

VERNON TOWNSHIP SCHOOL DISTRICT

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

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2020**

**Comprehensive Annual
Financial Report**

of the

VERNON TOWNSHIP BOARD OF EDUCATION

Vernon, New Jersey

For the Fiscal Year Ended June 30, 2020

Prepared by

**Vernon Township Board of Education
Business Office**

VERNON TOWNSHIP SCHOOL DISTRICT
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INTRODUCTORY SECTION



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Business Administrator/Board Secretary
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October 15, 2020

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, 2020, 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 2019-2020 school year with an Average Daily Enrollment (ADE) of 2,964, which is 11 students less than the previous year's ADE.

2) ECONOMIC CONDITION AND OUTLOOK:

Vernon Township is a mature school district consisting of 6 schools, one of which is was on the market for sale, as of June 30, 2020. 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 2019-20 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. An increase in the number of access points was implemented during the summer of 2018 in anticipation of greater technology needs in the upcoming years. During the summer of 2020, additional network upgrades/consolidation took place.

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 2019-20 school year, the District continued with its model program for staff development for both professional and support staff employed by the school district. The District continued with its staff development program by running in-service courses for faculty and support staff during the fall, spring, and summer sessions. Programs dealt with curriculum development and improvement, overall personal improvement, and appropriate teaching strategies to assist teachers in working with and better understanding the students that they come in contact with on a daily basis. Job embedded and sustained professional development will be prioritized. The staff development program is quite unique to our school district, since we are probably the only school district, which has so many offerings and has such a well-developed program. Technology training continues to be on-going in an effort to keep all staff up-to-date with the changes in the industry.

During the 2019-2020 school year, the District entered its fourth 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, 2019.

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,



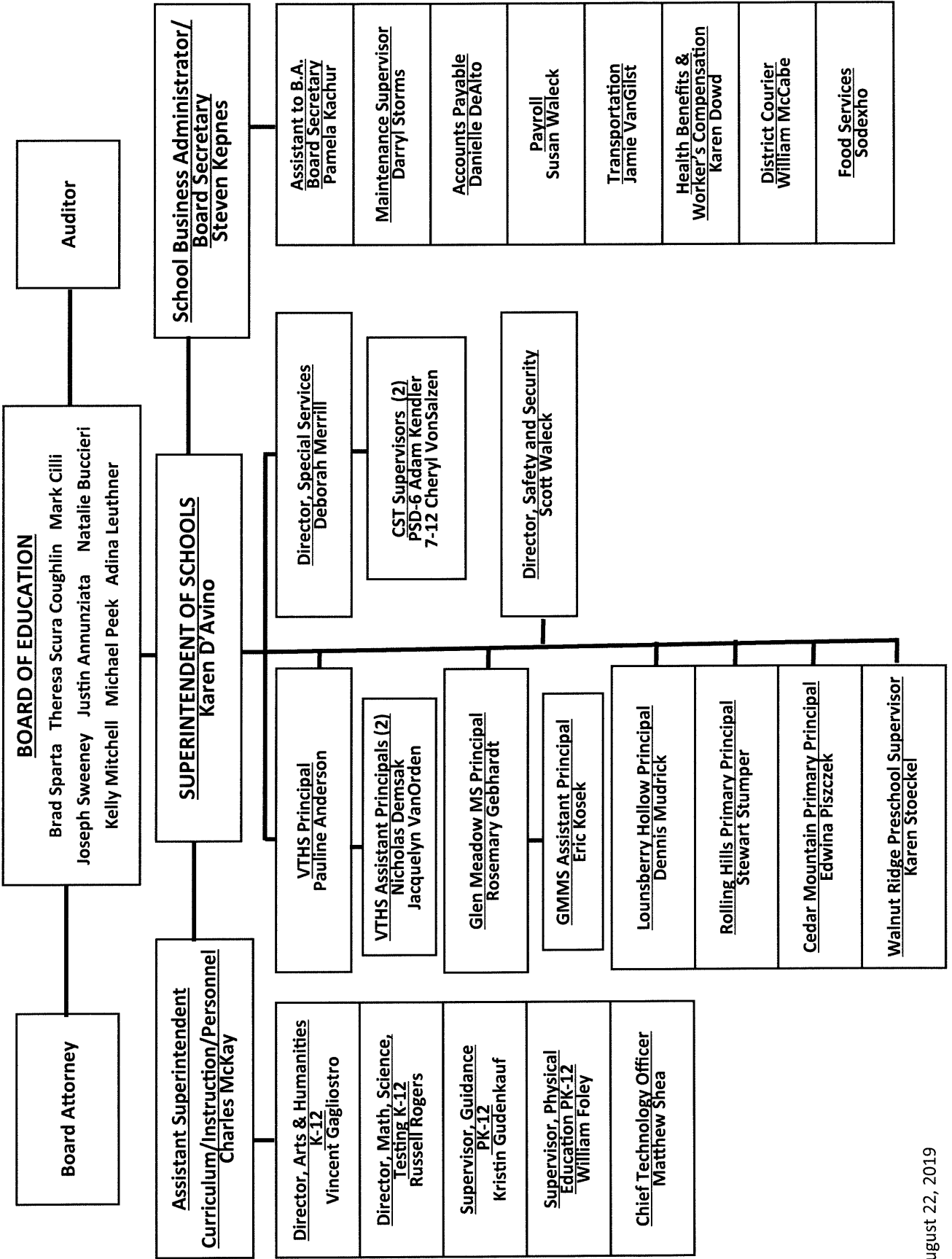
Steven Kepnes
Business Administrator

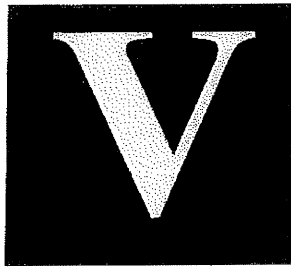


Karen D'Avino
Superintendent

VERNON TOWNSHIP BOARD OF EDUCATION ORGANIZATIONAL CHART

2019-2020 SCHOOL YEAR





**VERNON TOWNSHIP BOARD OF EDUCATION
VERNON, NEW JERSEY**

**ROSTER OF OFFICIALS
JUNE 30, 2020**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Justin Annunziata, President	2020
Michael S. Peek, Vice President	2020
Natalie Buccieri	2020
Mark Cilli	2021
Theresa Scura Coughlin	2021
Kelly Mitchell	2022
Jennifer Pellet	2022
Bradley D. Sparta	2021
Joseph A. Sweeney	2022
Karen D'Avino, Superintendent of Schools	
Dr. Charles McKay, Assistant Superintendent	
Steven A. Kepnes, Business Administrator/Board Secretary	

VERNON TOWNSHIP PUBLIC SCHOOLS

Vernon Township High School
Pauline Anderson, Ed.D., Principal
Nicholas Demsak, Assistant Principal
Jackie VanOrden, Assistant Principal

Glen Meadow Middle School
Rosemary Gebhardt, Principal
Eric Kosek, Ed.D., Assistant Principal

Lounsberry Hollow Middle School
Dennis Mudrick, Principal

Cedar Mountain Primary School
Edwina Piszczek, Principal

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

Walnut Ridge Primary School
Karen D'Avino/Charles McKay/Co-Principals



VERNON TOWNSHIP BOARD OF EDUCATION
Consultants and Advisors – 2019/2020 School Year

Audit Firm

Nisivoccia & Company LLP, CPAs
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and
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Newton, NJ 07860

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Sparta, NJ 07871

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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, 2020, 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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, which follows this report, the pension and post-retirement benefit schedules in Exhibits L-1 through 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 other supplementary schedules 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 other supplementary schedules 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 other 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.

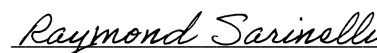
The Honorable President and Members
of the Board of Education
Vernon Township School District
Page 3

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2020 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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.

October 15, 2020
Mount Arlington, New Jersey

NISIVOCCIA LLP



Raymond Sarinelli
Licensed Public School Accountant #2549
Certified Public Accountant

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

**Vernon Township Board of Education
Management’s Discussion and Analysis**

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, 2020. 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.

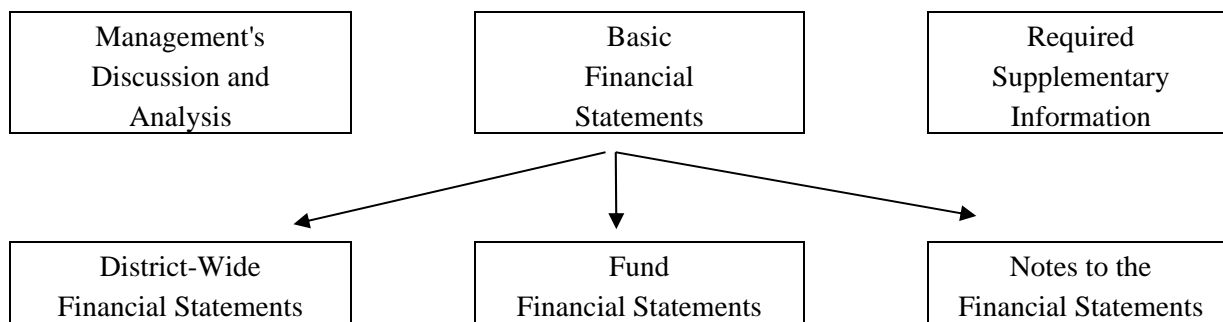
Overview of the Financial Statements

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**

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

District-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

Financial Analysis of the District as a Whole

Net Position. The District's combined net position increased by \$2,996,507. Net position from governmental activities increased by \$3,001,554 offset by a decrease in net position from business-type activities of \$5,047.

Figure A-3

Condensed Statement of Net Position

	Government Activities		Business-Type Activities		Total School District		Total Percentage Change
	2019/2020	2018/2019	2019/2020	2018/2019	2019/2020	2018/2019	
Current and Other Assets	\$ 4,082,794	\$ 3,696,323	\$ 328,629	\$357,357	\$ 4,411,423	\$ 4,053,680	
Capital Assets, Net	23,536,113	25,163,941	189,085	196,548	23,725,198	25,360,489	
Total Assets	<u>27,618,907</u>	<u>28,860,264</u>	<u>517,714</u>	<u>553,905</u>	<u>28,136,621</u>	<u>29,414,169</u>	-4.34%
Deferred Outflows of Resources	<u>2,757,290</u>	<u>4,128,413</u>			<u>2,757,290</u>	<u>4,128,413</u>	-33.21%
Other Liabilities	915,594	3,455,723	28,890	60,034	944,484	3,515,757	
Long-Term Liabilities	22,848,990	26,003,018			22,848,990	26,003,018	
Total Liabilities	<u>23,764,584</u>	<u>29,458,741</u>	<u>28,890</u>	<u>60,034</u>	<u>23,793,474</u>	<u>29,518,775</u>	-19.40%
Deferred Inflows of Resources	<u>6,305,458</u>	<u>6,225,335</u>			<u>6,305,458</u>	<u>6,225,335</u>	1.29%
Net Position:							
Net Investment in Capital Assets	17,435,656	17,699,311	189,085	196,548	17,624,741	17,895,859	
Restricted	4,229,902	1,313,633			4,229,902	1,313,633	
Unrestricted/(Deficit)	<u>(21,359,403)</u>	<u>(21,708,343)</u>	<u>299,739</u>	<u>297,323</u>	<u>(21,059,664)</u>	<u>(21,411,020)</u>	
Total Net Position/(Deficit)	<u>\$ 306,155</u>	<u>\$ (2,695,399)</u>	<u>\$ 488,824</u>	<u>\$493,871</u>	<u>\$ 794,979</u>	<u>\$ (2,201,528)</u>	136.11%

Changes in Net Position. The District's combined net position was \$794,979 June 30, 2020, or \$2,996,507 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 \$2.9 million excess of revenue over expenditures in the General Fund, which was created by a significant decrease in expenditures due to the District shutting down in-person learning for three months as a result of the pandemic caused by COVID-19. Additionally, there was a decrease in net position of \$5,047 in business-type activities.

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

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

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2019/2020	2018/2019	2019/2020	2018/2019	2019/2020	2018/2019	
Revenue:							
Program Revenue:							
Charges for Services	\$ 132,811	\$ 234,526	\$ 530,066	\$ 697,555	\$ 662,877	\$ 932,081	
Operating Grants & Contributions	25,032,200	24,822,400	274,230	318,524	25,306,430	25,140,924	
General Revenue:							
Property Taxes	42,711,938	39,210,352			42,711,938	39,210,352	
Unrestricted Federal & State Aid	18,567,842	20,186,232			18,567,842	20,186,232	
Other	262,982	89,840	690	641	263,672	90,481	
Total Revenue	<u>86,707,773</u>	<u>84,543,350</u>	<u>804,986</u>	<u>1,016,720</u>	<u>87,512,759</u>	<u>85,560,070</u>	2.28%
Expenses:							
Instruction	45,147,644	47,016,124			45,147,644	47,016,124	
Pupil and Instruction Services	18,134,069	17,918,627			18,134,069	17,918,627	
Administrative and Business	6,457,922	6,309,087			6,457,922	6,309,087	
Maintenance and Operations	6,681,683	7,280,273			6,681,683	7,280,273	
Transportation	4,644,133	5,159,871			4,644,133	5,159,871	
Other	2,640,768	2,530,181	810,033	998,384	3,450,801	3,528,565	
Total Expenses	<u>83,706,219</u>	<u>86,214,163</u>	<u>810,033</u>	<u>998,384</u>	<u>84,516,252</u>	<u>87,212,547</u>	-3.09%
Increase/(Decrease) in Net Position	<u>\$ 3,001,554</u>	<u>\$(1,670,813)</u>	<u>\$ (5,047)</u>	<u>\$ 18,336</u>	<u>\$ 2,996,507</u>	<u>\$(1,652,477)</u>	281.33%

Governmental Activities

As discussed elsewhere in this commentary, the financial position of the District increased significantly in fiscal year 2020, due to the shutdown caused by COVID-19. However, the continued loss of state aid will continue to put a financial burden on the District. Also, maintaining existing programs and the provision of a multitude of special programs and services for disabled students will place more demand on District resources.

Figure A-5 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 burden placed on the District's taxpayers by each of these functions:

**Figure A-5
Net Cost of Governmental Activities**

	Total Costs of Services		Net Cost of Services	
	2019/2020	2018/2019	2019/2020	2018/2019
Instruction	\$ 45,147,644	\$ 47,016,124	\$ 27,623,974	\$ 29,320,149
Pupil and Instruction Services	18,134,069	17,918,627	13,985,232	13,927,759
Administrative and Business	6,457,922	6,309,087	5,180,791	5,173,285
Maintenance and Operations	6,681,683	7,280,273	6,681,683	7,280,273
Transportation	4,644,133	5,159,871	2,428,760	2,925,590
Other	2,640,768	2,530,181	2,640,768	2,530,181
	<u>\$ 83,706,219</u>	<u>\$ 86,214,163</u>	<u>\$ 58,541,208</u>	<u>\$ 61,157,237</u>

**Vernon Township Board of Education
Management’s Discussion and Analysis**

Business-Type Activities

Net position from the District’s business-type activity decreased by \$5,047, (Refer to Figure A-4). Factors contributing to these results included:

- Food service expenses exceeded revenues by \$5,047, accounting for all of the decrease in the net position of the business-type activities.

Financial Analysis of the District’s Funds

The District's financial position increased significantly in fiscal year 2020. Expenditures during the recent year have decreased due to the shutdown caused by COVID-19. Also, in the area of benefits, due to the implementation of P.L. 2011, c.78, the District’s expenditures have been 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 unique to this year. To maintain a stable financial position, the District must continue to practice sound fiscal management, and reduce spending.

General Fund Budgetary Highlights

At the beginning of July 2018, the District was informed that State Aid would decrease dramatically over the next 5-7 years. At that time, the Board decided to supplement much of the loss by appropriating Fund Balance. Since that time, the Board’s excess Fund Balance has significantly decreased. During 2020 excess fund balance increased significantly, however there will likely be extreme challenges with balancing the budget in future years.

Capital Asset and Long- Term Liabilities Administration

Figure A-6

Capital Assets (Net of Depreciation)

	Government Activities		Business-Type Activities		Total School District		Total Percentage Change
	2019/2020	2018/2019	2019/2020	2018/2019	2019/2020	2018/2019	
Land	\$ 1,935,348	\$ 1,935,348			\$ 1,935,348	\$ 1,935,348	
Site Improvements	389,122	462,814			389,122	462,814	
Building and Building Improvements	20,021,439	21,384,631			20,021,439	21,384,631	
Machinery and Equipment	1,190,204	1,381,148	\$ 189,085	\$196,548	1,379,289	1,577,696	
Total Capital Assets (Net)	\$23,536,113	\$25,163,941	\$ 189,085	\$196,548	\$23,725,198	\$25,360,489	-6.45%

- The change in Capital Assets is a result of the acquisition of capital assets net of deletions and related accumulated depreciation, and adjustments in the amount of \$177,871 offset by depreciation expense and adjustments of \$1,813,162.

**Vernon Township Board of Education
Management’s Discussion and Analysis**

Long-term Liabilities

At year-end, the District had a net of \$6,195,000 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-7
Outstanding Long-Term Liabilities**

	Total School District		Percentage Change
	2019/2020	2018/2019	
School Bonds (including energy savings)	\$ 6,195,000	\$ 7,550,000	
Net Pension Liability	14,247,026	16,066,289	
Other Long-Term Liabilities	2,406,964	2,386,729	
	<u>\$ 22,848,990</u>	<u>\$ 26,003,018</u>	<u>-12.13%</u>

- The decrease of \$3,154,028 in outstanding long-term liabilities was primarily due to the reduction of \$1,355,000 in school bonds and \$1,819,263 in net pension liability.

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.

Vernon Township Board of Education Management's Discussion and Analysis

- 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
- The Board was informed that the State Aid for the 2019-2020 school year is being decreased by almost \$1.4 million. The Board will continue to assess the budget to determine ways in which spending can be decreased, without creating a negative impact to personnel.
- The Board has worked towards comparing various expense categories of the District to other districts of the same size in an effort to understand if costs are reasonable.
- Due to the declining state aid, the Board has discussed multiple plans to reduce cost and mitigate a loss of staff.
- During the spring of the 2019-2020 school year, the COVID-19 pandemic forced the school building to close and the students and staff worked virtually. This led to a large portion of the budget being unspent. The projected amount of unspent funds was in excess of \$2,900,000. These funds will be designated as a legal reserve and will be included in the 2021-2022 budget as budgeted fund balance.

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, 2020

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS:</u>			
Cash and Cash Equivalents	\$ 2,257,233	\$ 297,146	\$ 2,554,379
Receivables from Federal Government	45,613	10,965	56,578
Receivables from State Government	803,857	113	803,970
Inventory		20,405	20,405
Restricted Assets:			
Capital Reserve - Cash and Cash Equivalents	973,621		973,621
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	21,600,765	189,085	21,789,850
Total Assets	<u>27,618,907</u>	<u>517,714</u>	<u>28,136,621</u>
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>			
Deferred Amount on Refunding	158,048		158,048
Deferred Outflows Related to Pensions	1,826,677		1,826,677
District Contribution Subsequent to Measurement Date - Pension	772,565		772,565
Total Deferred Outflows of Resources	<u>2,757,290</u>		<u>2,757,290</u>
<u>LIABILITIES:</u>			
Accounts Payable	107,836	25,379	133,215
Payable to State Government	807,229		807,229
Unearned Revenue	529	3,511	4,040
Noncurrent Liabilities:			
Due Within One Year, Net	862,051		862,051
Due Beyond One Year, Net	21,986,939		21,986,939
Total Liabilities	<u>23,764,584</u>	<u>28,890</u>	<u>23,793,474</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>			
Deferred Inflows Related to Pensions	6,305,458		6,305,458
Total Deferred Inflows of Resources	<u>6,305,458</u>		<u>6,305,458</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	17,435,656	189,085	17,624,741
Restricted for:			
Capital Projects	973,621		973,621
Excess Surplus	3,253,811		3,253,811
Maintenance	2,470		2,470
Unrestricted/(Deficit)	<u>(21,359,403)</u>	<u>299,739</u>	<u>(21,059,664)</u>
Total Net Position	<u>\$ 306,155</u>	<u>\$ 488,824</u>	<u>\$ 794,979</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, 2020

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	\$ 33,198,592		\$ 10,087,309	\$ (23,111,283)		\$ (23,111,283)
Special Education	10,139,906	\$ 132,811	6,834,601	(3,172,494)		(3,172,494)
Other Instruction	799,743		468,949	(330,794)		(330,794)
School -Sponsored Instruction	1,009,403			(1,009,403)		(1,009,403)
Support Services:						
Tuition	2,901,960			(2,901,960)		(2,901,960)
Student and Instruction Related Services	15,232,109		4,148,837	(11,083,272)		(11,083,272)
General Administration Services	1,652,815		335,713	(1,317,102)		(1,317,102)
School Administration Services	3,567,496		631,485	(2,936,011)		(2,936,011)
Central Services	1,092,052		309,933	(782,119)		(782,119)
Administrative Information Technology	145,559			(145,559)		(145,559)
Plant Operations and Maintenance	6,681,683			(6,681,683)		(6,681,683)
Pupil Transportation	4,644,133		2,215,373	(2,428,760)		(2,428,760)
Interest on Long-Term Debt	78,180			(78,180)		(78,180)
Unallocated Depreciation	1,610,814			(1,610,814)		(1,610,814)
Capital Outlay	34,847			(34,847)		(34,847)
Transfer to Charter School	916,927			(916,927)		(916,927)
Total Governmental Activities	83,706,219	132,811	25,032,200	(58,541,208)		(58,541,208)
Business-Type Activities:						
Food Service	810,033	530,066	274,230		\$ (5,737)	(5,737)
Total Business-Type Activities	810,033	530,066	274,230		(5,737)	(5,737)
Total Primary Government	84,516,252	662,877	25,306,430	(58,541,208)	(5,737)	(58,546,945)

VERNON TOWNSHIP SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-type Activities	Total
General Revenues:			
Taxes:			
Property Taxes, Levied for General Purposes, Net	\$ 42,060,058		\$ 42,060,058
Taxes Levied for Debt Service	651,880		651,880
Federal and State Aid not Restricted	18,567,842		18,567,842
Investment Earnings	11,524	\$ 690	12,214
Miscellaneous Income	251,458		251,458
Total General Revenue	61,542,762	690	61,543,452
Change in Net Position	3,001,554	(5,047)	2,996,507
Net Position/(Deficit) - Beginning	(2,695,399)	493,871	(2,201,528)
Net Position - Ending	\$ 306,155	\$ 488,824	\$ 794,979

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, 2020

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 2,238,977		\$ 18,256	\$ 2,257,233
Interfund Receivable	49,322			49,322
Receivables From Federal Government		\$ 45,613		45,613
Receivables From State Government	777,433	26,424		803,857
Receivables From Other Governments				
Other Accounts Receivables				
Restricted Cash and Cash Equivalents	976,091			976,091
Total Assets	\$ 4,041,823	\$ 72,037	\$ 18,256	\$ 4,132,116
<u>LIABILITIES AND FUND BALANCES:</u>				
Liabilities:				
Interfund Payable		\$ 49,322		\$ 49,322
Accounts Payable	\$ 102,058	5,778		107,836
Payable to State Government		16,408	\$ 18,256	34,664
Unearned Revenue		529		529
Total Liabilities	102,058	72,037	18,256	192,351
Fund Balances:				
Restricted for:				
Excess Surplus - 2020-2021	331,077			331,077
Excess Surplus - 2021-2022	2,922,734			2,922,734
Capital Reserve Account	973,621			973,621
Maintenance Reserve Account	2,470			2,470
Unassigned/(Deficit)	(290,137)			(290,137)
Total Fund Balances	3,939,765			3,939,765
Total Liabilities and Fund Balances	\$ 4,041,823	\$ 72,037	\$ 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.	\$ 23,536,113
Bond Issuance Premiums are reported as revenue in the Governmental Funds in the year the bonds are sold.	(247,096)
The Deferred amount on the refunding is not reported as an expenditure in the governmental funds in the year of the expenditure.	158,048

VERNON TOWNSHIP SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

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.	\$ (14,247,026)
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.	
Deferred Outflows	1,826,677
Deferred Inflows	(6,305,458)
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)	(8,354,868)
Net Position of Governmental Activities	\$ 306,155

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, 2020

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
REVENUES:				
Local Sources:				
Local Tax Levy	\$ 42,060,058		\$ 651,880	\$ 42,711,938
Tuition	132,811			132,811
Miscellaneous	262,982	\$ 6,390		269,372
Total - Local Sources	42,455,851	6,390	651,880	43,114,121
State Sources	33,769,130	118,696	434,020	34,321,846
Federal Sources	91,032	1,160,453		1,251,485
Total Revenues	76,316,013	1,285,539	1,085,900	78,687,452
EXPENDITURES:				
Current:				
Regular Instruction	18,471,999	456,065		18,928,064
Special Education Instruction	5,132,472	783,122		5,915,594
Other Special Instruction	89,795			89,795
School-Sponsored/Other Instruction	1,003,612			1,003,612
Support Services and Undistributed Costs:				
Tuition	2,901,960			2,901,960
Student and Other Instruction Related Services	8,926,294			8,926,294
General Administration Services	1,128,017			1,128,017
School Administration Services	2,275,098			2,275,098
Central Services	634,926			634,926
Administrative Information Technology	108,390			108,390
Plant Operations and Maintenance	5,775,577			5,775,577
Student Transportation	4,615,571			4,615,571
Unallocated Benefits	21,179,169			21,179,169
Debt Service:				
Principal			995,000	995,000
Interest and Other Charges			90,900	90,900
Capital Outlay	229,606	46,352		275,958
Transfer of Funds to Charter School	916,927			916,927
Total Expenditures	73,389,413	1,285,539	1,085,900	75,760,852
Excess of Revenue Over Expenditures	2,926,600			2,926,600
Fund Balance - July 1	1,013,165			1,013,165
Fund Balance - June 30	\$ 3,939,765	\$ -0-	\$ -0-	\$ 3,939,765

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, 2020

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2) \$ 2,926,600

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	\$ (1,837,187)	
	Capital outlays, net of deletions	209,359	(1,627,828)

In the statement of activities, certain operating expenses, e.g., compensated absence: 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 (+) (87,286)

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 1,355,000

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. 31,752

The governmental funds report the effect of the deferred amount on the refunding when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities (22,579)

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		1,819,263	
Change in Deferred Outflows		(1,348,544)	
Change in Deferred Inflows		(80,123)	

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

\$ 3,001,554

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, 2020

	Business-type Activities - Enterprise Funds Food Service
<u>ASSETS:</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 297,146
Intergovernmental Accounts Receivable:	
State	113
Federal	10,965
Inventories	20,405
Total Current Assets	328,629
Non-Current Assets:	
Capital Assets	647,454
Less: Accumulated Depreciation	(458,369)
Total Non-Current Assets	189,085
Total Assets	517,714
<u>LIABILITIES:</u>	
Accounts Payable - Vendors	25,379
Unearned Revenue - Donated Commodities	3,511
Total Liabilities	28,890
<u>NET POSITION:</u>	
Investment in Capital Assets	189,085
Unrestricted	299,739
Total Net Position	\$ 488,824

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, 2020

	Business-type Activities - Enterprise Funds Food Service
Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 274,788
Daily Sales - Non-Reimbursable Programs	224,827
Special Events	19,448
Miscellaneous Revenue	11,003
Total Operating Revenue	530,066
Operating Expenses:	
Cost of Sales - Reimbursable Programs	154,901
Cost of Sales - Non-Reimbursable Programs	126,738
Salaries, Benefits & Payroll Taxes	306,291
Supplies, Insurance & Other Costs	62,152
Management Fee	110,000
Miscellaneous Expenditures	28,678
Depreciation Expense	21,273
Total Operating Expenses	810,033
Operating Loss	(279,967)
Non-Operating Revenue:	
Local Sources:	
Interest Earnings	690
State Sources:	
State School Lunch Program	5,785
State School Lunch Program -Seamless Summer Option	344
Federal Sources:	
National School Lunch Program	152,341
National School Lunch Program -Seamless Summer Option	21,771
Special Milk Program	24
School Breakfast Program	28,268
School Breakfast Program - Seamless Summer Option	11,647
Food Distribution Program	54,050
Total Non-Operating Revenue	274,920
Change in Net Position	(5,047)
Net Position - Beginning of Year	493,871
Net Position - End of Year	\$ 488,824

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, 2020

	Business-type Activities - Enterprise Funds Food Service
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 530,066
Payments to Food Service Contractor	(732,902)
Payments to Suppliers	(25,875)
	(228,711)
Net Cash Used for Operating Activities	(228,711)
Cash Flows from Capital and Related Financing Activities:	
Purchases of Capital Assets	(13,810)
	(13,810)
Net Cash Used for Capital and Related Financing Activities	(13,810)
Cash Flows from Noncapital Financing Activities:	
State Sources	6,529
Federal Sources	218,437
	224,966
Net Cash Provided by Noncapital Financing Activities	224,966
Cash Flows from Investing Activities:	
Interest Income	690
	690
Net Cash Provided by Investing Activities	690
Net Decrease in Cash and Cash Equivalents	(16,865)
Cash and Cash Equivalents, July 1	314,011
Cash and Cash Equivalents, June 30	\$ 297,146
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (279,967)
Adjustment to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	21,273
Food Distribution Program	54,050
Changes in Assets and Liabilities:	
Decrease in Inventory	7,077
(Decrease) in Accounts Payable	(31,221)
Increase in Unearned Revenue	77
	77
Net Cash Used for Operating Activities	\$ (228,711)

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 \$54,127 and Utilized Commodities Valued at \$54,050.

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, 2020

	<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	\$ 721,061	\$ 227,052	\$ 84,846	\$ 6,644
Total Assets	<u>\$ 721,061</u>	<u>\$ 227,052</u>	<u>\$ 84,846</u>	<u>\$ 6,644</u>
<u>LIABILITIES:</u>				
Payroll Deductions and Withholdings Due to Student Groups	411,548 309,513			
Total Liabilities	<u>721,061</u>			
<u>NET POSITION:</u>				
Restricted for Unemployment Claims		227,052		
Restricted for Flexible Spending Claims				6,644
Restricted for Scholarships			84,846	
Total Net Position	<u>\$ -0-</u>	<u>\$ 227,052</u>	<u>\$ 84,846</u>	<u>\$ 6,644</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, 2020

	Unemployment Compensation Trust	Private Purpose Scholarship Trust	Flexible Spending Trust
Additions:			
Contributions:			
Plan Members	\$ 116,894		\$ 14,092
Donations		\$ 10,485	
Total Contributions	116,894	10,485	14,092
Investment Earnings:			
Interest	395	176	17
Net Investment Earnings	395	176	17
Total Additions	117,289	10,661	14,109
Deductions:			
Unemployment Claims	94,569		
Flexible Spending Claims			16,965
Administrative Charges			500
Scholarships Awarded		9,700	
Total Deductions	94,569	9,700	17,465
Change in Net Position before Other Financing Uses	22,720	961	(3,356)
Other Financing (Uses):			
Transfer to General Fund			(12,193)
Total Other Financing (Uses)			(12,193)
Change in Net Position	22,720	961	(15,549)
Net Position - Beginning of the Year	204,332	83,885	22,193
Net Position - End of the Year	\$ 227,052	\$ 84,846	\$ 6,644

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, 2020

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, 2020
(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, 2020

(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, 2020
(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	\$ 76,165,530	\$ 1,280,851
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		(41,335)
Prior Year Encumbrances, Net of Cancellations		46,023
Prior Year State Aid Payments Recognized for GAAP Statements	2,390,414	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(2,239,931)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	\$ 76,316,013	\$ 1,285,539

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(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	\$ 73,389,413	\$ 1,280,851
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		(41,335)
Prior Year Encumbrances, Net of Cancellations		46,023
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 73,389,413	\$ 1,285,539

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, 2020
(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, 2020.

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(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, 2020.

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(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. 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 \$3,939,765 General Fund fund balance at June 30, 2020, \$0 is assigned for year-end encumbrances which is \$675,573 less than on a budgetary basis due to the final two state aid payments; \$973,621 is restricted in the capital reserve account; \$2,470 is restricted in the maintenance reserve account; \$3,253,811 is restricted for excess surplus in accordance with N.J.S.A. 18A:7F-7 as amended by P.L. 2004, C.73 (S1701) (\$331,077 of prior year excess surplus has been appropriated and included as anticipated revenue for the fiscal year ending June 30, 2021; \$2,922,734 of current year excess surplus will be appropriated and included as anticipated revenue for the fiscal year ending June 30, 2022); and (\$290,137) is unassigned fund balance, which is \$1,564,358 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, 2020.

Debt Service Fund: The Debt Service Fund has \$-0- of fund balance at June 30, 2020.

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 \$3,253,811 in excess surplus as detailed above.

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(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 \$2,239,931; \$1,564,358 is unassigned fund balance and \$675,573 is assigned fund balance for encumbrances. 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/Fund Balance

The District has a deficit in unassigned fund balance in the General Fund net in the amount of \$290,137. This is primarily due to the final two state aid payments in the amount of \$2,239,931, which are not recognized until the fiscal year ended June 30, 2021. This deficit does not mean that the District is facing financial difficulties and is a permitted practice by generally accepted accounting principles.

Additionally, the District has a deficit in unrestricted net position from governmental activities in the amount of \$21,359,403. This is primarily due to \$14,247,026 of net pension liability and \$6,305,458 of deferred inflows related to pensions. 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 deferred outflows of resources at June 30, 2020 for the deferred amount on refunding of debt related to the District's 2015 refunding bonds, and related to pensions.

The District had deferred inflows of resources at June 30, 2020 related to 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, 2020

(Continued)

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

R. Net Position (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, 2020.

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, 2020.

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 in the General Fund on a budgetary basis at June 30, 2020.

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, 2020

(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, 2020
(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, 2020

(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;
 - (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;

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)

- (9) Deposit of funds in accordance with the following conditions: (Cont'd)
 - (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, 2020, cash and cash equivalents of the District consisted of the following:

	Cash and Cash Equivalents	Restricted Cash and Cash Equivalents		Total
		Capital Reserve Account	Maintenance Reserve Account	
Checking Accounts	\$ 3,593,982	\$ 973,621	\$ 2,470	\$ 4,570,073
	\$ 3,593,982	\$ 973,621	\$ 2,470	\$ 4,570,073

During the period ended June 30, 2020, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2020, was \$4,570,073 and the bank balance was \$6,642,417.

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 4. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2020 were as follows:

	Beginning Balance	Increases	Decreases/ Adjustments	Ending Balance
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	1,469,837			1,469,837
Buildings and Building Improvements	56,732,037	\$ 173,930		56,905,967
Machinery and Equipment	4,104,039	64,198	\$ (70,150)	4,098,087
Total Capital Assets Being Depreciated	<u>62,305,913</u>	<u>238,128</u>	<u>(70,150)</u>	<u>62,473,891</u>
Governmental Activities Capital Assets	<u>64,241,261</u>	<u>238,128</u>	<u>(70,150)</u>	<u>64,409,239</u>
Less Accumulated Depreciation for:				
Site Improvements	(1,007,023)	(73,692)		(1,080,715)
Buildings and Building Improvements	(35,347,406)	(1,537,122)		(36,884,528)
Machinery and Equipment	(2,722,891)	(226,373)	41,381	(2,907,883)
	<u>(39,077,320)</u>	<u>(1,837,187)</u>	<u>41,381</u>	<u>(40,873,126)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 25,163,941</u>	<u>\$ (1,599,059)</u>	<u>\$ (28,769)</u>	<u>\$ 23,536,113</u>
Business Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 637,561	\$ 13,810	\$ (3,917)	\$ 647,454
Less Accumulated Depreciation	(441,013)	(21,273)	3,917	(458,369)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 196,548</u>	<u>\$ (7,463)</u>	<u>\$ -0-</u>	<u>\$ 189,085</u>

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 91,656
Special Education	1,643
Other Instruction	18,287
Student and Instruction Related Services	5,791
School Administration	105,438
Operations and Maintenance of Plant	3,558
Unallocated	<u>1,610,814</u>
	<u>\$ 1,837,187</u>

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(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, 2019 to June 30, 2020 fiscal year is as follows:

Beginning Balance, July 1, 2019	\$ 618,104
Add:	
Transfer from Unassigned Fund Balance as per Board Resolution - June 11, 2020	500,000
	1,118,104
Withdrawals:	
Budgeted Withdrawal	(144,483)
Ending Balance, June 30, 2020	\$ 973,621

The June 30, 2020 LRFP balance of local support costs of uncompleted capital projects at June 30, 2020 exceeds the balance in the capital reserve account as of June 30, 2020. The withdrawal from the capital reserve was for use in a DOE approved facilities project consistent with the District's LRFP.

NOTE 6. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2020, the following changes occurred in liabilities reported in the District-wide financial statements:

	Beginning Balance	Accrued	Retired	Ending Balance
Serial Bonds Payable	\$ 7,550,000		\$ 1,355,000	\$ 6,195,000
Capital Leases Payable	95,257		31,752	63,505
Net Pension Liability	16,066,289		1,819,263	14,247,026
Unamortized Bond Premium	282,395		35,299	247,096
Compensated Absences Payable	2,009,077	\$ 276,885	189,599	2,096,363
	\$ 26,003,018	\$ 276,885	\$ 3,430,913	\$ 22,848,990

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:

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

On 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, 2020 as follows:

	<u>Issue Dates</u>	<u>Interest Rates</u>	<u>Final Date of Maturity</u>	<u>Balance 6/30/2020</u>
School Refunding Bonds	09/15/15	3.00-4.00%	12/01/26	\$ 2,230,000
Energy Savings Obligation Refunding Bonds	07/19/12	3.50%-4.00%	07/15/27	3,965,000
				<u>\$ 6,195,000</u>

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(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	
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	300,000	31,800	331,800	475,000	86,712	561,712
2025	300,000	22,800		510,000	69,475	579,475
2026-2028	610,000	18,600	628,600	1,730,000	82,425	1,812,425
	<u>\$ 2,230,000</u>	<u>\$ 226,900</u>	<u>\$ 2,134,100</u>	<u>\$ 3,965,000</u>	<u>\$ 601,088</u>	<u>\$ 4,566,088</u>

B. Bonds Authorized But Not Issued:

As of June 30, 2020, 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 \$95,258 has been amortized. The capital lease is for a 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, 2020.

<u>Year</u>	<u>Amount</u>
2021	\$ 33,956
2022	31,971
	65,927
Less: Amount Representing Interest	(2,422)
Present Value Net of Minimum Lease Payments	<u>\$ 63,505</u>

The current portion of capital leases payable at June 30, 2020 is \$31,752 and the long term portion is \$31,753 . 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 \$2,096,363. There is no current portion.

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(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, 2020, 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 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 \$211,797.

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, 2020 is \$-0- and the long-term portion is \$14,247,026. See Note 7 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 tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) 401(a).

A. Public Employees' Retirement System (PERS)

Plan Description

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

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(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. 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 member 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 \$792,576 for fiscal year 2020.

The employee contribution rate was 7.50% effective July 1, 2018.

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

NOTE 7. PENSIONS PLANS (Cont'd)

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

Pension Liabilities and Pension Expense

At June 30, 2020, the District reported a liability of \$14,247,026 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 which was rolled forward to June 30, 2019. 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, 2019, the District's proportion was 0.0791%, which was a decrease of 0.0025% from its proportion measured as of June 30, 2018.

For the fiscal year ended June 30, 2020, the District recognized pension expense of \$398,523. At June 30, 2020, the District reported 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	6.44	\$ 37,652	
	2015	5.72	232,811	
	2016	5.57	1,152,156	
	2017	5.48		\$ 2,045,213
	2018	5.63		1,652,719
	2019	5.21		1,247,166
Difference Between Expected and Actual Experience	2015	5.72	64,592	
	2016	5.57	34,965	
	2017	5.48	60,824	
	2018	5.63		62,937
	2019	5.21	95,334	
Changes in Proportion	2014	6.44		28,404
	2015	5.72		39,403
	2016	5.57	88,995	
	2017	5.48		311,965
	2018	5.63	59,349	
	2019	5.21		462,956
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2016	5.00		(262,960)
	2017	5.00		315,569
	2018	5.00		219,504
	2019	5.00		(47,218)
District Contribution Subsequent to the Measurement Date	2019	1.00	772,565	
			<u>\$ 2,599,243</u>	<u>\$ 6,075,658</u>

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(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 and the District contribution subsequent to the measurement date) related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Total
2020	\$ (411,389)
2021	(1,334,539)
2022	(1,191,665)
2023	(559,548)
2024	(57,455)
	\$ (3,554,596)

Actuarial Assumptions

The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018 which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions:

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	2.00 – 6.00% based on years of service
Thereafter	3.00 – 7.00% based on years of service
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee Mortality Table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and a 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(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, 2019) 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, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Real Rate of Return</u>
Risk Management Strategies	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
U.S. Equity	28.00%	8.26%
Non-U.S. Developed Market Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Private Equity	12.00%	10.85%

Discount Rate

The discount rate used to measure the total pension liability was 6.28% as of June 30, 2019. 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 3.50% as of June 30, 2019 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 on 100% of actuarially determined contributions for the local employers. 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 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057 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, 2020
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

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

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

The following presents the District's proportionate share of the collective net pension liability as of June 30, 2019 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, 2019		
	At 1% Decrease (5.28%)	At Current Discount Rate (6.28%)	At 1% Increase (7.28%)
District's proportionate share of the Net Pension Liability	\$ 17,996,309	\$ 14,247,026	\$ 11,087,724

Pension Plan Fiduciary Net Position

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

B. Teachers' Pension and Annuity Fund (TPAF)

Plan Description

The State of New Jersey, Teachers' Pension and Annuity Fund (TPAF), is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, by which the State of New Jersey (the State) is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. The TPAF is administered by the State of New Jersey Division of Pensions and Benefits (the Division).

For additional information about the TPAF, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annual-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. 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, 2020

(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

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 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age for his/her respective tier. 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 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. For fiscal year 2020, the State's pension contribution was less than the actuarial determined amount.

Special Funding Situation

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 2020, the State of New Jersey contributed \$5,949,913 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$9,938,216.

The employee contribution rate was 7.50% effective July 1, 2018.

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

At June 30, 2020, the State's proportionate share of the net pension liability associated with the District was \$168,493,825. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 which was rolled forward to June 30, 2019. 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, 2019, the District's proportion was 0.275%, which was a decrease of 0.0130% from its proportion measured as of June 30, 2018.

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(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>168,493,825</u>
Total	<u>\$ 168,493,825</u>

For the fiscal year ended June 30, 2020, the State recognized pension expense on behalf of the District in the amount of \$9,938,216 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2020 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	\$ 768,874,621	
	2015	8.3	2,351,172,865	
	2016	8.3	5,609,216,856	
	2017	8.3		\$ 8,483,527,374
	2018	8.29		5,172,258,445
	2019	8.04		3,507,345,617
			<u>8,729,264,342</u>	<u>17,163,131,436</u>
Difference Between Expected and Actual Experience	2014	8.5		7,323,009
	2015	8.3	145,211,243	
	2016	8.3		69,755,412
	2017	8.3	150,939,884	
	2018	8.29	907,352,137	
	2019	8.04		136,265,890
			<u>1,203,503,264</u>	<u>213,344,311</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2016	5		(431,855,192)
	2017	5		452,016,524
	2018	5		288,091,115
	2019	5		(144,882,771)
			<u>163,369,676</u>	
			<u>\$ 9,932,767,606</u>	<u>\$ 17,539,845,423</u>

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(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
2020	(272,405,510)
2021	(704,260,700)
2022	(630,562,767)
2023	(1,216,378,743)
2024	(2,381,316,232)
Thereafter	(2,402,153,865)
	\$ (7,607,077,817)

Actuarial Assumptions

The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018 which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	1.55 – 4.45% based on years of service
Thereafter	2.75 – 5.65% based on years of service
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Employee mortality table with a 93.9% adjustment for males and 85.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Healthy Retiree mortality table with a 114.7% adjustment for males and a 99.6% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability mortality rates were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 106.3% adjustment for males and 100.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2018.

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

NOTE 7. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return (Cont'd)

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment 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 TPAF's target asset allocation as of June 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
U.S. Equity	28.00%	8.26%
Non-U.S. Developed Market Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Private Equity	12.00%	10.85%

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 5.60% as of June 30, 2019. 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 3.50% as of June 30, 2019 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 on 70% of the actuarially determined contributions for the State. 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 2054. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2054, 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, 2020
(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, 2019 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, 2019		
	At 1% Decrease (4.60%)	At Current Discount Rate (5.60%)	At 1% Increase (6.60%)
State's Proportionate Share of the Net Pension Liability Associated with the District	\$ 198,691,513	\$ 168,493,825	\$ 143,439,279

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 \$80,498 for the fiscal year ended June 30, 2020. Employee contributions to DCRP amounted to \$109,324 for the fiscal year ended June 30, 2020.

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, 2020
(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, 2020 was not available as of the date of this report. Selected, summarized financial information for the Fund as of June 30, 2019 is as follows:

	<u>School Alliance Insurance Fund</u>
Total Assets	\$ 48,410,942
Net Position	\$ 18,917,987
Total Revenue	\$ 41,974,396
Total Expenses	\$ 35,489,346
Change in Net Position	\$ 6,485,050
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, 2020
(Continued)

NOTE 8. RISK MANAGEMENT (Cont'd)

New Jersey Unemployment Compensation Insurance (Cont'd)

<u>Fiscal Year</u>	<u>Employee Contributions and Interest</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2020	\$ 117,289	\$ 94,569	\$ 227,052
2019	103,098	72,363	204,332
2018	103,538	104,402	173,597

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, 2020:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 49,322	
Special Revenue Fund		\$ 49,322
	<u>\$ 49,322</u>	<u>\$ 49,322</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, 2020
(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, 2020, if any, is unknown.

Encumbrances

At June 30, 2020, 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
\$ 675,573	\$ 41,335	\$ 716,908

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30,2020
(Continued)

NOTE 13. COMMITMENTS AND CONTINGENCIES (Cont'd)

On the District's Governmental Funds Balance Sheet as of June 30, 2020, \$-0- is assigned for year-end encumbrances in the Special Revenue Fund, which is \$41,335 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

	Governmental Funds			District Contri- bution Subsequent to the Measure- ment Date	Total Governmental Activities	Business-Type
	General Fund	Special Revenue Fund	Debt Service Fund			Proprietary Funds
State of New Jersey		\$ 16,408	\$ 18,256	\$ 772,565	\$ 807,229	
Vendors	\$ 102,058	5,778			107,836	\$ 25,379
	<u>\$ 102,058</u>	<u>\$ 22,186</u>	<u>\$ 18,256</u>	<u>\$ 772,565</u>	<u>\$ 915,065</u>	<u>\$ 25,379</u>

NOTE 15. TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2020, the District transferred \$9,185 to capital outlay accounts. The transfer of \$9,185 was made for equipment and therefore did not require approval from the County Superintendent.

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 30,2020
(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, 2019	\$ 2,470
Ending Balance, June 30, 2020	\$ 2,470

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 Codification Section P50, 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 GASB Codification Section P50. 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.

For additional information about the State Health Benefit Local Education Retired Education Plan, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at <https://www.state.nj.us/treasury/pensions/gasb-notices-opeb.shtml>.

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

Employees Covered by Benefit Terms

At June 30, 2017, the plan membership consisted of the following:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	145,050
Active Plan Members	217,131
Total	362,181

Total Nonemployer OPEB Liability

The total nonemployer OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. 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.

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.

Inflation Rate	2.50%	
	TPAF/ABP	PERS
Salary Increases:		
Through 2026	1.55 - 4.55% based on years of service	2.15 - 4.15% based on age
Thereafter	2.00 - 5.45% based on years of service	3.15 - 5.15% based on age

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience studies for the periods July 1, 2012 - June 30, 2015 and July 1, 2011 – June 30, 2014 for TPAF and PERS, respectively.

100% of all retirees who currently have healthcare coverage are assumed to continue with that coverage. 100% of active members are considered to participate in the Plan upon retirement, having a coverage blend of 85% and 15% in PPO and HMO, respectively.

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30,2020
(Continued)

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

Mortality Rates

Pre-retirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Post-retirement mortality rates were based on the RP-2006 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-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using MP-2017 scale.

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) medical benefits and health maintenance organization (HMO) medical benefits, trend rate is initially 5.8% and decreases to a 5.0% long term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long term rate after seven 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 rates for June 30, 2018 and 2017 were 3.87% and 3.58%, respectively, a change of +.29%. 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 Proportionate Share of the Total OPEB Liability Associated with the District

	Total OPEB Liability
Balance at June 30, 2016	\$ 168,299,094
Changes for Year:	
Service Cost	4,601,980
Interest	6,124,726
Differences between Expected and Actual Experience	(16,835,347)
Changes in Assumptions	(16,318,295)
Member Contributions	131,417
Gross Benefit Payments	(3,802,409)
Net Changes	(26,097,928)
Balance at June 30, 2017	\$ 142,201,166

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30,2020
(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, 2018, 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, 2018		
	At 1% Decrease (2.87%)	At Discount Rate (3.87%)	At 1% Increase (4.87%)
Total OPEB Liability Attributable to the District	\$ 168,110,726	\$ 142,201,166	\$ 121,605,742

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, 2018, 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, 2018		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the District	\$ 117,537,546	\$ 142,201,166	\$ 174,819,748

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

For the fiscal year ended June 30, 2019 the District recognized OPEB expense of \$4,622,688 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 Codification Section P50, in which there is a special funding situation.

In accordance with GASB Codification Section P50, 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, 2018 the State had deferred outflows of resources and deferred inflows of resources related to OPEB associated with the District from the following sources:

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30,2020
(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 (Cont'd)

	Deferral Year	Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2017	9.54		\$ (17,272,732)
Changes in Assumptions	2018	9.51		(14,602,386)
				<u>(31,875,118)</u>
Differences Between Expected and Actual Experience	2018	9.51		(13,803,799)
Changes in Proportion	N/A	N/A		<u>(3,544,299)</u>
			<u>\$ -0-</u>	<u>\$ (49,223,216)</u>

N/A - Not Available

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
2019	\$ (5,628,790)
2020	(5,628,790)
2021	(5,628,790)
2022	(5,628,790)
2023	(5,628,790)
Thereafter	<u>(17,534,967)</u>
	<u>\$ (45,678,917)</u>

NOTE 18. SUBSEQUENT EVENT

The COVID-19 outbreak in the United States and specifically in New Jersey has caused disruption of the District's normal financial operations. Though the impact on the District's operations cannot be reasonably estimated at this date, it is likely that there will be an impact on certain revenue in the General Fund other than state aid and the local tax levy. Also, there have been additional operating expenses in the General Fund not planned for or expected at the time of the adoption of the District's 2020-21 budget related to COVID-19.

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30,2020
(Continued)

NOTE 18. SUBSEQUENT EVENT (Cont'd)

Additionally, the District's cash flow in the Governmental Funds may be affected by the timing of the collection of the District's tax levy as well as certain State aid payments.

The District's Food Service Enterprise Fund has been impacted by COVID-19 for the fiscal year ending June 30, 2021 as revenue is likely to be affected by virtual learning, since there will be no sales revenue.

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 SIX FISCAL YEARS

	Fiscal Year Ending June 30,					
	2015	2016	2017	2018	2019	2020
District's proportion of the net pension liability	0.0843885458%	0.0827624379%	0.0843519868%	0.0811901478%	0.0815982541%	0.0790689526%
District's proportionate share of the net pension liability	\$ 15,799,844	\$ 18,578,509	\$ 24,982,639	\$ 18,899,768	\$ 16,066,289	\$ 14,247,026
District's covered employee payroll	\$ 5,779,904	\$ 5,778,084	\$ 5,770,861	\$ 5,649,904	\$ 5,473,727	\$ 5,475,145
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	273.36%	321.53%	432.91%	334.51%	293.52%	260.21%
Plan fiduciary net position as a percentage of the total pension liability	52.08%	47.93%	40.14%	48.10%	53.60%	56.27%

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

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

	Fiscal Year Ending June 30,					
	2015	2016	2017	2018	2019	2020
Contractually required contribution	\$ 695,687	\$ 711,535	\$ 776,271	\$ 773,643	\$ 811,639	\$ 792,576
Contributions in relation to the contractually required contribution	<u>(695,687)</u>	<u>(711,535)</u>	<u>(776,271)</u>	<u>(773,643)</u>	<u>(811,639)</u>	<u>(792,576)</u>
Contribution deficiency/(excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered employee payroll	\$ 5,778,084	\$ 5,770,861	\$ 5,649,904	\$ 5,473,727	\$ 5,475,145	\$ 5,496,400
Contributions as a percentage of covered employee payroll	12.04%	12.33%	13.74%	14.13%	14.82%	14.42%

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 SIX FISCAL YEARS

	Fiscal Year Ending June 30,					
	2015	2016	2017	2018	2019	2020
State's proportion of the net pension liability attributable to the District	0.3231557554%	0.3083771978%	0.2876495285%	0.2948349246%	0.2875889222%	0.2745498342%
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	\$ 182,957,895	\$ 168,493,825
District's covered employee payroll	\$ 29,705,360	\$ 29,704,883	\$ 29,611,739	\$ 29,505,022	\$ 28,676,340	\$ 29,252,559
State proportionate share of the net pension liability attributable to the district as a percentage of its covered employee payroll	581.43%	656.15%	764.17%	673.74%	638.01%	576.00%
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%	22.33%	25.41%	26.49%	26.95%

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 SIX FISCAL YEARS

	Fiscal Year Ending June 30,					
	2015	2016	2017	2018	2019	2020
Contractually required contribution	\$ 9,293,755	\$ 11,900,861	\$ 17,002,051	\$ 13,771,049	\$ 10,665,805	\$ 9,938,216
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>	<u>(5,399,731)</u>	<u>(5,399,731)</u>
Contribution deficiency/(excess)	<u>\$ 7,636,453</u>	<u>\$ 9,597,827</u>	<u>\$ 13,801,695</u>	<u>\$ 9,535,879</u>	<u>\$ 5,266,074</u>	<u>\$ 4,538,485</u>
District's covered employee payroll	\$29,704,883	\$ 29,611,739	\$ 29,505,022	\$ 28,676,340	\$ 29,252,559	\$ 28,301,687
Contributions as a percentage of covered employee payroll	5.58%	7.78%	10.85%	14.77%	18.46%	19.08%

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

VERNON TOWNSHIP BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF CHANGES IN THE STATE'S PROPORTIONATE SHARE OF THE TOTAL OPEB LIABILITY
ASSOCIATED WITH THE DISTRICT AND RELATED RATIOS
LAST TWO FISCAL YEARS

	<u>Fiscal Year Ending June 30,</u>	
	<u>2017</u>	<u>2018</u>
Service Cost	\$ 5,532,798	\$ 4,601,980
Interest	5,303,018	6,124,726
Differences between Expected and Actual Experience		(16,835,347)
Changes in Assumptions	(21,184,243)	(16,318,295)
Member Contributions	143,540	131,417
Gross Benefit Payments	(3,898,164)	(3,802,409)
Net Change in Total OPEB Liability	(14,103,051)	(26,097,928)
Total OPEB Liability - Beginning	<u>182,402,145</u>	<u>168,299,094</u>
Total OPEB Liability - Ending	<u>\$ 168,299,094</u>	<u>\$ 142,201,166</u>
District's Covered Employee Payroll *	\$ 35,154,926	\$ 34,150,067
Total OPEB Liability as a Percentage of Covered Employee Payroll	479%	416%

* - Covered payroll for the fiscal years ending June 30, 2017 and June 30, 2018 are based on the payroll on the June 30, 2016 and June 30, 2017 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 YEAR ENDED JUNE 30, 2020

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 5.66% as of June 30, 2018 to 6.28% as of June 30, 2019. The municipal bond rate changed from 3.87% to 3.50%.

The inflation rate was 2.25% as of June 30, 2018. As of June 30, 2019, the inflation rate was as follows – Price – 2.75% and Wage – 3.25%. The salary increases as of June 30, 2018 were as follows: Through 2026 – 1.65% - 4.15% based on age and Thereafter – 2.65% - 5.15% based on age. The salary increases as of June 30, 2019 are as follows: Through 2026 – 2.00% - 6.00% based on years of service and Thereafter – 3.00% - 7.00% based on years of service.

The July 1, 2017 actuarial valuation utilized the following mortality rate assumptions:

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 Conduent modified 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. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and a generational approach based on the plan actuary's modified MP-2014 projection scale thereafter. 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 July 1, 2018 actuarial valuation utilized the following mortality rate assumptions:

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee Mortality Table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and a 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

B. TEACHERS' PENSION AND ANNUITY FUND

Benefit Changes

There were none.

VERNON TOWNSHIP BOARD OF EDUCATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020

B. TEACHERS' PENSION AND ANNUITY FUND (Cont'd)

Changes of Actuarial Assumptions

The discount rate changed from 4.86% as of June 30, 2018 to 5.60% as of June 30, 2019. The municipal bond rate changed from 3.87% to 3.50%. The inflation rate as of June 30, 2018 was 2.25%. The inflation rate as of June 30, 2019 was as follows: Price – 2.75% and Wage – 3.25%.

The salary increases in the July 1, 2018 valuation were as follows: Through 2026 - 1.55 – 4.45% based on years of service and thereafter - 2.75 – 5.65% based on years of service. The salary increases in the July 1, 2017 valuation were as follows: 2011-2026 – 1.55% - 4.55% and thereafter – 2% - 5.45%.

The mortality rates utilized in the July 1, 2018 valuation were as follows: Pre-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Employee mortality table with a 93.9% adjustment for males and 85.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Healthy Retiree mortality table with a 114.7% adjustment for males and a 99.6% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability mortality rates were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 106.3% adjustment for males and 100.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The mortality rates utilized in the July 1, 2017 valuation were as follows: Pre-retirement mortality rates were based on the RP-2006 Employee White Collar Mortality Tables, set back 3 years for males and 5 years for females, projected on a generational basis from a base year of 2006 using a 60 year average of improvement rates based on Social Security data from 1953 to 2013. Post-retirement mortality rates were based on the RP-2006 Healthy Annuitant White Collar Mortality Tables, with adjustments as described in the latest experience study, projected on a generational basis from a base year of 2006 using a 60 year average of improvement rates based on Social Security data from 1953 to 2013. Disabled mortality rates were based on the RP-2006 Disabled Retiree Mortality Tables with rates adjusted by 90%. No mortality improvement is assumed for disabled retiree mortality.

C. STATE HEALTH BENEFIT LOCAL EDUCATIONAL RETIRED EMPLOYEES OPEB PLAN

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 3.58% as of June 30, 2017 to 3.87% as of June 30, 2018.

The mortality rates in the valuation as of June 30, 2017 were based on the following:

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.

VERNON TOWNSHIP BOARD OF EDUCATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020

C. STATE HEALTH BENEFIT LOCAL EDUCATIONAL RETIRED EMPLOYEES OPEB PLAN (Cont'd)

The mortality rates in the valuation as of June 30, 2018 were based on the following:

Pre-retirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Post-retirement mortality rates were based on the RP-2006 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-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using MP-2017 scale.

The health care trend rates in the valuation as of June 30, 2017 were based on the following:

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 eight years. For prescription drug benefits, the initial trend rate is 8.0% decreasing 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.

The health care trend rates in the valuation as of June 30, 2018 were based on the following:

For pre-Medicare preferred provider organization (PPO) medical benefits and health maintenance organization (HMO) medical benefits, trend rate is initially 5.8% and decreases to a 5.0% long term trend rate after eight years. For selfinsuredpost-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long term rate after seven 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.

BUDGETARY COMPARISON SCHEDULES

VERNON TOWNSHIP BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 42,060,058		\$ 42,060,058	\$ 42,060,058	
Tuition from Other LEAs	116,770		116,770	37,440	\$ (79,330)
Tuition from Individuals	138,000		138,000	95,371	(42,629)
Unrestricted Miscellaneous Revenues	47,000		47,000	262,982	215,982
Total - Local Sources	42,361,828		42,361,828	42,455,851	94,023
State Sources:					
Special Education Aid	2,545,581		2,545,581	2,545,581	
Equalization Aid	14,888,366		14,888,366	14,888,366	
School Choice	97,041		97,041	97,041	
Security Aid	341,922		341,922	341,922	
Adjustment Aid	2,566,030		2,566,030	2,566,030	
Transportation Aid	2,202,151		2,202,151	2,202,151	
Extraordinary Aid for Special Education Costs	750,000		750,000	649,775	(100,225)
Nonpublic Transportation Aid				12,734	12,734
TPAF Pension Contributions (On-Behalf - Non-Budgeted)				5,949,913	5,949,913
TPAF Non-Contributory Insurance (On-Behalf - Non-Budgeted)				106,645	106,645
TPAF Long-Term Disability Insurance (On-Behalf - Non-Budgeted)				3,980	3,980
On-Behalf TPAF Post Retirement Medical Benefits (Non-Budgeted)				2,246,872	2,246,872
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				2,007,637	2,007,637
Total State Sources	23,391,091		23,391,091	33,618,647	10,227,556
Federal Sources:					
Medicaid Reimbursement	92,924		92,924	91,032	(1,892)
Total Federal Sources	92,924		92,924	91,032	(1,892)
TOTAL REVENUES	65,845,843		65,845,843	76,165,530	10,319,687

VERNON TOWNSHIP BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 779,843	\$ 123,000	\$ 902,843	\$ 839,510	\$ 63,333
Grades 1-5 - Salaries of Teachers	6,540,271	(257,000)	6,283,271	5,987,483	295,788
Grades 6-8 - Salaries of Teachers	3,640,705	7,000	3,647,705	3,479,203	168,502
Grades 9-12 - Salaries of Teachers	7,197,596	(121,737)	7,075,859	6,866,493	209,366
Regular Programs - Home Instruction:					
Salaries of Teachers	62,010	65	62,075	14,630	47,445
Regular Programs - Undistributed Instruction:					
Other Purchased Services (400-500 series)	106,202	1,665	107,867	104,628	3,239
General Supplies	728,287	(36,390)	691,897	451,822	240,075
Textbooks	51,694	136	51,830	40,701	11,129
Other Objects	744,327	28,139	772,466	687,529	84,937
Total Regular Programs - Instruction	19,850,935	(255,122)	19,595,813	18,471,999	1,123,814
Special Education:					
Learning and/or Language Disabilities:					
Salaries of Teachers	802,708	(220,000)	582,708	553,423	29,285
General Supplies	13,795		13,795	6,248	7,547
Total Learning and/or Language Disabilities	816,503	(220,000)	596,503	559,671	36,832
Behavioral Disabilities:					
Salaries of Teachers	59,481	(58,000)	1,481	2,415	1,481
General Supplies	1,500	4,000	5,500	2,415	3,085
Total Behavioral Disabilities	60,981	(54,000)	6,981	2,415	4,566

VERNON TOWNSHIP BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Special Education: (Cont'd)					
Resource Room/Resource Center:					
Salaries of Teachers	\$ 3,907,253	\$ 367,900	\$ 4,275,153	\$ 4,240,026	\$ 35,127
General Supplies	2,500		2,500	307	2,193
Total Resource Room/Resource Center	<u>3,909,753</u>	<u>367,900</u>	<u>4,277,653</u>	<u>4,240,333</u>	<u>37,320</u>
Autism:					
Salaries of Teachers	217,697	(52,000)	165,697	68,180	97,517
General Supplies	11,209	(4,000)	7,209	2,944	4,265
Total Autism	<u>228,906</u>	<u>(56,000)</u>	<u>172,906</u>	<u>71,124</u>	<u>101,782</u>
Preschool Disabilities - Part-Time:					
Salaries of Teachers	248,600		248,600	222,972	25,628
General Supplies	3,000		3,000	62	2,938
Total Preschool Disabilities - Part-Time	<u>251,600</u>		<u>251,600</u>	<u>223,034</u>	<u>28,566</u>
Preschool Disabilities - Full-Time:					
Salaries of Teachers	70,695	(40,000)	30,695		30,695
Total Preschool Disabilities - Full-Time	<u>70,695</u>	<u>(40,000)</u>	<u>30,695</u>		<u>30,695</u>

VERNON TOWNSHIP BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	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	\$ 38,650	\$ 3,100	\$ 41,750	\$ 35,895	\$ 5,855
Total Home Instruction - Special Education	38,650	3,100	41,750	35,895	5,855
Total Special Education Instruction	5,377,088	1,000	5,378,088	5,132,472	245,616
Basic Skills/Remedial - Instruction:					
General Supplies	200		200		200
Total Basic Skills/Remedial - Instruction	200		200		200
Bilingual Education - Instruction:					
Salaries of Teachers	139,795		139,795	89,795	50,000
Total Bilingual Education - Instruction	139,795		139,795	89,795	50,000
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	282,420	9,000	291,420	289,161	2,259
Purchased Services (300-500 series)	5,966		5,966	2,207	3,759
Supplies and Materials	3,600		3,600	3,390	210
Other Objects	82,884	(9,000)	73,884	53,703	20,181
Total School-Sponsored Cocurricular Activities - Instruction	374,870		374,870	348,461	26,409
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	463,000	32,000	495,000	461,948	33,052
Purchased Services (300-500 series)	7,300		7,300	3,079	4,221
Supplies and Materials	98,087	(5,000)	93,087	86,783	6,304
Other Objects	145,049	(27,000)	118,049	103,341	14,708
Total School-Sponsored Cocurricular Athletics - Instruction	713,436		713,436	655,151	58,285

VERNON TOWNSHIP BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Total Instruction	\$ 26,456,324	\$ (254,122)	\$ 26,202,202	\$ 24,697,878	\$ 1,504,324
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Regular	67,052	2,001	69,053	68,074	979
Tuition to Other LEAs Within the State - Special	786,194	(660,000)	126,194	116,215	9,979
Tuition to County Vocational School District - Regular	171,369	3,000	174,369	164,909	9,460
Tuition to County Vocational School District - Special	49,700	9,000	58,700	57,902	798
Tuition to Private Schools for the Handicapped - Within State	1,946,207	566,000	2,512,207	2,471,185	41,022
Tuition - State Facilities	39,872	(4,000)	35,872	23,675	12,197
Total Undistributed Expenditures - Instruction	3,060,394	(83,999)	2,976,395	2,901,960	74,435
Health Services:					
Salaries	561,346	400	561,746	550,521	11,225
Purchased Professional and Technical Services	17,100	2,400	19,500	17,095	2,405
Supplies and Materials	32,755	(3,000)	29,755	17,927	11,828
Total Health Services	611,201	(200)	611,001	585,543	25,458
Speech, OT, PT & Related Services:					
Salaries	801,226	(19,400)	781,826	777,296	4,530
Purchased Professional - Educational Services	44,000		44,000	34,700	9,300
Supplies and Materials	6,800	(3,000)	3,800	16	3,784
Total Speech, OT, PT & Related Services	852,026	(22,400)	829,626	812,012	17,614
Other Support Services - Students - Extraordinary Services					
Salaries	2,140,194	94,998	2,235,192	2,218,348	16,844
Total Other Support Services - Students - Extraordinary Services	2,140,194	94,998	2,235,192	2,218,348	16,844
Guidance:					
Salaries of Other Professional Staff	889,094	52,000	941,094	928,000	13,094
Salaries of Secretarial and Clerical Assistants	48,054		48,054	48,054	
Purchased Professional and Educational Services	299,000	(5,000)	294,000	266,000	28,000
Supplies and Materials	11,090	500	11,590	7,697	3,893
Total Guidance	1,247,238	47,500	1,294,738	1,249,751	44,987

VERNON TOWNSHIP BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Child Study Teams:					
Salaries of Other Professional Staff	\$ 1,611,037	\$ (58,200)	\$ 1,552,837	\$ 1,536,183	\$ 16,654
Salaries of Secretarial and Clerical Assistants	165,710	399	166,109	165,710	399
Other Salaries	53,700	(7,200)	46,500	33,592	12,908
Purchased Professional - Educational Services	476,377	6,000	482,377	263,718	218,659
Supplies and Materials	17,102	2,500	19,602	12,085	7,517
Other Objects	14,000		14,000	1,961	12,039
Total Child Study Teams	<u>2,337,926</u>	<u>(56,501)</u>	<u>2,281,425</u>	<u>2,013,249</u>	<u>268,176</u>
Improvement of Instructional Services:					
Salaries of Supervisor of Instruction	1,037,572	(900)	1,036,672	1,033,666	3,006
Salaries of Other Professional Staff	130,315	11,000	141,315	138,491	2,824
Salaries of Secretarial and Clerical Assistants	119,231	64,867	184,098	143,959	40,139
Purchased Prof-Educational Services	6,000	(3,468)	2,532		2,532
Total Improvement of Instructional Services	<u>1,293,118</u>	<u>71,499</u>	<u>1,364,617</u>	<u>1,316,116</u>	<u>48,501</u>
Educational Media Services/School Library:					
Salaries	394,357	2,000	396,357	395,547	810
Supplies and Materials	26,381	2,200	28,581	20,329	8,252
Other Objects	11,420	(1,323)	10,097	6,070	4,027
Total Educational Media Services/School Library	<u>432,158</u>	<u>2,877</u>	<u>435,035</u>	<u>421,946</u>	<u>13,089</u>
Instructional Staff Training Services:					
Purchased Professional - Educational Services	329,000	(221)	328,779	301,531	27,248
Other Purchased Services (400-500 series)	11,848	221	12,069	7,798	4,271
Total Instructional Staff Training Services	<u>340,848</u>		<u>340,848</u>	<u>309,329</u>	<u>31,519</u>

VERNON TOWNSHIP BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Support Services - General Administration:					
Salaries	\$ 620,649	\$ (18,000)	\$ 602,649	\$ 601,990	\$ 659
Legal Services	50,000	33,000	83,000	81,962	1,038
Audit Fees	50,000		50,000	50,000	
Other Purchased Professional Services	40,000	(9,000)	31,000	30,750	250
Communications/Telephone	96,182	15,541	111,723	105,723	6,000
Miscellaneous Purchased Services (400-500 series)	166,000	59,000	225,000	217,457	7,543
General Supplies	17,660	(99)	17,561	12,951	4,610
Miscellaneous Expenditures	6,000	100	6,100	521	5,579
Board of Education Membership Dues and Fees	26,800		26,800	26,663	137
Total Support Services - General Administration	1,073,291	80,542	1,153,833	1,128,017	25,816
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	1,128,390	9,500	1,137,890	1,132,359	5,531
Salaries of Secretarial and Clerical Assistants	1,073,624	20,500	1,094,124	1,084,811	9,313
Other Salaries	34,800	6,800	41,600	39,750	1,850
Other Purchased Services (400-500 series)	2,700	4,947	7,647	2,954	4,693
Supplies and Materials	4,200	500	4,700	1,984	2,716
Other Objects	35,521	(8,614)	26,907	13,240	13,667
Total Support Services - School Administration	2,279,235	33,633	2,312,868	2,275,098	37,770
Support Services - Central Services:					
Salaries	545,781	16,000	561,781	555,762	6,019
Purchased Professional Services	24,000	(2,500)	21,500	18,243	3,257
Purchased Technical Services	32,000	4,000	36,000	33,505	2,495
Miscellaneous Purchased Services (400-500 series)	32,065	(1,500)	30,565	9,595	20,970
Supplies and Materials	24,221	1,500	25,721	17,821	7,900
Total Support Services - Central Services	658,067	17,500	675,567	634,926	40,641

VERNON TOWNSHIP BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Support Services - Administration Information Technology:					
Salaries	\$ 92,820	\$ 16,000	\$ 108,820	\$ 108,390	\$ 430
Supplies and Materials	2,000		2,000		2,000
Total Support Services - Administration Information Technology	94,820	16,000	110,820	108,390	2,430
Required Maintenance of School Facilities:					
Salaries	928,030	(43,100)	884,930	880,361	4,569
Cleaning, Repair and Maintenance Services	112,095	134,890	246,985	211,661	35,324
General Supplies	228,584	62,597	291,181	181,156	110,025
Other Objects	8,100	(3,500)	4,600	4,040	560
Total Required Maintenance of School Facilities	1,276,809	150,887	1,427,696	1,277,218	150,478
Custodial Services:					
Salaries	1,938,736	(124,600)	1,814,136	1,801,405	12,731
Purchased Professional and Technical Services	10,584	1,000	11,584	10,734	850
Cleaning, Repair and Maintenance Services	70,000		70,000	68,515	1,485
Other Purchased Property Services	128,500	1,000	129,500	122,626	6,874
Insurance	301,710	9,000	310,710	310,288	422
General Supplies	82,140	13,000	95,140	87,971	7,169
Energy (Natural Gas)	20,600	1,500	22,100	20,732	1,368
Energy (Gasoline)	13,200		13,200	8,297	4,903
Energy (Electricity)	765,000	10,500	775,500	703,297	72,203
Energy (Oil)	225,000	(26,000)	199,000	155,309	43,691

VERNON TOWNSHIP BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Custodial Services (Cont'd):					
Other Objects	\$ 9,500	\$ 500	\$ 10,000	\$ 9,747	\$ 253
Interest - Energy Savings Impr Prog Bonds	152,225		152,225	152,225	
Principal - Energy Savings Impr Prog Bonds	360,000		360,000	360,000	
Total Custodial Services	4,077,195	(114,100)	3,963,095	3,811,146	151,949
Care & Upkeep of Grounds:					
Salaries	154,010		154,010	154,009	1
Cleaning, Repair and Maintenance Services	76,000	(9,200)	66,800	31,203	35,597
General Supplies	20,612	4,300	24,912	19,876	5,036
Total Care & Upkeep of Grounds	250,622	(4,900)	245,722	205,088	40,634
Security:					
Salaries	476,167	(2,000)	474,167	469,538	4,629
General Supplies	9,000	2,000	11,000	10,418	582
Other Objects	2,854		2,854	2,169	685
Total Security	488,021		488,021	482,125	5,896
Student Transportation Services:					
Salaries for Transportation - Between Home & School - Regular	82,151	4,000	86,151	84,117	2,034
Other Purchased Professional and Technical Services	4,500		4,500	4,300	200
Contracted Services:					
Between Home and School - Vendors	2,802,000	(245,050)	2,556,950	2,455,177	101,773
Other than Between Home and School - Vendors	383,717	32,000	415,717	176,259	239,458
Special Education Students - Vendors	1,725,286	183,050	1,908,336	1,573,149	335,187
Special Education Students - ESCs & CTSA	293,000	5,000	298,000	248,399	49,601
Aid in Lieu of Payments - Non Public Schools	45,000	20,000	65,000	61,786	3,214

VERNON TOWNSHIP BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Student Transportation Services (Cont'd):					
Transportation Supplies	9,125	5,000	14,125	12,384	1,741
Total Student Transportation Services	<u>5,344,779</u>	<u>4,000</u>	<u>5,348,779</u>	<u>4,615,571</u>	<u>733,208</u>
Unallocated Benefits:					
Social Security Contributions	902,000		902,000	765,364	136,636
Other Retirement Contributions - PERS	824,000		824,000	792,576	31,424
Other Retirement Contributions - Regular	85,000		85,000	80,498	4,502
Workmen's Compensation	554,027	(27,000)	527,027	526,633	394
Health Benefits	8,911,492	(48,816)	8,862,676	8,512,019	350,657
Other Employee Benefits	291,131	(583)	290,548	187,032	103,516
Total Unallocated Benefits	<u>11,567,650</u>	<u>(76,399)</u>	<u>11,491,251</u>	<u>10,864,122</u>	<u>627,129</u>
On-Behalf Contributions:					
On-behalf TPAF Pension Contributions (Non-Budgeted)				5,949,913	(5,949,913)
On-behalf Non-Contributory Insurance (Non-Budgeted)				106,645	(106,645)
On-behalf Long-Term Disability Insurance (Non-Budgeted)				3,980	(3,980)
On-Behalf TPAF Post Retirement Medical Benefits (Non-Budgeted)				2,246,872	(2,246,872)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				2,007,637	(2,007,637)
Total On-Behalf Contributions				<u>10,315,047</u>	<u>(10,315,047)</u>
Total Personal Services - Employee Benefits	<u>11,567,650</u>	<u>(76,399)</u>	<u>11,491,251</u>	<u>21,179,169</u>	<u>(9,687,918)</u>
Total Undistributed Expenses	<u>39,425,592</u>	<u>160,937</u>	<u>39,586,529</u>	<u>47,545,002</u>	<u>(7,958,473)</u>
TOTAL CURRENT EXPENSE	<u>65,881,916</u>	<u>(93,185)</u>	<u>65,788,731</u>	<u>72,242,880</u>	<u>(6,454,149)</u>

VERNON TOWNSHIP BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CAPITAL OUTLAY					
Equipment:					
Regular Programs - Kindergarten		\$ 3,012	\$ 3,012	\$ 3,012	
Special Education - Multiple Disabilities		6,173	6,173	6,173	
Total Equipment		9,185	9,185	9,185	
Facilities Acquisition and Construction Services:					
Construction Services	\$ 179,338		179,338	179,250	\$ 88
Lease Purchase Agreements - Principal	31,753		31,753	31,752	1
Other Objects - Debt Service Assessment	9,419		9,419	9,419	
Total Facilities Acquisition and Construction Services	220,510		220,510	220,421	89
TOTAL CAPITAL OUTLAY	220,510	9,185	229,695	229,606	89
Transfer of Funds to Charter Schools	832,969	84,000	916,969	916,927	42
TOTAL EXPENDITURES	66,935,395		66,935,395	73,389,413	(6,454,018)
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(1,089,552)		(1,089,552)	2,776,117	3,865,669

VERNON TOWNSHIP BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Fund Balance, July 1	\$ 3,403,579		\$ 3,403,579	\$ 3,403,579	
Fund Balance, June 30	\$ 2,314,027	\$ -0-	\$ 2,314,027	\$ 6,179,696	\$ 3,865,669
 <u>Recapitulation:</u>					
Restricted:					
Excess Surplus to be Utilized for 2021-2022 school year				\$ 2,922,734	
Excess Surplus to be Utilized for 2020-2021 school year				331,077	
Capital Reserve				973,621	
Maintenance Reserve				2,470	
Assigned:					
Year End Encumbrances				675,573	
Unassigned Fund Balance				1,274,221	
				6,179,696	
Reconciliation to Governmental Funds Statements (GAAP):					
Last State Aid Payments not Recognized on GAAP Basis				(2,239,931)	
Fund Balance per Governmental Funds (GAAP)				\$ 3,939,765	

VERNON TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources		\$ 5,440	\$ 5,440	\$ 3,969	\$ (1,471)
State Sources	\$ 123,815	66,583	190,398	103,288	(87,110)
Federal Sources	1,170,328	219,120	1,389,448	1,173,594	(215,854)
Total Revenues	1,294,143	291,143	1,585,286	1,280,851	(304,435)
EXPENDITURES:					
Instruction:					
Salaries of Teachers		82,983	82,983	38,136	44,847
Purchased Professional and Technical Services	27,624	15,444	43,068	15,560	27,508
Other Purchased Professional Services	889,897	(44,628)	845,269	838,168	7,101
General Supplies	93,354	92,034	185,388	109,425	75,963
Textbooks		1,054	1,054	1,006	48
Other Objects	9,831		9,831	7,831	2,000
Total Instruction	1,020,706	146,887	1,167,593	1,010,126	157,467
Support Services:					
Salaries of Other Professional Staff	30,810	48,883	79,693	36,093	43,600
Personal Services - Employee Benefits	2,359	21,331	23,690	4,134	19,556
Purchased Professional and Technical Services	10,500	9,227	19,727	4,446	15,281
Other Purchased Services	166,698	10,778	177,476	156,663	20,813
Supplies and Materials	11,455	38,426	49,881	19,695	30,186
Total Support Services	221,822	128,645	350,467	221,031	129,436
Facilities Acquisition and Construction Services:					
Instructional Equipment	36,115	26,111	62,226	44,694	17,532
Non-Instructional Equipment	15,500	(10,500)	5,000	5,000	
Total Facilities Acquisition and Construction Services	51,615	15,611	67,226	49,694	17,532
Total Expenditures	\$ 1,294,143	\$ 291,143	\$ 1,585,286	\$ 1,280,851	\$ 304,435

VERNON TOWNSHIP BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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	\$ 76,165,530	\$ 1,280,851
Differences - Budget to GAAP:		
Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not.		
Current Year Encumbrances		(41,335)
Prior Year Encumbrances, Net of Cancellations		46,023
Prior Year State Aid Payments Recognized for GAAP Statements	2,390,414	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(2,239,931)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and and Changes in Fund Balances - Governmental Funds.	\$ 76,316,013	\$ 1,285,539
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 73,389,413	\$ 1,280,851
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		(41,335)
Prior Year Encumbrances, Net of Cancellations		46,023
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 73,389,413	\$ 1,285,539

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, 2020

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, 2020

	Career Pathways		Elementary and Secondary Education Act	Elementary and Secondary Education Act		Title IV
	Year 5	Year 4		Title I - SIA	Title IIA	
REVENUE:						
Local Sources						
State Sources	\$ 29,418	\$ 66,463	\$ 245,519	\$ 42,946	\$ 6,375	
Federal Sources						
Total Revenue	29,418	66,463	245,519	42,946	6,375	
EXPENDITURES:						
Instruction:						
Salaries of Teachers		23,200	8,752		2,400	
Purchased Professional and Technical Services			74,055			
Other Purchased Services	4,830		75,413		9,750	
General Supplies		7,466				
Textbooks						
Other Objects						
Total Instruction	4,830	30,666	158,220	9,750	2,400	
Support Services:						
Salaries of Other Professional Staff	6,700	13,400				
Personal Services - Employee Benefits		2,801			2,417	
Purchased Professional & Technical Services			87,299	42,946	1,558	
Other Purchased Services		2,000				
Supplies and Materials						
Total Support Services	6,700	18,201	87,299	42,946	3,975	
Facilities Acquisition:						
Instructional Equipment	17,888	12,596				
Non-Instructional Equipment		5,000				
Total Facilities Acquisition	17,888	17,596				
Total Expenditures	\$ 29,418	\$ 66,463	\$ 245,519	\$ 42,946	\$ 6,375	

VERNON TOWNSHIP BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Carl D. Perkins Secondary	Textbook	Technology Initiative	Non-Public Nursing	Security
REVENUE:					
Local Sources					
State Sources					
Federal Sources	\$ 78,072	\$ 1,006	\$ 720	\$ 2,231	\$ 3,450
Total Revenue	78,072	1,006	720	2,231	3,450
EXPENDITURES:					
Instruction:					
Salaries of Teachers	4,408				
Purchased Professional and Technical Services					
Other Purchased Services	9,508				
General Supplies		1,006			
Textbooks	7,831				
Other Objects					
Total Instruction	21,747	1,006			
Support Services:					
Salaries of Other Professional Staff	15,993				
Personal Services - Employee Benefits	1,333				
Purchased Professional & Technical Services	2,029				
Other Purchased Services	18,760			2,231	
Supplies and Materials	4,000		720		3,450
Total Support Services	42,115		720	2,231	3,450
Facilities Acquisition:					
Instructional Equipment	14,210				
Non-Instructional Equipment					
Total Facilities Acquisition	14,210				
Total Expenditures	\$ 78,072	\$ 1,006	\$ 720	\$ 2,231	\$ 3,450

VERNON TOWNSHIP BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	IDEA		CARES Act	Local Grants	Totals June 30, 2020
	Basic	Preschool			
REVENUE:					
Local Sources				\$ 3,969	\$ 3,969
State Sources					103,288
Federal Sources	\$ 762,688	\$ 16,719	\$ 11,525		1,173,594
Total Revenue	762,688	16,719	11,525	3,969	1,280,851
EXPENDITURES:					
Instruction:					
Salaries of Teachers		14,936			38,136
Purchased Professional and Technical Services					15,560
Other Purchased Professional Services	759,283				838,168
General Supplies	3,405	556		3,327	109,425
Textbooks					1,006
Other Objects					7,831
Total Instruction	762,688	15,492		3,327	1,010,126
Support Services:					
Salaries of Other Professional Staff					36,093
Personal Services - Employee Benefits					4,134
Purchased Professional & Technical Services					4,446
Other Purchased Services		1,227		642	156,663
Supplies and Materials			11,525		19,695
Total Support Services		1,227	11,525	642	221,031
Facilities Acquisition:					
Instructional Equipment					44,694
Non-Instructional Equipment					5,000
Total Facilities Acquisition					49,694
Total Expenditures	\$ 762,688	\$ 16,719	\$ 11,525	\$ 3,969	\$ 1,280,851

VERNON TOWNSHIP SCHOOL DISTRICT
SPECIAL REVENUE FUND
PRESCHOOL EDUCATION AID
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOT APPLICABLE

CAPITAL PROJECTS FUND
NOT APPLICABLE

PROPRIETARY FUNDS

VERNON TOWNSHIP SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF NET POSITION
JUNE 30, 2020

ASSETS:

Current Assets:

Cash and Cash Equivalents	\$ 297,146
Intergovernmental Accounts Receivable:	
State	113
Federal	10,965
Inventories	20,405

Total Current Assets	<u>328,629</u>
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Non-Current Assets:

Capital Assets	647,454
Less: Accumulated Depreciation	<u>(458,369)</u>

Total Non-Current Assets	<u>189,085</u>
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Total Assets	<u>517,714</u>
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LIABILITIES:

Accounts Payable - Vendors	25,379
Unearned Revenue - Donated Commodities	<u>3,511</u>

Total Liabilities	<u>28,890</u>
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NET POSITION:

Investment in Capital Assets	189,085
Unrestricted	<u>299,739</u>

Total Net Position	<u>\$ 488,824</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, 2020

Operating Revenue:

Local Sources:

Daily Sales - Reimbursable Programs	\$ 274,788
Daily Sales - Non-Reimbursable Programs	224,827
Special Events	19,448
Miscellaneous Revenue	11,003
	<hr/>

Total Operating Revenue

530,066

Operating Expenses:

Cost of Sales - Reimbursable Programs	154,901
Cost of Sales - Non-Reimbursable Programs	126,738
Salaries, Benefits & Payroll Taxes	306,291
Supplies, Insurance & Other Costs	62,152
Management Fee	110,000
Miscellaneous Expenditures	28,678
Depreciation Expense	21,273
	<hr/>

Total Operating Expenses

810,033

Operating Loss

(279,967)

Non-Operating Revenue:

Local Sources:

Interest Earnings	690
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State Sources:

State School Lunch Program	5,785
State School Lunch Program -Seamless Summer Option	344

Federal Sources:

National School Lunch Program	152,341
National School Lunch Program -Seamless Summer Option	21,771
Special Milk Program	24
School Breakfast Program	28,268
School Breakfast Program - Seamless Summer Option	11,647
Food Distribution Program	54,050
	<hr/>

Total Non-Operating Revenue

274,920

Change in Net Position

(5,047)

Net Position - Beginning of Year

493,871

Net Position - End of Year

\$ 488,824

VERNON TOWNSHIP SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 530,066
Payments to Food Service Contractor	(732,902)
Payments to Suppliers	(25,875)
	<hr/>
Net Cash Used for Operating Activities	(228,711)
	<hr/>
Cash Flows from Capital and Related Financing Activities:	
Purchases of Capital Assets	(13,810)
	<hr/>
Net Cash Used for Capital and Related Financing Activities	(13,810)
	<hr/>
Cash Flows from Noncapital Financing Activities:	
State Sources	6,529
Federal Sources	218,437
	<hr/>
Net Cash Provided by Noncapital Financing Activities	224,966
	<hr/>
Cash Flows from Investing Activities:	
Interest Income	690
	<hr/>
Net Cash Provided by Investing Activities	690
	<hr/>
Net Decrease in Cash and Cash Equivalents	(16,865)
	<hr/>
Cash and Cash Equivalents, July 1	314,011
	<hr/>
Cash and Cash Equivalents, June 30	\$ 297,146
	<hr/> <hr/>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (279,967)
Adjustment to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	21,273
Food Distribution Program	54,050
Changes in Assets and Liabilities:	
Decrease in Inventory	7,077
(Decrease) in Accounts Payable	(31,221)
Increase in Unearned Revenue	77
	<hr/>
Net Cash Used for Operating Activities	\$ (228,711)
	<hr/> <hr/>

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund Received U.S.D.A. Donated Commodities Through the Food Distribution Program valued at \$54,127 and Utilized Commodities Valued at \$54,050.

FIDUCIARY FUNDS

VERNON TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2020

	<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	\$ 721,061	\$ 227,052	\$ 84,846	\$ 6,644	\$ 1,039,603
Total Assets	<u>721,061</u>	<u>227,052</u>	<u>84,846</u>	<u>6,644</u>	<u>1,039,603</u>
<u>LIABILITIES:</u>					
Payroll Deductions and Withholdings	411,548				411,548
Due to Student Groups	<u>309,513</u>				<u>309,513</u>
Total Liabilities	<u>721,061</u>				<u>721,061</u>
<u>NET POSITION:</u>					
Restricted for Unemployment Claims		227,052			227,052
Restricted for Flexible Spending Claims				6,644	6,644
Restricted for Scholarships			<u>84,846</u>		<u>84,846</u>
Total Net Position	<u>\$ -0-</u>	<u>\$ 227,052</u>	<u>\$ 84,846</u>	<u>\$ 6,644</u>	<u>\$ 318,542</u>

VERNON TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Unemployment Compensation Trust	Private Purpose Scholarship Trust	Flexible Spending Trust	Totals
Additions:				
Contributions:				
Plan Members	\$ 116,894		\$ 14,092	\$ 130,986
Donations		\$ 10,485		10,485
Total Contributions	116,894	10,485	14,092	141,471
Investment Earnings:				
Interest	395	176	17	588
Net Investment Earnings	395	176	17	588
Total Additions	117,289	10,661	14,109	142,059
Deductions:				
Unemployment Claims	94,569			94,569
Flexible Spending Claims			16,965	16,965
Administrative Charges			500	500
Scholarships Awarded		9,700		9,700
Total Deductions	94,569	9,700	17,465	121,734
Change in Net Position before Other Financing Uses	22,720	961	(3,356)	20,325
Other Financing (Uses):				
Transfer to General Fund			(12,193)	(12,193)
Total Other Financing (Uses)			(12,193)	(12,193)
Change in Net Position	22,720	961	(15,549)	8,132
Net Position - Beginning of the Year	204,332	83,885	22,193	310,410
Net Position - End of the Year	\$ 227,052	\$ 84,846	\$ 6,644	\$ 318,542

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

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 301,288	\$ 525,424	\$ 517,199	\$ 309,513
Total Assets	<u>\$ 301,288</u>	<u>\$ 525,424</u>	<u>\$ 517,199</u>	<u>\$ 309,513</u>
 <u>LIABILITIES:</u>				
Due to Student Groups	\$ 301,288	\$ 525,424	\$ 517,199	\$ 309,513
Total Liabilities	<u>\$ 301,288</u>	<u>\$ 525,424</u>	<u>\$ 517,199</u>	<u>\$ 309,513</u>

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

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 472,261	\$ 42,326,739	\$ 42,387,452	\$ 411,548
Total Assets	<u>\$ 472,261</u>	<u>\$ 42,326,739</u>	<u>\$ 42,387,452</u>	<u>\$ 411,548</u>
 <u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	\$ 472,261	\$ 42,326,739	\$ 42,387,452	\$ 411,548
Total Liabilities	<u>\$ 472,261</u>	<u>\$ 42,326,739</u>	<u>\$ 42,387,452</u>	<u>\$ 411,548</u>

LONG-TERM DEBT

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

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance July 1, 2019	Retired or Matured	Balance June 30, 2020
			Date	Amount				
School Refunding Bonds	09/15/15	\$ 7,490,000	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%			
						\$ 3,225,000	\$ 995,000	\$ 2,230,000
						<u>\$ 3,225,000</u>	<u>\$ 995,000</u>	<u>\$ 2,230,000</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, 2019	Retired or Matured	Balance June 30, 2020
			Date	Amount				
Energy Savings Obligation Refunding Bonds	07/19/12	\$ 5,645,000	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%	\$ 4,325,000	\$ 360,000	\$ 3,965,000
						\$ 4,325,000	\$ 360,000	\$ 3,965,000

VERNON TOWNSHIP SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Purpose	Interest Rate	Original Issue	Balance July 1, 2019	Matured	Balance June 30, 2020
Musical Equipment	5.05%	\$ 158,763	\$ 95,257	\$ 31,752	\$ 63,505
			\$ 95,257	\$ 31,752	\$ 63,505

VERNON TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 651,880		\$ 651,880	\$ 651,880	
State Sources:					
Debt Service Aid Type II	434,020		434,020	434,020	
Total Revenues	<u>1,085,900</u>		<u>1,085,900</u>	<u>1,085,900</u>	
EXPENDITURES:					
Regular Debt Service:					
Interest	90,900		90,900	90,900	
Redemption of Principal	995,000		995,000	995,000	
Total Regular Debt Service	<u>1,085,900</u>		<u>1,085,900</u>	<u>1,085,900</u>	
Total Expenditures	<u>1,085,900</u>		<u>1,085,900</u>	<u>1,085,900</u>	
Excess/(Deficit) of Revenues Over/(Under) Expenditures	<u>-0-</u>		<u>-0-</u>	<u>-0-</u>	
Fund Balance, July 1					
Fund Balance, June 30	<u>-0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

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
(accural basis of accounting)

	June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental Activities:										
Net Investment in Capital Assets	\$ 11,952,899	\$ 12,332,583	\$ 10,496,938	\$ 14,504,322	\$ 15,634,181	\$ 16,202,562	\$ 16,905,873	\$ 17,375,195	\$ 17,699,311	\$ 17,435,656
Restricted	949,287	2,725,847	6,555,025	3,839,686	3,646,007	3,572,606	2,692,381	1,990,829	1,313,633	4,229,902
Unrestricted/(Deficit)	(1,676,405)	(614,125)	(286,059)	(17,738,961)	(18,548,721)	(19,173,527)	(20,734,309)	(20,390,610)	(21,708,343)	(21,359,403)
Total Governmental Activities Net Position/ (Deficit)	\$ 11,225,781	\$ 14,444,305	\$ 16,765,904	\$ 605,047	\$ 731,467	\$ 601,641	\$ (1,136,055)	\$ (1,024,586)	\$ (2,695,399)	\$ 306,155
Business-Type Activities:										
Investment in Capital Assets	\$ 56,409	\$ 89,380	\$ 101,259	\$ 132,537	\$ 157,574	\$ 174,878	\$ 178,628	\$ 188,268	\$ 196,548	\$ 189,085
Unrestricted	399,413	299,428	273,268	199,347	188,283	230,718	279,167	287,267	297,323	299,739
Total Business-Type Activities Net Position	\$ 455,822	\$ 388,808	\$ 374,527	\$ 331,884	\$ 345,857	\$ 405,596	\$ 457,795	\$ 475,535	\$ 493,871	\$ 488,824
District-Wide:										
Investment in Capital Assets	\$ 12,009,308	\$ 12,421,963	\$ 10,598,197	\$ 14,636,859	\$ 15,791,755	\$ 16,377,440	\$ 17,084,501	\$ 17,563,463	\$ 17,895,859	\$ 17,624,741
Restricted	949,287	2,725,847	6,555,025	3,839,686	3,646,007	3,572,606	2,692,381	1,990,829	1,313,633	4,229,902
Unrestricted/(Deficit)	(1,276,992)	(314,697)	(12,791)	(17,539,614)	(18,360,438)	(18,942,809)	(20,455,142)	(20,103,343)	(21,411,020)	(21,059,664)
Total District Net Position/ (Deficit)	\$ 11,681,603	\$ 14,833,113	\$ 17,140,431	\$ 936,931	\$ 1,077,324	\$ 1,007,237	\$ (678,260)	\$ (549,051)	\$ (2,201,528)	\$ 794,979

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,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses:										
Governmental Activities:										
Instruction:										
Regular	\$ 29,497,552	\$ 30,987,656	\$ 31,415,736	\$ 30,879,376	\$ 35,202,758	\$ 37,266,595	\$ 37,092,512	\$ 38,605,743	\$ 35,104,902	\$ 33,198,592
Special Education	10,159,562	9,810,330	9,102,888	7,671,719	8,613,154	9,601,002	10,201,122	10,404,348	10,224,076	10,139,906
Other Education	157,733	395,300	427,875	388,167	630,218	727,615	806,339	919,284	712,813	799,743
School-Sponsored Instruction	881,161	911,876	954,531	1,044,875	1,090,451	963,140	1,006,631	1,012,077	974,333	1,009,403
Support Services:										
Tuition	2,114,852	2,417,264	2,512,432	2,809,801	2,365,014	2,399,426	2,361,307	2,078,649	2,402,718	2,901,960
Student & Instructional Related Services	9,980,941	9,983,218	10,611,062	11,453,107	14,254,536	14,005,109	16,428,626	16,784,966	15,515,909	15,232,109
General Administrative Services	1,462,449	1,454,377	1,508,742	1,504,880	1,573,097	1,404,819	1,574,448	1,574,880	1,455,091	1,652,815
School Administrative Services	3,738,801	3,680,650	3,782,250	3,728,211	4,001,972	4,077,831	4,515,023	4,132,709	3,608,158	3,567,496
Central Services	757,777	778,908	843,334	923,412	935,407	799,748	1,083,749	1,280,554	1,094,633	1,092,052
Administrative Information Technology	444,911	130,577	129,144	79,866	134,592	125,848	171,186	150,152	151,205	145,559
Plant Operations and Maintenance	7,009,596	7,109,941	6,831,130	7,313,393	7,164,009	7,102,309	8,133,089	7,298,413	7,280,273	6,681,683
Pupil Transportation	5,322,419	5,132,761	4,814,578	5,053,738	5,179,050	4,967,532	5,225,519	4,981,215	5,159,871	4,644,133
Interest on Long-term Debt	745,607	685,645	617,203	554,464	490,691	446,365	236,018	180,405	127,880	78,180
Unallocated Depreciation	982,316	1,317,993	1,340,736	1,434,856	1,437,408	1,445,989	1,445,989	1,458,473	1,453,285	1,610,814
Capital Outlay	12,428	284,625	25,516	523,829	9,419	19,022	10,233	45,716	34,828	34,847
Charter Schools	275,034	508,652	518,587	522,027	582,486	553,247	608,990	649,408	914,188	916,927
Total Governmental Activities Expenses	73,543,139	75,589,773	75,435,744	75,885,721	83,665,262	85,905,597	90,900,781	91,556,992	86,214,163	83,706,219
Business-Type Activities:										
Food Service	1,131,103	1,294,219	1,155,699	1,113,829	1,044,813	1,029,984	1,050,237	1,066,842	998,384	810,033
Total Business-type Activities Expense	1,131,103	1,294,219	1,155,699	1,113,829	1,044,813	1,029,984	1,050,237	1,066,842	998,384	810,033
Total District Expenses	\$ 74,674,242	\$ 76,883,992	\$ 76,591,443	\$ 76,999,550	\$ 84,710,075	\$ 86,935,581	\$ 91,951,018	\$ 92,623,834	\$ 87,212,547	\$ 84,516,252
Program Revenues										
Governmental Activities:										
Charges for Services	\$ 223,703	\$ 405,247	\$ 317,952	\$ 174,403	\$ 155,666	\$ 172,397	\$ 244,295	\$ 223,277	\$ 234,526	\$ 132,811
Operating Grants and Contributions	11,610,768	11,935,718	13,283,889	13,239,187	12,440,856	20,455,722	28,273,786	30,579,079	24,822,400	25,032,200
Capital Grants and Contributions		112,019								
Total Governmental Activities Program Revenues	11,834,471	12,452,984	13,601,841	13,413,590	12,596,522	20,628,119	28,518,081	30,802,356	25,056,926	25,165,011

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

	Fiscal Year Ending June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Program Revenues										
Business-Type Activities:										
Charges for Services	\$ 877,101	\$ 873,759	\$ 813,321	\$ 737,588	\$ 718,885	\$ 772,307	\$ 762,892	\$ 730,611	\$ 697,555	\$ 530,066
Operating Grants and Contributions	295,423	323,661	327,385	333,018	339,416	316,936	338,958	336,197	318,524	274,230
Total Business-type Activities Program Revenues	1,172,524	1,197,420	1,140,706	1,070,606	1,058,301	1,089,243	1,101,850	1,066,808	1,016,079	804,296
Total District Program Revenues	\$ 13,006,995	\$ 13,650,404	\$ 14,742,547	\$ 14,484,196	\$ 13,654,823	\$ 21,717,362	\$ 29,619,931	\$ 31,869,164	\$ 26,073,005	\$ 25,969,307
Net (Expense)/Revenue										
Governmental Activities	\$ (61,708,668)	\$ (63,136,789)	\$ (61,833,903)	\$ (62,472,131)	\$ (71,068,740)	\$ (65,277,478)	\$ (62,382,700)	\$ (60,754,636)	\$ (61,157,237)	\$ (58,541,208)
Business-type Activities	41,421	(96,799)	(14,993)	(43,223)	13,488	59,259	51,613	(34)	17,695	(5,737)
Total District-wide Net Expense/Revenues	\$ (61,667,247)	\$ (63,233,588)	\$ (61,848,896)	\$ (62,515,354)	\$ (71,055,252)	\$ (65,218,219)	\$ (62,331,087)	\$ (60,754,670)	\$ (61,139,542)	\$ (58,546,945)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes Levied for General Purposes, net	\$ 40,784,852	\$ 41,423,349	\$ 41,470,508	\$ 40,470,508	\$ 40,290,085	\$ 39,544,525	\$ 37,696,985	\$ 37,904,067	\$ 38,220,407	\$ 42,060,058
Taxes Levied for Debt Service	1,224,870	1,286,321	1,294,516	1,267,403	1,236,886	1,203,019	1,097,365	1,037,323	989,945	651,880
Unrestricted Grants and Contributions	21,372,828	22,333,064	21,056,709	21,479,286	21,556,412	21,587,036	21,586,440	21,433,320	20,186,232	18,567,842
Investment Earnings	114,847	131,164	29,675	18,929	19,459	24,768	12,489	13,160	10,346	11,524
Miscellaneous Income	136,287	125,594	101,644	436,289	60,721	225,614	251,725	478,235	79,494	251,458
Total Governmental Activities	63,633,684	65,299,492	63,953,052	63,672,415	63,163,563	62,584,962	60,645,004	60,866,105	59,486,424	61,542,762
Business-Type Activities:										
Investment Earnings	9,320	8,320	712	580	485	480	586	558	641	690
Miscellaneous Income								17,216		
Total Business-Type Activities	9,320	8,320	712	580	485	480	586	17,774	641	690
Total District-Wide	\$ 63,643,004	\$ 65,307,812	\$ 63,953,764	\$ 63,672,995	\$ 63,164,048	\$ 62,585,442	\$ 60,645,590	\$ 60,883,879	\$ 59,487,065	\$ 61,543,452
Change in Net Position:										
Governmental Activities	\$ 1,925,016	\$ 2,162,703	\$ 2,119,149	\$ 1,200,284	\$ (7,905,177)	\$ (2,692,516)	\$ (1,737,696)	\$ 111,469	\$ (1,670,813)	\$ 3,001,554
Business-type Activities	50,741	(88,479)	(14,281)	(42,643)	13,973	59,739	52,199	17,740	18,336	(5,047)
Total District	\$ 1,975,757	\$ 2,074,224	\$ 2,104,868	\$ 1,157,641	\$ (7,891,204)	\$ (2,632,777)	\$ (1,685,497)	\$ 129,209	\$ (1,652,477)	\$ 2,996,507

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,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund:										
Restricted	\$ 928,928	\$ 2,705,488	\$ 3,554,177	\$ 3,497,845	\$ 3,646,006	\$ 3,572,606	\$ 2,692,380	\$ 1,990,829	\$ 1,313,633	\$ 4,229,902
Assigned	873,148	2,081,755	2,406,372	1,088,754	339,718	394,082	374,241	1,000,079		
Unreserved:										
Unassigned/(Deficit)									(300,468)	(290,137)
Total General Fund	\$ 1,802,076	\$ 4,787,243	\$ 5,960,549	\$ 4,586,599	\$ 3,985,724	\$ 3,966,688	\$ 3,066,621	\$ 2,990,908	\$ 1,013,165	\$ 3,939,765
All Other Governmental Funds:										
Restricted	\$ 20,359	\$ 20,359	\$ 3,000,848	\$ 341,841	\$ 1	\$ 30,238	\$ 1			
Total All Other Governmental Funds	\$ 20,359	\$ 20,359	\$ 3,000,848	\$ 341,841	\$ 1	\$ 30,238	\$ 1	\$ -0-	\$ -0-	\$ -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,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues:										
Tax Levy	\$ 42,009,722	\$ 42,709,670	\$ 42,765,024	\$ 41,737,911	\$ 41,526,971	\$ 40,747,544	\$ 38,794,350	\$ 38,941,390	\$ 39,210,352	\$ 42,711,938
Tuition Charges	405,247	317,952	174,403	155,666	172,397	104,575	244,295	223,277	234,526	132,811
Interest Earnings on Capital Reserve Funds	11,476	13,116	2,019	1,703	1,831					
Miscellaneous	234,695	254,446	135,714	459,616	79,857	267,885	269,953	499,835	96,811	269,372
State Sources	31,780,934	33,289,817	32,923,520	32,656,724	32,990,725	33,787,358	34,847,230	35,599,191	35,953,574	34,321,846
Federal Sources	1,644,594	2,316,332	1,365,962	1,257,317	1,393,346	1,270,585	1,205,562	1,224,386	1,281,474	1,251,485
Total Revenue	76,086,668	78,901,333	77,366,642	76,268,937	76,165,127	76,177,947	75,361,390	76,488,079	76,776,737	78,687,452
Expenditures										
Instruction:										
Regular Instruction	21,757,409	22,415,712	22,458,373	22,703,847	22,313,175	21,844,926	20,556,742	20,443,357	20,910,223	18,928,064
Special Education Instruction	7,558,540	6,955,494	6,543,061	5,686,075	5,502,810	5,676,121	5,710,347	5,577,144	6,161,958	5,915,594
Other Instruction	91,550	92,229	93,613	67,975	70,766	72,840	76,265	80,250	85,245	89,795
School - Sponsored Instruction	876,307	907,553	950,455	1,037,370	1,083,638	955,010	996,623	1,003,947	966,203	1,003,612
Support Services:										
Tuition	2,114,852	2,417,264	2,512,432	2,809,801	2,366,014	2,399,426	2,361,307	2,078,649	2,402,718	2,901,960
Student & Instruction Related Services	7,329,984	7,432,411	7,589,209	8,489,068	9,582,214	9,645,472	9,160,658	9,219,801	9,368,675	8,926,294
General Administrative Services	1,202,753	1,192,050	1,195,280	1,316,306	1,171,592	935,350	1,015,442	1,030,162	1,071,791	1,128,017
School Administrative Services	2,679,392	2,683,045	2,690,594	2,732,262	2,667,399	2,570,944	2,489,563	2,455,326	2,262,486	2,275,098
Central Services and Administrative Information Technology	967,029	701,803	751,025	784,727	697,832	716,817	721,087	813,359	769,072	743,316
Plant Operations and Maintenance	5,974,024	5,968,395	5,669,752	6,247,704	89,250	5,928,600	6,165,579	6,005,328	6,091,511	5,775,577
Student Transportation	5,281,443	5,090,314	4,767,150	5,008,281	6,262,441	4,927,936	5,137,723	4,942,287	5,124,227	4,615,571
Allocated Benefits										
Unallocated Benefits	16,153,003	16,759,013	17,668,523	16,275,751	16,718,479	17,709,932	19,184,001	20,246,550	20,739,430	21,179,169
Charter Schools	275,034	508,652	518,587	522,027	582,486	553,247	608,990	649,408	914,188	916,927
Capital Outlay	682,662	1,235,055	3,677,328	5,035,272	830,469	326,466	248,391	468,863	256,153	275,958
Debt Service:										
Principal	1,485,000	1,470,000	1,580,000	1,565,000	1,580,000	1,645,000	1,580,000	1,515,000	1,490,000	995,000
Interest and Other Charges	699,935	639,979	583,166	520,428	456,654	288,897	248,738	193,125	140,600	90,900
Total Expenditures	75,128,897	76,468,969	79,248,548	80,801,894	77,107,842	76,196,984	76,261,456	76,722,556	78,754,480	75,760,852
Excess/(Deficiency) of Revenue Over/(Under) Expenditures	957,771	2,432,364	(1,881,906)	(4,532,957)	(942,715)	(19,037)	(900,066)	(234,477)	(1,977,743)	2,926,600

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
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	\$ 62,484		9,483	1,892	317					
Transfers Out	(62,484)		(9,483)	(1,892)	(317)					
Total Other Financing Sources/(Uses)	\$ 957,771	\$ 552,803	6,035,701	500,000	(942,715)	(19,037)	(900,066)	(75,714)	(1,977,743)	2,926,600
Net Change in Fund Balances		\$ 2,985,167	\$ 4,153,795	\$ (4,032,957)	\$ (942,715)	\$ (19,037)	\$ (900,066)	\$ (75,714)	\$ (1,977,743)	\$ 2,926,600
Debt Service as a Percentage of Noncapital Expenditures	2.79%	2.93%	2.80%	2.86%	2.75%	2.67%	2.55%	2.41%	2.24%	1.44%

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	Energy Savings Incentive	Other	Total
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
2019	10,346	234,526	18,703		60,791	324,366
2020	11,524	132,811	157,748		93,710	395,793

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)
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	1,552,500	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
2018	67,936,900	2,299,013,800	38,465,700	1,670,800	162,207,500	21,898,400	2,686,700	2,593,879,800	223,738,100	4,448,489	2,598,328,289	1.504	2,411,595,380
2019	64,731,100	2,290,865,800	37,556,300	1,754,700	162,806,500	22,907,800	2,686,700	2,583,308,900	224,876,300	4,418,469	2,587,727,369	1.583	2,452,752,880

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

Reassessment occurs when ordered by the County Board of Taxation

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

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

Source: Municipal Tax Assessor

VERNON TOWNSHIP BOARD OF EDUCATION
DIRECT AND OVERLAPPING PROPERTY TAX RATES

LAST TEN YEARS

UNAUDITED

(rate per \$100 of assessed value)

Year Ended December 31,	Vernon Township Board of Education Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Township of Vernon	Sussex County	
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
2018	1.47	0.04	1.50	0.65	0.54	2.69
2019	1.56	0.02	1.58	0.69	0.55	2.82

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

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

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

Source: Municipal Tax Collector and School Business Administrator

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

Taxpayer	2019		
	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	<u>\$ 112,071,200</u>		<u>4.30%</u>

Taxpayer	2010		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Mountain Creek/Great Gorge	\$ 63,495,700	1	4.14%
Minerals Spa & Resort	38,651,000	2	2.52%
Metairie Corporation	24,730,000	3	1.61%
Shinnihon USA, Ltd.	17,244,300	4	1.13%
Vernon Valley Associates	13,647,200	5	8.90%
Newark Watershed	12,995,500	6	4.84%
SES American	8,256,300	7	5.39%
Glenwood Management	7,337,700	8	4.79%
Hidden Valley/Begraft	6,038,500	9	3.94%
Sirius (American Tower Corp)	4,059,400	10	2.65%
Total	<u>\$ 196,455,600</u>		<u>39.91%</u>

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>	
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-
2019	39,210,352	39,210,352	100.00%	-0-
2020	42,711,938	42,711,938	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		Capital Leases				
2011	\$ 15,682,000	\$ -0-		-0-		\$ 15,682,000	1.34%	655.30		
2012	14,212,000	444,286		-0-		14,656,286	1.27%	625.37		
2013	18,277,000	325,078		-0-		18,602,078	1.58%	801.30		
2014	16,672,000	699,797		-0-		17,371,797	1.47%	758.00		
2015	14,922,000	438,977		-0-		15,360,977	1.25%	674.73		
2016	13,065,000	260,410		-0-		13,325,410	1.05%	597.26		
2017	11,200,000	127,886		-0-		11,327,886	0.87%	510.50		
2018	9,375,000	127,010		-0-		9,502,010	0.70%	430.09		
2019	7,550,000	95,257		-0-		7,645,257	0.56%	347.69		
2020	6,195,000	63,505		-0-		6,258,505	0.46%	284.62		

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		
2011	\$ 15,682,000	\$ -0-	\$ 15,682,000	0.56%	669.14
2012	14,212,000	-0-	14,212,000	0.52%	612.19
2013	18,277,000	-0-	18,277,000	0.68%	797.50
2014	16,672,000	-0-	16,672,000	0.62%	732.32
2015	14,922,000	-0-	14,922,000	0.56%	663.41
2016	13,065,000	-0-	13,065,000	0.49%	585.59
2017	11,200,000	-0-	11,200,000	0.43%	504.73
2018	9,375,000	-0-	9,375,000	0.36%	424.34
2019	7,550,000	-0-	7,550,000	0.29%	343.35
2020	6,195,000	-0-	6,195,000	0.24%	281.73

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, 2019
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	\$ 29,011,295	100.00%	\$ 29,011,295
Sussex County General Obligation Debt	99,441,765	14.11% ^a	<u>14,029,140</u>
Subtotal, Overlapping Debt			43,040,435
Vernon Township School District Direct Debt			<u>6,195,000</u>
Total Direct And Overlapping Debt			<u><u>\$ 49,235,435</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 2020

	Vernon Township	
Equalized Valuation Basis:	2019	2018
	\$ 2,504,662,498	2,454,466,124
	2,414,083,480	2,414,083,480
	<u>\$ 7,373,212,102</u>	<u>2,457,737,367</u>
Average Equalized Valuation of Taxable Property		
Debt Limit (4% of average equalization value) ^a	98,309,495	6,195,000
Net Bonded School Debt as of June 30, 2020	<u>\$ 92,114,495</u>	<u>6,195,000</u>

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt Limit	\$ 127,291,246	\$ 121,267,437	\$ 114,509,741	\$ 107,960,058	\$ 102,487,816	\$ 98,348,479	\$ 95,392,704	\$ 94,998,788	\$ 96,208,601	\$ 98,309,495
Total Net Debt Applicable to Limit	15,682,000	14,212,000	18,277,000	16,672,000	14,922,000	13,065,000	11,200,000	9,375,000	7,550,000	6,195,000
Legal Debt Margin	<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>	<u>\$ 88,658,601</u>	<u>\$ 92,114,495</u>
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	12.32%	11.72%	15.96%	15.44%	14.56%	14.56%	13.28%	9.87%	7.85%	6.30%

^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
2011	23,436	\$ 1,150,543,548	\$ 49,093	10.40%
2012	23,215	1,180,343,460	50,844	10.20%
2013	22,918	1,179,268,608	51,456	8.80%
2014	22,766	1,225,220,588	53,818	8.80%
2015	22,493	1,252,342,761	55,677	6.60%
2016	22,311	1,269,808,254	56,914	5.50%
2017	22,190	1,302,930,230	58,717	4.50%
2018	22,093	1,364,397,401	61,757	4.20%
2019	21,989	1,357,974,673	61,757 *	3.60%
2020	21,989 **	1,357,974,673	61,757 *	N/A

* - Sussex County per capita personal income for 2018 was used for calculation purposes.

** - Latest population data available (2019) 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	2019		
	Employees	Rank	Percentage of Total Employment
Selective Insurance Group Inc.	1,000-4,999	1	1.40%-7.00%
Crystal Springs Resort	1,000-4,999	2	1.40%-7.00%
Newton Medical Center	500-999	3	0.70%-1.40%
Sussex County Offices	500-999	4	0.70%-1.40%
Thorlabs	500-999	5	0.70%-1.40%
Mountain Creek Resort	500-999	6	0.70%-1.40%
Shop Rite	250-499	7	0.35%-0.70%
Sussex County Community College	250-499	8	0.35%-0.70%
United Methodist Community Bristol Glen	250-499	9	0.35%-0.70%
Andover Subacute & Rehab Center	100-249	10	0.14%-0.35%
Total	4,850-15,740		4.07%-12.91%

Employer	2010		
	Employees	Rank (Optional)	Percentage of Total Employment
Crystal Springs Golf and Spa Resort	2,000	1	2.61%
Newton Memorial Hospital	1,490	2	1.94%
Selective Insurance	900	3	1.17%
County of Sussex	830	4	1.08%
Mountain Creek Resort	800	5	1.04%
Shop Rite (Ronetco)	697	6	0.91%
Ames Rubber Corp	445	7	0.58%
Walmart	412	8	0.54%
Andover Subacute & Rehab Center	300	9	0.39%
Sussex County Community College	300	10	0.39%
	8,174		10.66%

Source: Sussex County Chamber of Commerce

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

Function/Program	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Instruction:										
Regular	255.0	255.0	254.0	249.0	238.0	228.0	214.0	220.0	216.0	196.0
Special Education	162.0	167.0	149.0	146.0	157.0	144.0	156.0	149.0	171.0	170.0
Other Instruction	6.0	6.0	4.0	5.0	6.0	6.0	6.0	6.0	5.0	5.0
Support Services:										
Student & Instruction Related Services	80.0	80.0	75.0	71.0	67.0	69.0	67.0	64.0	59.0	59.0
School Administrative Services	43.0	43.0	41.0	44.0	43.0	46.0	47.0	46.0	46.0	45.0
General Administrative Services	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	4.0	4.0
Plant Operations and Maintenance	52.0	53.0	55.0	54.0	56.0	65.0	65.0	65.0	53.0	53.0
Pupil Transportation	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.0	1.0	1.0
Business and Other Support Services	9.0	9.0	8.0	9.0	9.0	8.0	8.0	8.0	9.0	9.0
Total	614.0	620.0	593.0	585.0	583.0	573.0	570.0	564.0	564.0	542.0

Source: District Personnel Records

VERNON TOWNSHIP SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil ^d	Percentage Change	Teaching Staff ^b	Teacher/Pupil 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				
2011	4,013	\$ 73,408,054	18,292.56	6.67%	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%
2019	2,975	75,819,246	25,485.46	6.94%	294	1:8.21	1:9.71	1:9.08	2,975	2,802	-3.88%	94.18%
2020	2,981	74,398,994	24,957.73	-2.07%	269	1:11.58	1:14.23	1:14.52	2,964	2,823	-0.37%	95.24%

Sources: School District of Vernon Township Records

Note: Enrollment based on annual School Register Summary 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 SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS
UNAUDITED

<u>District Building</u>	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<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	559	559	499	528	467	456	508	110	101	87
<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	392	392	369	356	333	337	313	407	374	409
<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	470	470	420	385	393	356	338	399	430	424
<u>Lounsberry 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	586	586	561	538	525	485	473	470	407	411
<u>Glen 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	621	621	564	549	528	511	513	713	680	679
<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	1,385	1,385	1,197	1,131	1,070	1,020	1,001	995	980	953
<u>Child Study Team Office</u>										
Square Feet	1,354	1,354	1,354	N/A	N/A	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	N/A	N/A	N/A

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 School Register Summary district count.

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

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

Facility	Project #(s)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<u>School Facilities:</u>											
Walnut Ridge	N/A	\$ 112,807	\$ 148,313	\$ 116,585	\$ 152,282	\$ 293,274	\$ 288,686	\$ 184,744	\$ 136,198	\$ 28,440	\$ 25,295
Cedar Mountain	N/A	166,396	156,389	198,976	153,592	187,195	191,783	151,971	182,412	184,861	164,417
Rolling Hills	N/A	120,096	157,546	108,626	127,074	176,271	168,105	106,329	128,266	212,752	164,417
Lonsberry Hollow	N/A	133,419	205,990	226,747	189,412	184,327	192,493	225,663	170,730	213,301	189,712
Glen Meadow	N/A	191,489	368,089	366,320	458,231	313,791	309,269	221,671	335,759	341,282	303,539
Vernon Township High School	N/A	292,738	424,243	398,316	515,421	399,960	407,740	532,219	467,022	469,263	417,191
Total School Facilities		1,016,945	1,460,570	1,415,570	1,596,012	1,554,818	1,558,076	1,422,597	1,420,387	1,449,899	1,264,571
<u>Other Facilities:</u>											
Child Study Team and Board Office	N/A	172,836	152,014	83,409	120,779	121,359	140,800	127,405	84,650		12,647
Grand Total		\$ 1,189,781	\$ 1,612,584	\$ 1,498,979	\$ 1,716,791	\$ 1,676,177	\$ 1,698,876	\$ 1,550,002	\$ 1,505,037	\$ 1,449,899	\$ 1,277,218

N/A - Not Applicable

Source: District records

VERNON TOWNSHIP SCHOOL DISTRICT
INSURANCE SCHEDULE
June 30, 2020
UNAUDITED

	<u>Coverage</u>		<u>Deductible</u>
School Package Policy - School Alliance Insurance Fund:	\$500,000,000	Occurrence	
Property:			
Building & Personal Property			\$ 2,500
Inland Marine - Auto Physical Damage			\$ 1,000
Comprehensive General Liability including Auto Liability:	\$ 5,000,000		
Per Occurrence			
General Aggregate	100,000,000	Fund Aggregate	
Product - Completed Operations			
Personal Injury			
Fire Damage	2,500,000		
Medical Expenses (excluding students taking part in athletics)	10,000		
Automobile Coverage			
Employee Benefits			
Security Guard Liability	1,000,000		
Environmental Impairment Liability	1,000,000		10,000
		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		15,000
Cyber Liability	20,000,000		10,000
Workers' Compensation:		Statutory	
Employer's Liability	2,000,000		
Supplemental Indemnity		Statutory	
Bollinger Insurance:			
Student Accident	1,000,000	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



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Independent Member
BKR International

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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 15, 2020.

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) as a basis for designing 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 financial statements. 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.

October 15, 2020
Mount Arlington, New Jersey

NISIVOCCIA LLP



Raymond Sarinelli
Licensed Public School Accountant #2549
Certified Public Accountant



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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, 2020. 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 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, 2020.

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.

October 15, 2020
Mount Arlington, New Jersey

NISIVOCCIA LLP

Raymond Sarinelli

Raymond Sarinelli
Licensed Public School Accountant #2549
Certified Public Accountant

VERNON TOWNSHIP BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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, 2019			Balance at June 30, 2020		
					Budgetary Accounts Receivable	Budgetary Unearned Revenue	Due to Grantor	Cash Received	Budgetary Expenditures	Budgetary Accounts Receivable
<u>General Fund:</u>										
U.S. Department of Health and Human Services:										
Medicaid Cluster:										
Medicaid Assistance Program	93.778	N/A	7/1/19-6/30/20	\$ 91,032			\$ 91,032	\$ (91,032)		
Total General Fund							91,032	(91,032)		
<u>Special Revenue Fund:</u>										
U.S. Department of Education Passed-through State Department of Education:										
Elementary and Secondary Education Act										
Title I	84.010	ESEA536020	7/1/19-9/30/20	250,674			239,299	(245,519)	\$ (6,220)	
Title I	84.010	ESEA536019	7/1/18-6/30/19	210,691	\$ (29,831)		29,831			(42)
Title I - SIA	84.010	ESEA536020	7/1/19-9/30/20	21,028			9,708	(9,750)		(6,262)
Total Title I					(29,831)		278,838	(255,269)		
Title II, Part A	84.367	ESEA536020	7/1/19-9/30/20	59,209			34,879	(42,946)		(8,067)
Title II, Part A	84.367	ESEA536019	7/1/18-6/30/19	87,489	(14,032)		14,032			
Total Title II, Part A					(14,032)		48,911	(42,946)		(8,067)
Title IV	84.424	ESEA536020	7/1/19-9/30/20	12,298			3,759	(6,375)		(2,616)
Title IV	84.424	ESEA536019	7/1/18-6/30/19	13,123	(7,495)		7,495			
Total Title IV					(7,495)		11,254	(6,375)		(2,616)
Covid-19 CARES Emergency Relief	84.425	ESEA536020	3/18/20-9/30/20	158,221					(11,525)	(11,525)
Total CARES Emergency Relief									(11,525)	(11,525)
Special Education Cluster:										
I.D.E.A. Part B, Basic	84.027	IDEA536020	7/1/19-9/30/20	762,748			743,803	(762,688)		(18,885)
I.D.E.A. Part B, Basic	84.027	IDEA536019	7/1/18-9/30/19	765,298	(88,404)		88,404			
I.D.E.A. Part B, Preschool	84.173	IDEA536020	7/1/19-9/30/20	30,281			14,672	(16,719)		(2,047)
I.D.E.A. Part B, Preschool	84.173	IDEA536019	7/1/18-9/30/19	32,412	(16,072)		16,072			
Special Education Cluster Subtotal					(104,476)		862,951	(779,407)		(20,932)
Carl D. Perkins Secondary Education	84.048	PERK536020	7/1/19-6/30/20	94,989			58,414	(78,072)		(19,658)
Carl D. Perkins Secondary Education	84.048	PERK536019	7/1/18-6/30/19	68,531	(19,439)		19,439			
Total U.S. Department of Education					(175,273)		1,279,807	(1,173,594)		(69,060)
Total Special Revenue Fund					(175,273)		1,279,807	(1,173,594)		(69,060)

VERNON TOWNSHIP BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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, 2019			Balance at June 30, 2020		
					Budgetary Accounts Receivable	Budgetary Unearned Revenue	Due to Grantor	Budgetary Accounts Receivable	Budgetary Unearned Revenue	Budgetary Expenditures
<u>Enterprise Fund</u>										
U.S. Department of Agriculture:										
Child Nutrition Program Cluster:										
Food Distribution Program	10.555	N/A	7/1/19-6/30/20	\$ 54,127			\$ 54,127	\$ (50,616)		\$ 3,511
Food Distribution Program	10.555	N/A	7/1/18-6/30/19	62,888		\$ 3,434		(3,434)		
National School Lunch Program	10.555	N/A	7/1/19-6/30/20	174,112			152,341	(152,341)		
Covid-19 Seamless Summer Option	10.555	N/A	3/18/20-6/30/20	21,771			14,598	(21,771)		\$ (7,173)
National School Lunch Program	10.555	N/A	7/1/18-6/30/19	213,802	\$ (13,114)		13,114			
School Breakfast Program	10.553	N/A	7/1/19-6/30/20	39,915			28,268	(28,268)		
Covid-19 Seamless Summer Option	10.553	N/A	3/18/20-6/30/20	11,647			7,855	(11,647)		(3,792)
School Breakfast Program	10.553	N/A	7/1/18-6/30/19	32,721	(2,233)		2,233			
Special Milk Program for Children	10.556	N/A	7/1/19-6/30/20	24			24	(24)		
Special Milk Program for Children	10.556	N/A	7/1/18-6/30/19	70	(4)		4			
Child Nutrition Program Cluster Subtotal					(15,351)	3,434	272,564	(268,101)	(10,965)	3,511
Total Enterprise Fund					(15,351)	3,434	272,564	(268,101)	(10,965)	3,511
Total Federal Awards					(190,624)	\$ 3,434	\$ 1,643,403	\$ (1,532,727)	\$ (80,025)	\$ 3,511

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, 2020

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2019		Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Cancellation of Prior Years' Encumbrances and Receivables	Balance at June 30, 2020		MEMO	
				Budgetary Accounts Receivable	Due to Grantor					GAAP Accounts Receivable	Due to Grantor	Budgetary Accounts Receivable	Cumulative Total Expenditures
New Jersey Department of Education													
General Fund:													
Equalization Aid	19-495-034-5120-078	7/1/18-6/30/19	14,888,366	\$ (1,476,235)		\$ 1,476,235							\$ 14,888,366
Special Education Aid	19-495-034-5120-089	7/1/18-6/30/19	2,545,581	(252,404)		252,404							2,545,581
Security Aid	19-495-034-5120-084	7/1/18-6/30/19	341,922	(33,903)		2,293,741							341,922
Adjustment Aid	19-495-034-5120-085	7/1/18-6/30/19	3,971,619	(393,800)		308,095							3,971,619
School Choice Aid	19-495-034-5120-068	7/1/18-6/30/19	158,550	(15,721)		2,312,167							158,550
Transportation Aid	19-495-034-5120-014	7/1/18-6/30/19	2,202,151	(218,351)		87,441							2,202,151
Extraordinary Special Education Costs	18-495-034-5120-044	7/1/17-6/30/18	910,369	(910,369)		1,984,288							910,369
Homeless Tuition Reimbursement	19-495-034-5120-005	7/1/18-6/30/19	1,576	(1,576)									1,576
Nonpublic Transportation Aid	19-495-034-5120-014	7/1/18-6/30/19	32,190	(32,190)									32,190
Reimbursed TPAF Social Security													
Contributions	19-495-034-5095-003	7/1/19-6/30/20	2,086,355	(119,763)		119,763							2,086,355
Equalization Aid	20-495-034-5120-078	7/1/19-6/30/20	14,888,366			13,415,428	\$ (14,888,366)						14,888,366
Special Education Aid	20-495-034-5120-089	7/1/19-6/30/20	2,545,581			2,293,741	(2,545,581)						2,545,581
Security Aid	20-495-034-5120-084	7/1/19-6/30/20	341,922			308,095	(341,922)						341,922
Adjustment Aid	20-495-034-5120-085	7/1/19-6/30/20	2,566,030			2,312,167	(2,566,030)						2,566,030
School Choice Aid	20-495-034-5120-068	7/1/19-6/30/20	97,041			87,441	(97,041)						97,041
Transportation Aid	20-495-034-5120-014	7/1/19-6/30/20	2,202,151			1,984,288	(2,202,151)						2,202,151
Extraordinary Special Education Costs	20-100-034-5120-473	7/1/19-6/30/20	649,775				(649,775)						649,775
Nonpublic Transportation Aid	20-495-034-5120-014	7/1/19-6/30/20	12,734				(12,734)						12,734
Reimbursed TPAF Social Security													
Contributions	20-495-034-5095-003	7/1/19-6/30/20	2,007,637			1,892,713	(2,007,637)						2,007,637
On-Behalf TPAF Post Retirement Contribution	20-495-034-5094-001	7/1/19-6/30/20	2,246,872			2,246,872	(2,246,872)						2,246,872
On-Behalf TPAF Pension Contribution	20-495-034-5094-002	7/1/19-6/30/20	5,949,913			5,949,913	(5,949,913)						5,949,913
On-Behalf TPAF Non-Contributory Insurance	20-495-034-5094-004	7/1/19-6/30/20	106,645			106,645	(106,645)						106,645
On-Behalf TPAF Long-Term Disability Insurance	20-495-034-5094-004	7/1/19-6/30/20	3,980			3,980	(3,980)						3,980
Total General Fund State Aid				(3,454,312)		34,055,595	(33,618,647)			(777,433)			60,757,326
Special Revenue Fund:													
New Jersey Nonpublic Aid:													
Compensatory Education	19-100-034-5120-067	7/1/18-6/30/19	1,692					\$ 1,692					
Nonpublic Handicapped Services:	20-100-034-5120-066	7/1/19-6/30/20	2,599			2,339							
Examination and Classification	20-100-034-5120-066	7/1/19-6/30/20	13,761			12,385							
Supplementary Instruction	19-100-034-5120-066	7/1/18-6/30/19	1,586					1,586					
Supplementary Instruction	19-100-034-5120-066	7/1/18-6/30/19	893					893					
Corrective Speech	20-100-034-5120-064	7/1/19-6/30/20	1,054			1,054							
Textbook Aid	20-100-034-5120-064	7/1/19-6/30/20	1,175					47					
Textbook Aid	20-100-034-5120-070	7/1/19-6/30/20	2,231			2,231							
Nursing Services	20-100-034-5120-373	7/1/19-6/30/20	720			720							
Technology Initiative	20-100-034-5120-070	7/1/19-6/30/20	3,450			3,450							
Security Aid	19E00039	4/1/18-2/28/19	100,000	(68,060)		54,802							100,000
Career Pathways	20E00039	3/1/19-2/28/20	100,000	(33,417)		100,000							100,000
Career Pathways	21E00039	3/1/20-2/28/21	100,000										
Total Special Revenue Fund				(101,477)	4,218	176,981	(103,288)	4,218	120		16,408	(44,312)	257,833

VERNON TOWNSHIP BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2019		Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Cancellation of Prior Years' Encumbrances and Receivables	Balance at June 30, 2020		MEMO
				Budgetary Accounts Receivable	Due to Grantor					GAAP Accounts Receivable	Due to Grantor	
<u>Debt Service Fund:</u>												
Debt Service Aid - State Support	20-495-034-5120-125	7/1/19-6/30/20	\$ 434,020			\$ 434,020	\$ (434,020)					\$ 434,020
Total Debt Service Fund						434,020	(434,020)					434,020
<u>Enterprise Fund</u>												
State School Lunch Program	20-100-010-3350-023	7/1/19-6/30/20	6,129			5,785	(5,785)					6,129
Covid-19 Seamless Summer Option	20-100-010-3350-024	5/18/20-6/30/20	344			231	(344)			\$ (113)	\$ (113)	344
State School Lunch Program	19-100-010-3350-023	7/1/18-6/30/19	8,238	\$ (513)		513						8,238
Total Enterprise Fund				(513)		6,298	(6,129)			(113)	(113)	14,367
Total State Awards Subject to Single Audit Determination				\$ (3,556,302)	\$ 4,218	\$ 34,672,894	\$ (34,162,084)	\$ 4,218	\$ 120	\$ (777,546)	\$ 16,408	\$ 61,443,546
Less: State Awards Not Subject to Single Audit Major Program Determination												
On-Behalf TPAF Pension System Contributions:												
On-Behalf TPAF Pension System Contributions	20-495-034-5094-001	7/1/19-6/30/20	2,246,872				2,246,872					
On-Behalf TPAF Post Retirement Contribution	20-495-034-5094-002	7/1/19-6/30/20	5,949,913				5,949,913					
On-Behalf TPAF Pension Contribution	20-495-034-5094-004	7/1/19-6/30/20	106,645				106,645					
On-Behalf TPAF Non-Contributory Insurance	20-495-034-5094-004	7/1/19-6/30/20	3,980				3,980					
On-Behalf TPAF Long-Term Disability Insurance	20-495-034-5094-004	7/1/19-6/30/20	3,980				3,980					
Subtotal - On-Behalf TPAF Pension System Contributions							8,307,410					
Total State Awards Subject to Single Audit Major Program Determination							\$ (25,854,674)					

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, 2020

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, 2020. 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 \$150,483 for the general fund and \$4,688 for the special revenue fund of which \$2,420 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, 2020

(Continued)

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

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 91,032	\$ 33,769,130	\$ 33,860,162
Special Revenue Fund	1,160,453	118,696	1,279,149
Debt Service Fund		434,020	434,020
Food Service Fund	268,101	6,129	274,230
Total Financial Assistance	<u>\$ 1,519,586</u>	<u>\$ 34,327,975</u>	<u>\$ 35,847,561</u>

NOTE 5. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 6. OTHER

Revenue and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2020.

VERNON TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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	7/1/19-9/30/20	\$ 762,748	\$ 762,688
I.D.E.A. Part B, Preschool	84.173	7/1/19-9/30/20	30,281	16,719
<u>State:</u>				
State Aid - Public:				
Equalization Aid	20-495-034-5120-078	7/1/19-6/30/20	14,888,366	14,888,366
Special Education Aid	20-495-034-5120-089	7/1/19-6/30/20	2,545,581	2,545,581
Security Aid	20-495-034-5120-084	7/1/19-6/30/20	341,922	341,922
Adjustment Aid	20-495-034-5120-085	7/1/19-6/30/20	2,566,030	2,566,030
School Choice	20-495-034-5120-068	7/1/19-6/30/20	97,041	97,041
Reimbursed TPAF Social				
Security Contributions	20-495-034-5095-003	7/1/19-6/30/20	2,007,637	2,007,637

- 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 \$775,640.

VERNON TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(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, 2020

Status of Prior Year Findings:

There were no prior year findings.