

VERNON TOWNSHIP SCHOOL DISTRICT

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

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2009**

**Comprehensive Annual
Financial Report**

of the

VERNON TOWNSHIP BOARD OF EDUCATION

Vernon, New Jersey

For the Fiscal Year Ended June 30, 2009

Prepared by

**Vernon Township Board of Education
Business Office**

VERNON TOWNSHIP SCHOOL DISTRICT
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INTRODUCTORY SECTION



Vernon Township Public School District

539 Route 515/P.O. Box 99

Vernon, New Jersey 07462

(973) 764-2900 (Phone)

(973) 764-0033 (Fax)

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

August 8, 2009

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, 2009, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

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

1) REPORTING ENTITY AND ITS SERVICES:

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

The District provides a full range of education services appropriate to grades K through 12. These services include regular, vocational, and special education for handicapped students. The District completed the 2008-2009 school year with an enrollment of 4,462, which is 195 students less than the previous year's enrollment.

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

<u>Fiscal Year</u>	<u>Average Daily Enrollment Student Enrollment</u>	<u>Percent Change</u>
2005	5,242	-0.55%
2006	5,201	-0.77%
2007	4,929	-5.23%
2008	4,657	-5.52%
2009	4,462	-4.19%

2) ECONOMIC CONDITION AND OUTLOOK:

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

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

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

The Honorable President and Members
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Vernon Township School District
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3) **MAJOR INITIATIVES:**

During the 2008-09 school year, the Vernon Township School District continued to work toward having each child attain his/her maximum potential. A major component of this involved teacher training in content, teacher proficiency, and meeting state standards.

Throughout the 2008-09 school year, the district continued with its model program for staff development for both professional and support staff employed by the school district. The District continued with its staff development program by running in-service courses for faculty and support staff during the fall, spring, and summer sessions. Programs dealt with curriculum development and improvement, overall personal improvement, and appropriate teaching strategies to assist teachers in working with and better understanding the students that they come in contact with on a daily basis. The staff development program is quite unique to our school district, since we are probably the only school district, which has so many offerings and has such a well-developed program.

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

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

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

4) **INTERNAL ACCOUNTING CONTROLS:**

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

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

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

The Honorable President and Members
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Vernon Township School District
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5) BUDGETARY CONTROLS:

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reserves of fund balance at June 30, 2009.

6) ACCOUNTING SYSTEM AND REPORTS:

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

7) DEBT ADMINISTRATION:

At June 30, 2009, the District has \$18,567,000 of outstanding bonded debt.

8) CASH MANAGEMENT:

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

9) RISK MANAGEMENT:

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

The Honorable President and Members
of the Board of Education
Vernon Township School District
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August 8, 2009

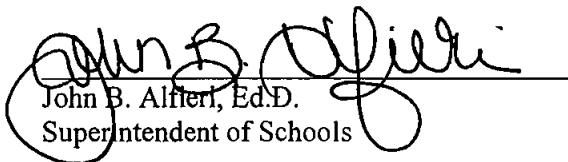
10) **OTHER INFORMATION:**

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

11) **ACKNOWLEDGEMENTS:**

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

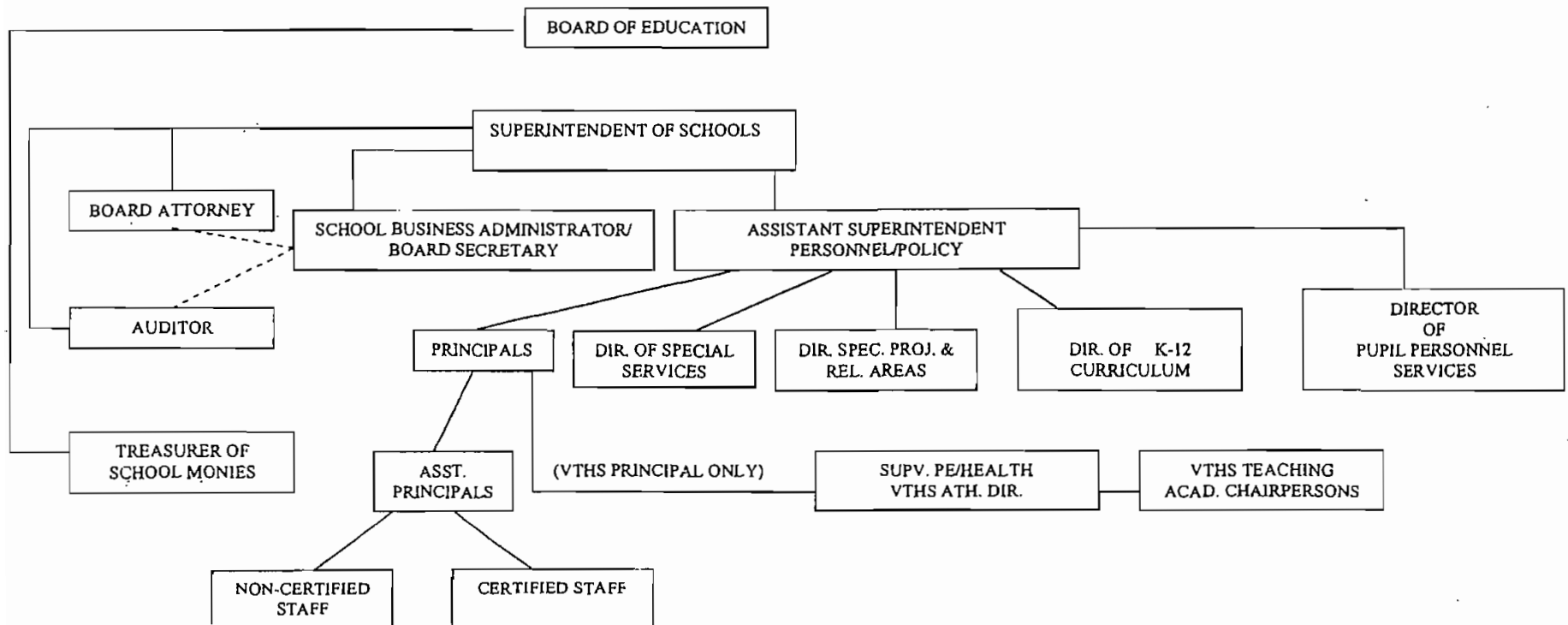
Respectfully submitted,


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


Steven Kepnes
Business Administrator/Board Secretary

1110 ORGANIZATIONAL CHART

VERNON TOWNSHIP SCHOOL DISTRICT
 ORGANIZATION CHART



**VERNON TOWNSHIP SCHOOL DISTRICT
ROSTER OF OFFICIALS
JUNE 30, 2009**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Cynthia Auburger, President	2011
Edward Gilson, Vice President	2012
Douglas F. Castellana	2011
Edward A. DeYoung	2011
Robert P. Hughes	2012
Michael Kirchmer	2010
John F. McGowan	2010
Bradley D. Sparta	2012
Howard J. Whidden, Jr.	2010

Other Officers

Anthony J. Macerino, Superintendent of Schools (to June 30, 2009)
 John B. Alfierie, Ed.D., Superintendent of Schools (from July 1, 2009)
 Dominic J. Butler, Interim Business Administrator (to November 3, 2008)
 Anthony J. Macerino, Acting Board Secretary (to November 3, 2008)
 Steven A. Kepnes, Business Administrator/Board Secretary (from November 3, 2008)
 Barbara Linkenheimer, Assistant Superintendent

Vernon Township Public Schools

Vernon Township High School

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

Glen Meadow Middle School

Carol Nelson, Ed.D., Principal
 Rosemary Gebhardt, Assistant Principal

Lounsberry Hollow Middle School

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

Cedar Mountain Primary School

Maureen McCall, Principal

Rolling Hills Primary School

Philip Schmidt, Principal

Walnut Ridge Primary School

Pauline Anderson, Principal

**VERNON TOWNSHIP SCHOOL DISTRICT
Consultants and Advisors**

Audit Firm

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

Attorney (General Matters)

Daggett, Kraemer , Eliades, Vanderwiele & Ursin
328 Sparta Avenue
Sparta, NJ 07871

Attorney (Personnel, Negotiations, and Construction)

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

Official Depositories

Lakeland Bank
529 Route 515
Vernon, NJ 07462

Chase Bank
PO Box 10 – Route 515
Vernon, NJ 07462

PNC Bank
1 Garrett Mountain Plaza
West Paterson, NJ 07424

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

Valley National Bank
538 County Route 515
Vernon, NJ 07462

FINANCIAL SECTION



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

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

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Board of Education of the Vernon Township School District in the County of Sussex as of and for the fiscal year ended June 30, 2009 which collectively comprise the District's basic financial statements, as listed in the foregoing table of contents. These financial statements are the responsibility of the Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Board of Education of the Vernon Township Board of Education in the County of Sussex as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof, for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2009 on our consideration of the Board of Education of the Vernon Township Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

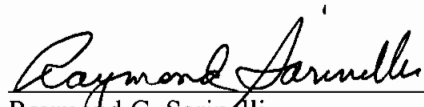
The Honorable President and Members
of the Board of Education
Vernon Township School District
Page 2

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

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

August 8, 2009
Mount Arlington, New Jersey

NISIVOCCIA & COMPANY LLP



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

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

This section of Vernon Township School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2009. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

Financial Highlights

- The District's financial status is strong, in spite of minimal increases in state aid for several years.
- Overall revenue was \$74.8 million.
- Enrollment in the District has been slightly decreasing for the last several years while cost per pupil has continued to increase.

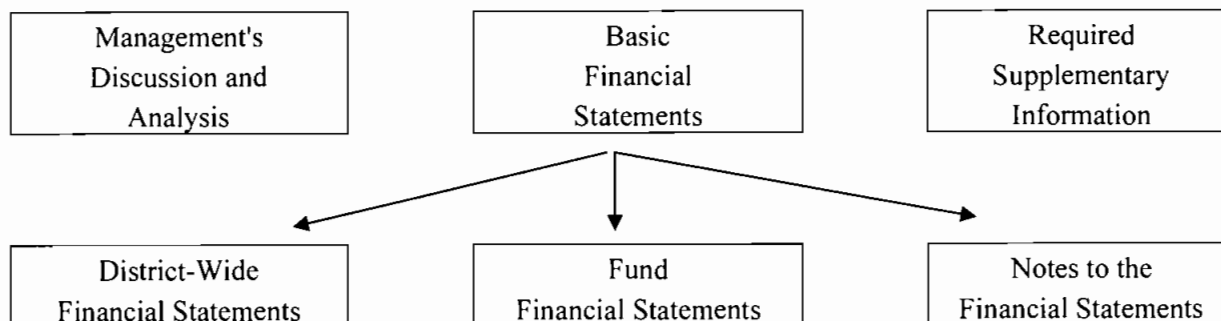
Overview of the Financial Statements

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

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

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

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



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

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

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

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

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

District-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

Financial Analysis of the District as a Whole

Net Assets. The District's combined net assets decreased \$2,006,822. Net assets from governmental activities decreased by \$2,003,625 combined with a decrease of net assets from business activities \$3,197. Net assets invested in capital assets increased by \$776,657 restricted net assets decreased by \$798,940, and unrestricted net assets decreased by \$1,984,539.

Figure A-3

	Condensed Statement of Net Assets						Total Percentage Change
	Government Activities		Business-Type Activities		Total School District		
	2008/09	2007/08	2008/09	2007/08	2008/09	2007/08	
Current and Other Assets	\$ 5,693,949	\$ 6,059,384	\$ 415,811	\$ 450,713	\$ 6,109,760	\$ 6,510,097	-6.15%
Capital Assets	28,409,105	29,047,634	79,154	61,968	28,488,259	29,109,602	-2.13%
Total Assets	<u>34,103,054</u>	<u>35,107,018</u>	<u>494,965</u>	<u>512,681</u>	<u>34,598,019</u>	<u>35,619,699</u>	-2.87%
Long-Term Debt Outstanding	21,229,695	22,333,383			21,229,695	22,333,383	-4.94%
Other Liabilities	3,731,995	1,628,646	90,278	104,797	3,822,273	1,733,443	120.50%
Total Liabilities	<u>24,961,690</u>	<u>23,962,029</u>	<u>90,278</u>	<u>104,797</u>	<u>25,051,968</u>	<u>24,066,826</u>	4.09%
Net Assets:							
Invested in Capital Assets, Net of Related Debt	9,842,105	9,082,634	79,154	61,968	9,921,259	9,144,602	8.49%
Restricted	3,425,419	4,224,359			3,425,419	4,224,359	-18.91%
Unrestricted/(Deficit)	<u>(4,126,160)</u>	<u>(2,162,004)</u>	<u>325,533</u>	<u>345,916</u>	<u>(3,800,627)</u>	<u>(1,816,088)</u>	109.28%
Total Net Assets	<u>\$ 9,141,364</u>	<u>\$ 11,144,989</u>	<u>\$ 404,687</u>	<u>\$ 407,884</u>	<u>\$ 9,546,051</u>	<u>\$ 11,552,873</u>	-17.37%

Changes in Net Assets. The District's combined net assets were \$9,546,051 on June 30, 2009, or \$2,006,822 less than they were the year before. (See Figure A-3).

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

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2008/09	2007/08	2008/09	2007/08	2008/09	2007/08	
Revenue:							
Program Revenue:							
Charges for Services	\$ 190,297	\$ 179,577	\$ 945,935	\$ 1,043,934	\$ 1,136,232	\$ 1,223,511	-7.13%
Operating Grants & Contributions	10,762,771	13,588,998	258,367	259,135	11,021,138	13,848,133	-20.41%
Capital Grants and Contributions		8,548			-	8,548	-100.00%
General Revenue:							
Property Taxes	38,968,715	38,195,873			38,968,715	38,195,873	2.02%
Federal and State Aid	23,386,350	23,229,803			23,386,350	23,229,803	0.67%
Other	324,798	460,233	8,476	13,871	333,274	474,104	-29.70%
Total Revenue	73,632,931	75,663,032	1,212,778	1,316,940	74,845,709	76,979,972	-2.77%
Expenses:							
Instruction	42,755,627	43,515,872			42,755,627	43,515,872	-1.75%
Pupil and Instruction Services	11,604,247	11,277,499			11,604,247	11,277,499	2.90%
Administrative and Business	6,444,203	6,809,715			6,444,203	6,809,715	-5.37%
Maintenance and Operations	6,377,449	7,229,890			6,377,449	7,229,890	-11.79%
Transportation	6,133,568	5,858,372			6,133,568	5,858,372	4.70%
Other	2,321,462	2,213,584	1,215,975	1,307,463	3,537,437	3,521,047	0.47%
Total Expenses	75,636,556	76,904,932	1,215,975	1,307,463	76,852,531	78,212,395	-1.74%
Increase/(Decrease) in Net Assets	\$ (2,003,625)	\$ (1,241,900)	\$ (3,197)	\$ 9,477	\$ (2,006,822)	\$ (1,232,423)	

Revenue Sources. The District's total revenue for the school year was \$74,845,709, (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$38,968,715 of the total, or 52.07 percent. (See Figure A-5). Approximately 45.97 percent came from state and federal aid and the remainder from miscellaneous sources.

**Figure A-5
Sources of School District Revenue - Fiscal Year 2009**

	Amount	Percentage
Sources of Income:		
State Formula Aid	\$ 26,150,065	34.94%
Property Taxes	38,968,715	52.07%
Federal and State Categorical Grants	8,257,423	11.03%
Charges for Services	1,136,232	1.52%
Other	333,274	0.45%
	\$ 74,845,709	100.00%

The total cost of all programs and services was \$76,852,531. The District's expenses are predominantly related to instructing, caring for (pupil services) and transporting students (78.71 percent). (See Figure A-6). The District's administrative and maintenance and operations costs accounted for 16.69 percent of total costs. The most significant contributors to the high costs of Maintenance and Operations were higher fuel costs and products costs. It is important to remember that \$1,122,782 in depreciation is included in expenses for the year.

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**Figure A-6
Sources of School District Expenses - Fiscal Year 2009**

Expense Category:	<u>Amount</u>	<u>Percentage</u>
Instruction	\$ 42,755,627	55.63%
Pupil and Instruction Services	11,604,247	15.10%
Administrative and Business	6,444,203	8.39%
Maintenance and Operations	6,377,449	8.30%
Transportation	6,133,568	7.98%
Other	3,537,437	4.60%
	<u>\$ 76,852,531</u>	<u>100.00%</u>

Governmental Activities

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

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

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

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

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

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

	Total Costs of Services		Net Cost of Services	
	2008/09	2007/08	2008/09	2007/08
Instruction	\$ 42,755,627	\$ 43,515,872	\$ 35,124,353	\$ 34,348,638
Pupil and Instruction Services	11,604,247	11,277,499	10,776,004	10,210,814
Administrative and Business	6,444,203	6,809,715	6,007,135	6,201,943
Maintenance and Operations	6,377,449	7,229,890	6,104,521	6,841,817
Transportation	6,133,568	5,858,372	4,350,013	3,311,013
Other	2,321,462	2,213,584	2,321,462	2,213,584
	<u>\$ 75,636,556</u>	<u>\$ 76,904,932</u>	<u>\$ 64,683,488</u>	<u>\$ 63,127,809</u>

- The cost of all governmental activities this year was \$75.64 million.
- The federal and state governments subsidized certain programs with grants and contributions was \$33.41 million
- Approximately \$38.97 million of the District's costs were financed by District taxpayers.
- The remainder of the funding came from tuition charges, miscellaneous revenue and investment earnings.

Business-Type Activities

Net assets from the District's business-type activity decreased by \$3,197, (Refer to Figure A-4). Factors contributing to these results included:

- Food services expenses exceeded revenues \$3,197, accounting for all of the decrease in the net assets of the business-type activities.
- This decrease was primarily a result of reduced food sales.

Financial Analysis of the District's Funds

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

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

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

**Vernon Township Board of Education
Management Discussion and Analysis
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General Fund Budgetary Highlights

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

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

Capital Asset and Debt Administration

Figure A-8

Capital Assets (Net of Depreciation)

	Government Activities		Business-Type Activities		Total School District		Total Percentage Change
	2008/09	2007/08	2008/09	2007/08	2008/09	2007/08	
Land	\$ 1,935,348	\$ 1,935,348			\$ 1,935,348	\$ 1,935,348	0.00%
Site Improvements	899,244	795,418			899,244	795,418	13.05%
Building Improvements	17,980,081	18,801,554			17,980,081	18,801,554	-4.37%
Machinery and Equipment	1,404,479	1,471,067	\$ 79,154	\$ 61,968	1,483,633	1,533,035	-3.22%
Construction in Progress	6,189,953	6,044,247			6,189,953	6,044,247	2.41%
Total Capital Assets	\$ 28,409,105	\$ 29,047,634	\$ 79,154	\$ 61,968	\$ 28,488,259	\$ 29,109,602	-2.13%

- Change in Capital Assets is a result of the acquisition of assets in the amount of \$510,544 combined with depreciation expense of \$1,122,782.

Long-term Debt

At year-end, the District had a net of \$17,975,044 in general obligation bonds outstanding as shown in Figure A-9. (More detailed information about the District's long-term liabilities is presented in Note 6 to the financial statements.)

Figure A-9

Outstanding Long-Term Debt

	Total School District		Percentage Change
	2008/09	2007/08	
General Obligation Bonds (Financed with Property Taxes)	\$ 18,567,000	\$ 19,965,000	
Less: Deferred Amount on the Refunding	(591,956)	(645,770)	
Net General Obligation Bonds	17,975,044	19,319,230	-6.96%
Other Long-Term Liabilities	3,254,651	3,014,153	7.98%
	\$ 21,229,695	\$ 22,333,383	1.02%

- The District continued to pay down its debt, retiring \$1,398,000 of outstanding bonds.
- Compensated absences payable increased by a net amount of \$240,498.

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Factors Bearing on the District's Future

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

- A5 – known as School District Accountability. This new law, approved by the Governor on March 15, 2007 provides for various school district accountability measures.
- A1 – known as Tax Levy CAP. This new law, approved by the Governor on April 3, 2007 establishes a 4% cap on tax levy increases, changes the accounting/transfers for and expands the number of permitted fund balance reserves.
- A4 – known as CORE. This new law, approved by the Governor on April 3, 2007 implements CORE proposals and the primary focus of this new law is to establish uniform shared services and consolidation through the use of new “Executive County Superintendent”.
- The continued impact of S1701 legislation. S1701, adopted by the State of New Jersey on June 17, 2004, places limits on the School’s ability to transfer funds into capital reserve for the construction and maintenance of school facilities, the ability to transfer available balance as needed and the ability to transfer available funds between appropriation accounts. Taking away the option of transferring available funds during the budget year will severely impact our ability to maintain and improve our facilities.
- Statues recently enacted will allow the state to review more closely school district expenditures in all areas. Along with tax levy caps and minimal state aid districts will have to make some difficult educational decisions.
- Due to the fact that rising costs of required expenditures are increasing at a rate greater than that of the District’s allowable tax levy revenue, this Board of Education has applied budgeted fund balance over the past several years. This has significantly reduced the Board’s fund balance to the point that it is projected to be less the 1% on June 30, 2010. The Board is in a position to have to reduce the budget by more than \$2,000,000, which is an unreasonable expectation, when trying to maintain the level of programs that are currently offered to our students.

Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

VERNON TOWNSHIP SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>ASSETS:</u>			
Cash and Cash Equivalents	\$ 3,693,100	\$ 381,229	\$ 4,074,329
Receivables from Other Governments	1,287,490	15,521	1,303,011
Inventory		19,061	19,061
Unamortized Bond Issuance Costs	127,926		127,926
Restricted Assets:			
Capital Reserve Account - Cash and Cash Equivalents	585,433		585,433
Capital Assets:			
Sites (Land) and Construction in Progress	8,125,301		8,125,301
Depreciable Site Improvements, Building and Building Improvements and Machinery and Equipment	20,283,804	79,154	20,362,958
Total Assets	<u>34,103,054</u>	<u>494,965</u>	<u>34,598,019</u>
<u>LIABILITIES:</u>			
Accounts Payable - Vendors	572,695	81,274	653,969
Loan Payable - Due to State of New Jersey	2,000,000		2,000,000
Payable to Federal Government	2,876		2,876
Payable to State Government	120		120
Accrued Liability for Health Benefit Claims	938,734		938,734
Unamortized Bond Issuance Premium	217,546		217,546
Deferred Revenue	24	9,004	9,028
Noncurrent Liabilities:			
Due Within One Year, Net	1,346,186		1,346,186
Due Beyond One Year, Net	19,883,509		19,883,509
Total Liabilities	<u>24,961,690</u>	<u>90,278</u>	<u>25,051,968</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	9,842,105	79,154	9,921,259
Restricted for:			
Capital Projects	612,480		612,480
Debt Service	228,424		228,424
Other Purposes	2,584,515		2,584,515
Unrestricted/(Deficit)	(4,126,160)	325,533	(3,800,627)
Total Net Assets	<u>\$ 9,141,364</u>	<u>\$ 404,687</u>	<u>\$ 9,546,051</u>

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

VERNON TOWNSHIP SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Governmental Activities:						
Instruction:						
Regular	\$ 32,292,910		\$ 3,103,598		\$ (29,189,312)	\$ (29,189,312)
Special Education	8,466,218		4,379,283		(4,086,935)	(4,086,935)
Other Instruction	1,035,718		148,393		(887,325)	(887,325)
School -Sponsored Instruction	960,781				(960,781)	(960,781)
Support Services:						
Tuition	2,953,467	\$ 190,297			(2,763,170)	(2,763,170)
Student and Instruction Related Services	8,650,780		637,946		(8,012,834)	(8,012,834)
General Administration Services	1,375,442		67,755		(1,307,687)	(1,307,687)
School Administration Services	3,843,111		302,035		(3,541,076)	(3,541,076)
Plant Operations and Maintenance	6,377,449		272,928		(6,104,521)	(6,104,521)
Pupil Transportation	6,133,568		1,783,555		(4,350,013)	(4,350,013)
Central Services and Administrative						
Information Technology	1,225,650		67,278		(1,158,372)	(1,158,372)
Interest on Long-Term Debt	879,186				(879,186)	(879,186)
Unallocated Depreciation	964,943				(964,943)	(964,943)
Capital Outlay	118,237				(118,237)	(118,237)
Transfer to Charter School	359,096				(359,096)	(359,096)
Total Governmental Activities	75,636,556	190,297	10,762,771		(64,683,488)	(64,683,488)

VERNON TOWNSHIP SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Business-Type Activities:						
Food Service	\$ 1,215,975	\$ 945,935	\$ 258,367		\$ (11,673)	\$ (11,673)
Total Business-Type Activities	1,215,975	945,935	258,367		(11,673)	(11,673)
Total Primary Government	\$ 76,852,531	\$ 1,136,232	\$ 11,021,138	\$ -0-	\$ (64,683,488)	\$ (64,695,161)

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes, Net

37,707,888

37,707,888

Taxes Levied for Debt Service

1,260,827

1,260,827

Federal and State Aid not Restricted

23,386,350

23,386,350

Investment Earnings

214,361

8,476

222,837

Miscellaneous Income

110,437

110,437

Total General Revenue

62,679,863

8,476

62,688,339

Change in Net Assets

(2,003,625)

(3,197)

(2,006,822)

Net Assets - Beginning

11,144,989

407,884

11,552,873

Net Assets - Ending

\$ 9,141,364

\$ 404,687

\$ 9,546,051

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

FUND FINANCIAL STATEMENTS

VERNON TOWNSHIP SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<u>ASSETS:</u>					
Cash and Cash Equivalents	\$ 3,432,299		\$ 32,377	\$ 228,424	\$ 3,693,100
Interfund Receivable	433,509				433,509
Receivables From Federal Government		\$ 581,338			581,338
Receivables From State Government	663,203				663,203
Receivables From Other Governments	42,902	47			42,949
Restricted Cash and Cash Equivalents	585,433				585,433
Total Assets	\$ 5,157,346	\$ 581,385	\$ 32,377	\$ 228,424	\$ 5,999,532
<u>LIABILITIES AND FUND BALANCES:</u>					
Liabilities:					
Interfund Payable		433,179	330		433,509
Loan Payable - Due to State of New Jersey	2,000,000				2,000,000
Accounts Payable - Vendors	427,509	145,186			572,695
Payable to Federal Government		2,876			2,876
Payable to State Government		120			120
Accrued Liability for Health Benefit Claims	938,734				938,734
Deferred Revenue		24			24
Total Liabilities	3,366,243	581,385	330		3,947,958
Fund Balances:					
Reserved for:					
Encumbrances	584,117		5,000		589,117
Excess Surplus - Designated for Subsequent Year's Expenditures	645,398				645,398
Capital Reserve Account	585,433				585,433

VERNON TOWNSHIP SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Fund Balances:					
Unreserved, Reported in:					
General Fund:					
Designated for Subsequent Year's Expenditures	\$ 1,350,000				\$ 1,350,000
Undesignated/(Deficit)	(1,373,845)				(1,373,845)
Capital Projects Fund			\$ 27,047		27,047
Debt Service Fund				\$ 228,424	228,424
Total Fund Balances	<u>1,791,103</u>		<u>32,047</u>	<u>228,424</u>	<u>2,051,574</u>
Total Liabilities and Fund Balances	<u>\$ 5,157,346</u>	<u>\$ 581,385</u>	<u>\$ 32,377</u>	<u>\$ 228,424</u>	

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

Capital Assets Used in Governmental Activities are not Financial Resources and Therefore are not Reported in the Funds. The Cost of the Assets is \$52,881,659 and the Accumulated Depreciation is \$24,472,554.	28,409,105
Bond Issuance costs are reported as expenditures in the Governmental Funds in the year of expenditure. The original costs were \$174,442 and accumulated amortization is \$46,516.	127,926
Bond Issuance Premiums are reported as revenue in the Governmental Funds in the year the bonds are sold. The original amount was \$296,654 and accumulated amortization is \$79,108.	(217,546)
Deferred Interest costs are not reported as expenditures in the governmental funds in the year of the expenditure.	591,956
Long-Term Liabilities, Including Bonds Payable, Are Not Due and Payable in the Current Period and Therefore are Not Reported as Liabilities in the Funds (see Note 6)	<u>(21,821,651)</u>
Net Assets of Governmental Activities	<u>\$ 9,141,364</u>

THE ACCOMPANYING NOTES TO 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, 2009

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 37,707,888			\$ 1,260,827	\$ 38,968,715
Tuition	190,297				190,297
Interest Earned on Capital Reserve Funds	12,248				12,248
Miscellaneous	310,376	\$ 8,812	\$ 2,174		321,362
Total - Local Sources	38,220,809	8,812	2,174	1,260,827	39,492,622
State Sources	31,661,447	8,077		1,070,543	32,740,067
Federal Sources		1,400,242			1,400,242
Total Revenues	69,882,256	1,417,131	2,174	2,331,370	73,632,931
EXPENDITURES:					
Current:					
Regular Instruction	23,146,976	459,245			23,606,221
Special Education Instruction	5,522,913	957,886			6,480,799
Other Special Instruction	586,178				586,178
School-Sponsored/Other Instruction	958,839				958,839
Support Services and Undistributed Costs:					
Tuition	2,953,467				2,953,467
Student and Other Instruction Related Services	6,663,972				6,663,972
General Administration Services	1,183,946				1,183,946
School Administration Services	2,916,777				2,916,777
Central Services & Administrative Information Technology	1,013,922				1,013,922
Plant Operations and Maintenance	5,449,073				5,449,073
Student Transportation	6,102,701				6,102,701
Unallocated Benefits	15,016,247				15,016,247

VERNON TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
EXPENDITURES:					
Debt Service:					
Principal				\$ 1,398,000	\$ 1,398,000
Interest and Other Charges				833,520	833,520
Capital Outlay	\$ 441,400		\$ 145,706		587,106
Transfer of Funds to Charter School	359,096				359,096
Total Expenditures	<u>72,315,507</u>	<u>\$ 1,417,131</u>	<u>145,706</u>	<u>2,231,520</u>	<u>76,109,864</u>
Excess/(Deficit) of Revenue Over/(Under) Expenditures	<u>(2,433,251)</u>		<u>(143,532)</u>	<u>99,850</u>	<u>(2,476,933)</u>
OTHER FINANCING SOURCES/(USES):					
Transfers In	2,174				2,174
Transfers Out			(2,174)		(2,174)
Total Other Financing Sources/(Uses)	<u>2,174</u>		<u>(2,174)</u>		
Net Change in Fund Balances	<u>(2,431,077)</u>		<u>(145,706)</u>	<u>99,850</u>	<u>(2,476,933)</u>
Fund Balance - July 1	<u>4,222,180</u>		<u>177,753</u>	<u>128,574</u>	<u>4,528,507</u>
Fund Balance - June 30	<u>\$ 1,791,103</u>	<u>\$ -0-</u>	<u>\$ 32,047</u>	<u>\$ 228,424</u>	<u>\$ 2,051,574</u>

THE ACCOMPANYING NOTES TO 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, 2009

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2) \$ (2,476,933)

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 and disposal of assets exceeded capital outlays in the period.

	Depreciation Expense	\$ (1,107,398)	
	Disposals of Assets with Carrying Value	(9,105)	
	Capital outlays	477,974	
			(638,529)

In the statement of activities, certain operating expenses, e.g., compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).

(240,497)

Repayment of serial bonds is an expenditure in the Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Assets and is not reported in the Statement of Activities.

1,398,000

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

(53,814)

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

19,777

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

(11,629)

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

\$ (2,003,625)

VERNON TOWNSHIP SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2009

	Business-type Activities - Enterprise Funds Food Service
<u>ASSETS:</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 381,229
Intergovernmental Accounts Receivable:	
State	1,124
Federal	14,397
Inventories	19,061
Total Current Assets	415,811
Non-Current Assets:	
Capital Assets	535,787
Less: Accumulated Depreciation	(456,633)
Total Non-Current Assets	79,154
Total Assets	494,965
<u>LIABILITIES:</u>	
Accounts Payable - Vendors	81,274
Deferred Revenue	9,004
Total Liabilities	90,278
<u>NET ASSETS:</u>	
Investment in Capital Assets Net of Related Debt	79,154
Unrestricted	325,533
Total Net Assets	\$ 404,687

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

VERNON TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Business-type Activities - Enterprise Funds Food Service
Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 571,309
Daily Sales - Non-Reimbursable Programs	339,783
Special Events and Miscellaneous	34,843
Total Operating Revenue	945,935
Operating Expenses:	
Cost of Sales	553,614
Salaries, Benefits & Payroll Taxes	482,181
Supplies, Insurance & Other Costs	122,396
Management Fee	42,400
Depreciation Expense	15,384
Total Operating Expenses	1,215,975
Operating Loss	(270,040)
Non-Operating Income:	
Local Sources:	
Interest Earnings	8,476
State Sources:	
State School Lunch Program	15,507
Federal Sources:	
National School Lunch Program	186,710
Special Milk Program	5,561
Food Distribution Program	50,589
Total Non-Operating Income	266,843
Change in Net Assets	(3,197)
Net Assets - Beginning of Year	407,884
Net Assets - End of Year	\$ 404,687

THE ACCOMPANYING NOTES TO 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, 2009

	Business-type Activities - Enterprise Funds Food Service
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 945,935
Payments to Food Service Contractor	(1,096,460)
Payments to Suppliers	(69,842)
Net Cash Used by Operating Activities	(220,367)
Cash Flows from Capital and Related Financing Activities:	
Purchases of Capital Assets	(32,570)
Net Cash Used for Capital and Related Financing Activities	(32,570)
Cash Flows from Noncapital Financing Activities:	
State Sources	15,338
Federal Sources	188,904
Net Cash Provided by Noncapital Financing Activities	204,242
Cash Flows from Financing Activities:	
Interest Income	8,476
Net Cash Provided by Financing Activities	8,476
Net Decrease in Cash and Cash Equivalents	(40,219)
Cash and Cash Equivalents, July 1	421,448
Cash and Cash Equivalents, June 30	\$ 381,229
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating Loss	\$ (270,040)
Adjustment to Reconcile Operating Loss to Cash Used by Operating Activities:	
Depreciation	15,384
Food Distribution Program	50,589
Changes in Assets and Liabilities:	
Increase in Deferred Revenue	2,543
(Decrease) in Accounts Payable	(17,062)
(Increase) in Inventory	(1,781)
Net Cash Used by Operating Activities	\$ (220,367)

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 \$53,132 and Utilized Commodities Valued at \$50,589.

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

VERNON TOWNSHIP SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2009

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>
<u>ASSETS:</u>			
Cash and Cash Equivalents	\$ 655,037	\$ 119,589	\$ 93,978
Investments		372,278	
Total Assets	<u>\$ 655,037</u>	<u>\$ 491,867</u>	<u>\$ 93,978</u>
<u>LIABILITIES:</u>			
Payroll Deductions and Withholdings	\$ 465,243		
Due to Student Groups	189,794		
Total Liabilities	<u>655,037</u>		
<u>NET ASSETS:</u>			
Held in Trust for Unemployment Claims		\$ 491,867	
Reserved for Scholarships			\$ 93,978
Total Net Assets	<u>\$ -0-</u>	<u>\$ 491,867</u>	<u>\$ 93,978</u>

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

VERNON TOWNSHIP SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>
Additions:		
Contributions:		
Plan Members	\$ 93,089	
Donations		\$ 23,976
Total Contributions	<u>93,089</u>	<u>23,976</u>
Investment Earnings:		
Interest	<u>19,008</u>	<u>2,032</u>
Net Investment Earnings	<u>19,008</u>	<u>2,032</u>
Total Additions	<u>112,097</u>	<u>26,008</u>
Deductions:		
Quarterly Contribution Payments	8,561	
Unemployment Claims	67,567	
Scholarships Awarded		<u>26,867</u>
Total Deductions	<u>76,128</u>	<u>26,867</u>
Change in Net Assets	35,969	(859)
Net Assets - Beginning of the Year	<u>455,898</u>	<u>94,837</u>
Net Assets - End of the Year	<u>\$ 491,867</u>	<u>\$ 93,978</u>

THE ACCOMPANYING NOTES TO 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, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

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

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

B. Basis of Presentation:

District-Wide Financial Statements:

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

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

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)

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

B. Basis of Presentation: (Cont'd)

Fund Financial Statements:

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

The District reports the following governmental funds:

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

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

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

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

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

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)

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

B. Basis of Presentation: (Cont'd)

The District reports the following proprietary fund:

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

Additionally, the District reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)

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

D. Budgets/Budgetary Control:

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

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

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

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

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 71,256,375	\$ 1,352,160
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		(8,978)
Prior Year Encumbrances, Net of Cancellations		73,949
Prior Year State Aid Payment Recognized for GAAP Statements	1,366,086	
State Aid Payment Recognized for Budgetary Purposes, not not Recognized for GAAP Statements	<u>(2,740,205)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 69,882,256</u>	<u>\$ 1,417,131</u>

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(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	\$ 72,315,507	\$ 1,352,160
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		(8,978)
Prior Year Encumbrances, Net of Cancellations		73,949
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 72,315,507	\$ 1,417,131

E. Cash and Cash Equivalents:

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

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

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

F. Interfund Transactions:

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

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)

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

F. Interfund Transactions: (Cont'd)

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

G. Allowance for Uncollectible Accounts:

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

H. Encumbrances:

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

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

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

I. Short-term Interfund Receivables/Payables:

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

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, 2009.

K. Capital Assets:

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

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)

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

K. Capital Assets: (Cont'd)

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

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

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

L. Long Term Liabilities:

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

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, 2009.

N. Compensated Absences:

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

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)

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

N. Compensated Absences: (Cont'd)

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

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

O. Deferred Revenue:

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

P. Fund Balance Appropriated:

General Fund: Of the \$1,791,103 General Fund fund balance at June 30, 2009, \$584,117 is reserved for encumbrances; \$585,433 is reserved in the capital reserve account; \$645,398 is reserved as prior year excess surplus and has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2010; \$1,350,000 is unreserved and has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2009; and \$(1,373,845) is unreserved and undesignated which is \$2,740,205 less than the calculated maximum unreserved fund balance, on a GAAP basis, due to the final two state aid payments, which are not recognized until the fiscal year ended June 30, 2010.

Capital Projects Fund: Of the \$32,047 of Capital Projects Fund fund balance at June 30, 2009 \$5,000 is reserved for encumbrances; and \$27,047 is unreserved and undesignated.

Debt Service Fund: The Debt Service Fund balance at June 30, 2009 of \$228,424 is unreserved and undesignated.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004, C.73 (S1701) the designation for Reserved Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The District has excess surplus as noted above.

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)

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

P. Fund Balance Appropriated: (Cont'd)

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

Q. Deficit Fund Balances/Net Assets

The District has a deficit fund balance of \$1,373,845 in the General Fund as of June 30, 2009 as reported in the fund statements (modified accrual basis) due to the final two state aid payments of \$2,704,205, which are not recognized on a GAAP basis until the fiscal year ended June 30, 2010..

The District also has a deficit in unrestricted net assets from governmental activities in the amount of \$4,126,160. This primarily due to the accrual of compensated absences of \$3,245,651, deferred interest of \$591,955, unamortized bond issuance costs of \$127,924 and unamortized bond premiums of \$217,546.

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

R. Net Assets

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

S. Fund Balance Reserves:

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

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)

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

T. Revenue - Exchange and Nonexchange Transactions:

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

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

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

U. Operating Revenue and Expenses:

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

V. Management Estimates:

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

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.

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

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

Deposits:

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

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

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

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

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

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)

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

Investments:

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

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

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

(Continued)

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

As of June 30, 2009, cash and cash equivalents and investments of the District consisted of the following:

	Cash and Cash Equivalents	Investments	Capital Reserve Account	Total
Checking Accounts	\$ 2,384,863		\$ 585,433	\$ 2,970,296
Temporary Investments With Fiscal Agent	2,558,070			2,558,070
Certificates of Deposit		\$ 372,278		372,278
	<u>\$ 4,942,933</u>	<u>\$ 372,278</u>	<u>\$ 585,433</u>	<u>\$ 5,900,644</u>

During the period ended June 30, 2009, the District did not hold any investments other than certificates of deposit. The carrying amount of the Board's cash and cash equivalents and investments at June 30, 2009, was \$5,900,644 and the bank balance was \$6,450,946. The \$2,558,070 of temporary investments with fiscal agent is uninsured and unregistered.

NOTE 4. 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, 2008 to June 30, 2009 fiscal year is as follows:

Beginning Balance, July 1, 2008	\$ 438,418
Deposit Approved at the April 2008 Election	134,767
Interest Earnings	<u>12,248</u>
Ending Balance, June 30, 2009	<u>\$ 585,433</u>

The June 30, 2009 LRFP balance of local support costs of uncompleted capital projects at June 30, 2009 far exceeds the balance in the capital reserve account as of June 30, 2009.

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)

NOTE 5. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2009 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Adjustments</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 1,935,348			\$ 1,935,348
Construction in Progress	6,044,247	\$ 145,706		6,189,953
Total Capital Assets Not Being Depreciated	<u>7,979,595</u>	<u>145,706</u>		<u>8,125,301</u>
Capital Assets Being Depreciated:				
Site Improvements	1,117,632	160,102		1,277,734
Buildings and Building Improvements	40,776,928	87,194		40,864,122
Machinery and Equipment	2,608,208	84,972	\$ (78,678)	2,614,502
Total Capital Assets Being Depreciated	<u>44,502,768</u>	<u>332,268</u>	<u>(78,678)</u>	<u>44,756,358</u>
Governmental Activities Capital Assets	<u>52,482,363</u>	<u>477,974</u>	<u>(78,678)</u>	<u>52,881,659</u>
Less Accumulated Depreciation for:				
Site Improvements	(322,214)	(56,276)		(378,490)
Buildings and Building Improvements	(21,975,374)	(908,667)		(22,884,041)
Machinery and Equipment	(1,137,141)	(142,455)	69,573	(1,210,023)
	<u>(23,434,729)</u>	<u>(1,107,398)</u>	<u>69,573</u>	<u>(24,472,554)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 29,047,634</u>	<u>\$ (629,424)</u>	<u>\$ (9,105)</u>	<u>\$ 28,409,105</u>
Business Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 503,217	\$ 32,570		\$ 535,787
Less Accumulated Depreciation	(441,249)	(15,384)		(456,633)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 61,968</u>	<u>\$ 17,186</u>	<u>\$ -0-</u>	<u>\$ 79,154</u>

The District has an active construction project totaling \$6,222,000. This project is for the referendum approved by the voters in September 2006. As of June 30, 2009, the District has \$5,000 in construction encumbrances outstanding.

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 67,598
Special Education	3,219
Student and Other Instruction Related Services	1,942
School Administration	1,262
Operations and Maintenance of Plant	68,434
Unallocated	<u>964,943</u>
	<u>\$ 1,107,398</u>

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)

NOTE 6. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2009, the following changes occurred in liabilities reported in the District-wide financial statements:

	<u>Beginning Balance</u>	<u>Accrued</u>	<u>Retired</u>	<u>Ending Balance</u>
Serial Bonds Payable	\$ 19,965,000		\$ 1,398,000	\$ 18,567,000
Less: Deferred Amount on Refunding	(645,770)	\$ 53,814		(591,956)
Net Serial Bonds Payable	<u>19,319,230</u>	<u>53,814</u>	<u>1,398,000</u>	<u>17,975,044</u>
Compensated Absences Payable	<u>3,014,153</u>	<u>411,560</u>	<u>171,062</u>	<u>3,254,651</u>
	<u>\$ 22,333,383</u>	<u>\$ 465,374</u>	<u>\$ 1,569,062</u>	<u>\$ 21,229,695</u>

A. Bonds Payable:

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

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

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

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

The District had bonds outstanding as of June 30, 2009 as follows:

	<u>Issue Dates</u>	<u>Interest Rates</u>	<u>Final Date of Maturity</u>	<u>Balance 6/30/2009</u>
School Bonds	12/1/1999	5.25%	12/1/2009	\$ 1,000,000
School Refunding Bonds	4/1/2005	3.00%-5.00%	12/1/2019	11,545,000
School Bonds	1/15/2007	3.95%-4.05%	2/1/2027	<u>6,022,000</u>
				<u>\$ 18,567,000</u>

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)

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

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

<u>Year</u>	<u>Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2010	\$ 1,400,000	\$ 762,329	2,162,329
2011	1,485,000	699,935	2,184,935
2012	1,470,000	639,979	2,109,979
2013	1,580,000	583,166	2,163,166
2014	1,565,000	520,428	2,085,428
2015-2019	7,805,000	1,595,417	9,400,417
2020-2024	2,340,000	392,455	2,732,455
2025-2027	922,000	75,573	997,573
	<u>\$ 18,567,000</u>	<u>\$ 5,269,282</u>	<u>\$ 23,836,282</u>

B. Bonds Authorized But Not Issued:

As of June 30, 2009, the Board had no bonds authorized but not issued.

C. Capital Leases Payable:

As of June 30, 2009, the Board had no capital leases payable.

D. Compensated Absences

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities. The long-term liability balance of compensated absences is \$3,254,651. There is no current portion of compensated absences payable.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2009, no liability existed for compensated absences in the Food Service Fund.

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

NOTE 7. PENSION PLANS

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

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

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

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

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

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

<u>Three-Year Trend for TPAF (Paid on-behalf of District)</u>			
<u>Year Funding</u> <u>June 30,</u>	<u>Annual</u> <u>Pension Cost</u> <u>(APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
2009	\$ -0-	100.00%	\$ -0-
2008	2,499,772	100.00%	2,499,772
2007	2,464,744	100.00%	2,464,744

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

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

<u>Three-Year Trend for PERS</u>			
<u>Year Funding</u> <u>June 30,</u>	<u>Annual</u> <u>Pension Cost</u> <u>(APC)</u>	<u>Percentage of</u> <u>APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
2009	\$ 236,535	100.00%	\$ 236,535
2008	403,868	80.00%	323,094
2007	270,888	60.00%	162,533

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)

NOTE 8. POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of you-go basis beginning in fiscal year 1994.

The State made post-retirement (PRM) contributions of \$592.7 million for TPAF and \$224.3 million for PERS in Fiscal Year 2008.

The State is also responsible for the cost attributable to Chapter 126, P.L. 1992, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a Board of Education or County College with 25 years of service. The State paid \$116.0 million toward Chapter 126 benefits for 12,545 eligible retired members in Fiscal Year 2008.

The State's on behalf Post Retirement Medical Contributions to TPAF for the District amounted to \$2,116,118, \$1,658,743, and \$1,534,445 for 2009, 2008 and 2007, respectively.

NOTE 9. RISK MANAGEMENT

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

Property and Liability Insurance

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

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

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

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)

NOTE 9. RISK MANAGEMENT (Cont'd)

Selected, summarized financial information for the Fund as of June 30, 2008 is as follows:

	<u>School Alliance Insurance Fund</u>
Total Assets	\$ 33,541,188
Net Assets	\$ 14,396,794
Total Revenue	\$ 29,156,869
Total Expenses	\$ 26,481,702
Change in Net Assets	\$ 2,675,167
Net Assets Distribution to Participating Members	\$ -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:

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions and Interest</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2009	\$ -0-	\$ 112,097	\$ 76,128	\$ 491,867
2008	-0-	125,029	55,887	455,898
2007	-0-	85,082	75,370	386,756

NOTE 10. ECONOMIC DEPENDENCY

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

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)

NOTE 11. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2009:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 433,509	
Special Revenue Fund		\$ 433,179
Capital Projects Fund		330
	<u>\$ 433,509</u>	<u>\$ 433,509</u>

The interfund receivable in the General Fund and the interfund payable in the Capital Projects Fund represent the balance of the interest earned in the Capital Projects Fund not transferred by June 30, 2009. The interfund between the General Fund and the Special Revenue Fund represents funds advanced to the Special Revenue as a result of the reimbursement basis of the federal grants.

NOTE 12. DEFERRED COMPENSATION

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

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

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

NOTE 13. TAX CALENDAR

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

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

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)

NOTE 14. HEALTH BENEFITS PLAN

Effective July 1, 2004, the District elected to obtain medical and dental health care insurance with Horizon Blue Cross Blue Shield of NJ ("Horizon"). The insurance plan with Horizon, for health benefits only, is a traditionally funded, fully participating plan whereby the District participates in any margins or losses generated by claims experience. The figures presented below for the year ended June 30, 2009 are based on preliminary estimates from Horizon and are subject to change upon final settlement of the plan year as of June 30 which is expected to occur sometime in October 2009.

	<u>Year Ended June 30, 2008</u>
Premium Stabilization Reserve at June 30, 2007 with Horizon	\$ 2,451,549
Accrued Liability for Health Benefit Claims at June 30, 2007 with Horizon	1,096,943
	3,548,492
Interest Earnings	150,420
Decrease in Accrued Liability for Health Benefit Claims based on Paid Claims Experience	158,209
Paid Premiums	7,150,794
Paid Claims	(6,309,102)
Administrative Costs	(1,082,402)
	2,519,468
Premium Stabilization Reserve at June 30, 2008 with Horizon	2,519,468
Accrued Liability for Health Benefit Claims at June 30, 2008 with Horizon	938,734
	\$ 3,458,202
	<u>Year Ended June 30, 2009</u>
Premium Stabilization Reserve at June 30, 2008 with Horizon	\$ 2,519,468
Accrued Liability for Health Benefit Claims at June 30, 2008 with Horizon	938,734
	3,458,202
Interest Earnings	90,034
Decrease in Accrued Liability for Health Benefit Claims based on Paid Claims Experience	-0-
Paid Premiums	7,334,977
Paid Claims	(7,066,956)
Administrative Costs	(1,258,187)
	1,619,336
Premium Stabilization Reserve at June 30, 2009 with Horizon	1,619,336
Accrued Liability for Health Benefit Claims at June 30, 2009 with Horizon	938,734
	\$ 2,558,070

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30,2009
(Continued)

NOTE 15. CONTINGENT LIABILITIES

Grant Programs

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

Litigation

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

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

Due to the deferral of a second state aid payment, the District borrowed \$2,000,000 for cash flow purposes pursuant to N.J.S.A. 18A:22-44.2. The State remitted the two June state aid payments to the District in early July 2009. The State is responsible for the interest on the short term loan.

BUDGETARY COMPARISON SCHEDULES

VERNON TOWNSHIP BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 37,707,888		\$ 37,707,888	\$ 37,707,888	
Tuition	155,927		155,927	190,297	\$ 34,370
Interest Earned on Capital Reserve Funds	6,250		6,250	12,248	5,998
Miscellaneous	321,750		321,750	310,376	(11,374)
Total - Local Sources	38,191,815		38,191,815	38,220,809	28,994
State Sources:					
Equalization Aid	18,591,199		18,591,199	18,410,041	(181,158)
Transportation Aid	1,821,363		1,821,363	1,821,363	
Special Education Aid	2,136,994		2,136,994	2,136,994	
Security Aid	311,636		311,636	311,636	
Adjustment Aid	5,047,867	\$ (203,717)	4,844,150	4,844,150	
Extraordinary Aid for Special Education Costs	513,945	203,717	717,662	717,662	
Nonpublic Transportation Aid				22,243	22,243
On-Behalf TPAF Non-Contributory Insurance (non-budgeted)				110,922	110,922
On-Behalf TPAF Post Retirement Medical Benefits (non-budgeted)				2,116,118	2,116,118
Reimbursed TPAF Social Security Contributions (non-budgeted)				2,544,437	2,544,437
Total State Sources	28,423,004		28,423,004	33,035,566	4,612,562
TOTAL REVENUES	66,614,819		66,614,819	71,256,375	4,641,556

VERNON TOWNSHIP BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 557,054	\$ 25,000	\$ 582,054	\$ 577,405	\$ 4,649
Grades 1-5 - Salaries of Teachers	6,487,881	7,500	6,495,381	6,493,538	1,843
Grades 6-8 - Salaries of Teachers	6,323,746	(112,000)	6,211,746	6,168,495	43,251
Grades 9-12 - Salaries of Teachers	9,322,352	(389,100)	8,933,252	8,911,576	21,676
Regular Programs - Home Instruction:					
Salaries of Teachers	55,000	21,000	76,000	74,302	1,698
Regular Programs - Undistributed Instruction:					
Other Purchased Services (400-500 series)		605	605	605	
General Supplies	378,115	23,222	401,337	343,447	57,890
Textbooks	596,327	83,948	680,275	577,608	102,667
Other Objects	343,275	(341,475)	1,800		1,800
Total Regular Programs - Instruction	<u>24,063,750</u>	<u>(681,300)</u>	<u>23,382,450</u>	<u>23,146,976</u>	<u>235,474</u>
Learning and/or Language Disabilities:					
Salaries of Teachers	810,137	11,000	821,137	761,839	59,298
Other Salaries for Instruction	271,556	(20,000)	251,556	245,349	6,207
General Supplies	3,500		3,500	109	3,391
Total Learning and/or Language Disabilities	<u>1,085,193</u>	<u>(9,000)</u>	<u>1,076,193</u>	<u>1,007,297</u>	<u>68,896</u>
Multiple Disabilities:					
Salaries of Teachers	281,316	127,000	408,316	370,906	37,410
Other Salaries for Instruction	314,974	(195,000)	119,974	119,057	917
General Supplies	8,515	10,000	18,515	8,299	10,216
Total Multiple Disabilities	<u>604,805</u>	<u>(58,000)</u>	<u>546,805</u>	<u>498,262</u>	<u>48,543</u>

VERNON TOWNSHIP BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Resource Room/Resource Center:					
Salaries of Teachers	\$ 2,930,146	\$ 33,000	\$ 2,963,146	\$ 2,875,816	\$ 87,330
Other Salaries for Instruction	286,804	200,000	486,804	478,402	8,402
Total Resource Room/Resource Center	<u>3,216,950</u>	<u>233,000</u>	<u>3,449,950</u>	<u>3,354,218</u>	<u>95,732</u>
Autism:					
Salaries of Teachers	76,186	(15,000)	61,186	53,330	7,856
Other Salaries for Instruction	120,000	71,000	191,000	187,347	3,653
General Supplies	50,000	(40,000)	10,000	1,979	8,021
Total Preschool Disabilities - Part-Time	<u>246,186</u>	<u>16,000</u>	<u>262,186</u>	<u>242,656</u>	<u>19,530</u>
Preschool Disabilities - Part-Time:					
Salaries of Teachers	225,718	35,000	260,718	254,347	6,371
Other Salaries for Instruction	114,937		114,937	105,518	9,419
General Supplies	2,500	(2,000)	500		500
Total Preschool Disabilities - Part-Time	<u>343,155</u>	<u>33,000</u>	<u>376,155</u>	<u>359,865</u>	<u>16,290</u>
Home Instruction - Special Education:					
Salaries of Teachers	70,000		70,000	60,615	9,385
Total Home Instruction - Special Education	<u>70,000</u>		<u>70,000</u>	<u>60,615</u>	<u>9,385</u>
Total Special Education Instruction	<u>5,566,289</u>	<u>215,000</u>	<u>5,781,289</u>	<u>5,522,913</u>	<u>258,376</u>
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	650,446		650,446	500,502	149,944
General Supplies	1,200	114	1,314	1,179	135
Total Basic Skills/Remedial - Instruction	<u>651,646</u>	<u>114</u>	<u>651,760</u>	<u>501,681</u>	<u>150,079</u>

VERNON TOWNSHIP BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Bilingual Education - Instruction:					
Salaries of Teachers	\$ 84,497		\$ 84,497	\$ 84,497	
Total Bilingual Education - Instruction	<u>84,497</u>		<u>84,497</u>	<u>84,497</u>	
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	235,593	\$ 18,700	254,293	232,493	\$ 21,800
Purchased Services (300-500 series)	4,000		4,000	1,468	2,532
Supplies and Materials	4,000	4,170	8,170	2,611	5,559
Other Objects	43,690	(369)	43,321	38,258	5,063
Total School-Sponsored Cocurricular Activities - Instruction	<u>287,283</u>	<u>22,501</u>	<u>309,784</u>	<u>274,830</u>	<u>34,954</u>
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	457,574		457,574	433,382	24,192
Purchased Services (300-500 series)	6,000	500	6,500	3,483	3,017
Supplies and Materials	100,000	(1,732)	98,268	95,846	2,422
Other Objects	151,482	6,716	158,198	151,298	6,900
Total School-Sponsored Cocurricular Athletics - Instruction	<u>715,056</u>	<u>5,484</u>	<u>720,540</u>	<u>684,009</u>	<u>36,531</u>
Total Instruction	<u>31,368,521</u>	<u>(438,201)</u>	<u>30,930,320</u>	<u>30,214,906</u>	<u>715,414</u>

VERNON TOWNSHIP BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Special	\$ 754,478	\$ (113,000)	\$ 641,478	\$ 634,975	\$ 6,503
Tuition to County Vocational School District - Regional Day Schools	316,128	64,000	380,128	375,342	4,786
Tuition to Private Schools for the Handicapped - Within State	1,294,487	328,000	1,622,487	1,585,168	37,319
Tuition to Private Schools for the Handicapped - Other LEA's	166,838	150,000	316,838	307,816	9,022
Tuition - State Facilities	50,166		50,166	50,166	
Total Undistributed Expenditures - Instruction:	2,582,097	429,000	3,011,097	2,953,467	57,630
Health Services:					
Salaries	646,583	(61,000)	585,583	573,402	12,181
Purchased Professional and Technical Services	13,500	7,108	20,608	19,269	1,339
Supplies and Materials	18,000	200	18,200	15,519	2,681
Total Health Services	678,083	(53,692)	624,391	608,190	16,201
Other Support Services - Students - Related Services:					
Salaries	641,643		641,643	637,214	4,429
Purchased Professional - Educational Services	20,000		20,000	18,900	1,100
Supplies and Materials	15,000	5,000	20,000	12,066	7,934
Total Other Support Services - Students - Related Services	676,643	5,000	681,643	668,180	13,463
Other Support Services - Students - Regular Services:					
Salaries of Other Professional Staff	1,491,681	30,000	1,521,681	1,511,651	10,030
Salaries of Secretarial and Clerical Assistants	247,608	(8,000)	239,608	239,569	39
Purchased Professional and Technical Services	25,000	(5,000)	20,000	18,697	1,303
Supplies and Materials	5,700	(174)	5,526	4,409	1,117
Total Other Support Services - Students - Regular Services	1,769,989	16,826	1,786,815	1,774,326	12,489

VERNON TOWNSHIP BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Other Support Services - Students - Special Services:					
Salaries of Other Professional Staff	\$ 1,287,233	\$ (140,500)	\$ 1,146,733	\$ 1,093,386	\$ 53,347
Salaries of Secretarial and Clerical Assistants	238,420	(75,000)	163,420	162,646	774
Other Salaries	30,000	(13,000)	17,000	12,339	4,661
Purchased Professional - Educational Services	568,000	104,600	672,600	628,726	43,874
Supplies and Materials	21,607		21,607	19,624	1,983
Other Objects	2,000		2,000	1,614	386
Total Other Support Services - Students - Special Services	2,147,260	(123,900)	2,023,360	1,918,335	105,025
Improvement of Instructional Services:					
Salaries of Supervisor of Instruction	536,124	90,966	627,090	623,414	3,676
Salaries of Other Professional Staff	101,370	23,000	124,370	124,370	
Salaries of Secretarial and Clerical Assistants	83,654	6,034	89,688	89,652	36
Other Purchased Services (400-500)	12,000	(11,000)	1,000		1,000
Total Improvement of Instructional Services	733,148	109,000	842,148	837,436	4,712
Educational Media Services/School Library:					
Salaries	490,276		490,276	486,152	4,124
Supplies and Materials	47,615	2,193	49,808	48,149	1,659
Other Objects	6,540	3,013	9,553	8,966	587
Total Educational Media Services/School Library	544,431	5,206	549,637	543,267	6,370
Instructional Staff Training Services:					
Salaries of Other Professional Staff	90,487	(85,500)	4,987		4,987
Purchased Professional - Educational Services	296,160	9,400	305,560	273,431	32,129
Other Purchased Services (400-500 series)	65,550	9,000	74,550	40,807	33,743
Total Instructional Staff Training Services	452,197	(67,100)	385,097	314,238	70,859

VERNON TOWNSHIP BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Support Services - General Administration:					
Salaries	\$ 665,564		\$ 665,564	\$ 615,911	\$ 49,653
Legal Services	45,000	\$ 4,000	49,000	48,943	57
Audit Fees	50,000		50,000	50,000	
Other Purchased Professional Services	45,000	(7,970)	37,030	35,010	2,020
Communications/Telephone	185,800	(42,036)	143,764	125,636	18,128
Other Purchased Services (400-500 series)	303,386	17,712	321,098	236,892	84,206
General Supplies	8,434	2,483	10,917	8,536	2,381
Miscellaneous Expenditures	53,448	(7,500)	45,948	34,952	10,996
Board of Education Membership Dues and Fees	28,341	311	28,652	28,066	586
Total Support Services - General Administration	<u>1,384,973</u>	<u>(33,000)</u>	<u>1,351,973</u>	<u>1,183,946</u>	<u>168,027</u>
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	1,298,418	73,500	1,371,918	1,338,604	33,314
Salaries of Other Professional Staff	40,000	3,000	43,000	42,030	970
Salaries of Secretarial and Clerical Assistants	1,171,457	(23,500)	1,147,957	1,132,879	15,078
Other Salaries	400,258	(134,000)	266,258	255,845	10,413
Supplies and Materials	135,500	1,982	137,482	112,500	24,982
Other Objects	49,321	(7,600)	41,721	34,919	6,802
Total Support Services - School Administration	<u>3,094,954</u>	<u>(86,618)</u>	<u>3,008,336</u>	<u>2,916,777</u>	<u>91,559</u>

VERNON TOWNSHIP BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Support Services - Central Services:					
Salaries	\$ 468,432	\$ (25,000)	\$ 443,432	\$ 347,112	\$ 96,320
Purchased Professional Services	79,739	17,634	97,373	93,867	3,506
Purchased Technical Services	342,000	21,917	363,917	358,224	5,693
Miscellaneous Purchased Services (400-500 series)	84,871	(2,050)	82,821	42,522	40,299
Supplies and Materials	56,500	(1,584)	54,916	15,597	39,319
Total Support Services - Central Services	1,031,542	10,917	1,042,459	857,322	185,137
Support Services - Administration Information Technology:					
Purchased Technical Services	160,503	(1,500)	159,003	156,600	2,403
Total Support Services - Administration Information Technology	160,503	(1,500)	159,003	156,600	2,403
Required Maintenance of School Facilities:					
Salaries	401,975		401,975	392,085	9,890
Cleaning, Repair and Maintenance Services	646,311	(115,597)	530,714	308,688	222,026
General Supplies	320,174	73,904	394,078	342,786	51,292
Other Objects	2,000	1,000	3,000	2,837	163
Total Required Maintenance of School Facilities	1,370,460	(40,693)	1,329,767	1,046,396	283,371
Other Operations & Maintenance of Plant:					
Salaries	2,024,585	(10,310)	2,014,275	1,954,758	59,517
Purchased Professional and Technical Services	117,665	500	118,165	104,260	13,905
Cleaning, Repair and Maintenance Services	140,900	13,000	153,900	148,823	5,077
Other Purchased Property Services	35,701	3,276	38,977	20,454	18,523
Insurance	184,000		184,000	178,860	5,140

VERNON TOWNSHIP BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Other Operations & Maintenance of Plant (Cont'd):					
General Supplies	\$ 101,071	\$ 8,618	\$ 109,689	\$ 107,282	\$ 2,407
Energy (Heat and Electricity)	1,894,379	171,780	2,066,159	1,878,651	187,508
Other Objects	9,000	800	9,800	9,589	211
Total Other Operations & Maintenance of Plant	4,507,301	187,664	4,694,965	4,402,677	292,288
Student Transportation Services:					
Salaries for Transportation - Between Home & School - Regular	83,460	6,352	89,812	89,812	
Other Purchased Professional and Technical Services	2,000		2,000	725	1,275
Contracted Services:					
Between Home and School - Vendors	3,345,000	134,100	3,479,100	3,466,606	12,494
Other than Between Home and School - Vendors	275,000	26,200	301,200	295,671	5,529
Joint Agreements	3,000	59,000	62,000	56,544	5,456
Special Education Students - Vendors	1,800,235	364,751	2,164,986	2,155,721	9,265
Regular Students - ESCs & CTSA's	100,000	(72,800)	27,200	5,129	22,071
Special Education Students - ESCs & CTSA's	130,000	(124,500)	5,500		5,500
Aid in Lieu of Payments - Non Public Schools	40,000	(6,652)	33,348	31,824	1,524
Supplies and Materials		1,000	1,000	669	331
Total Student Transportation Services	5,778,695	387,451	6,166,146	6,102,701	63,445
Unallocated Benefits:					
Social Security Contributions	640,000	(64,500)	575,500	560,837	14,663
PERS Contribution	410,000	16,000	426,000	236,535	189,465
Workmen's Compensation	340,000	(40,000)	300,000	290,818	9,182
Health Benefits	8,536,248	(319,647)	8,216,601	9,080,686	(864,085)
Other Employee Benefits		104,692	104,692	75,894	28,798
Total Unallocated Benefits	9,926,248	(303,455)	9,622,793	10,244,770	(621,977)

VERNON TOWNSHIP BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
On-Behalf Contributions:					
On-Behalf TPAF Non-Contributory Insurance (non-budgeted)				\$ 110,922	\$ (110,922)
On-Behalf TPAF Post Retirement Medical Benefits (non-budgeted)				2,116,118	(2,116,118)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				2,544,437	(2,544,437)
Total On-Behalf Contributions				<u>4,771,477</u>	<u>(4,771,477)</u>
Total Personal Services - Employee Benefits	<u>\$ 9,926,248</u>	<u>\$ (303,455)</u>	<u>\$ 9,622,793</u>	<u>15,016,247</u>	<u>(5,393,454)</u>
Total Undistributed Expenses	<u>36,838,524</u>	<u>441,106</u>	<u>37,279,630</u>	<u>41,300,105</u>	<u>(4,020,475)</u>
TOTAL CURRENT EXPENSE	<u>68,207,045</u>	<u>2,905</u>	<u>68,209,950</u>	<u>71,515,011</u>	<u>(3,305,061)</u>
CAPITAL OUTLAY					
Equipment:					
Regular Programs - Preschool	3,225	4,794	8,019	8,019	
Regular Programs - Kindergarten	4,000	(4,000)			
Regular Programs - Grades 1-5	10,000	(794)	9,206	8,346	860
Regular Programs - Grades 6-8	20,989	(6,000)	14,989	13,913	1,076
Regular Programs - Grades 9-12	12,781	5,446	18,227	18,199	28
Undistributed Expenditures:					
Instruction	<u>312,000</u>	<u>(3,246)</u>	<u>308,754</u>	<u>106,907</u>	<u>201,847</u>
Total Equipment	<u>362,995</u>	<u>(3,800)</u>	<u>359,195</u>	<u>155,384</u>	<u>203,811</u>

VERNON TOWNSHIP BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CAPITAL OUTLAY					
Facilities Acquisition and Construction Services:					
Other Purchased Professional and Technical Services	\$ 30,000		\$ 30,000	\$ 29,953	\$ 47
Construction Services	477,505		477,505	256,063	221,442
Total Facilities Acquisition and Construction Services	<u>507,505</u>		<u>507,505</u>	<u>286,016</u>	<u>221,489</u>
TOTAL CAPITAL OUTLAY	<u>870,500</u>	<u>\$ (3,800)</u>	<u>866,700</u>	<u>441,400</u>	<u>425,300</u>
Transfer of Funds to Charter Schools	<u>365,240</u>	<u>895</u>	<u>366,135</u>	<u>359,096</u>	<u>7,039</u>
TOTAL EXPENDITURES	<u>69,442,785</u>		<u>69,442,785</u>	<u>72,315,507</u>	<u>(2,872,722)</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>(2,827,966)</u>		<u>(2,827,966)</u>	<u>(1,059,132)</u>	<u>1,768,834</u>
Other Financing Sources/(Uses):					
Transfer from Capital Projects Fund - Interest Earned				<u>2,174</u>	<u>(2,174)</u>
Total Other Financing Sources/(Uses)				<u>2,174</u>	<u>(2,174)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	<u>(2,827,966)</u>		<u>(2,827,966)</u>	<u>(1,056,958)</u>	<u>1,766,660</u>
Fund Balance, July 1	<u>5,588,266</u>		<u>5,588,266</u>	<u>5,588,266</u>	
Fund Balance, June 30	<u>\$ 2,760,300</u>	<u>\$ -0-</u>	<u>\$ 2,760,300</u>	<u>\$ 4,531,308</u>	<u>\$ 1,766,660</u>

VERNON TOWNSHIP BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<u>Recapitulation:</u>					
Reserve for Encumbrances				\$ 584,117	
Excess Surplus - Designated for Subsequent Year's Expenditures				645,398	
Capital Reserve				585,433	
Unreserved Designated for Subsequent Year's Expenditures				1,350,000	
Unreserved/Undesignated Fund Balance				<u>1,366,360</u>	
				4,531,308	
 <u>Reconciliation to Governmental Funds Statements (GAAP):</u>					
Last State Aid Payment not Recognized on GAAP Basis				<u>(2,740,205)</u>	
Fund Balance per Governmental Funds (GAAP)				<u><u>\$ 1,791,103</u></u>	

VERNON TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources		\$ 9,219	\$ 9,219	\$ 9,206	\$ (13)
State Sources		8,197	8,197	8,077	(120)
Federal Sources	\$ 750,000	719,721	1,469,721	1,334,877	(134,844)
Total Revenues	<u>750,000</u>	<u>737,137</u>	<u>1,487,137</u>	<u>1,352,160</u>	<u>(134,977)</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers	395,532	203,351	598,883	598,883	
Purchased Professional and Technical Services	41,475	8,708	50,183		50,183
Other Purchased Professional Services		82,807	82,807	41,358	41,449
General Supplies	6,610	38,014	44,624	44,500	124
Textbooks		2,688	2,688	2,688	
Other Objects		7,292	7,292	7,290	2
Total Instruction	<u>443,617</u>	<u>342,860</u>	<u>786,477</u>	<u>694,719</u>	<u>91,758</u>
Support Services:					
Salaries of Other Professional Staff	250,000	106,145	356,145	356,145	
Personal Services - Employee Benefits	36,383	196,887	233,270	233,270	
Travel		1,965	1,965	1,755	210
Other Purchased Professional Services		3,629	3,629	3,629	
Other Purchased Services	20,000	83,071	103,071	60,182	42,889
Other Objects		700	700	700	
Supplies and Materials		1,880	1,880	1,760	120
Total Support Services	<u>306,383</u>	<u>394,277</u>	<u>700,660</u>	<u>657,441</u>	<u>43,219</u>
Total Expenditures	<u>\$ 750,000</u>	<u>\$ 737,137</u>	<u>\$ 1,487,137</u>	<u>\$ 1,352,160</u>	<u>\$ 134,977</u>

VERNON TOWNSHIP BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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	\$ 71,256,375	\$ 1,352,160
Differences - Budget to GAAP:		
Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not.		
Current Year Encumbrances		(8,978)
Prior Year Encumbrances, Net of Cancellations		73,949
Prior Year State Aid Payment Recognized for GAAP Statements	1,366,086	
State Aid Payment Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(2,740,205)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	\$ 69,882,256	\$ 1,417,131
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 72,315,507	\$ 1,352,160
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		(8,978)
Prior Year Encumbrances, Net of Cancellations		73,949
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 72,315,507	\$ 1,417,131

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the County office and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)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 or the annual budgets during the year).

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

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

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

SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)

SPECIAL REVENUE FUND

VERNON TOWNSHIP BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	No Child Left Behind			
	Title I	Title II A	Title IIA Carryover	Title IV
REVENUE:				
Local Sources				
State Sources				
Federal Sources	\$ 186,207	\$ 71,519	\$ 17,840	\$ 9,834
Total Revenue	<u>186,207</u>	<u>71,519</u>	<u>17,840</u>	<u>9,834</u>
EXPENDITURES:				
Instruction:				
Salaries of Teachers	136,102			7,867
Other Purchased Services		31,371	9,987	
General Supplies	6,253			
Textbooks				
Other Objects				
Total Instruction	<u>142,355</u>	<u>31,371</u>	<u>9,987</u>	<u>7,867</u>
Support Services:				
Salaries of Other Professional Staff				
Personal Services - Employee Benefits	34,026			1,967
Travel				
Other Purchased Professional Services				
Other Purchased Services	9,826	40,148	7,853	
Other Objects				
Supplies and Materials				
Total Support Services	<u>43,852</u>	<u>40,148</u>	<u>7,853</u>	<u>1,967</u>
Total Expenditures	<u>\$ 186,207</u>	<u>\$ 71,519</u>	<u>\$ 17,840</u>	<u>\$ 9,834</u>

VERNON TOWNSHIP BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Foreign Languages Assistance	Perkins Secondary	IDEA, Part B	
			Basic	Preschool
REVENUE:				
Local Sources				
State Sources				
Federal Sources	\$ 54,190	\$ 37,401	\$ 927,605	\$ 30,281
Total Revenue	54,190	37,401	927,605	30,281
EXPENDITURES:				
Instruction:				
Salaries of Teachers	44,750		385,939	24,225
Other Purchased Professional Services				
General Supplies	2,500	26,541		
Textbooks				
Other Objects		7,290		
Total Instruction	47,250	33,831	385,939	24,225
Support Services:				
Salaries of Other Professional Staff			356,145	
Personal Services - Employee Benefits	5,700		185,521	6,056
Travel	540	1,215		
Other Purchased Professional Services				
Other Purchased Services		2,355		
Other Objects	700			
Supplies and Materials				
Total Support Services	6,940	3,570	541,666	6,056
Total Expenditures	\$ 54,190	\$ 37,401	\$ 927,605	\$ 30,281

VERNON TOWNSHIP BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Nonpublic			Local Grants	Totals June 30, 2009
	Textbook	Nursing	Technology Imitative		
REVENUE:					
Local Sources				\$ 9,206	\$ 9,206
State Sources	\$ 2,688	\$ 3,629	\$ 1,760		8,077
Federal Sources					1,334,877
Total Revenue	<u>2,688</u>	<u>3,629</u>	<u>1,760</u>	<u>9,206</u>	<u>1,352,160</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers					598,883
Other Purchased Professional Services					41,358
General Supplies				9,206	44,500
Textbooks	2,688				2,688
Other Objects					7,290
Total Instruction	<u>2,688</u>			<u>9,206</u>	<u>694,719</u>
Support Services:					
Salaries of Other Professional Staff					356,145
Personal Services - Employee Benefits					233,270
Travel					1,755
Other Purchased Professional Services		3,629			3,629
Other Purchased Services					60,182
Other Objects					700
Supplies and Materials			1,760		1,760
Total Support Services		<u>3,629</u>	<u>1,760</u>		<u>657,441</u>
Total Expenditures	<u>\$ 2,688</u>	<u>\$ 3,629</u>	<u>\$ 1,760</u>	<u>\$ 9,206</u>	<u>\$ 1,352,160</u>

CAPITAL PROJECTS FUND

VERNON TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Revenue and Other Financing Sources:	
Interest on Investments	\$ 2,174
Total Revenue and Other Financing Sources	<u>2,174</u>
Expenditures and Other Financing Uses:	
Purchased Professional and Technical Services	15,291
Construction Services	130,415
Operating Transfer Out - General Fund	<u>2,174</u>
Total Expenditures and Other Financing Uses	<u>147,880</u>
Excess/(Deficit) of Revenue and Other Financing Sources	
Over/(Under) Expenditures and Other Financing Uses	(145,706)
Fund Balance - Beginning of Year	<u>177,753</u>
Fund Balance - End of Year	<u><u>\$ 32,047</u></u>
<u>Recapitulation:</u>	
Reserve for Encumbrances	\$ 5,000
Unreserved/Undesignated	<u>27,047</u>
Fund Balance per Governmental Funds (GAAP)	<u><u>\$ 32,047</u></u>

VERNON TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS -
BUDGETARY BASIS
SEPTEMBER 2006 REFERENDUM
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2009

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Costs</u>
Revenue and Other Financing Sources:				
Bond Proceeds	<u>\$ 6,222,000</u>		<u>\$ 6,222,000</u>	<u>\$ 6,222,850</u>
Total Revenue and Other Financing Sources	<u>6,222,000</u>		<u>6,222,000</u>	<u>6,222,850</u>
Expenditures and Other Financing Uses:				
Purchased Professional and Technical Services	628,642	\$ 15,291	643,933	673,597
Construction Services	<u>5,415,605</u>	<u>130,415</u>	<u>5,546,020</u>	<u>5,549,253</u>
Total Expenditures and Other Financing Uses	<u>6,044,247</u>	<u>145,706</u>	<u>6,189,953</u>	<u>6,222,850</u>
Excess/(Deficit) of Revenue and Other Financing Sources over/(under) Expenditures and Other Financing Uses	<u>\$ 177,753</u>	<u>\$ (145,706)</u>	<u>\$ 32,047</u>	<u>\$ -0-</u>
Additional Project Information:				
Project Number	N/A			
Grant Date	N/A			
Bond Authorization Date	01/15/07			
Bonds Authorized	\$ 6,222,850			
Bond Issued	\$ 6,222,000			
Original Authorized Cost	\$ 6,222,850			
Additional Authorized Costs	-0-			
Revised Authorized Costs	\$ 6,222,850			
Change Order Percentage	0%			
Percentage Completion	99.47%			
Original Target Completion Date	12/31/07			
Revised Target Completion Date	09/01/08			

PROPRIETARY FUNDS

VERNON TOWNSHIP SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF NET ASSETS
JUNE 30, 2009

ASSETS:

Current Assets:

Cash and Cash Equivalents	\$ 381,229
Intergovernmental Accounts Receivable:	
State	1,124
Federal	14,397
Inventories	19,061

Total Current Assets	<u>415,811</u>
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Non-Current Assets:

Capital Assets	535,787
Less: Accumulated Depreciation	<u>(456,633)</u>

Total Non-Current Assets	<u>79,154</u>
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Total Assets	<u>494,965</u>
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LIABILITIES:

Accounts Payable - Vendors	81,274
Deferred Revenue	<u>9,004</u>

Total Liabilities	<u>90,278</u>
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NET ASSETS:

Investment in Capital Assets Net of Related Debt	79,154
Unrestricted	<u>325,533</u>

Total Net Assets	<u>\$ 404,687</u>
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VERNON TOWNSHIP SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Operating Revenue:

Local Sources:

Daily Sales - Reimbursable Programs	\$ 571,309
Daily Sales - Non-Reimbursable Programs	339,783
Special Events	34,104
Miscellaneous	739

Total Operating Revenue

 945,935

Operating Expenses:

Cost of Sales	553,614
Salaries, Benefits & Payroll Taxes	482,181
Supplies, Insurance & Other Costs	122,396
Management Fee	42,400
Depreciation Expense	15,384

Total Operating Expenses

 1,215,975

Operating Loss

(270,040)

Non-Operating Income:

Local Sources:

Interest Earnings	8,476
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State Sources:

State School Lunch Program	15,507
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Federal Sources:

National School Lunch Program	186,710
Special Milk Program	5,561
Food Distribution Program	50,589

Total Non-Operating Income

 266,843

Change in Net Assets

(3,197)

Net Assets - Beginning of Year

 407,884

Net Assets - End of Year

 \$ 404,687

VERNON TOWNSHIP SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 945,935
Payments to Food Service Contractor	(1,096,460)
Payments to Suppliers	<u>(69,842)</u>
Net Cash Used by Operating Activities	<u>(220,367)</u>
Cash Flows from Capital and Related Financing Activities:	
Purchases of Capital Assets	<u>(32,570)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(32,570)</u>
Cash Flows from Noncapital Financing Activities:	
State Sources	15,338
Federal Sources	<u>188,904</u>
Net Cash Provided by Noncapital Financing Activities	<u>204,242</u>
Cash Flows from Financing Activities:	
Interest Income	<u>8,476</u>
Net Cash Provided by Financing Activities	<u>8,476</u>
Net Decrease in Cash and Cash Equivalents	(40,219)
Cash and Cash Equivalents, July 1	<u>421,448</u>
Cash and Cash Equivalents, June 30	<u><u>\$ 381,229</u></u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating Loss	\$ (270,040)
Adjustment to Reconcile Operating Loss to Cash Used by Operating Activities:	
Depreciation	15,384
Food Distribution Program	50,589
Changes in Assets and Liabilities:	
Increase in Deferred Revenue	2,543
(Decrease) in Accounts Payable	(17,062)
(Increase) in Inventory	<u>(1,781)</u>
Net Cash Used by Operating Activities	<u><u>\$ (220,367)</u></u>

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund Received U.S.D.A. Donated Commodities Through the Food Distribution Program valued at \$53,132 and Utilized Commodities Valued at \$50,589.

FIDUCIARY FUNDS

VERNON TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2009

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>	<u>Totals</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 655,037	\$ 119,589	\$ 93,978	\$ 868,604
Investments		372,278		372,278
Total Assets	<u>655,037</u>	<u>491,867</u>	<u>93,978</u>	<u>1,240,882</u>
<u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	465,243			465,243
Due to Student Groups	189,794			189,794
Total Liabilities	<u>655,037</u>			<u>655,037</u>
<u>NET ASSETS:</u>				
Held in Trust for Unemployment Claims		491,867		491,867
Reserved for Scholarships			93,978	93,978
Total Net Assets	<u>\$ -0-</u>	<u>\$ 491,867</u>	<u>\$ 93,978</u>	<u>\$ 585,845</u>

VERNON TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF CHANGES IN NET ASSETS
FOR THE FISCAL YEAR JUNE 30, 2009

	Unemployment Compensation Trust	Private Purpose Scholarship Trust	Totals
Additions:			
Contributions:			
Plan Members	\$ 93,089		\$ 93,089
Donations		\$ 23,976	23,976
Total Contributions	93,089	23,976	117,065
Investment Earnings:			
Interest	19,008	2,032	21,040
Net Investment Earnings	19,008	2,032	21,040
Total Additions	112,097	26,008	138,105
Deductions:			
Quarterly Contribution Payments	8,561		8,561
Unemployment Claims	67,567		67,567
Scholarships Awarded		26,867	26,867
Total Deductions	76,128	26,867	102,995
Change in Net Assets	35,969	(859)	35,110
Net Assets - Beginning of the Year	455,898	94,837	550,735
Net Assets - End of the Year	\$ 491,867	\$ 93,978	\$ 585,845

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

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2009</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 226,743	\$ 953,366	\$ 990,315	\$ 189,794
Total Assets	<u>\$ 226,743</u>	<u>\$ 953,366</u>	<u>\$ 990,315</u>	<u>\$ 189,794</u>
<u>LIABILITIES:</u>				
Due to Student Groups	\$ 226,743	\$ 953,366	\$ 990,315	\$ 189,794
Total Liabilities	<u>\$ 226,743</u>	<u>\$ 953,366</u>	<u>\$ 990,315</u>	<u>\$ 189,794</u>

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

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2009</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 478,139	\$ 45,388,672	\$ 45,401,568	\$ 465,243
Total Assets	<u>\$ 478,139</u>	<u>\$ 45,388,672</u>	<u>\$ 45,401,568</u>	<u>\$ 465,243</u>
<u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	\$ 478,139	\$ 45,388,672	\$ 45,401,568	\$ 465,243
Total Liabilities	<u>\$ 478,139</u>	<u>\$ 45,388,672</u>	<u>\$ 45,401,568</u>	<u>\$ 465,243</u>

LONG-TERM DEBT

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

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding June 30, 2009		Interest Rate	Balance July 1, 2008	Issued	Retired or Matured	Balance June 30, 2009
			Date	Amount					
School Bonds	06/01/94	\$ 2,700,000			5.45%	\$ 198,000		\$ 198,000	
School Bonds	12/01/99	19,250,000	12/01/09	1,000,000	5.25%	2,000,000		1,000,000	\$ 1,000,000
School Refunding Bonds	04/01/05	11,715,000	12/01/10	1,085,000	3.75%				
			12/01/11	1,270,000	3.75%				
			12/01/12	1,255,000	4.00%				
			12/01/13	1,240,000	4.00%				
			12/01/14	1,230,000	4.25%				
			12/01/15	1,215,000	4.00%				
			12/01/16	1,205,000	5.00%				
			12/01/17	1,205,000	5.00%				
			12/01/18	1,200,000	5.00%				
			12/01/19	640,000	4.25%				
School Bonds	01/15/07	6,222,000	02/01/10	400,000	3.95%				
			02/01/11	400,000	3.95%				
			02/01/12	200,000	3.95%				
			02/01/13	325,000	3.95%				
			02/01/14	325,000	3.95%				
			02/01/15	350,000	3.95%				

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

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding June 30, 2009		Interest Rate	Balance July 1, 2008	Issued	Retired or Matured	Balance June 30, 2009						
			Date	Amount											
School Bonds	01/15/07	\$ 6,222,000	02/01/16	\$ 375,000	3.95%										
			02/01/17	375,000	3.95%										
			02/01/18	325,000	3.95%										
			02/01/19	325,000	3.95%										
			02/01/20	400,000	3.95%										
			02/01/21	400,000	3.95%										
			02/01/22	300,000	4.00%										
			02/01/23	300,000	4.00%										
			02/01/24	300,000	4.05%										
			02/01/25	300,000	4.05%										
			02/01/26	300,000	4.05%										
			02/01/27	322,000	4.05%										
												\$ 6,222,000		200,000	\$ 6,022,000
												\$ 19,965,000	\$ -0-	\$ 1,398,000	\$ 18,567,000

VERNON TOWNSHIP SCHOOL DISTRICT
LONG-TERM DEBT
STATEMENT OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOT APPLICABLE

VERNON TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 1,260,827		\$ 1,260,827	\$ 1,260,827	
State Sources:					
Debt Service Aid Type II	1,070,543		1,070,543	1,070,543	
Total Revenues	<u>2,331,370</u>		<u>2,331,370</u>	<u>2,331,370</u>	
EXPENDITURES:					
Regular Debt Service:					
Interest	933,370		933,370	833,520	\$ 99,850
Redemption of Principal	1,398,000		1,398,000	1,398,000	
Total Regular Debt Service	<u>2,331,370</u>		<u>2,331,370</u>	<u>2,231,520</u>	<u>99,850</u>
Total Expenditures	<u>2,331,370</u>		<u>2,331,370</u>	<u>2,231,520</u>	<u>99,850</u>
Excess of Revenues Over Expenditures				99,850	99,850
Fund Balance, July 1	<u>128,574</u>		<u>128,574</u>	<u>128,574</u>	
Fund Balance, June 30	<u>\$ 128,574</u>	<u>\$ -0-</u>	<u>\$ 128,574</u>	<u>\$ 228,424</u>	<u>\$ 99,850</u>
			Unreserved/Undesignated Fund Balance	<u>\$ 228,424</u>	

STATISTICAL SECTION

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

Contents

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

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

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

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

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

Source: School District Financial Reports

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

	Fiscal Year Ending June 30,				
	2005	2006	2007	2008	2009
Expenses:					
Governmental Activities					
Instruction:					
Regular	\$ 28,848,942	\$ 29,031,091	\$ 30,569,809	\$ 32,860,992	\$ 32,292,910
Special Education	6,949,935	8,368,629	7,962,116	8,574,581	8,466,218
Other Education	673,367	623,169	986,253	1,109,082	1,035,718
School-Sponsored Instruction	909,512	871,838	922,929	971,217	960,781
Support Services:					
Tuition	1,836,276	1,940,689	2,208,728	2,200,228	2,953,467
Student & Instruction Related Services	7,365,297	6,915,288	8,018,759	9,077,271	8,650,780
General and Business Administrative Services	1,378,586	1,343,917	1,501,505	1,489,783	1,375,442
School Administrative Services	3,533,637	3,661,558	3,524,453	3,954,917	3,843,111
Plant Operations and Maintenance	4,776,966	5,279,026	5,861,962	7,229,890	6,377,449
Pupil Transportation	5,503,758	5,676,501	5,555,430	5,858,372	6,133,568
Central Services and Administrative Information Technology	1,175,027	1,145,274	1,168,893	1,365,015	1,225,650
Special Schools	2,334				
Interest on Long-term Debt	709,179	825,919	759,969	942,586	879,186
Unallocated Depreciation	1,751,801	1,752,791	1,660,256	960,300	964,943
Capital Outlay	230,430	105,438	(49,385)	59,243	118,237
Charter Schools	109,565	138,538	171,792	251,455	359,096
Total Governmental Activities Expenses	<u>65,754,612</u>	<u>67,679,666</u>	<u>70,823,469</u>	<u>76,904,932</u>	<u>75,636,556</u>
Business-Type Activities:					
Food Service	1,249,003	1,249,825	1,281,357	1,307,463	1,215,975
Total Business-type Activities Expense	<u>1,249,003</u>	<u>1,249,825</u>	<u>1,281,357</u>	<u>1,307,463</u>	<u>1,215,975</u>
Total District Expenses	<u>\$ 67,003,615</u>	<u>\$ 68,929,491</u>	<u>\$ 72,104,826</u>	<u>\$ 78,212,395</u>	<u>\$ 76,852,531</u>

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

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

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

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

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

Source: School District Financial Reports

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

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

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

Source: School District Financial Reports

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

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

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

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

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

Source: School District Financial Reports

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Tuition</u>	<u>Other</u> <u>Refunds</u>	<u>Rentals - Use</u> <u>of Facilities</u>	<u>Other</u>	<u>Total</u>
2000	\$ 195,034	\$ 66,336	\$ 12,206	\$ 25,169	\$ 37,663	\$ 336,408
2001	153,436	84,975	3,573	22,636	68,572	333,192
2002	106,724	117,792	11,239	15,949	50,298	302,002
2003	51,744	125,029	1,170	29,185	53,932	261,060
2004	53,082	215,700	47,032	30,589	312,966	659,369
2005	109,312	311,603	29,591	21,194	15,253	486,953
2006	239,689	261,419	40,197	39,592		580,897
2007	375,577	200,218	23,813	28,123	40,688	668,419
2008	327,104	179,577	17,656	15,608	10,057	550,002
2009	214,359	190,927	45,210		62,425	512,921

Source: Vernon Township Board of Education records

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

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

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

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

Reassessment occurs when ordered by the County Board of Taxation

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

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

Source: Municipal Tax Assessor

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

Year Ended December 31,	Vernon Township Board of Education Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Township of Vernon	Sussex County	
1999	\$ 1.52	\$ 0.10	\$ 1.62	\$ 0.51	\$ 0.51	\$ 2.64
2000	1.77	0.10	1.87	0.53	0.53	2.93
2001	1.82	0.13	1.95	0.53	0.54	3.02
2002	1.92	0.13	2.05	0.64	0.65	3.34
2003	2.04	0.09	2.13	0.68	0.67	3.48
2004	2.19	0.07	2.26	0.72	0.67	3.65
2005	2.18	0.07	2.25	0.74	0.71	3.70
2006	2.29	0.08	2.37	0.79	0.76	3.92
2007	2.42	0.08	2.50	0.82	0.80	4.12
2008	2.52	0.08	2.60	0.91	0.80	4.31

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	2008			1999		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Mountain Creek/Great Gorge	\$ 44,570,065	1	2.91%	\$ 20,969,500	1	1.53%
Metaire Corporation	13,138,600	2	0.86%			
Minerals Spa& Resort	15,497,980	3	1.01%			
Shinnihon USA, Ltd.	7,566,900	4	0.49%	7,566,800	5	0.55%
Newark Watershed	7,205,100	5	0.47%	10,952,900	3	0.80%
Vernon Valley Associates	6,603,000	6	0.43%	4,058,000	7	0.30%
SES American	6,137,000	7	0.40%			
Sirius (American Tower Corp.)	4,653,600	8	0.30%			
Glenwood Management	4,290,700	9	0.28%			
Hidden Valley/Begraft	3,519,400	10	0.23%	2,931,800	10	0.21%
Season's Investment Corp.				15,858,000	2	1.16%
Ames Rubber Corp				3,871,600	8	0.28%
ATC/Teleports				3,654,700	9	0.27%
Stonehill Recreation				10,094,500	4	0.74%
GE American Communications Inc.				5,028,600	6	0.37%
Total	\$ 113,182,345		7.38%	\$ 84,986,400		6.21%

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>	
2000	\$ 26,062,316	\$ 26,062,316	100.00%	\$ -0-
2001	25,800,576	25,800,576	100.00%	-0-
2002	28,353,681	28,353,681	100.00%	-0-
2003	28,750,783	28,750,783	100.00%	-0-
2004	32,440,171	32,440,171	100.00%	-0-
2005	32,569,501	32,569,501	100.00%	-0-
2006	32,835,433	32,835,433	100.00%	-0-
2007	37,321,795	37,321,795	100.00%	-0-
2008	38,195,873	38,195,873	100.00%	-0-
2009	38,968,715	38,968,715	100.00%	-0-

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 FIVE FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	Governmental Activities			Business-Type Activities		Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases				
2005	\$ 17,513,000	\$ 138,513	\$ -0-	\$ -0-	\$ 17,651,513	1.75%	\$ 702.18	
2006	16,228,000	-0-	-0-	-0-	16,228,000	1.55%	647.62	
2007	21,165,000	-0-	-0-	-0-	21,165,000	1.91%	847.55	
2008	19,965,000	-0-	-0-	-0-	19,965,000	1.71%	803.29	
2008	18,567,000	-0-	-0-	-0-	18,567,000	1.60%	747.04	

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

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

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

Source: School District Financial Reports

VERNON TOWNSHIP BOARD OF EDUCATION
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST FIVE 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		
2005	\$ 17,651,513	-0-	\$ 17,651,513	1.22%	\$ 702.18
2006	16,228,000	-0-	16,228,000	1.12%	647.62
2007	21,165,000	-0-	21,165,000	1.43%	847.55
2008	19,965,000	-0-	19,965,000	1.35%	799.50
2009	18,567,000	-0-	18,567,000	1.23%	747.04

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

Source: School District Financial Reports

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

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

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

VERNON TOWNSHIP BOARD OF EDUCATION
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2009
UNAUDITED

<u>Governmental Unit</u>	<u>Debt</u> <u>Outstanding</u>	<u>Estimated</u> <u>Percentage</u> <u>Applicable ^a</u>	<u>Estimated</u> <u>Share of</u> <u>Overlapping</u> <u>Debt</u>
Debt Repaid With Property Taxes			.
Township of Vernon	\$ 31,245,789	100.00%	\$ 31,245,789
Sussex County General Obligation Debt	77,711,140	15.44% ^a	<u>11,998,600</u>
Subtotal, Overlapping Debt			43,244,389
Vernon Township School District Direct Debt			<u>18,567,000</u>
Total Direct And Overlapping Debt			<u><u>\$ 61,811,389</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 the Sussex County's boundaries and dividing it by Sussex County's total equalized property value.

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

Legal Debt Margin Calculation for Fiscal Year 2008	
	Vernon Township
Equalized Valuation Basis:	
2006	\$ 2,978,285,691
2007	3,230,369,419
2008	3,305,831,039
	\$ 9,514,486,149
Average Equalized Valuation of Taxable Property	\$ 3,171,495,383
Debt Limit (4% of average equalization value) ^a	126,859,815
Net Bonded School Debt as of June 30, 2009	18,567,000
Legal Debt Margin	\$ 108,292,815

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Debt Limit	\$56,461,778	\$57,624,108	\$60,383,123	\$64,331,269	\$71,092,618	\$80,134,273	\$ 91,390,278	\$104,559,482	\$ 117,158,155	\$ 126,859,815
Total Net Debt Applicable to Limit	22,845,000	21,595,000	20,345,000	19,095,000	17,848,000	17,513,000	16,228,000	21,165,000	19,965,000	18,567,000
Legal Debt Margin	\$33,616,778	\$36,029,108	\$40,038,123	\$45,236,269	\$53,244,618	\$62,621,273	\$ 75,162,278	\$ 83,394,482	\$ 97,193,155	\$ 108,292,815
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	40.46%	37.48%	33.69%	29.68%	25.11%	21.85%	17.76%	20.24%	17.04%	14.64%

^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
2000	24,718	914,368,256	36,992	3.40%
2001	24,786	934,233,912	37,692	4.20%
2002	25,130	953,784,020	37,954	6.00%
2003	25,204	970,933,692	38,523	6.40%
2004	25,233	1,008,966,738	39,986	4.80%
2005	25,138	1,049,234,982	41,739	3.30%
2006	25,058	1,110,946,430	44,335	3.60%
2007	24,972	1,164,444,360	46,630 *	3.30%
2008	24,854 **	1,158,942,020	46,630 *	N/A
2009	24,854 **	1,158,942,020	46,630 *	N/A

* - Latest Sussex County per capita personal income available (2006) was used for calculation purposes.

** - Latest population data available (2008) was used for calculation purposes.

N/A - Information Unavailable

^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
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

COUNTY OF SUSSEX

<u>2008</u>			<u>1999</u>		
<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total Employment</u>	<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total Employment</u>
Mountain Creek/Intrawest	1,387	Not Available			
Crystal Springs Golf and Spa Resort	1,153	Not Available			
Newton Memorial Hospital	1,148	Not Available			
County of Sussex	855	Not Available			
Selective Insurance	800	Not Available			
Shop Rite (Ronetco Supermarkets, Inc.)	718	Not Available			
Vernon Township Board of Education	703	Not Available			
Andover Sub Acute & Rehab Center	700	Not Available			
Sparta Board of Education	570	Not Available			
Hopatcong Board of Education	540	Not Available			
	<u>8,574</u>	Not Available			

INFORMATION IS NOT AVAILABLE

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

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

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

Source: District Personnel Records

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

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil ^d	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio			Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary Schools	Middle Schools	High Schools				
2005	5,242	\$ 63,266,048	\$ 12,069.07	N/A	439	1:14.69	1:12.50	1:11.58	5,242	4,932	-0.55%	94.70%
2006	5,201	65,701,683	12,632.51	4.67%	442	1:12.70	1:11.30	1:11.17	5,201	4,754	-0.77%	91.40%
2007	4,929	68,668,765	13,931.58	10.28%	434	1:10.63	1:12.30	1:11.31	4,929	4,570	-5.23%	92.72%
2008	4,657	74,560,150	16,010.34	14.92%	435	1:10.72	1:10.72	1:10.67	4,657	4,322	-5.52%	92.80%
2009	4,461	73,519,248	16,480.44	2.94%	422	1:11.91	1:10.03	1:10.89	4,462	4,169	-4.51%	93.40%

N/A - Not Available

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

Sources: School District of Vernon Township Records

Note: Enrollment based on annual October district count.

- a Operating expenditures equal total expenditures less debt service and capital outlay.
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).
- d The Cost per Pupil calculated above is the sum of the operating expenditures divided by enrollment. This cost per pupil may be different from other cost per pupil calculations.

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

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

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

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

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

Source: School District of Vernon Township Records

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

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

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

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

Note: The District does not include ten years of information as it was not mandatory to report "Required Maintenance Expenditures for School Facilities" for fiscal years ended prior to June 30, 2001.

N/A - Not Applicable

Source: District records

VERNON TOWNSHIP BOARD OF EDUCATION
INSURANCE SCHEDULE
JUNE 30, 2009
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy - School Alliance Insurance Fund:		
Property - Blanket Building and Contents (Pooled Coverage)	\$ 250,000,000	\$ 1,000
Comprehensive General Liability: (Per Occurrence)	(Included)	500
Products - Completed Operations	(Included)	
Personnel & Advertising Injury	(Included)	
Fire Damage	(Included)	
Medical Expense	(Included)	
Comprehensive Auto Liability (Per Occurrence)	5,000,000	
Comprehensive Crime Coverage	50,000	
Employee Benefits	(Included)	1,000
 Boiler and Machinery - School Alliance Insurance Fund		
Property Damage	100,000,000	1,000
 Umbrella Liability - Selective Insurance Umbrella Policy	5,000,000	
 School Board Legal Liability - School Alliance Insurance Fund	5,000,000	2,500
 Workers' Compensation & Employer's Liability - School Alliance Insurance Fund	5,000,000	
 Public Employees' Faithful Performance Blanket		
Position Bond - Selective Insurance	100,000 per person 400,000 per loss	
 Public Official Bond - Treasurer of School Monies	500,000	
 Public Official Bond - Business Administrator/Board Secretary	500,000	

Source: School District of Vernon Township Records

SINGLE AUDIT SECTION



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

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Vernon Township Board of Education, in the County of Sussex (the "Board") as of, and for the fiscal year ended June 30, 2009, which collectively comprise the School District's basic financial statements and have issued our report thereon dated August 8, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey (the "Department"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Board's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the Board's financial statements that is more than inconsequential will not be prevented or detected by the Board's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Board's internal control.

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

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

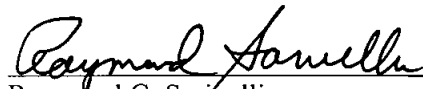
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain matters that we have reported to the Board in the *Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance* dated August 8, 2009.

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

August 8, 2009
Mount Arlington, New Jersey

NISIVOCCIA & COMPANY LLP



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



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Independent Auditors' Report on Compliance with Requirements Applicable to each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and State OMB Circular NJOMB 04-04

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

Compliance

We have audited the compliance of the Board of Education of the Vernon Township School District in the County of Sussex (the "Board") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that are applicable to each of its major federal and state programs for the fiscal year ended June 30, 2009. The Board's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state programs is the responsibility of the Board's management. Our responsibility is to express an opinion on the Board's compliance based on our audit.

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

In our opinion, the Board complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the fiscal year ended June 30, 2009.

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

Internal Control Over Compliance

The management of the Board is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Board's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing our opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

A control deficiency in a Board's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Board's ability to administer a federal or state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal and state program that is more than inconsequential will not be prevented or detected by the Board's internal control.

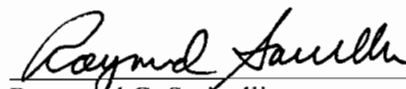
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented or detected by the Board's internal control.

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

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

August 8, 2009
Mount Arlington, New Jersey

NISIVOCIA & COMPANY LLP



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

VERNON TOWNSHIP BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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, 2008				Cash Received	Budgetary Expenditures	Cancellation of Prior Years' Encumbrances	Paid to Grantor	Balance at June 30, 2009		
					Budgetary Accounts Receivable	Budgetary Deferred Revenue	Due to Grantor	Carryover/ (Walkover) Amount					Budgetary Accounts Receivable	Budgetary Deferred Revenue	Due to Grantor
<u>Special Revenue Fund:</u>															
U.S. Department of Education Passed-through State Department of Education:															
No Child Left Behind Consolidated Grant:															
Title I	84.010A	NCLB536009	9/1/08-8/31/09	\$ 250,917					\$ 51,640	\$ (186,207)			\$ 134,567		
Title II, Part A	84.367A	NCLB536009	9/1/08-8/31/09	138,821					39,381	(71,519)			32,138		
Title IV	84.184A	NCLB536009	9/1/08-8/31/09	9,834					2,950	(9,834)			6,884		
No Child Left Behind Consolidated Grant:															
Title I	84.010A	NCLB536008	9/1/07-8/31/08	261,640	\$ 114		\$ (114)								
Title I	84.010A	NCLB536008	9/1/08-8/31/09	261,640			114				\$ 2,742				\$ 2,856
Title II, Part A	84.278A	NCLB536008	9/1/07-8/31/08	141,721		17,840	(17,840)								
Title II, Part A	84.278A	NCLB536008	9/1/08-8/31/09	141,721			17,840			(17,840)					
Title V	84.298A	NCLB536008	9/1/07-8/31/08	5,607		11	(11)								
Title V	84.298A	NCLB536008	9/1/08-8/31/09	5,607			11				20		\$ 11		20
No Child Left Behind Consolidated Grant:															
Title I	84.010A	NCLB536007	9/1/06-8/31/08	252,510								\$ 20			
Special Education/IDEA Combined Grant Cluster:															
I.D.E.A. Part B, Basic	84.027	IDEA536009	9/1/08-8/31/09	927,605					577,175	(927,605)			350,430		
I.D.E.A. Part B, Preschool	84.173	IDEA536009	9/1/08-8/31/09	30,281					18,841	(30,281)			11,440		
Special Education/IDEA Combined Grant Cluster Subtotal									596,016	(957,886)			361,870		
Carl D. Perkins Secondary Education	84.048A	PERK536009	7/01/08-6/30/09	37,401					36,384	(37,401)			1,017		
Foreign Languages Education	84.293C	T293B060177	9/15/06-9/15/07	30,714	\$ 30,364				30,714	(350)					
Foreign Languages Education	84.293C	T293B060177	9/15/08-9/14/09	53,840						(53,840)			53,840		
Total U.S. Department of Education					30,364	17,965	20		757,085	(1,334,877)	2,762	20	590,316	11	2,876
Total Special Revenue Fund					30,364	17,965	20		757,085	(1,334,877)	2,762	20	590,316	11	2,876

VERNON TOWNSHIP BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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, 2008			Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Cancellation of Prior Years' Encumbrances	Paid to Grantor	Balance at June 30, 2009		
					Budgetary Accounts Receivable	Budgetary Deferred Revenue	Due to Grantor						Budgetary Accounts Receivable	Budgetary Deferred Revenue	Due to Grantor
<u>Enterprise Fund</u>															
U.S. Department of Agriculture:															
Child Nutrition Program Cluster:															
Food Distribution Program	10.555	N/A	7/1/07-6/30/09	\$ 58,187		\$ 6,461			\$ (6,461)						
Food Distribution Program	10.555	N/A	7/1/08-6/30/09	53,132				\$ 53,132	(44,128)				\$ 9,004		
National School Lunch Program	10.555	N/A	7/1/07-6/30/08	177,461	\$ 10,610			10,610							
National School Lunch Program	10.555	N/A	7/1/08-6/30/09	186,710				172,727	(186,710)			\$ 13,983			
Special Milk Program for Children	10.556	N/A	7/1/07-6/30/08	5,217	420			420							
Special Milk Program for Children	10.556	N/A	7/1/08-6/30/09	5,561				5,147	(5,561)			414			
Child Nutrition Program Cluster Subtotal					11,030	6,461		242,036	(242,860)			14,397	9,004		
Total Enterprise Fund					11,030	6,461		242,036	(242,860)			14,397	9,004		
Total Federal Awards					\$ 41,394	\$ 24,426	\$ 20	\$ -0-	\$ 999,121	\$ (1,577,737)	\$ 2,762	\$ 20	\$ 604,713	\$ 9,015	\$ 2,876

N/A - Not Applicable

VERNON TOWNSHIP BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2008		Cash Received	Budgetary Expenditures	Balance at June 30, 2009			MEMO	
				Budgetary Accounts Receivable	Budgetary Deferred Revenue			GAAP Accounts Receivable	Budgetary Deferred Revenue	Due to Grantor	Budgetary Accounts Receivable	Cumulative Total Expenditures
New Jersey Department of Education												
General Fund:												
Equalization Aid	09-495-034-5120-078	7/1/08 - 6/30/09	\$ 18,410,041			\$ 16,584,695	\$ (18,410,041)				\$ 1,825,346	\$ 18,410,041
Transportation Aid	09-495-034-5120-014	7/1/08 - 6/30/09	1,821,363			1,641,221	(1,821,363)				180,142	1,821,363
Special Education Aid	09-495-034-5120-089	7/1/08 - 6/30/09	2,136,994			1,925,634	(2,136,994)				211,360	2,136,994
Security Aid	09-495-034-5120-084	7/1/08 - 6/30/09	311,636			280,814	(311,636)				30,822	311,636
Adjustment Aid	09-495-034-5120-085	7/1/08 - 6/30/09	4,844,150			4,365,037	(4,844,150)				479,113	4,844,150
Extraordinary Special Education Costs	N/A	7/1/08 - 6/30/09	717,662			203,717	(717,662)	\$ 513,945			513,945	717,662
Nonpublic Transportation Aid	N/A	7/1/08 - 6/30/09	22,243				(22,243)		22,243		22,243	22,243
Reimbursed TPAF Social Security Contributions	09-495-034-5095-002	7/1/08 - 6/30/09	2,544,437			2,417,421	(2,544,437)	127,016			127,016	2,544,437
Core Curriculum Standards Aid	08-495-034-5120-022	7/1/07 - 6/30/08	20,170,076	\$ 998,088		998,088						20,170,076
Transportation Aid	08-495-034-5120-014	7/1/07 - 6/30/08	2,512,401	124,323		124,323						2,512,401
Special Education Aid	08-495-034-5120-011	7/1/07 - 6/30/08	2,833,735	140,223		140,223						2,833,735
Bilingual Education Aid	08-495-034-5120-008	7/1/07 - 6/30/08	11,716	580		580						11,716
Consolidated Aid	08-495-034-5120-057	7/1/07 - 6/30/08	579,300	28,666		28,666						579,300
Additional Formula Aid	08-495-034-5120-058	7/1/07 - 6/30/08	1,499,626	74,206		74,206						1,499,626
Extraordinary Special Education Costs	08-100-034-5120-473	7/1/07 - 6/30/08	180,827	180,827		180,827						180,827
Nonpublic Transportation Aid	08-495-034-5120-005	7/1/07 - 6/30/08	20,391	20,391		20,391						20,391
Reimbursed TPAF Social Security Contributions	08-495-034-5095-002	7/1/07 - 6/30/08	2,476,545	123,164								2,476,545
Total General Fund State Aid				<u>1,690,468</u>		<u>28,985,843</u>	<u>(30,808,526)</u>	<u>663,204</u>			<u>3,389,987</u>	<u>61,093,143</u>
Special Revenue Fund:												
New Jersey Nonpublic Aid:												
Textbook Aid	09-100-034-5120-064	9/1/08-6/30/09	2,688			2,688	(2,688)					2,688
Nursing Services	09-100-034-5120-070	9/1/08-6/30/09	3,629			3,629	(3,629)					3,629
Technology Initiative	09-100-034-5120-373	9/1/08-6/30/09	1,880			1,880	(1,760)			\$ 120		1,760
Total Special Revenue Fund						<u>8,197</u>	<u>(8,077)</u>			<u>120</u>		<u>8,077</u>
Debt Service Fund:												
Debt Service Aid - State Support	09-495-034-5120-125	7/1/08 - 6/30/09	1,070,543			1,070,543	(1,070,543)					1,070,543
Total Debt Service Fund						<u>1,070,543</u>	<u>(1,070,543)</u>					<u>1,070,543</u>
Enterprise Fund												
National School Lunch Program	09-100-010-3350-023	9/1/08-6/30/09	15,507			14,383	(15,507)	1,124			1,124	15,507
National School Lunch Program	08-100-010-3350-023	9/1/07-6/30/08	16,654	955		955						16,654
Total Enterprise Fund				<u>955</u>		<u>15,338</u>	<u>(15,507)</u>	<u>1,124</u>			<u>1,124</u>	<u>32,161</u>
Total State Awards				<u>\$ 1,691,423</u>	<u>\$ -0-</u>	<u>\$ 30,079,921</u>	<u>\$ (31,902,653)</u>	<u>\$ 664,328</u>	<u>\$ -0-</u>	<u>\$ 120</u>	<u>\$ 3,391,111</u>	<u>\$ 62,203,924</u>

N/A - Not Available

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

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of federal and state awards are presented using the budgetary basis of accounting. These bases of accounting are described in Note 1 to the Board's basic financial statements.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last state aid payment in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes that payment is not recognized until the subsequent budget year due to the state deferral and recording of the last state aid payment 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 \$(1,374,119) for the general fund, and \$65,365 for the special revenue fund. See Note 1 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Additionally, the schedule of expenditures of state awards does not include the on-behalf TPAF Non-Contributory Insurance and Post Retirement Contributions revenue of \$110,922 and \$2,116,118 respectively. Awards and financial assistance revenue are reported on the Board's basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 31,661,447	\$ 31,661,447
Special Revenue Fund	\$ 1,400,242	8,077	1,408,319
Debt Service Fund		1,070,543	1,070,543
Food Service Fund	242,860	15,507	258,367
Total Financial Assistance	<u>\$ 1,643,102</u>	<u>\$ 32,755,574</u>	<u>\$ 34,398,676</u>

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

(Continued)

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

Revenue and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the year ended June 30, 2009.

VERNON TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Summary of Auditors' Results:

- An unqualified report was issued on the District's financial statements.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of the District.
- The audit did not disclose any noncompliance which is material in relation to the financial statements of the District.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of the District's major programs.
- An unqualified report was issued on the District's compliance for major federal and state programs.
- The audit did not disclose any audit findings which are required to be reported under Federal OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations* and State OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*.
- The District's major federal and state programs for the current fiscal year consisted of the following:

	<u>Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
<u>Federal:</u>				
I.D.E.A. Part B, Basic	84.027	9/1/08 - 8/31/09	\$ 927,605	\$ 927,605
I.D.E.A. Part B, Preschool	84.173	9/1/08 - 8/31/09	30,281	30,281
<u>State:</u>				
Equalization Aid	09-495-034-5120-078	7/1/08 - 6/30/09	\$ 18,410,041	\$ 18,410,041
Transportation Aid	09-495-034-5120-014	7/1/08 - 6/30/09	1,821,363	1,821,363
Special Education Aid	09-495-034-5120-089	7/1/08 - 6/30/09	2,136,994	2,136,994
Security Aid	09-495-034-5120-084	7/1/08 - 6/30/09	311,636	311,636
Adjustment Aid	09-495-034-5120-085	7/1/08 - 6/30/09	4,844,150	4,844,150
Extraordinary Aid	N/A	7/1/08 - 6/30/09	717,662	717,662
Debt Service Aid	09-495-034-5120-125	7/1/08 - 6/30/09	1,070,543	1,070,543

- The threshold for distinguishing Type A and Type B federal programs was \$300,000.
- The threshold for distinguishing Type A and Type B state programs was \$957,080.
- The District qualified as a "low-risk" auditee under the provisions of section 530 of the Circular.

VERNON TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(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 as defined in section 510(a) of the Circular.

Findings and Questioned Costs for State Awards:

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

VERNON TOWNSHIP SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009

Status of Prior Year Findings:

The District had no prior year audit findings.