Total Assets	<u>554,195</u>
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LIABILITIES:

Accounts Payable - Vendors	74,421
Unearned Revenue	<u>4,239</u>

Total Liabilities	<u>78,660</u>
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NET POSITION:

Investment in Capital Assets	188,268
Unrestricted	<u>287,267</u>

Total Net Position	<u><u>\$ 475,535</u></u>
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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, 2017

Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 403,571
Daily Sales - Non-Reimbursable Programs	291,110
Special Events	35,930
Miscellaneous Revenue	17,216
	<hr/>
Total Operating Revenue	747,827
	<hr/>
Operating Expenses:	
Cost of Sales - Reimbursable Programs	325,815
Cost of Sales - Non-Reimbursable Programs	48,685
Salaries, Benefits & Payroll Taxes	386,165
Supplies, Insurance & Other Costs	161,277
Management Fee	131,093
Depreciation Expense	13,807
	<hr/>
Total Operating Expenses	1,066,842
	<hr/>
Operating Loss	(319,015)
Non-Operating Revenue:	
Local Sources:	
Interest Earnings	558
State Sources:	
State School Lunch Program	8,966
Federal Sources:	
National School Lunch Program	220,880
Special Milk Program	247
School Breakfast Program	31,060
Food Distribution Program	75,044
	<hr/>
Total Non-Operating Revenue	336,755
	<hr/>
Change in Net Position	17,740
Net Position - Beginning of Year	457,795
	<hr/>
Net Position - End of Year	\$ 475,535
	<hr/> <hr/>

VERNON TOWNSHIP SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 747,827
Payments to Food Service Contractor	(874,208)
Payments to Suppliers	<u>(77,723)</u>
Net Cash Used for Operating Activities	<u>(204,104)</u>
Cash Flows from Capital and Related Financing Activities:	
Purchases of Capital Assets	<u>(23,447)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(23,447)</u>
Cash Flows from Noncapital Financing Activities:	
State Sources	8,682
Federal Sources	<u>247,375</u>
Net Cash Provided by Noncapital Financing Activities	<u>256,057</u>
Cash Flows from Investing Activities:	
Interest Income	<u>558</u>
Net Cash Provided by Investing Activities	<u>558</u>
Net Increase in Cash and Cash Equivalents	29,064
Cash and Cash Equivalents, July 1	<u>290,139</u>
Cash and Cash Equivalents, June 30	<u><u>\$ 319,203</u></u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (319,015)
Adjustment to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	13,807
Food Distribution Program	75,044
Changes in Assets and Liabilities:	
Decrease in Inventory	13,465
Increase in Accounts Payable	16,027
(Decrease) in Unearned Revenue	<u>(3,432)</u>
Net Cash Used for Operating Activities	<u><u>\$ (204,104)</u></u>

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund Received U.S.D.A. Donated Commodities Through the Food Distribution Program valued at \$71,612 and Utilized Commodities Valued at \$75,044.

FIDUCIARY FUNDS

VERNON TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2018

	<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	\$ 790,903	\$ 173,597	\$ 89,275	\$ 19,177	\$ 1,072,952
Total Assets	<u>790,903</u>	<u>173,597</u>	<u>89,275</u>	<u>19,177</u>	<u>1,072,952</u>
<u>LIABILITIES:</u>					
Payroll Deductions and Withholdings	504,834				504,834
Due to Student Groups	<u>286,069</u>				<u>286,069</u>
Total Liabilities	<u>790,903</u>				<u>790,903</u>
<u>NET POSITION:</u>					
Restricted for Unemployment Claims		173,597			173,597
Restricted for Flexible Spending Claims				19,177	19,177
Restricted for Scholarships			<u>89,275</u>		<u>89,275</u>
Total Net Position	<u>\$ -0-</u>	<u>\$ 173,597</u>	<u>\$ 89,275</u>	<u>\$ 19,177</u>	<u>\$ 282,049</u>

VERNON TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Unemployment Compensation Trust	Private Purpose Scholarship Trust	Flexible Spending Trust	Totals
Additions:				
Contributions:				
Plan Members	\$ 103,200		\$ 21,130	\$ 124,330
Donations		\$ 10,957		10,957
Total Contributions	103,200	10,957	21,130	135,287
Investment Earnings:				
Interest	338	179	37	554
Net Investment Earnings	338	179	37	554
Total Additions	103,538	11,136	21,167	135,841
Deductions:				
Unemployment Claims	104,402			104,402
Flexible Spending Claims			21,361	21,361
Administrative Charges			660	660
Scholarships Awarded		15,801		15,801
Total Deductions	104,402	15,801	22,021	142,224
Change in Net Position	(864)	(4,665)	(854)	(6,383)
Net Position - Beginning of the Year	174,461	93,940	20,031	288,432
Net Position - End of the Year	\$ 173,597	\$ 89,275	\$ 19,177	\$ 282,049

VERNON TOWNSHIP SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 248,713	\$ 610,827	\$ 573,471	\$ 286,069
Total Assets	<u>\$ 248,713</u>	<u>\$ 610,827</u>	<u>\$ 573,471</u>	<u>\$ 286,069</u>
 <u>LIABILITIES:</u>				
Due to Student Groups	\$ 248,713	\$ 610,827	\$ 573,471	\$ 286,069
Total Liabilities	<u>\$ 248,713</u>	<u>\$ 610,827</u>	<u>\$ 573,471</u>	<u>\$ 286,069</u>

VERNON TOWNSHIP SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 791,338	\$ 43,147,479	\$ 43,433,983	\$ 504,834
Total Assets	<u>\$ 791,338</u>	<u>\$ 43,147,479</u>	<u>\$ 43,433,983</u>	<u>\$ 504,834</u>
 <u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	\$ 791,338	\$ 43,147,479	\$ 43,433,983	\$ 504,834
Total Liabilities	<u>\$ 791,338</u>	<u>\$ 43,147,479</u>	<u>\$ 43,433,983</u>	<u>\$ 504,834</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		Interest Rate	Balance July 1, 2017	Retired or Matured	Balance June 30, 2018
			Date	Outstanding June 30, 2018 Amount				
School Refunding Bonds	09/15/15	7,490,000	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%			
						\$ 6,230,000	\$ 1,515,000	\$ 4,715,000
						<u>\$ 6,230,000</u>	<u>\$ 1,515,000</u>	<u>\$ 4,715,000</u>

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

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance July 1, 2017	Retired or Matured	Balance June 30, 2018
			Date	Amount				
Energy Savings Obligation Refunding Bonds	07/19/12	\$ 5,645,000	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%				
						\$ 4,970,000	\$ 310,000	\$ 4,660,000
						<u>\$ 4,970,000</u>	<u>\$ 310,000</u>	<u>\$ 4,660,000</u>

VERNON TOWNSHIP SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Purpose	Interest Rate	Original Issue	Balance July 1, 2017	Issued	Matured	Balance June 30, 2018
Musical Equipment	5.05%	\$ 158,763		\$ 158,763	\$ 31,753	\$ 127,010
500 Dell Desktop Computers	4.98%	500,000	\$ 127,886		127,886	
			\$ 127,886	\$ 158,763	\$ 159,639	\$ 127,010

VERNON TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 1,037,323		\$ 1,037,323	\$ 1,037,323	
State Sources:					
Debt Service Aid Type II	670,801		670,801	670,801	
Total Revenues	1,708,124		1,708,124	1,708,124	
EXPENDITURES:					
Regular Debt Service:					
Interest	193,125		193,125	193,125	
Redemption of Principal	1,515,000		1,515,000	1,515,000	
Total Regular Debt Service	1,708,125		1,708,125	1,708,125	
Total Expenditures	1,708,125		1,708,125	1,708,125	
Excess/(Deficit) of Revenues Over/(Under) Expenditures	(1)		(1)	(1)	
Fund Balance, July 1	1		1	1	
Fund Balance, June 30	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

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

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

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

	June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities:										
Net Investment in Capital Assets										
Restricted	\$ 9,842,105	\$ 10,519,221	\$ 11,952,899	\$ 12,332,583	\$ 10,496,938	\$ 14,504,322	\$ 15,634,181	\$ 16,202,562	\$ 16,905,873	\$ 17,375,195
Unrestricted/(Deficit)	3,425,419	2,621,407	949,287	2,725,847	6,555,025	3,839,686	3,646,007	3,572,606	2,692,381	1,990,829
	(4,126,160)	(4,458,376)	(1,676,405)	(614,125)	(286,059)	(17,738,961)	(18,548,721)	(19,173,527)	(20,734,309)	(20,390,610)
Total Governmental Activities Net Position/ (Deficit)	\$ 9,141,364	\$ 8,682,252	\$ 11,225,781	\$ 14,444,305	\$ 16,765,904	\$ 605,047	\$ 731,467	\$ 601,641	\$ (1,136,055)	\$ (1,024,586)
Business-Type Activities:										
Net Investment in Capital Assets										
Unrestricted	\$ 79,154	\$ 65,002	\$ 56,409	\$ 89,380	\$ 101,259	\$ 132,537	\$ 157,574	\$ 174,878	\$ 178,628	\$ 188,268
	325,533	340,079	399,413	299,428	273,268	199,347	188,283	230,718	279,167	287,267
Total Business-Type Activities Net Position	\$ 404,687	\$ 405,081	\$ 455,822	\$ 388,808	\$ 374,527	\$ 331,884	\$ 345,857	\$ 405,596	\$ 457,795	\$ 475,535
District-Wide:										
Investment in Capital Assets										
Restricted	\$ 9,921,259	\$ 10,584,223	\$ 12,009,308	\$ 12,421,963	\$ 10,598,197	\$ 14,636,859	\$ 15,791,755	\$ 16,377,440	\$ 17,084,501	\$ 17,563,463
Unrestricted/(Deficit)	3,425,419	2,621,407	949,287	2,725,847	6,555,025	3,839,686	3,646,007	3,572,606	2,692,381	1,990,829
	(3,800,627)	(4,118,297)	(1,276,992)	(314,697)	(12,791)	(17,539,614)	(18,360,438)	(18,942,809)	(20,455,142)	(20,103,343)
Total District Net Position/ (Deficit)	\$ 9,546,051	\$ 9,087,333	\$ 11,681,603	\$ 14,833,113	\$ 17,140,431	\$ 936,931	\$ 1,077,324	\$ 1,007,237	\$ (678,260)	\$ (549,051)

Source: School District Financial Reports

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

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses:										
Governmental Activities										
Instruction:										
Regular	\$ 32,292,910	\$ 32,556,413	\$ 29,497,552	\$ 30,987,656	\$ 31,415,736	\$ 30,879,376	\$ 35,202,758	\$ 37,266,595	\$ 37,092,512	\$ 38,605,743
Special Education	8,466,218	9,607,612	10,159,562	9,810,330	9,102,888	7,671,719	8,613,154	9,601,002	10,201,122	10,404,348
Other Education	1,035,718	1,283,694	157,733	395,300	427,875	388,167	630,218	727,615	806,339	919,284
School-Sponsored Instruction	960,781	1,048,218	881,161	911,876	954,531	1,044,875	1,090,451	963,140	1,006,631	1,012,077
Support Services:										
Tuition	2,953,467	2,403,848	2,114,852	2,417,264	2,512,432	2,809,801	2,366,014	2,399,426	2,361,307	2,078,649
Student & Instructional Related Services	8,650,780	9,221,185	9,980,941	9,983,218	10,611,062	11,453,107	14,254,536	14,005,109	16,428,626	16,784,966
General Administrative Services	1,375,442	1,455,681	1,462,449	1,454,377	1,508,742	1,504,880	1,573,097	1,404,819	1,574,448	1,574,880
School Administrative Services	3,843,111	3,861,478	3,738,801	3,680,650	3,782,250	3,728,211	4,001,972	4,075,423	4,515,023	4,132,709
Central Services	963,186	734,665	757,777	778,908	843,334	923,412	935,407	799,748	1,083,749	1,280,554
Administrative Information Technology	262,464	293,225	444,911	130,577	129,144	79,866	134,592	125,848	171,186	150,152
Plant Operations and Maintenance	6,377,449	6,279,721	7,009,596	7,109,941	6,831,130	7,313,393	7,164,009	7,102,309	8,133,089	7,298,413
Pupil Transportation	6,133,568	6,388,160	5,322,419	5,132,761	4,814,578	5,053,738	5,179,050	4,967,532	5,225,519	4,981,215
Interest on Long-term Debt	879,186	807,994	745,607	685,645	617,203	554,464	490,691	446,365	236,018	180,405
Unallocated Depreciation	964,943	957,324	982,316	1,317,993	1,340,736	1,434,856	1,437,408	1,445,989	1,445,989	1,458,473
Capital Outlay	118,237		12,428	284,625	25,516	523,829	9,419	19,022	10,233	45,716
Charter Schools	359,096	218,292	275,034	508,652	518,587	522,027	582,486	553,247	608,990	649,408
Total Governmental Activities Expenses	<u>75,636,556</u>	<u>77,117,510</u>	<u>73,543,139</u>	<u>75,589,773</u>	<u>75,435,744</u>	<u>75,885,721</u>	<u>83,665,262</u>	<u>85,905,597</u>	<u>90,900,781</u>	<u>91,556,992</u>
Business-Type Activities:										
Food Service	1,215,975	1,168,888	1,131,103	1,294,219	1,155,699	1,113,829	1,044,813	1,029,984	1,050,237	1,066,842
Total Business-type Activities Expense	<u>1,215,975</u>	<u>1,168,888</u>	<u>1,131,103</u>	<u>1,294,219</u>	<u>1,155,699</u>	<u>1,113,829</u>	<u>1,044,813</u>	<u>1,029,984</u>	<u>1,050,237</u>	<u>1,066,842</u>
Total District Expenses	<u>\$ 76,852,531</u>	<u>\$ 78,286,398</u>	<u>\$ 74,674,242</u>	<u>\$ 76,883,992</u>	<u>\$ 76,591,443</u>	<u>\$ 76,999,550</u>	<u>\$ 84,710,075</u>	<u>\$ 86,935,581</u>	<u>\$ 91,951,018</u>	<u>\$ 92,623,834</u>
Program Revenues										
Governmental Activities:										
Charges for Services	\$ 179,577	\$ 190,297	\$ 223,703	\$ 405,247	\$ 317,952	\$ 174,403	\$ 155,666	\$ 172,397	\$ 244,295	\$ 223,277
Operating Grants and Contributions	13,588,998	10,762,771	11,610,768	11,935,718	13,283,889	13,239,187	12,440,856	20,455,722	28,273,786	30,579,079
Capital Grants and Contributions	8,548			112,019						
Total Governmental Activities Program Revenues	<u>13,777,123</u>	<u>10,953,068</u>	<u>11,834,471</u>	<u>12,452,984</u>	<u>13,601,841</u>	<u>13,413,590</u>	<u>12,596,522</u>	<u>20,628,119</u>	<u>28,518,081</u>	<u>30,802,356</u>

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

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Program Revenues										
Business-Type Activities:										
Changes for Services	\$ 945,935	\$ 872,345	\$ 877,101	\$ 873,759	\$ 813,321	\$ 737,588	\$ 718,885	\$ 772,307	\$ 762,892	\$ 730,611
Operating Grants and Contributions	258,367	288,535	295,423	323,661	327,385	333,018	339,416	316,936	338,958	336,197
Total Business-type Activities Program Revenues	1,204,302	1,160,880	1,172,524	1,197,420	1,140,706	1,070,606	1,058,301	1,089,243	1,101,850	1,066,808
Total District Program Revenues	\$ 14,981,425	\$ 12,113,948	\$ 13,006,995	\$ 13,650,404	\$ 14,742,547	\$ 14,484,196	\$ 13,654,823	\$ 21,717,362	\$ 29,619,931	\$ 31,869,164
Net (Expense)/Revenue										
Governmental Activities	\$ (61,859,433)	\$ (66,164,442)	\$ (61,708,668)	\$ (63,136,789)	\$ (61,833,903)	\$ (62,472,131)	\$ (71,068,740)	\$ (65,277,478)	\$ (62,382,700)	\$ (60,754,636)
Business-type Activities	(11,673)	(8,008)	41,421	(96,799)	(14,993)	(43,223)	13,488	59,259	51,613	(34)
Total District-wide Net Expense/Revenues	\$ (61,871,106)	\$ (66,172,450)	\$ (61,667,247)	\$ (63,233,588)	\$ (61,848,896)	\$ (62,515,354)	\$ (71,055,252)	\$ (65,218,219)	\$ (62,331,087)	\$ (60,754,670)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes Levied for General Purposes, net	\$ 37,707,888	\$ 39,216,204	\$ 40,784,832	\$ 41,423,349	\$ 41,470,508	\$ 40,470,508	\$ 40,290,085	\$ 39,544,525	\$ 37,696,985	\$ 37,904,067
Taxes Levied for Debt Service	1,260,827	1,229,223	1,224,870	1,286,321	1,294,516	1,267,403	1,236,886	1,203,019	1,097,365	1,037,323
Unrestricted Grants and Contributions	23,386,350	24,109,262	21,372,828	22,333,064	21,056,709	21,479,286	21,556,412	21,587,036	21,586,440	21,433,320
Investment Earnings	214,359	163,128	114,847	131,164	29,675	18,929	19,459	24,768	12,489	13,160
Miscellaneous Income	110,439	106,110	136,287	125,594	101,644	436,289	60,721	223,614	251,725	478,235
Total Governmental Activities	62,679,863	64,823,927	63,633,684	65,299,492	63,933,052	63,672,415	63,163,563	62,584,962	60,645,004	60,866,105
Business-Type Activities:										
Investment Earnings	8,476	8,402	9,320	8,320	712	580	485	480	586	558
Miscellaneous Income										17,216
Total Business-Type Activities	8,476	8,402	9,320	8,320	712	580	485	480	586	17,774
Total District-Wide	\$ 62,688,339	\$ 64,832,329	\$ 63,643,004	\$ 65,307,812	\$ 63,933,764	\$ 63,672,995	\$ 63,164,048	\$ 62,585,442	\$ 60,645,590	\$ 60,883,879
Change in Net Position:										
Governmental Activities	\$ 820,430	\$ (1,340,515)	\$ 1,925,016	\$ 2,162,703	\$ 2,119,149	\$ 1,200,284	\$ (7,905,177)	\$ (2,692,516)	\$ (1,737,696)	\$ 111,469
Business-type Activities	(3,197)	394	50,741	(88,479)	(14,281)	(42,643)	13,973	59,739	52,199	17,740
Total District	\$ 817,233	\$ (1,340,121)	\$ 1,975,757	\$ 2,074,224	\$ 2,104,868	\$ 1,157,641	\$ (7,891,204)	\$ (2,632,777)	\$ (1,685,497)	\$ 129,209

Source: School District Financial Reports

VERNON TOWNSHIP BOARD OF EDUCATION
 FUND BALANCES - GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS

UNAUDITED

(modified accrual basis of accounting)

	June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund:										
Reserved/Restricted	\$ 1,814,948	\$ 1,864,783	\$ 928,928	\$ 2,705,488	\$ 3,554,177	\$ 3,497,845	\$ 3,646,006	\$ 3,572,606	\$ 2,692,380	\$ 1,990,829
Assigned			873,148	2,081,755	2,406,372	1,088,754	339,718	394,082	374,241	1,000,079
Unreserved:										
Designated for Subsequent Year's Expenditures	1,350,000	407,847								
Undesignated/(Deficit)	(1,373,845)	(1,756,743)								
Total General Fund	\$ 1,791,103	\$ 515,887	\$ 1,802,076	\$ 4,787,243	\$ 5,960,549	\$ 4,586,599	\$ 3,985,724	\$ 3,966,688	\$ 3,066,621	\$ 2,990,908
All Other Governmental Funds:										
Reserved/Restricted	\$ 5,000	\$ 294,326	\$ 20,359	\$ 20,359	\$ 3,000,848	\$ 341,841	\$ 1	\$ 30,238	\$ 1	
Unreserved/Unassigned/Assigned, Reported in:										
Capital Projects Fund/(Deficit)	27,047	(45,400)								
Debt Service Fund	228,424	99,851								
Total All Other Governmental Funds/(Deficit)	\$ 260,471	\$ 348,777	\$ 20,359	\$ 20,359	\$ 3,000,848	\$ 341,841	\$ 1	\$ 30,238	\$ 1	\$ -0-

Source: School District Financial Reports

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

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues:										
Tax Levy	\$ 38,968,715	\$ 40,445,427	\$ 42,009,722	\$ 42,709,670	\$ 42,765,024	\$ 41,737,911	\$ 41,526,971	\$ 40,747,544	\$ 38,794,350	\$ 38,941,390
Tuition Charges	190,297	223,703	405,247	317,952	174,403	155,666	172,397	104,575	244,295	223,277
Interest Earnings on Capital Reserve Funds	12,246	12,869	11,476	13,116	2,019	1,703	1,831			
Miscellaneous	321,364	269,353	234,695	254,446	135,714	459,616	79,857	267,885	269,953	499,835
State Sources	32,740,067	30,800,107	31,780,934	33,289,817	32,923,520	32,656,724	32,990,725	33,787,358	34,847,230	35,599,191
Federal Sources	1,400,242	4,906,939	1,644,594	2,316,332	1,365,962	1,257,317	1,393,346	1,270,585	1,205,562	1,224,386
Total Revenue	73,632,931	76,658,398	76,086,668	78,901,333	77,366,642	76,268,937	76,165,127	76,177,947	75,361,390	76,488,079
Expenditures										
Instruction:										
Regular Instruction	23,606,221	23,408,427	21,757,409	22,415,712	22,458,373	22,703,847	22,313,175	21,844,926	20,556,742	20,443,357
Special Education Instruction	6,480,799	7,164,582	7,538,540	6,955,494	6,543,061	5,686,075	5,502,810	5,676,121	5,710,347	5,577,144
Other Instruction	586,178	537,056	91,530	92,229	93,613	67,975	70,766	72,840	76,265	80,250
School-Sponsored Instruction	958,839	1,044,974	876,307	907,553	950,455	1,037,370	1,083,638	955,010	996,623	1,003,947
Support Services:										
Tuition	2,953,467	2,403,848	2,114,852	2,417,264	2,512,432	2,809,801	2,366,014	2,399,426	2,361,307	2,078,649
Student & Instruction Related Services	6,663,972	6,726,320	7,329,984	7,432,411	7,589,209	8,489,068	9,582,214	9,645,472	9,160,658	9,219,801
General Administrative Services	1,183,946	1,192,463	1,202,753	1,192,050	1,195,280	1,316,306	1,171,592	935,350	1,015,442	1,030,162
School Administrative Services	2,916,777	2,854,947	2,679,392	2,683,045	2,690,594	2,732,262	2,667,399	2,570,944	2,489,563	2,455,326
Central Services and Administrative Information Technology	1,013,922	785,793	967,029	701,803	751,025	784,727	697,832	716,817	721,087	813,359
Plant Operations and Maintenance	5,449,073	5,115,306	5,974,024	5,968,395	5,669,752	6,247,704	89,250	5,928,600	6,165,579	6,005,328
Student Transportation	6,102,701	6,347,776	5,281,443	5,090,314	4,767,150	5,008,281	6,262,441	4,927,936	5,137,723	4,942,287
Allocated Benefits							5,132,623			
Unallocated Benefits	15,016,247	17,458,842	16,153,003	16,759,013	17,668,523	16,275,751	16,718,479	17,709,932	19,184,001	20,246,550
Charter Schools	587,106	218,292	275,034	508,652	518,587	522,027	582,486	553,247	608,990	649,408
Capital Outlay	359,096	424,354	682,662	1,235,055	3,677,328	5,035,272	830,469	326,466	248,391	468,863
Debt Service:										
Principal	1,398,000	1,400,000	1,485,000	1,470,000	1,580,000	1,565,000	1,580,000	1,645,000	1,580,000	1,515,000
Interest and Other Charges	833,520	762,328	699,935	639,979	583,166	520,428	456,654	288,897	248,738	193,125
Total Expenditures	76,109,864	77,845,308	75,128,897	76,468,969	79,248,548	80,801,894	77,107,842	76,196,984	76,261,456	76,722,556
Excess/(Deficiency) of Revenue Over/(Under) Expenditures	(2,476,933)	(1,186,910)	957,771	2,432,364	(1,881,906)	(4,532,957)	(942,715)	(19,037)	(900,066)	(234,477)

VERNON TOWNSHIP BOARD OF EDUCATION
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

UNAUDITED
(modified accrual basis of accounting)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Other Financing Sources/(Uses):										
Bond Sale Proceeds					\$ 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				\$ 158,763
Transfers In	\$ 2,174	\$ 230,988	\$ 62,484	9,483	9,483	1,892	\$ 317			
Transfers Out	(2,174)	(230,988)	(62,484)	(9,483)	(9,483)	(1,892)	(317)			
Total Other Financing Sources/(Uses)				552,803	6,035,701	500,000				158,763
Net Change in Fund Balances	\$ (2,476,933)	\$ (1,186,910)	\$ 957,771	\$ 2,985,167	\$ 4,153,795	\$ (4,032,957)	\$ (942,715)	\$ (19,037)	\$ (900,066)	\$ (75,714)
Debt Service as a Percentage of Noncapital Expenditures	2.95%	2.79%	2.93%	2.80%	2.86%	2.75%	2.67%	2.55%	2.41%	2.24%

Source: School District Financial Reports

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

Fiscal Year Ending June 30,	Interest on Investments	Tuition	Other Refunds	Rentals - Use of Facilities	Energy Savings Incentive	Other	Total
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
2017	12,489	244,295	6,916		117,000	127,809	508,509
2018	13,160	223,277	40,165			438,070	714,672

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)
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	1.555	2,442,651,663
2016	74,776,500	2,319,119,700	38,493,800	1,611,800	159,250,900	22,010,900	2,686,700	2,617,950,300	217,564,500	5,070,368	2,623,020,668	1.516	2,354,041,134
2017	74,436,300	2,306,251,200	37,928,100	1,610,400	160,709,200	21,898,400	2,686,700	2,605,520,300	219,576,800	4,813,666	2,610,333,966	1.489	2,344,616,235

* - 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	Obligation Debt Service ^b	Total Direct	Township of Vernon	Sussex County	
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	1.50	0.05	1.55	0.58	0.48	2.60
2016	1.46	0.05	1.51	0.61	0.50	2.62
2017	1.45	0.04	1.49	0.62	0.51	2.62

* - 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.

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

Taxpayer	2017		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Mountain Creek	\$ 28,516,400	1	1.09%
Metairie Corp	22,862,800	2	0.88%
Mulivhill	14,527,700	3	0.56%
Vernon Valley Investors	10,000,000	4	0.38%
Tennessee Pipe Line Co.	8,661,400	5	0.33%
Federal National Mortgage Assoc	7,323,300	6	0.28%
City of Newark	5,240,300	7	0.20%
Glenwood Management	5,186,800	8	0.20%
Vernon Valley Reserve	5,176,600	9	0.20%
Federal Home Loan Mortgage	4,575,900	10	0.18%
Total	\$ 112,071,200		4.30%

Taxpayer	2008		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Mountain Creek	\$ 44,570,065	1	2.91%
Minerals Spa & Resort	15,497,980	2	1.01%
Metairie Corp, Etc.	13,138,600	3	0.86%
Shinnihon	7,566,900	4	0.49%
Newark Watershed	7,205,100	5	0.47%
Vernon Valley Associates	6,603,000	6	0.43%
SES American	6,137,000	7	0.40%
Sirius (American Tower Corp)	4,653,600	8	0.30%
Glenwood Management	4,290,700	9	0.28%
Hidden Valley/Begraft	3,519,400	10	0.23%
Total	\$ 113,182,345		7.38%

Source: Municipal Tax Assessor

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

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Taxes Levied</u> <u>for the</u> <u>Fiscal Year</u>	<u>Collected within the Fiscal</u> <u>Year of the Levy^a</u>		<u>Collections in</u> <u>Subsequent</u> <u>Years</u>
		<u>Amount</u>	<u>Percentage</u> <u>of Levy</u>	
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-
2017	38,794,350	38,794,350	100.00%	-0-
2018	38,941,390	38,941,390	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			Bond Anticipation Notes (BANs)		Business-Type Activities		Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Capital Leases			Capital Leases					
2009	\$ 18,567,000	-0-	-0-	-0-	-0-	-0-	\$ 18,567,000	1.50%	745.09	
2010	17,167,000	-0-	-0-	-0-	-0-	-0-	17,167,000	1.43%	691.38	
2011	15,682,000	-0-	-0-	-0-	-0-	-0-	15,682,000	1.34%	655.30	
2012	14,212,000	444,286	-0-	-0-	-0-	-0-	14,656,286	1.21%	615.24	
2013	18,277,000	325,078	-0-	-0-	-0-	-0-	18,602,078	1.52%	789.49	
2014	16,672,000	699,797	-0-	-0-	-0-	-0-	17,371,797	1.41%	749.30	
2015	14,922,000	438,977	-0-	-0-	-0-	-0-	15,360,977	1.26%	669.53	
2016	13,065,000	260,410	-0-	-0-	-0-	-0-	13,325,410	1.05%	590.95	
2017	11,200,000	127,886	-0-	-0-	-0-	-0-	11,327,886	0.91%	509.37	
2018	9,375,000	127,010	-0-	-0-	-0-	-0-	9,502,010	0.76%	427.27	

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

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

Source: School District Financial Reports

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Net Valuation Taxable ^a	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
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
2017	11,200,000	-0-	11,200,000	0.43%	503.62
2018	9,375,000	-0-	9,375,000	0.36%	421.56

Source: School District Financial Reports

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

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

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

VERNON TOWNSHIP BOARD OF EDUCATION
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2017
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	\$ 30,832,316	100.00%	\$ 30,832,316
Sussex County General Obligation Debt	108,606,061	14.71% ^a	<u>15,973,409</u>
Subtotal, Overlapping Debt			46,805,725
Vernon Township School District Direct Debt			<u>9,375,000</u>
Total Direct And Overlapping Debt			<u><u>\$ 56,180,725</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 2018

	Vernon Township
Equalized Valuation Basis:	
2015	\$ 2,363,730,115
2016	2,347,095,481
2017	2,414,083,480
	<u>\$ 7,124,909,076</u>
Average Equalized Valuation of Taxable Property	2,374,969,692
Debt Limit (4% of average equalization value) ^a	94,998,788
Net Bonded School Debt as of June 30, 2018	9,375,000
Legal Debt Margin	<u>\$ 85,623,788</u>

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt Limit	\$126,859,815	\$129,562,774	\$127,291,246	\$121,267,437	\$114,509,741	\$107,960,058	\$102,487,816	\$98,348,479	\$ 95,392,704	\$ 94,998,788
Total Net Debt Applicable to Limit	18,567,000	17,167,000	15,682,000	14,212,000	18,277,000	16,672,000	14,922,000	13,065,000	11,200,000	9,375,000
Legal Debt Margin	<u>\$108,292,815</u>	<u>\$112,395,774</u>	<u>\$111,609,246</u>	<u>\$107,055,437</u>	<u>\$ 96,232,741</u>	<u>\$ 91,288,058</u>	<u>\$ 87,565,816</u>	<u>\$85,283,479</u>	<u>\$ 85,283,479</u>	<u>\$ 85,623,788</u>
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	14.64%	13.25%	12.32%	11.72%	15.96%	15.44%	14.56%	14.56%	13.28%	9.87%

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

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

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

Year	Population ^a	Personal Income ^b	Sussex County Per Capita Personal Income ^c	Unemployment Rate ^d
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	1,265,276,103	55,497	6.60%
2016	22,549	1,266,870,467 ***	56,183 *	5.50%
2017	22,239	1,249,453,737 ***	56,183 *	4.50%
2018	22,239	1,249,453,737	56,183 *	4.50%

* - Latest Sussex County per capita personal income available (2016) 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

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

Employer	2017		
	Employees	Rank	Percentage of Total Employment
Selective Insurance	3,000	1	2.66%
Newton Memorial Hospital	2,800	2	1.59%
Selective Insurance Company of America	800	3	1.20%
County of Sussex	700	4	1.10%
Thor Labs	600	5	1.06%
Mountain Creek Resort	500	6	0.59%
Raider Express	400	7	0.40%
Ames Rubber Corp	300	8	0.40%
Sussex County Community College	200	9	0.40%
Shop Rite	150	10	0.38%
Total	9,450		9.78%

Employer	2008		
	Employees	Rank (Optional)	Percentage of Total Employment
Mountain Creek/Intrawest	1,387	1	2.44%
Crystal Springs Golf Resort and Spa	1,153	2	2.30%
Newton Memorial Hospital	1,148	3	2.04%
County of Sussex	855	4	2.04%
Selective Insurance	800	5	1.93%
Ship Rite Supermarkets	718	6	1.61%
Vernon Township Board of Education	703	7	1.53%
Andover Sub Acute & Rehab Center	700	8	1.15%
Sparta Board of Education	570	9	0.97%
Hopatcong Board of Education	540	10	0.77%
Total	8,574		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

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Instruction:										
Regular	296.0	273.0	255.0	255.0	254.0	249.0	238.0	228.0	214.0	220.0
Special Education	177.0	181.0	162.0	167.0	149.0	146.0	157.0	144.0	156.0	149.0
Other Instruction	7.0	7.0	6.0	6.0	4.0	5.0	6.0	6.0	6.0	6.0
Support Services:										
Student & Instruction Related Services	42.0	61.0	80.0	80.0	75.0	71.0	67.0	69.0	67.0	64.0
School Administrative Services	41.5	46.0	43.0	43.0	41.0	44.0	43.0	46.0	47.0	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	53.5	54.0	52.0	53.0	55.0	54.0	56.0	65.0	65.0	65.0
Pupil Transportation	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.0
Business and Other Support Services	8.0	9.0	9.0	9.0	8.0	9.0	9.0	8.0	8.0	8.0
Total	632.0	638.0	614.0	620.0	593.0	585.0	583.0	573.0	570.0	564.0

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				
2009	4,461	72,261,300	16,198.45	0.24%	422	1:11.91	1:10.03	1:10.89	4,461	4,169	-4.21%	93.40%
2010	4,232	73,123,935	17,278.81	6.67%	412	1:12.18	1:10.01	1:10.21	4,232	3,974	-5.13%	93.31%
2011	4,013	73,408,054	18,292.56	5.87%	327	1:12.19	1:10.01	1:10.21	4,013	3,737	-5.17%	93.31%
2012	3,735	73,681,194	19,727.23	7.84%	333	1:12.26	1:9.87	1:11.04	3,735	3,508	-6.93%	93.92%
2013	3,610	74,240,719	20,565.30	4.25%	321	1:13.20	1:10.48	1:10.04	3,610	3,372	-3.35%	93.41%
2014	3,487	73,936,621	21,203.50	3.10%	309	1:12.61	1:11.57	1:9.76	3,487	3,272	-3.41%	93.83%
2015	3,316	74,184,327	22,371.63	5.51%	302	1:11.18	1:10.70	1:10.91	3,316	3,106	-4.90%	93.67%
2016	3,186	74,545,568	23,397.86	4.59%	291	1:11.45	1:10.00	1:10.55	3,186	3,003	-3.92%	94.26%
2017	3,146	73,217,586	23,273.23	-0.53%	291	1:11.04	1:11.03	1:10.35	3,145	2,974	-1.29%	94.56%
2018	3,095	73,759,264	23,831.75	2.40%	288	1:12.19	1:10.41	1:9.36	3,095	2,929	-1.59%	94.64%

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

District/Building	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<u>Walnut Ridge Primary School (1957,1964,1992)</u>										
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	591	588	559	559	499	528	467	456	508	110
<u>Cedar Mountain Primary School (1985)</u>										
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	419	401	392	392	369	356	333	337	313	407
<u>Rolling Hills Primary School (1972,1991)</u>										
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	483	460	470	470	420	385	393	356	338	399
<u>Lounsbury Hollow Middle School (1968,1977,1992)</u>										
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	635	622	586	586	561	538	525	485	473	470
<u>Glenn Meadow Middle School (1982)</u>										
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	722	649	621	621	564	549	528	511	513	713
<u>Vernon Township High School (1973,1985,1992,1996,1997)</u>										
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	1,611	1,512	1,385	1,385	1,197	1,131	1,070	1,020	1,001	995
<u>Child Study Team Office</u>										
Square Feet	1,354	1,354	1,354	1,354	1,354	N/A	N/A	N/A	N/A	N/A
<u>Board Office</u>										
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-XXXX

Facility	Project #/(s)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
School Facilities:											
Walnut Ridge	N/A	\$ 90,308	\$ 83,901	\$ 112,807	\$ 148,313	\$ 116,585	\$ 152,282	\$ 293,274	\$ 288,686	\$ 184,744	\$ 136,198
Cedar Mountain	N/A	114,067	97,709	166,396	156,389	198,976	153,592	187,195	191,783	151,971	182,412
Rolling Hills	N/A	74,032	68,796	120,096	157,546	108,626	127,074	176,271	168,105	106,329	128,266
Lounsberry Hollow	N/A	85,981	100,390	133,419	205,990	226,747	189,412	184,327	192,493	225,663	170,730
Glen Meadow	N/A	152,185	141,628	191,489	368,089	366,320	458,231	313,791	309,269	221,671	335,759
Vernon Township High School	N/A	302,057	205,000	292,738	424,243	398,316	515,421	399,960	407,740	532,219	467,022
Total School Facilities		818,630	697,424	1,016,945	1,460,570	1,415,570	1,596,012	1,554,818	1,558,076	1,422,597	1,420,387
Other Facilities:											
Child Study Team and Board Office	N/A	227,766	129,738	172,836	152,014	83,409	120,779	121,359	140,800	127,405	84,650
Grand Total		\$1,046,396	\$ 827,162	\$1,189,781	\$1,612,584	\$ 1,498,979	\$ 1,716,791	\$ 1,676,177	\$ 1,698,876	\$ 1,550,002	\$ 1,505,037

N/A - Not Applicable

Source: District records

VERNON TOWNSHIP BOARD OF EDUCATION
INSURANCE SCHEDULE
JUNE 30, 2018
UNAUDITED

	<u>Coverage</u>		<u>Deductible</u>
School Package Policy - School Alliance Insurance Fund:			
Property:			
Building & Personal Property	\$ 250,000,000 Fund Limit		\$ 2,500
Inland Marine - Auto Physical Damage	(Included)		1,000
Comprehensive General Liability including Auto Liability:	\$ 5,000,000		
Per Occurrence			
General Aggregate	100,000,000 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)		
Security Guard Liability	1,000,000		
Environmental Impairment Liability	1,000,000/25,000 Fund Agg.		5,000
	First party Fungi & Legionella		100,000
	Third party Fungi & Legionella		50,000
Comprehensive Crime Coverage	50,000 Inside/Outside		1,000
Blanket Dishonesty Bond	500,000		1,000
Boiler and Machinery - Property Damage	100,000,000		2,500
Excess Liability	5,000,000		
School Board Legal Liability	5,000,000		10,000
Cyber Liability	2,000,000 per Occurrence/Agg		10,000
Workers' Compensation:			
Employer's Liability	2,000,000		
Bollinger Insurance:			
Student Accident	5,000,000 Students and athletes		
Selective Insurance:			
Public Official Bond - Treasurer of School Monies	500,000		
Public Official Bond - Business Administrator/Board Secretary	500,000		

Source: School District of Vernon Township Records

SINGLE AUDIT SECTION

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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 22, 2019.

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.

Compliance and Other Matters

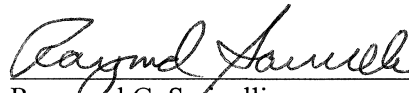
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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.

January 22, 2019
Mount Arlington, New Jersey

NISIVOCCIA LLP



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

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, 2018. 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 federal and state statutes, regulations, and the terms and conditions of its federal and state awards 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, 2018.

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.

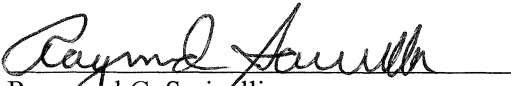
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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.

January 22, 2019
Mount Arlington, New Jersey

NISIVOCCIA LLP


Raymond G. Saripelli
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, 2018

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, 2017			Cash Received	Budgetary Expenditures	Cancellation of Prior Years' Encumbrances	Adjustment	Balance at June 30, 2018	
					Budgetary Accounts Receivable	Budgetary Unearned Revenue	Due to Grantor					Budgetary Accounts Receivable	Budgetary Unearned Revenue
General Fund:													
U.S. Department of Health and Human Services:													
Medicaid Cluster:													
Medicaid Assistance Program	93.778	N/A	7/1/17-6/30/18	\$ 90,429	\$	90,429	\$	(90,429)					
Total General Fund													
Special Revenue Fund:													
U.S. Department of Education Passed-through State Department of Education:													
Elementary and Secondary Education Act													
Title I	84.010	ESEA536018	7/1/17-6/30/18	221,953		131,884		(221,936)				\$	(90,052)
Title I	84.010	NCLB536017	7/1/16-6/30/17	192,478	\$	37,638							(12,096)
Title I - SIA	84.010	ESEA536018	7/1/17-6/30/18	68,011		55,787		(67,883)					(102,148)
Total Title I						<u>(37,638)</u>		<u>(289,819)</u>					<u>(24,753)</u>
Title II, Part A	84.367	ESEA536018	7/1/17-6/30/18	77,552		29,569		(54,322)					
Title II, Part A	84.367	NCLB536017	7/1/16-6/30/17	95,762		49,796							(24,753)
Total Title II, Part A						<u>(49,796)</u>		<u>(54,322)</u>					<u>(24,753)</u>
Title IV	84.184	ESEA536018	7/1/17-6/30/18	10,000		5,062		(9,564)					(4,502)
Total Title IV						<u>5,062</u>		<u>(9,564)</u>					<u>(4,502)</u>
Special Education Cluster:													
I.D.E.A. Part B, Basic	84.027	IDEA536018	7/1/17-6/30/18	768,814		648,651		(768,793)					(120,142)
I.D.E.A. Part B, Basic	84.027	IDEA536017	7/1/16-6/30/17	780,045		15,513							
I.D.E.A. Part B, Preschool	84.173	IDEA536017	7/1/16-6/30/17	28,676		3,572							
I.D.E.A. Part B, Preschool	84.173	IDEA536018	7/1/17-6/30/18	28,484		15,718		(25,075)					(9,357)
Special Education Cluster Subtotal						<u>(19,085)</u>		<u>(793,868)</u>					<u>(129,499)</u>
Carl D. Perkins Secondary Education													
Carl D. Perkins Secondary Education	84.048	PERK536018	7/1/17-6/30/18	42,604		36,095		(40,746)					(4,651)
Carl D. Perkins Secondary Education	84.048	PERK536017	7/1/16-6/30/17	12,493		1,838		(40,746)					(4,651)
Total U.S. Department of Education						<u>(108,557)</u>		<u>(1,188,319)</u>					<u>(265,553)</u>
Total Special Revenue Fund						<u>(108,557)</u>		<u>(1,188,319)</u>					<u>(265,553)</u>

VERNON TOWNSHIP BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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, 2017			Due to Grantor	Cash Received	Budgetary Expenditures	Cancellation of Prior Years' Encumbrances	Adjustment	Balance at June 30, 2018	
					Budgetary Accounts Receivable	Budgetary Unearned Revenue	Budgetary Accounts Receivable						Budgetary Unearned Revenue	
Enterprise Fund														
U.S. Department of Agriculture:														
Child Nutrition Program Cluster:														
Food Distribution Program	10.555	N/A	7/1/16-6/30/17	\$ 60,495		\$ 7,671		\$	\$ (7,671)				\$	4,239
Food Distribution Program	10.555	N/A	7/1/17-6/30/18	67,373				71,612	(67,373)					
National School Lunch Program	10.555	N/A	7/1/16-6/30/17	226,807	\$ (16,207)			16,207	(220,880)				\$ (21,432)	
National School Lunch Program	10.555	N/A	7/1/17-6/30/18	220,880				199,448						
School Breakfast Program	10.553	N/A	7/1/16-6/30/17	43,439	(3,934)			3,934	(31,060)				(3,522)	
School Breakfast Program	10.553	N/A	7/1/17-6/30/18	31,060				27,538						
Special Milk Program for Children	10.556	N/A	7/1/16-6/30/17	264	(21)			21	(247)				(20)	
Special Milk Program for Children	10.556	N/A	7/1/17-6/30/18	247				227						
Child Nutrition Program Cluster Subtotal					(20,162)	7,671		318,987	(327,231)				(24,974)	4,239
Total Enterprise Fund					(20,162)	7,671		318,987	(327,231)				(24,974)	4,239
Total Federal Awards					\$ (128,519)	\$ 7,671	\$ -0-	\$ 1,440,539	\$ (1,605,979)	\$ -0-	\$ -0-	\$ (290,527)	\$ 4,239	

N/A - Not Applicable

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

VERNON TOWNSHIP BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2017		Due to Grantor	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2018		MEMO	
				Budgetary Accounts Receivable	GAAP Accounts Receivable					Budgetary Accounts Receivable	Cumulative Total Expenditures		
New Jersey Department of Education General Fund:													
Equalization Aid	18-495-034-5120-078	7/1/17-6/30/18	\$ 14,888,366				\$ 13,412,535	\$ (14,888,366)		\$ 628,814	\$ 27,459	\$ (1,475,831)	\$ 14,888,366
Special Education Aid	18-495-034-5120-089	7/1/17-6/30/18	2,093,078				1,885,599	(2,093,078)				(207,479)	2,093,078
Security Aid	18-495-034-5120-084	7/1/17-6/30/18	326,271				293,929	(326,271)				(32,342)	326,271
Adjustment Aid	18-495-034-5120-085	7/1/17-6/30/18	4,890,424				4,405,654	(4,890,424)				(484,770)	4,890,424
School Choice Aid	18-495-034-5120-068	7/1/17-6/30/18	120,328				108,400	(120,328)				(11,928)	120,328
Transportation Aid	18-495-034-5120-014	7/1/17-6/30/18	2,202,151				1,983,860	(2,202,151)				(218,291)	2,202,151
PARCC Readiness	18-495-034-5120-098	7/1/17-6/30/18	33,480				30,161	(33,480)				(3,319)	33,480
Per Pupil Growth	18-495-034-5120-097	7/1/17-6/30/18	33,480				30,161	(33,480)				(3,319)	33,480
Professional Learning Community Aid	18-495-034-5120-101	7/1/17-6/30/18	30,670				27,630	(30,670)				(3,040)	30,670
Emergency Aid	18-495-034-5120-106	7/1/17-6/30/18	300,000				300,000	(300,000)					300,000
Extraordinary Special Education Costs	18-495-034-5120-044	7/1/17-6/30/18	628,814					(628,814)		\$ 628,814		(628,814)	628,814
Nonpublic Transportation Aid	18-495-034-5120-014	7/1/17-6/30/18	27,459					(27,459)		27,459		(27,459)	27,459
Reimbursed TPAF Social Security Contributions	18-495-034-5094-003	7/1/17-6/30/18	2,046,421				1,901,068	(2,046,421)		145,353		(145,353)	2,046,421
On-Behalf TPAF Post Retirement Contribution	18-495-034-5094-001	7/1/17-6/30/18	2,801,788				2,801,788	(2,801,788)					2,801,788
On-Behalf TPAF Pension Contribution	18-495-034-5094-002	7/1/17-6/30/18	4,235,170				4,235,170	(4,235,170)					4,235,170
On-Behalf TPAF Non-Contributory Insurance	18-495-034-5094-004	7/1/17-6/30/18	102,777				102,777	(102,777)					102,777
Equalization Aid	18-495-034-5120-078	7/1/17-6/30/18	5,453				5,453	(5,453)					5,453
Special Education Aid	17-495-034-5120-078	7/1/16-6/30/17	14,888,366				1,477,278	(14,888,366)					14,888,366
Security Aid	17-495-034-5120-089	7/1/16-6/30/17	2,093,078				2,093,078	(2,093,078)					2,093,078
Adjustment Aid	17-495-034-5120-084	7/1/16-6/30/17	326,271				32,374	(326,271)					326,271
School Choice Aid	17-495-034-5120-085	7/1/16-6/30/17	5,392,837				5,392,837	(5,392,837)					5,392,837
Transportation Aid	17-495-034-5120-068	7/1/16-6/30/17	92,560				91,84	(92,560)					92,560
PARCC Readiness	17-495-034-5120-014	7/1/16-6/30/17	2,202,151				218,506	(2,202,151)					2,202,151
Per Pupil Growth Aid	17-495-034-5120-098	7/1/16-6/30/17	33,480				3,322	(33,480)					33,480
Professional Learning Community Aid	17-495-034-5120-097	7/1/16-6/30/17	33,480				3,322	(33,480)					33,480
Extraordinary Special Education Costs	17-495-034-5120-101	7/1/16-6/30/17	30,670				3,043	(30,670)					30,670
Nonpublic Transportation Aid	17-100-034-5120-473	7/1/16-6/30/17	794,912				794,912	(794,912)					794,912
Reimbursed TPAF Social Security Contributions	17-495-034-5120-014	7/1/16-6/30/17	27,101				13,080	(27,101)					27,101
Total General Fund State Aid	17-495-034-5095-003	7/1/16-6/30/17	2,067,966				102,530	(2,067,966)					2,067,966
Special Revenue Fund:							34,924,516	(34,766,130)		801,626		(3,241,945)	68,834,130
New Jersey Nonpublic Aid:													
Compensatory Education	17-100-034-5120-067	7/1/16-6/30/17	2,956				2,658	(2,956)					2,956
Compensatory Education	18-100-034-5120-067	7/1/17-6/30/18	2,658						\$ 2,419	\$ 2,658		\$ 537	
Nonpublic Handicapped Services:													
Examination and Classification	18-100-034-5120-066	7/1/17-6/30/18	2,911				2,911	(2,911)					2,911
Examination and Classification	17-100-034-5120-066	7/1/16-6/30/17	1,982				1,260	(1,982)					1,982
Supplementary Instruction	18-100-034-5120-066	7/1/17-6/30/18	1,586				1,586	(1,586)					1,586
Supplementary Instruction	17-100-034-5120-066	7/1/16-6/30/17	1,569				549	(1,569)					1,569
Corrective Speech	18-100-034-5120-066	7/1/17-6/30/18	1,786				1,786	(1,786)					1,786
Corrective Speech	17-100-034-5120-066	7/1/16-6/30/17	1,767				1,237	(1,767)					1,767
Textbook Aid	18-100-034-5120-064	7/1/17-6/30/18	1,041				1,041	(1,041)					1,041
Nursing Services	18-100-034-5120-070	7/1/17-6/30/18	1,134				2,134	(1,134)					2,134
Technology Initiative	17-100-034-5120-070	7/1/16-6/30/17	1,980				793	(1,980)					1,980
Security Aid	18-100-034-5120-373	7/1/17-6/30/18	703				703	(703)					703
Career Pathways	18-100-034-5120-070	7/1/17-6/30/18	1,650				1,650	(1,650)					1,650
Career Pathways	19E00039	4/1/16-2/28/17	98,564					(98,564)					98,564
Career Pathways	18E00039	3/1/17-2/28/18	100,000				100,000	(100,000)					100,000
Total Special Revenue Fund							114,469	(130,057)		6,258	5,087	(21,171)	134,549

VERNON TOWNSHIP BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2017		Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2018		MEMO	
				Budgetary Accounts Receivable	Due to Grantor				GAAP Accounts Receivable	Due to Grantor	Budgetary Accounts Receivable	Cumulative Total Expenditures
Debt Service Fund:												
Debt Service Aid - State Support	18-495-034-5120-125	7/1/17-6/30/18	\$ 670,801			\$ 670,801	\$ (670,801)					\$ 670,801
Total Debt Service Fund						670,801	(670,801)					670,801
Enterprise Fund												
State School Lunch Program	17-100-010-3350-023	7/1/16-6/30/17	7,953	\$ (569)		569	(8,966)			\$ (853)		7,953
State School Lunch Program	18-100-010-3350-023	7/1/17-6/30/18	8,966		8,113							8,966
Total Enterprise Fund				(569)	8,682		(8,966)			(853)		16,919
Total State Awards Subject to Single Audit Determination				\$ (3,401,396)	\$ 35,718,468		\$ (35,575,954)	\$ 6,258	\$ 800,773	\$ (3,263,969)	\$ 5,087	\$ 69,656,399
Less: State Awards Not Subject to Single Audit Major Program Determination												
On-Behalf TPAF Pension System Contributions	18-495-034-5094-003	7/1/17-6/30/18	2,801,788									
On-Behalf TPAF Post Retirement Contributions	18-495-034-5094-001	7/1/17-6/30/18	4,235,170									
On-Behalf TPAF Pension Contributions	18-495-034-5094-002	7/1/17-6/30/18	102,777									
On-Behalf TPAF Non-Contributory Insurance	18-495-034-5094-004	7/1/17-6/30/18	5,453									
On-Behalf TPAF Long-Term Disability Insurance	18-495-034-5094-004	7/1/17-6/30/18										
Subtotal - On-Behalf TPAF Pension System Contributions												7,145,188
Total State Awards Subject to Single Audit Major Program Determination												\$ (28,430,766)

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, 2018

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, 2018. 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 not 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 \$49,490 for the general fund and (\$71,629) for the special revenue fund of which \$20 is attributable to local grants. See Note 1D for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds.

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
 (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:

	Federal	State	Total
General Fund	\$ 90,429	\$ 34,815,620	\$ 34,906,049
Special Revenue Fund	1,133,957	112,770	1,246,727
Debt Service Fund		670,801	670,801
Food Service Fund	327,231	8,966	336,197
Total Financial Assistance	\$ 1,551,617	\$ 35,608,157	\$ 37,159,774

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, 2018.

VERNON TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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	7/1/17-6/30/18	\$ 768,814	\$ 768,793
I.D.E.A. Part B, Preschool	84.173	7/1/17-6/30/18	28,484	25,075
<u>State:</u>				
State Aid - Public:				
Equalization Aid	18-495-034-5120-078	7/1/17-6/30/18	14,888,366	14,888,366
Special Education Aid	18-495-034-5120-089	7/1/17-6/30/18	2,093,078	2,093,078
Security Aid	18-495-034-5120-084	7/1/17-6/30/18	326,271	326,271
Adjustment Aid	18-495-034-5120-085	7/1/17-6/30/18	4,890,424	4,890,424
School Choice	18-495-034-5120-068	7/1/17-6/30/18	120,328	120,328
PARCC Readiness Aid	18-495-034-5120-098	7/1/17-6/30/18	33,480	33,480
Per Pupil Growth Aid	18-495-034-5120-097	7/1/17-6/30/18	33,480	33,480
Professional Learning Community Aid	18-495-034-5120-101	7/1/17-6/30/18	30,670	30,670

- 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 \$852,923.

VERNON TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(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, 2018

Status of Prior Year Findings:

There were no prior year findings.