

VERONA BOARD OF EDUCATION
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Verona, New Jersey

COMPREHENSIVE ANNUAL

FINANCIAL REPORT

of the

Verona Board of Education

Verona, New Jersey

For The Fiscal Year Ended June 30, 2017

Prepared by

Business Office

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INTRODUCTORY SECTION

JOHN QUATTROCCHI,
BOARD PRESIDENT

LISA FRESCHI,
BOARD VICE PRESIDENT

MICHELE BERNARDINO
JAMES DAY
GLENN ELLIOTT

VERONA BOARD OF EDUCATION

121 FAIRVIEW AVENUE
VERONA, NEW JERSEY 07044

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DR. RUI DIONISIO,
SUPERINTENDENT OF SCHOOLS

CHERYL A. NARDINO, CPA
BUSINESS ADMINISTRATOR/
BOARD SECRETARY

MATTHEW LARACY,
TREASURER OF SCHOOL MONIES

Honorable President and
Members of the Board of Education
Verona Public Schools
Verona, New Jersey 07044

Dear Board Members:

The comprehensive annual financial report of the Verona Public Schools for the fiscal year ended June 30, 2017, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rest with the management of the Board of Education. 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 financial position and results of operations of the various funds of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

Governmental Accounting Standards Board (GASB) requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the "Independent Auditor's Report".

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, and a list of principal officials. The financial section includes the independent auditor's report, management's discussion and analysis (MD&A), the basic financial statements including the district-wide financial statements. The basic financial statements also include individual fund financial statements, notes to the financial statements and required supplemental information (RSI). 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 and the U.S. Uniform Guidance and the state Treasury Circular Letter 15-08 OMB, "*Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments*". Information related to this single audit, including the auditors' report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES: Verona School District is an independent reporting entity within the criteria adopted by the GASB. All funds of the District are included in this report. The Verona Board of Education and all its schools constitute the District's reporting entity.

1) REPORTING ENTITY AND ITS SERVICES (Continued)

The District provides a full range of educational services appropriate to grade levels K through 12. These include regular, vocational, as well as special education programs for handicapped youngsters. The District completed the 2016-2017 fiscal year with an enrollment of 2,197 students, which is 8 students more than the previous year's enrollment. The following details the changes in the student enrollment of the District for the last five years.

| <u>Fiscal Year</u> | <u>Student Enrollment</u> | <u>Percent Change</u> |
|--------------------|---------------------------|-----------------------|
| 2012-2013 | 2,184 | -1.5% |
| 2013-2014 | 2,193 | +41% |
| 2014-2015 | 2,190 | -1.6% |
| 2015-2016 | 2,189 | -.04% |
| 2016-2017 | 2,197 | +.004% |

2) ECONOMIC CONDITION AND OUTLOOK: The Township of Verona is a fully developed community, which has a middle class socio-economic character to it. The community is primarily residential in character; however, it does have intensive commercial use on Bloomfield Avenue and Pompton Avenue, which gives the Township an urban downtown shopping district. Industrial use is limited in nature.

3) MAJOR INITIATIVES:

District Goals 2016-2017

1. Continue to Build the District Operations and Maintenance
2. Continue to Seek Financial Resources to Support Educational Needs
3. Analyze Climate Survey Results
4. Continue to Implement Conflict Resolution/Peer Mediation
5. Support House Model Implementation
6. Implement Faculty Advisory Councils
7. Expand Capstone Program
8. Develop Partnerships for Global Connections for Student Learning
9. Focus on the Future Seminars
10. Reading Workshop Grades 5-8
11. Implement Orton-Gillingham Reading Intervention
12. Explore New Course Offerings
13. Implement Inquiry- based Science Pilot Program Grades 1-8
14. Monitor and Enhance Music Program
15. Refine Assessments
16. Continue to Revise Curriculum
17. Review and Revise SGO's Annually
18. Refine Evaluative Feedback for Continuous Improvement
19. Implement Teacher Facilitated Professional Development Programs
20. Google Apps for Education (GAPE)
21. District-wide, Educationally Focused Professional Development
22. Staff Book Clubs
23. Expand Chromebook in the Classroom Initiative

4) INTERNAL ACCOUNTING CONTROLS: The administration 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 accounting principles generally accepted in the United States of America (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 financial assistance, the District also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is also subject to periodic evaluation by the District 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 federal and state financial assistance programs, as well as to determine that the District has complied with applicable laws and regulations.

The Board of Trustees has created a Finance Committee, comprised of two board members, Superintendent of Schools and the Business Administrator/Board Secretary, to oversee the fiscal policies, practices and budget controls of the District. The Committee meets on a monthly basis and reports to the full Board with the findings and recommendations.

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, the special revenue and the debt service funds. 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 canceled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as commitments/assignments of fund balance at June 30, 2017.

6) ACCOUNTING SYSTEM AND REPORTS: The District's accounting records reflect accounting principles generally accepted in the United States of America, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds, which are explained in "Notes to the Financial Statements".

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

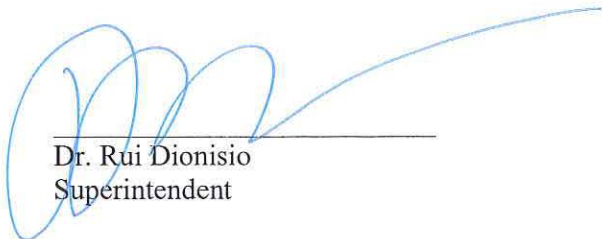
8) RISK MANAGEMENT: The Board carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds.

9) OTHER INFORMATION: Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Lerch, Vinci & Higgins, LLP, CPAs, was selected by the Board of Trustees. In addition to meeting the requirements set


forth in state statutes, the audit also was designed to meet the requirements of a single audit in accordance with U.S. Uniform Guidance and New Jersey OMB Circular 15-08. The auditors' report on the basic financial statements and individual fund financial statements and schedules are included in the financial section of this report. The auditors' report related specifically to the single audit is included in the single audit section of this report.

10) ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the Verona Board of Education 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,

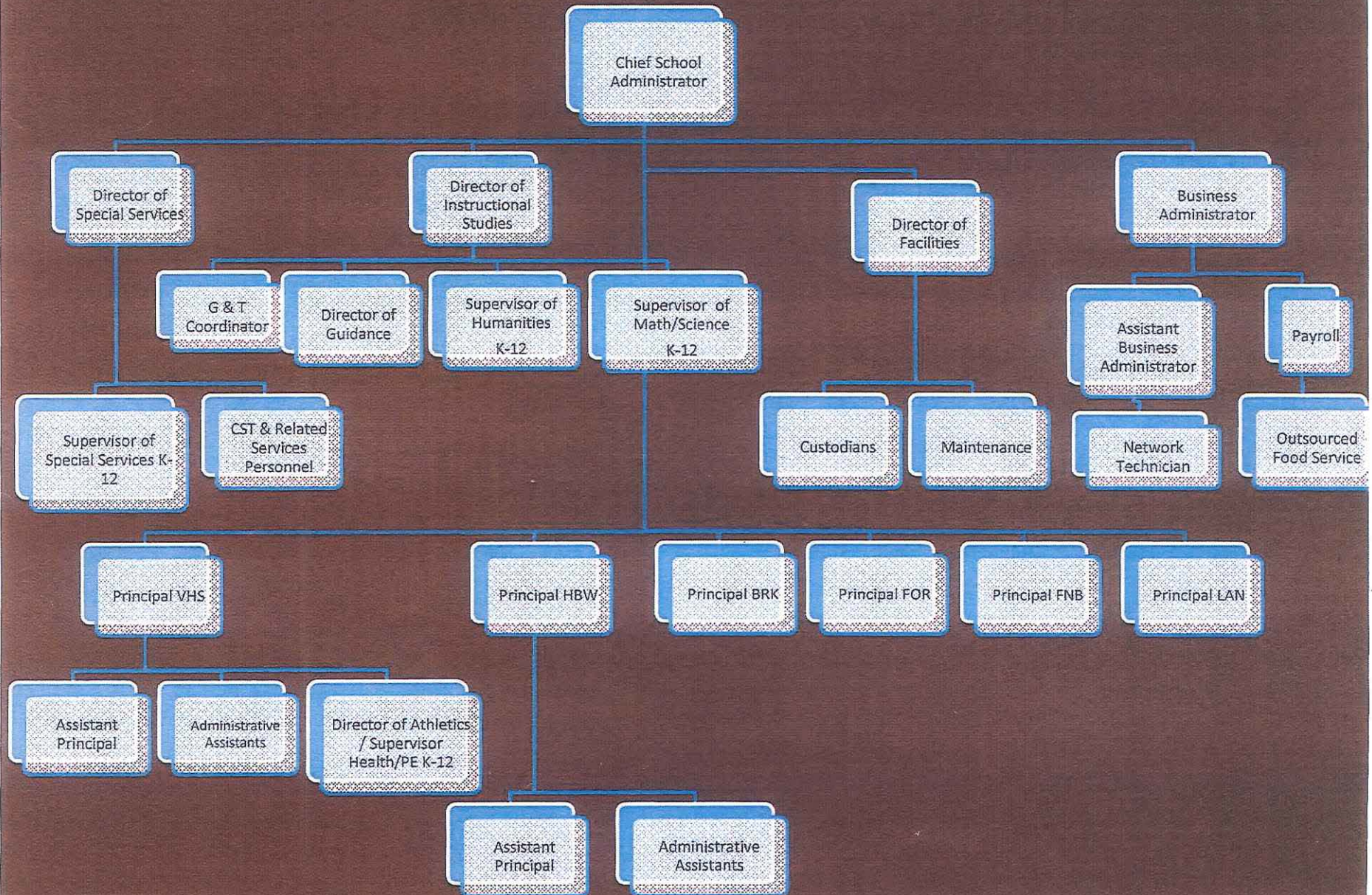


Dr. Rui Dionisio
Superintendent



Cheryl A. Nardino, CPA
Business Administrator/Board Secretary

Verona Public Schools



A

**VERONA BOARD OF EDUCATION
VERONA, NEW JERSEY**

**ROSTER OF OFFICIALS
JUNE 30, 2017**

| <u>Members of the Board of Education</u> | <u>Term Expires</u> |
|--|---------------------|
| John Quattrocchi , President | 2018 |
| Lisa Freschi, Vice President | 2017 |
| Michele Bernardino | 2018 |
| James Day | 2019 |
| Glenn Elliott | 2019 |

Other Officials

Dr. Rui Dionisio, Superintendent of Schools

Cheryl A. Nardino, CPA, Business Administrator/Board Secretary

Matthew Laracy, Treasurer of School Monies

Michael J. Gross, Board Attorney

**VERONA BOARD OF EDUCATION
Consultants and Advisors**

Architect of Record

Mylan Architectural group
Verona, New Jersey 07044

Independent Auditor

Lerch, Vinci & Higgins, LLP
17-17 Route 208N
Fair Lawn, New Jersey 07410

Attorney

Michael J. Gross
Kenney, Gross & Kovats
130 Maple Avenue – Building 8
P.O. Box 8610
Red Bank, New Jersey 07701

Official Depository

Investors Bank

NJ ARM

FINANCIAL SECTION



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
JULIUS B. CONSONI, CPA, PSA
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
MARK SACO, CPA
SHERYL M. NICOLosi, CPA, PSA

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Trustees
Verona Board of Education
Verona, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Verona Board of Education, as of and for the fiscal year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Verona Board of Education as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

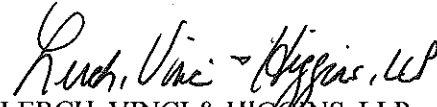
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Verona Board of Education's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, financial schedules, statistical section, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Verona Board of Education.

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

The introductory section, financial schedules and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated December 4, 2017 on our consideration of the Verona 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 effectiveness of the Verona Board of Education's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Verona Board of Education's internal control over financial reporting and compliance.



LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants



Gary J. Vinci
Public School Accountant
PSA Number CS00829

Fair Lawn, New Jersey
December 4, 2017

REQUIRED SUPPLEMENTARY INFORMATION – PART I

MANAGEMENT'S DISCUSSION AND ANALYSIS

VERONA BOARD OF EDUCATION

Management's Discussion and Analysis

This section of the Verona Board of Education's comprehensive annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2017. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follows this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2016-2017 fiscal year include the following:

- The net position of the Verona Board of Education at the close of the fiscal year was \$3,110,869.
- Overall revenues were \$49,691,899. General revenues accounted for \$34,696,005 or 70% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$14,995,894 or 30% of total revenues.
- The school district had \$48,938,996 in expenses for governmental activities; only \$14,559,958 of these expenses were offset by program specific charges, grants or contributions. General revenues (predominantly property taxes) of \$34,696,005 were adequate to provide funding for these programs.
- As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$1,025,453.
- The General Fund fund balance at June 30, 2017 was \$1,005,901, a decrease of \$154,127 when compared with the beginning balance at July 1, 2016.

VERONA BOARD OF EDUCATION

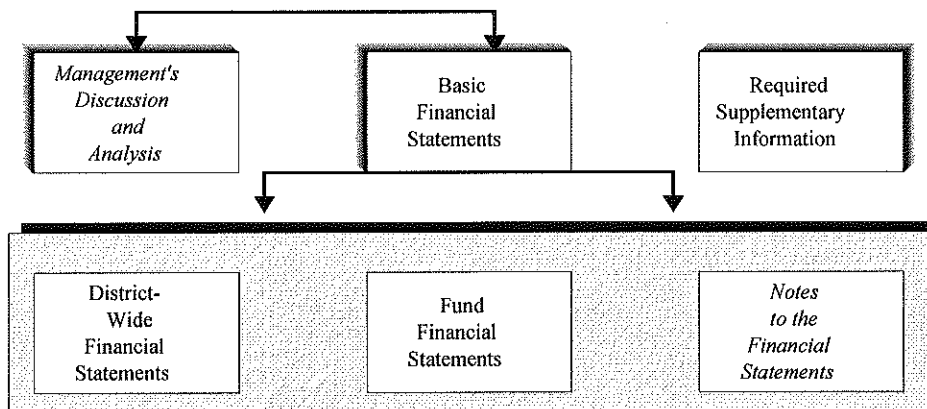
Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditor's Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplemental 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 were financed in the short term as well as what remains for future spending.
 - Proprietary funds statements offer short-term and long-term financial information about the activities the district operated like businesses.
 - 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 to whom the resources belong.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The various parts of this annual report are arranged and related to one another as follows:



VERONA BOARD OF EDUCATION

Management's Discussion and Analysis

The table below 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 the structure and contents of each of the statements.

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 regular and special education and building maintenance. | Activities the district operates similar to a private business: food service enterprise fund and VSEA enterprise fund | Instances in which the district administers resources on behalf of someone else, such as unemployment, payroll agency, and student activities |
| Required financial statements | Statements of net position Statement of activities | Balance Sheet Statement of revenues, expenditures and changes in fund balances | Statement of net position Statement of revenues, expenses, and changes in net position Statement of cash flows | Statements of fiduciary net position, Statement of changes in fiduciary net position |
| Accounting Basis and Measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial focus | Accrual accounting and economic resources focus | Accrual accounting and economic resources Focus |
| Type of assets deferred outflows/inflows of resources liability information | All assets, deferred outflows/inflows, 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, and short-term and long-term | All assets, and liabilities, both short-term and long term funds do not currently contain capital assets. |
| Type of inflow/outflow information | All revenues and expenses during year, regardless of when cash is received or Paid | Revenues 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 revenues 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. |

District-wide financial statements

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

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

VERONA BOARD OF EDUCATION

Management's Discussion and Analysis

District-wide financial statements (continued)

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District you need to consider additional non-financial 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 shown in two categories:

- *Governmental Activities* – Most of the District's basic services are included here, such as regular and special education, transportation, administration and plant operations and maintenance. Property taxes and state aid finances most of these activities.
- *Business Type Activities* – These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The District's Food Service Fund and VSEA Fund are included under this category.

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 bond covenants.
- The District establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues (federal and state 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 to 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, we provide additional information at the bottom of the governmental funds statements that explains the relationship (or differences) 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.

VERONA BOARD OF EDUCATION

Management's Discussion and Analysis

Fund financial statements (continued)

Enterprise Funds – These funds are established to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that costs of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges. The District currently has two enterprise funds.

- *Fiduciary Funds* – The District is the trustee, or fiduciary, for assets that belong to others. 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. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found following the basic financial statements.

Other Information

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget process. The District adopts an annual expenditure budget for the general, special revenue and debt service funds. A budgetary comparison statement has been provided for these funds as required supplementary information. The required supplementary information can be found following the notes to the financial statements.

Combining statements and schedules are presented immediately following the major budgetary comparisons.

DISTRICT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows were more than liabilities and deferred inflows by \$3,110,869 as of June 30, 2017. The following schedule summarizes this analysis as of June 30, 2017 and 2016.

VERONA BOARD OF EDUCATION

Management's Discussion and Analysis

By far the largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Statement of Net Position As of June 30, 2017 and 2016

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|----------------------------|---------------------|-----------------------------|------------------|---------------------|---------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Assets | | | | | | |
| Current Assets | \$ 2,951,267 | \$ 10,881,439 | \$ 78,610 | \$ 89,883 | \$ 3,029,877 | \$ 10,971,322 |
| Capital Assets | 53,432,204 | 47,436,180 | 21,661 | 29,785 | 53,453,865 | 47,465,965 |
| Total Assets | <u>56,383,471</u> | <u>58,317,619</u> | <u>100,271</u> | <u>119,668</u> | <u>56,483,742</u> | <u>58,437,287</u> |
| Deferred Outflows of Resources | | | | | | |
| Deferred Amount on Refunding of Debt | 864,699 | 1,002,611 | - | - | 864,699 | 1,002,611 |
| Deferred Amounts on Net Pension Liability | 3,549,973 | 1,620,133 | - | - | 3,549,973 | 1,620,133 |
| Total Deferred Outflows of Resources | <u>4,414,672</u> | <u>2,622,744</u> | <u>-</u> | <u>-</u> | <u>4,414,672</u> | <u>2,622,744</u> |
| Total Assets and Deferred Outflows of Resources | <u>60,798,143</u> | <u>60,940,363</u> | <u>100,271</u> | <u>119,668</u> | <u>60,898,414</u> | <u>61,060,031</u> |
| Liabilities | | | | | | |
| Other Liabilities | 2,325,540 | 2,527,103 | 68,189 | 71,906 | 2,393,729 | 2,599,009 |
| Long-Term Liabilities | 55,368,805 | 55,333,798 | - | - | 55,368,805 | 55,333,798 |
| Total Liabilities | <u>57,694,345</u> | <u>57,860,901</u> | <u>68,189</u> | <u>71,906</u> | <u>57,762,534</u> | <u>57,932,807</u> |
| Deferred Inflows of Resources | | | | | | |
| Deferred Amounts on Net Pension Liability | 25,011 | 315,370 | - | - | 25,011 | 315,370 |
| Total Deferred Inflows of Resources | <u>25,011</u> | <u>315,370</u> | <u>-</u> | <u>-</u> | <u>25,011</u> | <u>315,370</u> |
| Total Liabilities and Deferred Inflows of Resources | <u>57,719,356</u> | <u>58,176,271</u> | <u>68,189</u> | <u>71,906</u> | <u>57,787,545</u> | <u>58,248,177</u> |
| Net Position: | | | | | | |
| Net Investment in Capital Assets | 12,665,031 | 11,262,874 | 21,661 | 29,785 | 12,686,692 | 11,292,659 |
| Restricted | 352,461 | 673,474 | - | - | 352,461 | 673,474 |
| Unrestricted | (9,938,705) | (9,172,256) | 10,421 | 17,977 | (9,928,284) | (9,154,279) |
| Total Net Position | <u>\$ 3,078,787</u> | <u>\$ 2,764,092</u> | <u>\$ 32,082</u> | <u>\$ 47,762</u> | <u>\$ 3,110,869</u> | <u>\$ 2,811,854</u> |

VERONA BOARD OF EDUCATION

Management's Discussion and Analysis

Changes in Net Position For the Fiscal Years Ended June 30, 2017 and 2016

| | Governmental | | Business-Type | | Total | |
|---|---------------------|---------------------|------------------|------------------|---------------------|---------------------|
| | Activities | | Activities | | | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Revenues | | | | | | |
| Program Revenues | | | | | | |
| Charges for Services | \$ 182,230 | \$ 179,818 | \$ 431,663 | \$ 404,394 | \$ 613,893 | \$ 584,212 |
| Operating Grants and Contributions | 14,057,272 | 10,244,120 | 4,273 | 3,819 | 14,061,545 | 10,247,939 |
| Capital Grants and Contributions | 320,456 | 1,526,487 | - | - | 320,456 | 1,526,487 |
| General Revenues | | | | | | |
| Property Taxes | 33,837,415 | 32,855,808 | | | 33,837,415 | 32,855,808 |
| State Aid | 667,667 | 687,998 | | | 667,667 | 687,998 |
| Other | 190,923 | 314,838 | - | - | 190,923 | 314,838 |
| Total Revenues | <u>49,255,963</u> | <u>45,809,069</u> | <u>435,936</u> | <u>408,213</u> | <u>49,691,899</u> | <u>46,217,282</u> |
| Expenses | | | | | | |
| Instruction | | | | | | |
| Regular | 22,431,887 | 19,295,953 | | | 22,431,887 | 19,295,953 |
| Special Education | 7,286,594 | 6,479,779 | | | 7,286,594 | 6,479,779 |
| Other Instruction | 421,161 | 418,197 | | | 421,161 | 418,197 |
| School Sponsored Activities and Ath. | 1,214,014 | 1,237,964 | | | 1,214,014 | 1,237,964 |
| Support Services | | | | | | |
| Student and Instruction Related Serv. | 5,590,168 | 5,205,468 | | | 5,590,168 | 5,205,468 |
| School Administrative Services | 3,386,471 | 3,124,857 | | | 3,386,471 | 3,124,857 |
| General Administrative Services | 771,714 | 696,937 | | | 771,714 | 696,937 |
| Plant Operations and Maintenance | 4,705,190 | 4,783,433 | | | 4,705,190 | 4,783,433 |
| Pupil Transportation | 1,032,430 | 888,883 | | | 1,032,430 | 888,883 |
| Business and Other Support Services | 877,465 | 785,432 | | | 877,465 | 785,432 |
| Food Services | | | 59,952 | 50,521 | 59,952 | 50,521 |
| VSEA | | | 393,936 | 389,032 | 393,936 | 389,032 |
| Interest on Long-Term Debt and Other Chgs | 1,221,902 | 1,300,089 | - | - | 1,221,902 | 1,300,089 |
| Total Expenses | <u>48,938,996</u> | <u>44,216,992</u> | <u>453,888</u> | <u>439,553</u> | <u>49,392,884</u> | <u>44,656,545</u> |
| Change in Net Position | 316,967 | 1,592,077 | (17,952) | (31,340) | 299,015 | 1,560,737 |
| Transfers | (2,272) | (26,857) | 2,272 | 26,857 | | |
| Net Position Beginning of Year (Restated) | <u>2,764,092</u> | <u>1,198,872</u> | <u>47,762</u> | <u>52,245</u> | <u>2,811,854</u> | <u>1,251,117</u> |
| Net Position, End of Year | <u>\$ 3,078,787</u> | <u>\$ 2,764,092</u> | <u>\$ 32,082</u> | <u>\$ 47,762</u> | <u>\$ 3,110,869</u> | <u>\$ 2,811,854</u> |

VERONA BOARD OF EDUCATION

Management's Discussion and Analysis

Governmental Activities. The District's total governmental activities' revenues, which includes State and Federal grants, were \$49,255,963 for the fiscal year ended June 30, 2017. Property taxes of \$33,837,415 represented 69% percent of revenues. Another significant portion of revenues came from State aid; total State, Federal and formula aid was \$15,045,395. Other sources of miscellaneous income includes items such as tuition from other LEAs, interest, rentals, prior year refunds, etc.

The total cost of all governmental activities programs and services was \$48,938,996. The District's expenses are predominantly related to educating and caring for students. Instruction totaled \$31,353,656 (64%) of total expenditures. Student and instruction related support services, total \$5,590,168 or (11%) of total expenditures.

Total governmental activities revenues surpassed expenses and transfers out increasing net position \$314,695 from the previous year.

Total and Net Cost of Governmental Activities. The District's total cost of services was \$48,938,996. After applying program revenues, derived from charges for services of \$182,230 and operating and capital grants and contributions of \$14,377,728 the net cost of services of the District is \$34,379,038.

Total and Net Cost of Governmental Activities

| | <u>Total Cost of Services</u> | | <u>Net Cost of Services</u> | |
|---|-------------------------------|----------------------|-----------------------------|----------------------|
| | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> |
| Instruction | | | | |
| Regular | \$ 22,431,887 | \$ 19,295,953 | \$ 13,716,746 | \$ 13,311,238 |
| Special Education | 7,286,594 | 6,479,779 | 4,372,848 | 3,988,426 |
| Other Instruction | 421,161 | 418,197 | 255,027 | 288,511 |
| School Sponsored Activities and Athletics | 1,214,014 | 1,237,964 | 929,150 | 1,009,600 |
| Support Services | | | | |
| Student and Instruction Related Svcs. | 5,590,168 | 5,205,468 | 4,717,000 | 4,555,583 |
| School Administrative Services | 3,386,471 | 3,124,857 | 2,448,802 | 2,445,470 |
| General Administrative Services | 771,714 | 696,937 | 617,072 | 590,839 |
| Plant Operations and Maintenance | 4,705,190 | 4,783,433 | 4,346,738 | 3,223,290 |
| Pupil Transportation | 1,032,430 | 888,883 | 990,722 | 848,803 |
| Business and Other Support Services | 877,465 | 785,432 | 763,031 | 704,718 |
| Interest on Long-Term Debt | <u>1,221,902</u> | <u>1,300,089</u> | <u>1,221,902</u> | <u>1,300,089</u> |
| Total | <u>\$ 48,938,996</u> | <u>\$ 44,216,992</u> | <u>\$ 34,379,038</u> | <u>\$ 32,266,567</u> |

VERONA BOARD OF EDUCATION

Management's Discussion and Analysis

Business-Type Activities – The District's total business-type activities revenues were \$435,936 for the fiscal year ended June 30, 2017. Charges for services accounted for 99% of total revenues. Operating grants and contributions accounted for 1% of total revenue for the year.

The total cost of all business-type activities programs and services was \$453,888. The District's expenses are related to Food Service and VSEA programs provided to all students, teachers and administrators within the District.

Total business-type activities expenses surpassed revenues and transfers in decreasing net position by \$15,680 from the previous year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,025,453. At June 30, 2016 the fund balance was \$8,771,632. The fund balance decreased because of the significant expense incurred with the 2014 Capital referendum.

Revenues for the District's governmental funds were \$41,674,577 while total expenditures were \$49,578,484.

General Fund - The General Fund is the chief operating fund of the District and includes the primary operations in providing educational services to students from pre-kindergarten through grade 12 including pupil transportation activities and capital outlay projects.

The following schedule presents a summary of General Fund Revenues.

| | Fiscal Year Ended June 30, 2017 | Fiscal Year Ended June 30, 2016 | Amount of Increase (Decrease) | Percent Increase (Decrease) |
|-----------------------------|--|--|--|--|
| Local Sources: | | | | |
| Property Taxes | \$ 30,966,400 | \$ 30,040,337 | \$ 926,063 | 3.08% |
| Tuition | 182,230 | 179,818 | 2,412 | 1.34% |
| Miscellaneous | 180,670 | 289,448 | (108,778) | -37.58% |
| State Sources | <u>5,565,910</u> | <u>5,028,463</u> | <u>537,447</u> | 10.69% |
| | | | | |
| Total General Fund Revenues | <u>\$ 36,895,210</u> | <u>\$ 35,538,066</u> | <u>\$ 1,357,144</u> | <u>3.82%</u> |

Local property taxes increased 3% over the previous year. State aid revenues increased in excess of \$500,000. This increase is attributed primarily to an increased TPAF pension contribution.

VERONA BOARD OF EDUCATION

Management's Discussion and Analysis

The following schedule presents a summary of General Fund expenditures.

| | <u>Fiscal</u> <u>Year Ended</u> <u>June 30, 2017</u> | <u>Fiscal</u> <u>Year Ended</u> <u>June 30, 2016</u> | <u>Amount of</u> <u>Increase</u> <u>(Decrease)</u> | <u>Percent</u> <u>Increase</u> <u>(Decrease)</u> |
|------------------------|--|--|--|--|
| Instruction | \$ 23,788,718 | \$ 22,672,930 | \$ 1,115,788 | 4.92% |
| Support Services | 12,717,784 | 12,454,870 | 262,914 | 2.11% |
| Debt Service | 599,457 | 294,225 | 305,232 | 103.74% |
| Capital Outlay | <u>16,542</u> | <u>22,670</u> | <u>(6,128)</u> | 0.00% |
| Total Expenditures | <u>\$ 37,122,501</u> | <u>\$ 35,444,695</u> | <u>\$ 1,677,806</u> | <u>4.73%</u> |

Total General Fund expenditures increased \$1,677,806 or more than 4% from the previous year.

In 2016-2017 General Fund expenditures and other financing uses exceeded revenues and other financing sources by \$154,127. As a result, total fund balance decreased to \$1,005,901 at June 30, 2017. After deducting statutory transfers and reserves, the unassigned fund balance increased from \$302,589 at June 30, 2016 to \$325,703 at June 30, 2017.

Special Revenue Fund - The Special Revenue Fund includes all restricted Federal and State sources utilized in the operations of the district in providing educational services to students with special needs.

Revenues of the Special Revenue Fund were \$909,976 for the fiscal year ended June 30, 2017. Federal sources accounted for the majority of Special Revenue Fund's revenue which represented 69% of the total revenue for the year.

Total Special Revenue Fund revenues increased \$127,943 from the previous year. Increase is due primarily to local donations.

Expenditures of the Special Revenue Fund were \$909,976. Instructional expenditures were \$837,960 or 92% of total expended for the fiscal year ended June 30, 2017.

Capital Projects Fund - The capital project expenditures and other financing uses exceeded revenues and other financing sources by \$7,580,378 decreasing fund balance to a deficit \$(14,263) at June 30, 2017. The expenditures for the District's various referendum projects and energy savings incentive programs were the cause of the decrease.

Proprietary Funds

The District maintains an Enterprise Fund to account for activities that are supported in part through user fees.

Enterprise Funds - The District uses the Enterprise Fund to report activities related to the Food Services program. The District's Enterprise Fund provides the same type of found in the district-wide financial statements, business-type activities, but in more detail. Factors concerning the finances of these Funds have already been addressed in the discussion of the District's business-type activities.

VERONA BOARD OF EDUCATION

Management's Discussion and Analysis

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budget is prepared according to New Jersey Department of Education guidelines, and is based on accounting for certain transactions on the basis of cash receipts, disbursements and encumbrances. The most significant budgetary fund is the General Fund.

Over the course of the year, the District revised the annual operating budget several times. These budget amendments are detailed on Exhibits C-1 and C-2 of the CAFR.

CAPITAL ASSETS

The District's investment in capital assets for its governmental and business type activities as of June 30, 2017 amounts to \$53,453,865 (net of accumulated depreciation). The capital assets consist of land, land improvements, buildings, building improvements, computers, specialized machinery and various other types of equipment and construction in progress on the district's referendum. Depreciation charges for fiscal year 2016-2017 amounted to \$1,704,345 for governmental activities and \$11,322 for business-type activities.

Capital Assets at June 30, 2017 and 2016 (Net of Accumulated Depreciation)

| | Governmental | | Business-Type | | Total | |
|-----------------------------------|-----------------------------|-----------------------------|-------------------------|-------------------------|-----------------------------|-----------------------------|
| | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> |
| Land | \$ 1,679,937 | \$ 1,679,937 | | | \$ 1,679,937 | \$ 1,679,937 |
| Improvements Other Than Buildings | 789,588 | 218,643 | | | 789,588 | 218,643 |
| Buildings | 50,462,337 | 34,713,699 | | | 50,462,337 | 34,713,699 |
| Machinery and Equipment | 500,342 | 554,572 | \$ 21,661 | \$ 29,785 | 522,003 | 584,357 |
| Construction in Progress | - | 10,269,329 | - | - | - | 10,269,329 |
| Total Capital Assets | <u>\$ 53,432,204</u> | <u>\$ 47,436,180</u> | <u>\$ 21,661</u> | <u>\$ 29,785</u> | <u>\$ 53,453,865</u> | <u>\$ 47,465,965</u> |

Additional information on the District's capital assets is presented in the Notes to the Financial Statements.

VERONA BOARD OF EDUCATION

Management's Discussion and Analysis

LONG TERM LIABILITIES

At year end, the District's long-term liabilities consisted of compensated absences payable of \$1,488,994, bonds payable net of unamortized premium of \$38,686,582, capital leases/lease purchase agreements payable of \$2,945,290, net pension liability - Public Employees Retirement System of \$12,071,042 and net pension liability - Essex County of \$176,897 for a total of \$55,368,805.

Additional information of the District's long-term liabilities is presented in the Notes to the Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Currently, the District is in good financial condition. At June 30, 2017 the District has in excess of \$1.4 million of General Fund reserves and fund balance (Budgetary Basis). Everyone associated with Verona School District is grateful for the community support.

Many factors were considered by the District's administration during the process of developing the fiscal year 2017/2018 budget. The primary factors were the District's projected student population, anticipated state and federal aid as well as increasing salary and related benefit costs.

These indicators were considered when adopting the budget for fiscal year 2017-2018. Budgeted expenditures in the General Fund increased \$875,452 to \$33,675,763 in fiscal year 2017-2018.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our 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 information contact the School Business Administrator, Verona Board of Education, 121 Fairview Avenue, Verona, NJ 07044.

BASIC FINANCIAL STATEMENTS

**VERONA BOARD OF EDUCATION
STATEMENT OF NET POSITION
AS OF JUNE 30, 2017**

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|--|------------------------------------|-------------------------------------|---------------------|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 1,279,117 | \$ 74,606 | \$ 1,353,723 |
| Restricted Cash with Fiscal Agents | 3,493 | | 3,493 |
| Investments | 667,499 | | 667,499 |
| Receivables, net | | | |
| Receivables from Other Governments | 908,321 | 448 | 908,769 |
| Accounts Receivable | 19,126 | | 19,126 |
| Prepaid Items | 73,711 | | 73,711 |
| Inventory | | 3,556 | 3,556 |
| Capital Assets | | | |
| Not Being Depreciated | 1,679,937 | | 1,679,937 |
| Being Depreciated, net | <u>51,752,267</u> | <u>21,661</u> | <u>51,773,928</u> |
| Total Assets | <u>56,383,471</u> | <u>100,271</u> | <u>56,483,742</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred Amount on Refunding of Debt | 864,699 | - | 864,699 |
| Deferred Amounts on Net Pension Liability | <u>3,549,973</u> | <u>-</u> | <u>3,549,973</u> |
| Total Deferred Outflows of Resources | <u>4,414,672</u> | <u>-</u> | <u>4,414,672</u> |
| Total Assets and Deferred Outflows of Resources | <u>60,798,143</u> | <u>100,271</u> | <u>60,898,414</u> |
| LIABILITIES | | | |
| Accounts Payable and Other Liabilities | 701,960 | | 701,960 |
| Intergovernmental Payable | 20,998 | | 20,998 |
| Accrued Interest Payable | 399,726 | | 399,726 |
| Unearned Revenue | 270,328 | 68,189 | 338,517 |
| Grant Note Payable | 932,528 | | 932,528 |
| Noncurrent Liabilities | | | |
| Due Within One Year | 2,668,720 | | 2,668,720 |
| Due Beyond One Year | <u>52,700,085</u> | <u>-</u> | <u>52,700,085</u> |
| Total Liabilities | <u>57,694,345</u> | <u>68,189</u> | <u>57,762,534</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred Amounts on Net Pension Liability | <u>25,011</u> | <u>-</u> | <u>25,011</u> |
| Total Liabilities and Deferred Inflows of Resources | <u>57,719,356</u> | <u>68,189</u> | <u>57,787,545</u> |
| NET POSITION | | | |
| Net Investment in Capital Assets | 12,665,031 | 21,661 | 12,686,692 |
| Restricted for: | | | |
| Capital Projects | 74,454 | | 74,454 |
| Other Purposes | 278,007 | | 278,007 |
| Unrestricted | <u>(9,938,705)</u> | <u>10,421</u> | <u>(9,928,284)</u> |
| Total Net Position | <u>\$ 3,078,787</u> | <u>\$ 32,082</u> | <u>\$ 3,110,869</u> |

The accompanying Notes to the Financial Statements are an integral part of this statement.

VERONA BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | Total |
|--|-------------------|-------------------------|--|--|--|-----------------------------|------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | |
| Governmental Activities: | | | | | | | |
| Instruction | | | | | | | |
| Regular | \$ 22,431,887 | \$ 182,230 | \$ 8,532,911 | | \$ (13,716,746) | | \$ (13,716,746) |
| Special Education | 7,286,594 | | 2,913,746 | | (4,372,848) | | (4,372,848) |
| Other Instruction | 421,161 | | 166,134 | | (255,027) | | (255,027) |
| School Sponsored Activities and Athletics | 1,214,014 | | 284,864 | | (929,150) | | (929,150) |
| Support Services | | | | | | | |
| Student and Instruction Related Services | 5,590,168 | | 873,168 | | (4,717,000) | | (4,717,000) |
| School Administrative Services | 3,386,471 | | 937,669 | | (2,448,802) | | (2,448,802) |
| General Administrative Services | 771,714 | | 154,642 | | (617,072) | | (617,072) |
| Plant Operations and Maintenance | 4,705,190 | | 37,996 | \$ 320,456 | (4,346,738) | | (4,346,738) |
| Pupil Transportation | 1,032,430 | | 41,708 | | (990,722) | | (990,722) |
| Business and Other Support Services | 877,465 | | 114,434 | | (763,031) | | (763,031) |
| Interest on Long-Term Debt and Other Charges | 1,221,902 | - | - | - | (1,221,902) | - | (1,221,902) |
| Total Governmental Activities | 48,938,996 | 182,230 | 14,057,272 | 320,456 | (34,379,038) | - | (34,379,038) |
| Business-Type Activities: | | | | | | | |
| VSEA | 59,952 | 59,625 | | | | \$ (327) | (327) |
| Food Service | 393,936 | 372,038 | 4,273 | - | - | (17,625) | (17,625) |
| Total Business-Type Activities | 453,888 | 431,663 | 4,273 | - | - | (17,952) | (17,952) |
| Total Primary Government | \$ 49,392,884 | \$ 613,893 | \$ 14,061,545 | \$ 320,456 | (34,379,038) | (17,952) | (34,396,990) |

Continued

**VERONA BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

| | Net (Expense) Revenue and Changes in Net Position | | |
|---|--|-------------------------------------|-----------------|
| | Governmental Activities | Business-Type Activities | Total |
| Total Primary Government (Carried Forward) | \$ (34,379,038) | \$ (17,952) | \$ (34,396,990) |
| General Revenues and Transfers | | | |
| Taxes: | | | |
| Property Taxes, Levied for General Purposes | 30,966,400 | | 30,966,400 |
| Taxes Levied for Debt Service | 2,871,015 | | 2,871,015 |
| State Aid Restricted for Debt Service | 667,667 | | 667,667 |
| Investment Earnings | 10,253 | | 10,253 |
| Miscellaneous Income | 180,670 | - | 180,670 |
| Transfers | (2,272) | 2,272 | - |
| Total General Revenues and Transfers | 34,693,733 | 2,272 | 34,696,005 |
| Change in Net Position | 314,695 | (15,680) | 299,015 |
| Net Position Beginning of Year (Restated) | 2,764,092 | 47,762 | 2,811,854 |
| Net Position End of Year | \$ 3,078,787 | \$ 32,082 | \$ 3,110,869 |

FUND FINANCIAL STATEMENTS

VERONA BOARD OF EDUCATION
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2017

| | General Fund | Special Revenue Fund | Capital Projects Fund | Debt Service Fund | Total |
|--|---------------------|----------------------|-----------------------|-------------------|---------------------|
| ASSETS | | | | | |
| Cash and Cash Equivalents | \$ 991,193 | \$ 287,924 | | | \$ 1,279,117 |
| Investments | | | \$ 667,499 | | 667,499 |
| Receivables, Net | | | | | |
| Receivables From Other Governments | 115,025 | 13,078 | 780,218 | | 908,321 |
| Accounts | 19,126 | | | | 19,126 |
| Prepaid Expense | 73,711 | | | | 73,711 |
| Due from Other Funds | 15,325 | | | \$ 46,705 | 62,030 |
| Restricted Cash with Fiscal Agents | - | - | 3,493 | - | 3,493 |
| Total Assets | \$ 1,214,380 | \$ 301,002 | \$ 1,451,210 | \$ 46,705 | \$ 3,013,297 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities | | | | | |
| Accounts Payable | \$ 56,319 | \$ 9,676 | \$ 483,805 | | \$ 549,800 |
| Due to Other Funds | | | 49,140 | \$ 12,890 | 62,030 |
| Payable to State Governments | | 20,998 | | | 20,998 |
| Other Current Liabilities | 152,160 | | | | 152,160 |
| Grant Anticipation Notes Payable | | | 932,528 | | 932,528 |
| Unearned Revenue | - | 270,328 | - | - | 270,328 |
| Total Liabilities | 208,479 | 301,002 | 1,465,473 | 12,890 | 1,987,844 |
| Fund Balances | | | | | |
| Nonspendable | | | | | |
| Prepaid Expense | 73,711 | | | | 73,711 |
| Restricted | | | | | |
| Excess Surplus-Designated for Subsequent Year's Budget | 221,000 | | | | 221,000 |
| Excess Surplus | 20,737 | | | | 20,737 |
| Capital Reserve | 89,993 | | | | 89,993 |
| Maintenance Reserve | 242,916 | | | | 242,916 |
| Capital Projects | | | (15,539) | | (15,539) |
| Debt Service | | | 1,276 | 33,815 | 35,091 |
| Assigned | | | | | |
| Designated for Subsequent Year's Budget | 31,841 | | | | 31,841 |
| Unassigned | 325,703 | - | - | - | 325,703 |
| Total Fund Balances | 1,005,901 | - | (14,263) | 33,815 | 1,025,453 |
| Total Liabilities and Fund Balances | \$ 1,214,380 | \$ 301,002 | \$ 1,451,210 | \$ 46,705 | |

Amounts reported for governmental activities in the statement of net position (A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$72,991,762 and the accumulated depreciation is \$19,559,558.

53,432,204

The District has financed capital assets through the issuance of serial bonds. The interest accrual at year end is:

(399,726)

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 2A)

(55,368,805)

Amounts resulting from the refunding of debt are reported as deferred outflows of resources on the statement of net position and amortized over the life of the debt.

864,699

Certain amounts resulting from the measurement of the net pension liability are reported as either deferred inflows of resources or deferred outflows of resources on the statement of net position and deferred over future years.

Deferred Outflows of Resources- Essex County
Deferred Outflows of Resources- Public Employees' Retirement System
Deferred Inflows of Resources - Public Employees' Retirement System

\$ 39,640
3,510,333
(25,011)

3,524,962

Net Position of Governmental Activities (Exhibit A-1)

\$ 3,078,787

**VERONA BOARD OF EDUCATION
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

| | <u>General Fund</u> | <u>Special Revenue Fund</u> | <u>Capital Projects Fund</u> | <u>Debt Service Fund</u> | <u>Total</u> |
|--|-------------------------|-------------------------------------|--------------------------------------|----------------------------------|---------------------|
| REVENUES | | | | | |
| Local Sources | | | | | |
| Property Tax Levy | \$ 30,966,400 | | | \$ 2,871,015 | \$ 33,837,415 |
| Tuition | 182,230 | | | | 182,230 |
| Interest | - | | \$ 10,253 | | 10,253 |
| Miscellaneous | 180,670 | \$ 136,981 | - | - | 317,651 |
| Total - Local Sources | 31,329,300 | 136,981 | 10,253 | 2,871,015 | 34,347,549 |
| State Sources | 5,565,910 | 140,587 | 320,456 | 667,667 | 6,694,620 |
| Federal Sources | - | 632,408 | - | - | 632,408 |
| Total Revenues | 36,895,210 | 909,976 | 330,709 | 3,538,682 | 41,674,577 |
| EXPENDITURES | | | | | |
| Current | | | | | |
| Regular Instruction | 16,694,012 | 272,645 | 156,613 | | 17,123,270 |
| Special Education Instruction | 5,815,362 | 565,315 | | | 6,380,677 |
| Other Instruction | 316,870 | | | | 316,870 |
| School Sponsored Activities and Athletics | 962,474 | | | | 962,474 |
| Support Services | | | | | |
| Student and Instruction Related Services | 4,716,167 | 49,309 | | | 4,765,476 |
| General Administrative Services | 657,594 | | | | 657,594 |
| School Administrative Services | 2,613,464 | | | | 2,613,464 |
| Plant Operations and Maintenance | 3,138,220 | | 146,179 | | 3,284,399 |
| Pupil Transportation | 810,242 | 22,707 | | | 832,949 |
| Business and Other Support Services | 782,097 | | | | 782,097 |
| Debt Service | | | | | |
| Principal | 525,607 | | | 2,100,000 | 2,625,607 |
| Interest | 73,850 | | | 1,459,388 | 1,533,238 |
| Capital Outlay | 16,542 | - | 7,683,827 | - | 7,700,369 |
| Total Expenditures | 37,122,501 | 909,976 | 7,986,619 | 3,559,388 | 49,578,484 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (227,291) | - | (7,655,910) | (20,706) | (7,903,907) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Lease Purchase Proceeds | | | 160,000 | | 160,000 |
| Transfers In | 75,436 | | | 9,032 | 84,468 |
| Transfers Out | (2,272) | - | (84,468) | - | (86,740) |
| Total Other Financing Sources (Uses) | 73,164 | - | 75,532 | 9,032 | 157,728 |
| Net Change in Fund Balances | (154,127) | - | (7,580,378) | (11,674) | (7,746,179) |
| Fund Balance, Beginning of Year | 1,160,028 | - | 7,566,115 | 45,489 | 8,771,632 |
| Fund Balance, End of Year | \$ 1,005,901 | \$ - | \$ (14,263) | \$ 33,815 | \$ 1,025,453 |

The accompanying Notes to the Financial Statements are an integral part of this statement

**VERONA BOARD OF EDUCATION
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, 2017**

Total Net Change in Fund Balances - Governmental Funds (Exhibit B-2) \$ (7,746,179)

Amounts reported for governmental activities in the statement of activities (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.

| | | |
|----------------------|------------------|-----------|
| Depreciation Expense | \$ (1,704,345) | |
| Capital Outlay | <u>7,700,369</u> | 5,996,024 |

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on Statement of Activities (See Note 2B)

2,465,607

In the statement of activities, certain operating expense-compensate absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (paid):

| | |
|------------------------------------|---------|
| Net Change in Compensated Absences | 132,075 |
|------------------------------------|---------|

Governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

| | |
|--|-----------|
| Amortization of Original Issue Premium | 431,678 |
| Amortization of Deferred Amount on Refunding of Debt | (137,912) |

In the statement of activities, pension expenses are measured by the liability accrued during the year. In the governmental funds, however, expenditures are reported in the amount of financial resources used (paid):

| | |
|--|-----------|
| Increase in Pension Expense- Public Employees' Retirement System | (874,627) |
| Decrease in Pension Expense- Essex County | 30,459 |

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

| | |
|------------------------------|---------------|
| Decrease in Accrued Interest | <u>17,570</u> |
|------------------------------|---------------|

Change in Net Position of Governmental Activities (Exhibit A-2) \$ 314,695

**VERONA BOARD OF EDUCATION
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
AS OF JUNE 30, 2017**

| | Business-Type Activities | | |
|------------------------------------|--------------------------|-----------------------------------|------------------|
| | Enterprise Fund | | |
| | <u>Food Services</u> | <u>Other Non-Major (VSEA)</u> | <u>Total</u> |
| ASSETS | | | |
| Current Assets | | | |
| Cash | \$ 5,406 | \$ 69,200 | \$ 74,606 |
| Intergovernmental Receivable | | | |
| Federal | 52 | | 52 |
| Other Accounts Receivable | 396 | | 396 |
| Inventories | 3,556 | - | 3,556 |
| Total Current Assets | <u>9,410</u> | <u>69,200</u> | <u>78,610</u> |
| Capital Assets | | | |
| Furniture, Machinery and Equipment | 325,899 | | 325,899 |
| Less: Accumulated Depreciation | <u>(304,238)</u> | - | <u>(304,238)</u> |
| Total Capital Assets | <u>21,661</u> | - | <u>21,661</u> |
| Total Assets | <u>31,071</u> | <u>69,200</u> | <u>100,271</u> |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Unearned Revenue | <u>10,905</u> | <u>57,284</u> | <u>68,189</u> |
| Total Current Liabilities | <u>10,905</u> | <u>57,284</u> | <u>68,189</u> |
| NET POSITION | | | |
| Investment in Capital Assets | 21,661 | | 21,661 |
| Unrestricted | <u>(1,495)</u> | <u>11,916</u> | <u>10,421</u> |
| Total Net Position | <u>\$ 20,166</u> | <u>\$ 11,916</u> | <u>\$ 32,082</u> |

The accompanying Notes to the Financial Statements are an integral part of this statement

**VERONA BOARD OF EDUCATION
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET POSITION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

| | Business-Type Activities | | |
|------------------------------------|--------------------------|---------------------------|------------|
| | Enterprise Fund | | |
| | Food Services | Other Non-Major (VSEA) | Total |
| OPERATING REVENUES | | | |
| Charges for Services | | | |
| Daily Sales | \$ 372,038 | | \$ 372,038 |
| Program Fees | - | \$ 59,625 | 59,625 |
| Total Operating Revenues | 372,038 | 59,625 | 431,663 |
| OPERATING EXPENSES | | | |
| Salaries and Wages | 145,480 | 54,284 | 199,764 |
| Food Costs | 165,000 | | 165,000 |
| Other Expenses | 13,371 | 5,668 | 19,039 |
| Insurance | 20,194 | | 20,194 |
| Miscellaneous | 14,624 | | 14,624 |
| Depreciation Expense | 11,322 | | 11,322 |
| Administrative and Management Fees | 23,945 | - | 23,945 |
| Total Operating Expenses | 393,936 | 59,952 | 453,888 |
| Operating Income (Loss) | (21,898) | (327) | (22,225) |
| NONOPERATING REVENUES | | | |
| Federal Sources | | | |
| Special Milk Program | 4,273 | - | 4,273 |
| Total Nonoperating Revenues | 4,273 | - | 4,273 |
| Income (Loss) Before Transfers | (17,625) | (327) | (17,952) |
| Transfer In | 2,272 | - | 2,272 |
| Change in Net Position | (15,353) | (327) | (15,680) |
| Net Position, Beginning of Year | 35,519 | 12,243 | 47,762 |
| Net Position, End of Year | \$ 20,166 | \$ 11,916 | \$ 32,082 |

The accompanying Notes to the Financial Statements are an integral part of this statement

**VERONA BOARD OF EDUCATION
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

| | Business-Type Activities | | |
|---|--------------------------|---------------------------|--------------------|
| | Enterprise Fund | | |
| | Food Services | Other Non-Major (VSEA) | Total |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash Received from Customers | \$ 373,191 | \$ 58,222 | \$ 431,413 |
| Cash Payments for Employees' Salaries and Benefits | (145,480) | (54,284) | (199,764) |
| Cash Payments to Suppliers for Goods and Services | (237,971) | (5,669) | (243,640) |
| Net Cash Provided (Used) By Operating Activities | <u>(10,260)</u> | <u>(1,731)</u> | <u>(11,991)</u> |
| CASH FLOWS FROM NONCAPITAL AND RELATED ACTIVITIES | | | |
| Transfer from Other Funds | 6,545 | - | 6,545 |
| Net Cash Provided by Noncapital and Related Activities | <u>6,545</u> | <u>-</u> | <u>6,545</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Purchase of Capital Assets | (3,198) | - | (3,198) |
| Net Cash (Used) by Capital and Financing Related Activities | <u>(3,198)</u> | <u>-</u> | <u>(3,198)</u> |
| Net Change in Cash and Cash Equivalents | (6,913) | (1,731) | (8,644) |
| Cash and Cash Equivalents, Beginning of Year | 12,319 | 70,931 | 83,250 |
| Cash and Cash Equivalents, End of Year | <u>\$ 5,406</u> | <u>\$ 69,200</u> | <u>\$ 74,606</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) FOR OPERATING ACTIVITIES | | | |
| Operating Income (Loss) | \$ (21,898) | \$ (327) | \$ (22,225) |
| Adjustments to Reconcile Operating Income to Net Cash Used for Operating Activities | | | |
| Depreciation | 11,322 | | 11,322 |
| Change in Assets and Liabilities | | | |
| (Increase)/Decrease in Inventory | 2,532 | | 2,532 |
| (Increase)/Decrease in Other Accounts Receivable | (396) | | (396) |
| (Increase)/Decrease in Due from Other Funds | 493 | | 493 |
| Increase/(Decrease) in Accounts Payable | (1,257) | | (1,257) |
| Increase/(Decrease) in Unearned Revenue | (1,056) | (1,404) | (2,460) |
| Total Adjustments | <u>11,638</u> | <u>(1,404)</u> | <u>10,234</u> |
| Net Cash Provided (Used) By Operating Activities | <u>\$ (10,260)</u> | <u>\$ (1,731)</u> | <u>\$ (11,991)</u> |

The accompanying Notes to the Financial Statements are an integral part of this statement

**VERONA BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2017**

| | <u>Private Purpose Trust Fund</u> | <u>Unemployment Insurance Trust Fund</u> | <u>Agency Fund</u> |
|---|---|--|-----------------------|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 10,000 | | \$ 174,182 |
| Due from Other Funds | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Assets | <u>10,000</u> | <u>-</u> | <u>\$ 174,182</u> |
| LIABILITIES | | | |
| Accrued Salaries and Wages | | | \$ 1,918 |
| Payroll Deductions and Withholdings | | | 20,440 |
| Reserve for Flexible Spending | | | 27,285 |
| Due to Student Groups | <u>-</u> | <u>-</u> | <u>124,539</u> |
| Total Liabilities | <u>-</u> | <u>-</u> | <u>\$ 174,182</u> |
| NET POSITION | | | |
| Held In Trust For Unemployment Claims and Other Purposes | <u>\$ 10,000</u> | <u>\$ -</u> | |

The accompanying Notes to the Financial Statements are an integral part of this statement

**VERONA BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

| | <u>Private Purpose Trust Fund</u> | <u>Unemployment Insurance Trust Fund</u> |
|--|---|--|
| ADDITIONS | | |
| Contributions | | |
| Donations | \$ 375 | |
| Employee | | \$ 58,342 |
| Investment Earnings | | |
| Interest | <u>9</u> | <u>-</u> |
| Total Additions | <u>384</u> | <u>58,342</u> |
| DEDUCTIONS | | |
| Unemployment Claims | | 60,424 |
| Transfer to High School Student Activities | <u>\$ 7,952</u> | <u>-</u> |
| Total Deductions | <u>7,952</u> | <u>60,424</u> |
| Change in Net Position | (7,568) | (2,082) |
| Net Position Beginning of Year | <u>17,568</u> | <u>2,082</u> |
| Net Position, End of Year | <u>\$ 10,000</u> | <u>\$ -</u> |

The accompanying Notes to the Financial Statements are an integral part of this statement

NOTES TO THE FINANCIAL STATEMENTS

**VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Verona Board of Education (the "Board" or the "District") is an instrumentality of the State of New Jersey, established to function as an education institution. The Board consists of five 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. Under existing statutes, the Board's duties and powers include, but are not limited to, the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

The Board also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the Verona Board of Education this includes general operations, food service, Verona Summer Enrichment Academy (VSEA) and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based on the foregoing criteria, the District has no component units. Furthermore, the District is not includable in any other reporting entity as a component unit.

B. New Accounting Standards

During fiscal year 2017, the District adopted the following GASB statements:

- GASB No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability.
- GASB No. 77, *Tax Abatement Disclosures*. The requirements of this Statement will improve financial reporting by providing disclosure of information about the nature and magnitude of tax abatements that will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition.
- GASB No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14. *The Financial Reporting Entity, as amended*.

VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards (Continued)

- GASB No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pension*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Other accounting standards that the District is currently reviewing for applicability and potential impact on the financial statements include:

- GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will be effective beginning with the fiscal year ending June 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.
- GASB No. 84, *Fiduciary Activities*, will be effective with the fiscal year ending June 30, 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement established criteria for identifying fiduciary activities of all state and local governments.
- GASB No. 85, *Omnibus 2017*, will be effective with the fiscal year ending June 30, 2018. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and post-employment benefits (pensions and other post-employment benefits (OPEB)).
- GASB No. 86, *Certain Debt Extinguishment Issues*, will be effective with the fiscal year ending June 30, 2018. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.
- GASB No. 87, *Leases*, will be effective with the fiscal year ending June 30, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

C. Basis of Presentation - Financial Statements

The financial statements include both district-wide financial statements (based on the District as a whole) and fund financial statements (based on specific District activities or objectives). Both the district-wide and fund financial statements categorize activities as either governmental activities or business-type activities. While separate district-wide and fund financial statements are presented, they are interrelated. In the district-wide financial statements, the governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the District's enterprise funds. Fiduciary funds are excluded from the district-wide financial statements.

VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

District-Wide Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Board of Education. All fiduciary activities are reported only in the fund financial statements. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by property taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. In the statement of net position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) reflect on a full accrual economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or other governmental entities, including other school districts, who purchase, use, or directly benefit from goods or services provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Property taxes, unrestricted state aid and other items not properly included among program revenues are reported instead as general revenues.

As a general rule the effect of interfund activity has been eliminated from the district-wide financial statements. Exceptions to this general rule are charges between the Board's proprietary and fiduciary funds since elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements

Separate fund financial statements are provided for governmental, proprietary, and fiduciary activities, even though the latter are excluded from the district-wide financial statements. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. The District considers all of its governmental and the food service enterprise fund to be major funds.

The District reports the following major governmental funds:

The *general fund* is the School District's primary operating fund. It accounts for all financial resources of the District, except those to be accounted for in another fund.

The *special revenue fund* accounts for the proceeds of specific revenue sources legally restricted to expenditures for specified purposes. This fund accounts for federal, state and local financial programs, with the exception of grants for major capital projects and the child nutrition programs.

The *capital projects fund* accounts for the proceeds from the sale of bonds, lease purchases and other revenues used for the acquisition or construction of capital facilities and other capital assets, other than those financed by the proprietary funds.

The *debt service fund* accounts for the accumulation of resources that are restricted, committed or assigned for the payment of principal and interest on long-term general obligation debt of governmental funds.

VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

Fund Financial Statements (Continued)

The District reports the following major proprietary fund which is organized to be self-supporting through user charges:

The *food service fund* accounts for the activities of the school cafeteria, which provides food service to students as well as a la carte and catering services for teachers and special events.

The District reports the following non-major proprietary fund which is organized to be self-supporting through user charges:

The *VSEA fund* accounts for the activities of the Verona Summer Enrichment Academy which provides a continuum that bridges essential skills from one grade level to the next.

Additionally, the government reports the following fund types:

The *fiduciary trust fund* is used to account for resources legally held in trust for the state unemployment insurance claims, for private donations for scholarship awards, payroll related activities and student related activities which are supported and controlled by student organizations and clubs. All resources of the fund, including any earnings on invested resources, may be used to support the intended purpose. There is no requirement that any portion of these resources be preserved as capital.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the district-wide financial statements as "internal balances".

Reclassifications

Certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements with the exception of the agency fund which does not have a measurement focus. All assets, all liabilities and all deferred outflows/inflows of resources associated with these operations (with the exception of the fiduciary funds) are included on the Statement of Net Position. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual (i.e. when they are both measurable and available). Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues to be available if they are collected within 60 days after year-end. Expenditures are recorded when a liability is incurred, as under accrual basis of accounting, with the exception of debt service expenditures as well as expenditures related to compensated absences and claims and judgments which are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, tuition, unrestricted state aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements (formula-type grants and aid) are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source. Expenditure-driven grants and similar awards (reimbursement-type grants and awards) are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements imposed by the grantor or provider have been met, and the amount is received during the period or within the availability period for this revenue source. All other revenue items are considered to be measurable and available only when cash is received by the District.

When both restricted and unrestricted resources are available for use, it is the Board's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash, Cash Equivalents and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value and are limited by N.J.S.A. 18A:20-37.

2. Receivables

All receivables are reported at their gross value, and where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

3. Inventories

The cost of inventories of the governmental fund types are recorded as expenditures at the time individual inventory items are purchased.

Food Service Fund inventories are valued at cost, using the first-in first-out (FIFO) method and consist of food and expendable supplies. The cost of such inventories is recorded as expenses when consumed rather than when purchased.

4. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both district-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**VERONA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

5. Restricted Assets

Certain assets are classified as restricted on the balance sheet because they are maintained in separate bank accounts for Lease-Purchase Agreements for capital projects.

6. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the district-wide financial statements. Capital assets are defined by the Board as assets with an initial, individual cost of \$2,000 and an estimated useful life in excess of two years. The District was able to estimate the historical cost for the initial reporting of these capital assets through back trending. As the District constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Land and construction in progress are not depreciated. The other property, plant, and equipment of the District, is depreciated using the straight line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|--------------------------------|--------------|
| Land Improvements | 20 |
| Buildings | 20-50 |
| Building Improvements | 20 |
| Heavy Equipment | 10-20 |
| Office Equipment and Furniture | 7-10 |
| Computer Equipment | 5 |

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Board has two items which arise only under the accrual basis of accounting that qualify for reporting in this category. One item is the deferred amounts on refunding of debt which results from the loss on a debt refunding reported in the district-wide statement of net position. Deferred amounts on debt refunding result from the loss on the transaction when the debt's reacquisition price is greater than the carrying value of the refunded debt. These amounts are deferred and amortized over the shorter of the life of the refunded or refunding debt. The other item that qualifies for reporting in this category is the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the district-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; (4) changes in proportion and differences between employer contributions and proportionate share of contributions; and (5) contributions made subsequent to the measurement date. These amounts are deferred and amortized over future years.

**VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

7. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Board has one type of item, which arises only under the accrual basis of accounting that qualifies for reporting in this category. The item that qualifies for reporting in this category is the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the district-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; and (4) changes in proportion and differences between employer contributions and proportionate share of contributions. These amounts are deferred and amortized over future years.

8. Compensated Absences

It is the District's policy to permit employees to accumulate (with certain restrictions) earned but unused vacation and sick leave benefits. A long-term liability of accumulated vacation and sick leave and salary related payments has been recorded in the governmental activities in the district-wide financial statements, representing the Board's commitment to fund such costs from future operations. Proprietary Funds do not permit the accrual of unused vacation, personal and sick leave. A liability is reported in the governmental funds only to the amount actually due at year end as a result of employee resignations and retirements.

9. Pensions

In the district-wide financial statements, for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the retirement systems sponsored and administered by the State of New Jersey and additions to/deductions from these retirement systems' fiduciary net position have been determined on the same basis as they are reported by the retirement systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

In the governmental fund financial statements, net pension liabilities represent amounts normally expected to be liquidated with expendable available financial resources for required pension contributions that are due and payable at year end. Pension expenditures are recognized based on contractual pension contributions that are required to be made to the pension plan during the fiscal year.

10. Long-Term Obligations

In the district-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Gains resulting from debt refundings are classified as deferred inflows of resources and losses are reported as deferred outflows of resources. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Gains and losses resulting from debt refundings are also deferred and amortized over the life of the refunded bonds or new bonds whichever is less using the effective interest method. Bonds payable are reported including the unamortized bond premium or discount. Bond issuance costs (other than for prepaid insurance) are treated as an expense.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during 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.

VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

11. *Net Position/Fund Balance*

District-Wide Statements

In the district-wide statements, there are three classes of net position:

- **Net Investment in Capital Assets** – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets or related debt also should be included.
- **Restricted Net Position** – reports net position when constraints placed on the residual amount of noncapital assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** – any portion of net position not already classified as either net investment in capital assets or net position – restricted is classified as net position – unrestricted.

Governmental Fund Statements

Fund balance categories are designed to make the nature and extent of the constraints placed on the District's fund balance more transparent. These categories are comprised of a hierarchy based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Nonspendable Fund Balance – Amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.

Prepays – Represents the portion of fund balance not available for future spending related to costs associated with and chargeable to future accounting periods.

Restricted Fund Balance – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Excess Surplus – Designated for Subsequent Year's Budget - This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2016 audited excess surplus that was appropriated in the 2017/2018 original budget certified for taxes.

Excess Surplus – This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2017 audited excess surplus that is required to be appropriated in the 2018/2019 original budget certified for taxes.

Capital Reserve – This restriction was created by the District in accordance with NJAC 6A:23A-14.1 to fund future capital expenditures (See Note 3d.)

Maintenance Reserve – This restriction was created by the Board in accordance with NJAC 6A:23A-14.2 to accumulate funds for the required maintenance of school facilities in accordance with the EFCA (NJSA 18A:7G-9) for a thorough and efficient education. (See Note 3e).

VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

11. *Net Position/Fund Balance (Continued)*

Governmental Fund Statements (Continued)

Restricted Fund Balance (Continued)

Capital Projects – Represents fund balance restricted specifically for capital acquisitions and improvements in the Capital Projects Fund.

Debt Service – Represents fund balance restricted specifically for the repayment of long-term debt principal and interest in the Debt Service Fund.

Assigned Fund Balance – Amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Designated for Subsequent Year's Budget – This designation was created to dedicate the portion of fund balance appropriated in the adopted 2017/2018 District budget certified for taxes.

Unassigned Fund Balance – Represents fund balance that has not been restricted, committed or assigned to specific purposes within the governmental funds.

F. Revenues and Expenditures/Expenses

1. *Program Revenues*

Amounts reported as program revenues in the district-wide statement of activities include 1) charges to customers or applicants for goods or services, provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes, unrestricted state aid, investment earnings and miscellaneous revenues.

2. *Property Taxes*

Property taxes are levied pursuant to law and are collected by the municipality and are transferred to the District as requested. Property tax revenues are recognized in the year they are levied and become available. Property taxes collected in advance of the year-end for which they are levied and transferred to the District are reported as deferred inflows of resources. The tax bills are mailed annually in June by the municipal tax collector and are levied and due in four quarterly installments on August 1, November 1, February 1 and May 1 of the fiscal year. When unpaid, taxes or any other municipal lien, or part thereof, on real property, remains in arrears on April 1st in the year following the calendar year levy when the same became in arrears, the tax collector of the municipality shall, subject to the provisions of New Jersey Statute, enforce the lien by placing the property on a tax sale. The municipality may institute annual “in rem” tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property.

**VERONA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Revenues and Expenditures/Expenses (Continued)

3. *Tuition Revenues and Expenditures*

Tuition Revenues - Tuition charges were established by the Board of Education based on estimated costs. The charges are subject to adjustment when the final costs are determined and certified by the State Department of Education.

Tuition Expenditures - Tuition charges for the fiscal years 2015-2016 and 2016-2017 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been certified by the State Department of Education.

4. *Proprietary Funds, Operating and Nonoperating Revenues and Expenses*

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the food service enterprise fund and of the VSEA enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Federal and State subsidies for the food service operation are considered nonoperating revenues.

NOTE 2 RECONCILIATION OF DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the district-wide statement of net position

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position– governmental activities as reported in the district-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$55,368,805 difference are as follows:

| | |
|---|----------------------|
| Bonds Payable | \$ 35,980,000 |
| Issuance Premium (to be amortized over life of debt) | 2,706,582 |
| Capital Leases/Lease Purchase Agreements | 2,945,290 |
| Compensated Absences Payable | 1,488,994 |
| Net Pension Liability | |
| Public Employees' Retirement System | 12,071,042 |
| Essex County | <u>176,897</u> |
| Net Adjustment to Reduce Fund Balance - Total Governmental Funds to Arrive at Net Position - Governmental Activities | <u>\$ 55,368,805</u> |

**VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 2 RECONCILIATION OF DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the district-wide statement of activities

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The details of this difference are as follows:

| | |
|--|---------------------|
| Debt Issued or Incurred: | |
| Capital Lease Financing | \$ (160,000) |
| Principal Repayments: | |
| General Obligation Bonds | 2,100,000 |
| Capital Lease/Lease Purchase Agreements | <u>525,607</u> |
| | |
| Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities | <u>\$ 2,465,607</u> |

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

In accordance with the requirements of the New Jersey Department of Education (“the Department”), the District annually prepares its operating budget for the forthcoming year. The budget, except for the general fund and special revenue fund, which is more fully explained below and in the notes to the required supplementary information, is prepared in accordance with accounting principles generally accepted in the United States of America and serves as a formal plan for expenditures and the proposed means for financing them. Capital lease transactions are accounted for on the GAAP basis.

The annual budget is adopted in the spring of the preceding year for the general, special revenue and debt service funds. The District is not required to adopt an annual budget for the capital projects fund. The budget is submitted to the county superintendent for review and approval prior to adoption. Prior to the 2012/2013 budget year, the annual budget was required to be voted upon at the annual school election held on the third Tuesday in April. On January 17, 2012, Chapter 202 of the Laws of P.L. 2011 was approved which established procedures for moving the date of a school district’s annual school election from April to the general election in November. Under the new law, districts that have their school board members elected in November no longer have to submit their budgets that meet levy cap requirements for voter approval beginning with the 2012/2013 budget year. Only a school board decision to exceed the tax levy cap would require voter approval for the additional amount on the November ballot. On January 17, 2012, the Board adopted a resolution to move its annual election to the date of the general elections in accordance with the law; therefore voter approval of the annual budget is not required.

Budget adoptions and amendments are recorded in the District’s board minutes. The budget is amended by the Board of Trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account 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. The Board approved several budget transfers during 2016/2017. Also, during 2016/2017 the Board increased the original budget by \$560,506. The increase was funded by grant awards and the appropriation of maintenance reserve funds.

**VERONA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

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 accounting principles generally accepted in the United States of America, with the exception of the legally mandated revenue recognition of certain state aid payments for budgetary purposes only and the treatment of encumbrances in the special revenue fund as described in the Notes to Required Supplementary Information (RSI). Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

Encumbrance accounting is employed in the governmental funds. 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 committed and/or assigned fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services which are reappropriated and honored during the subsequent fiscal year.

B. Excess Expenditures Over Appropriations

The following is a summary of expenditures in excess of available appropriations. The overexpended appropriations resulted in unfavorable variances.

| | <u>Final Budget</u> | <u>Actual</u> | <u>Unfavorable Variance</u> |
|----------------------|-------------------------|---------------|---------------------------------|
| Special Revenue Fund | | | |
| Instruction – | | | |
| Salaries of Teachers | \$92,754 | \$110,727 | \$17,973 |

The above variances were offset with other available resources.

C. Deficit Fund Equity

The District has an accumulated deficit in fund balance of \$14,263 in the Capital Projects Fund as of June 30, 2017. This deficit is the result of the Board incurring expenditures for various improvements and renovations to the School Facilities (2014 referendum) without sufficient funding sources in place. The New Jersey School Development Authority reduced the District's State Aid financing which created the lack of project funding. As the Board provides funding for these appropriations, the District will realize as revenues the proceeds of the funding.

The Food Service Enterprise Fund has a deficit in unrestricted net position of \$1,495 as of June 30, 2017. The District expects to eliminate this deficit through normal operations in the 2017/2018 fiscal year.

D. Capital Reserve

A capital reserve account was established by the District. The accumulation of funds will be used for capital outlay expenditures in subsequent fiscal years. The capital reserve is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve are restricted to capital projects in the district's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the Department, 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-14.1(g), the balance in the reserve cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

**VERONA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

D. Capital Reserve (Continued)

The activity of the capital reserve for the fiscal year ended June 30, 2017 is as follows:

| | |
|------------------------|------------------|
| Balance, July 1, 2016 | \$ 89,993 |
| Balance, June 30, 2017 | <u>\$ 89,993</u> |

E. Maintenance Reserve

A maintenance reserve account was established by the District. The accumulation of funds will be used for required maintenance of school facilities expenditures in subsequent fiscal years. The maintenance reserve is maintained in the General Fund and its activity is included in the General Fund annual budget.

Funds placed in the maintenance reserve are restricted to required maintenance activities for a school facility as reported in the comprehensive maintenance plan. A District may appropriate funds into the maintenance reserve 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. Pursuant to N.J.A.C. 6A:23A-14.2(g), the balance in the reserve cannot at any time exceed four percent of the replacement cost of the school district's school facilities for the current year.

The activity of the maintenance reserve for the fiscal year ended June 30, 2017 is as follows:

| | |
|---|-------------------|
| Balance, July 1, 2016 | \$ 325,117 |
| Increased by: | |
| Return of Unexpended Funds | <u>139,294</u> |
| | 464,411 |
| Decreased by: | |
| Withdrawal Approved by Board Resolution | <u>221,495</u> |
| Balance, June 30, 2017 | <u>\$ 242,916</u> |

The June 30, 2017 comprehensive maintenance plan indicated a maximum maintenance reserve amount of \$2,228,815. The withdrawals from the maintenance reserve were for use in required maintenance activities for school facilities.

F. Calculation of Excess Surplus

In accordance with N.J.S.A. 18A:7F-7, as amended, the restricted fund balance for Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund fund balance in excess of 2% of budget expenditures 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 excess fund balance at June 30, 2017 is \$241,737. Of this amount, \$221,000 was designated and appropriated in the 2017/2018 original budget certified for taxes and the remaining amount of \$20,737 will be appropriated in the 2018/2019 original budget certified for taxes.

**VERONA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 DETAILED NOTES ON ALL FUNDS

A. Cash Deposits and Investments

Cash Deposits

The Board's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), National Credit Union Share Insurance Fund (NCUSIF), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Board is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At June 30, 2017, the book value of the Board's deposits were \$1,541,398 and bank and brokerage firm balances of the Board's deposits amounted to \$2,106,576. The Board's deposits which are displayed on the various fund balance sheets as "cash and cash equivalents" and "restricted cash with fiscal agents" are categorized as:

Depository Account

| | |
|---------|---------------------|
| Insured | <u>\$ 2,106,576</u> |
|---------|---------------------|

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Board does not have a policy for custodial credit risk. As of June 30, 2017 the Board's bank balances were not exposed to custodial credit risk.

Investments

The Board is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 18A:20-37. Examples of the allowable investments are bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the school district or bonds or other obligations of the local unit or units within which the school district is located, Local Government investment pools, and agreements or the repurchase of fully collateralized securities, if transacted in accordance with the above statute.

As of June 30, 2017, the Board had the following investments:

| <u>Investment Type:</u> | <u>Fair Value</u> |
|----------------------------|-------------------|
| U.S. Government Securities | <u>\$ 667,499</u> |

Custodial Credit Risk – Investments – For an investment, this is the risk, that in the event of the failure of the counterparty, the Board will not be able to recover the value of its investments or collateral securities that are held by an outside party. The Board does not have a policy for custodial risk. As of June 30, 2017, \$667,499 of the Board's investments was exposed to custodial credit risk as follows:

Interest Rate Risk – The Board does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**VERONA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

A. Cash Deposits and Investments (Continued)

Investments (Continued)

The fair value of the above-listed investment was based on quoted market prices.

Investment and interest earnings in the Capital Projects Fund are assigned to the Debt Service Fund in accordance with Board policy.

B. Receivables

Receivables as of June 30, 2017 for the district's individual major funds, in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

| | <u>General</u> | <u>Special Revenue</u> | <u>Capital Projects</u> | <u>Food Service</u> | <u>Total</u> |
|------------------------------------|-------------------|----------------------------|-----------------------------|-------------------------|-------------------|
| Receivables: | | | | | |
| Accounts | \$ 19,126 | | | \$ 396 | \$ 19,522 |
| Intergovernmental | | | | | |
| Federal | | \$ 13,078 | | 52 | 13,130 |
| State | <u>115,025</u> | <u>-</u> | <u>\$ 780,218</u> | <u>-</u> | <u>895,243</u> |
| Gross Receivables | 134,151 | 13,078 | 780,218 | 448 | 927,895 |
| Less: Allowance for Uncollectibles | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Total Receivables | <u>\$ 134,151</u> | <u>\$ 13,078</u> | <u>\$ 780,218</u> | <u>\$ 448</u> | <u>\$ 927,895</u> |

C. Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unearned revenue reported in the governmental funds were as follows:

| | |
|---|-----------------------|
| Special Revenue Fund | |
| Unencumbered Local Donations | <u>\$ 270,328</u> |
| Total Unearned Revenue for Governmental Funds | <u>\$ 270,328</u> |

**VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2017 was as follows:

| | Balance, July 1, 2016 | Increases | Decreases | Transfers | Balance, June 30, 2017 |
|---|--------------------------|---------------------|-------------|---------------------|---------------------------|
| Governmental Activities: | | | | | |
| Capital Assets, Not Being Depreciated | | | | | |
| Land | \$ 1,679,937 | | | | \$ 1,679,937 |
| Construction in Progress | 10,269,329 | - | - | \$ (10,269,329) | - |
| Total Capital Assets, Not Being Depreciated | 11,949,266 | - | - | (10,269,329) | 1,679,937 |
| Capital Assets, Being Depreciated | | | | | |
| Buildings and Building Improvements | 49,347,614 | \$ 7,683,827 | - | 9,638,797 | 66,670,238 |
| Improvements Other than Buildings | 1,974,117 | | - | 630,532 | 2,604,649 |
| Machinery and Equipment | 2,020,396 | 16,542 | - | - | 2,036,938 |
| Total Capital Assets Being Depreciated | 53,342,127 | 7,700,369 | - | 10,269,329 | 71,311,825 |
| Less Accumulated Depreciation for | | | | | |
| Buildings and Building Improvements | (14,633,915) | (1,573,986) | - | - | (16,207,901) |
| Improvements Other than Buildings | (1,755,474) | (59,587) | - | - | (1,815,061) |
| Machinery and Equipment | (1,465,824) | (70,772) | - | - | (1,536,596) |
| Total Accumulated Depreciation | (17,855,213) | (1,704,345) | - | - | (19,559,558) |
| Total Capital Assets, Being Depreciated, Net | 35,486,914 | 5,996,024 | - | 10,269,329 | 51,752,267 |
| Governmental Activities Capital Assets, Net | \$ 47,436,180 | \$ 5,996,024 | \$ - | \$ - | \$ 53,432,204 |

**VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

| | <u>Balance, July 1, 2016</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance, June 30, 2017</u> |
|--|----------------------------------|-------------------|------------------|-----------------------------------|
| Business-Type Activities | | | | |
| Capital Assets, Being Depreciated: | | | | |
| Machinery and Equipment | \$ 322,701 | \$ 3,198 | - | \$ 325,899 |
| Total Capital Assets Being Depreciated | <u>322,701</u> | <u>3,198</u> | <u>-</u> | <u>325,899</u> |
| Less Accumulated Depreciation for: | | | | |
| Machinery and Equipment | <u>(292,916)</u> | <u>(11,322)</u> | <u>-</u> | <u>(304,238)</u> |
| Total Accumulated Depreciation | <u>(292,916)</u> | <u>(11,322)</u> | <u>-</u> | <u>(304,238)</u> |
| Total Capital Assets, Being Depreciated, Net | <u>29,785</u> | <u>(8,124)</u> | <u>-</u> | <u>21,661</u> |
| Business-Type Activities Capital Assets, Net | <u>\$ 29,785</u> | <u>\$ (8,124)</u> | <u>\$ -</u> | <u>\$ 21,661</u> |

Depreciation expense was charged to functions/programs of the District as follows:

Governmental Activities:

Instruction

| | |
|---|----------------|
| Regular | \$ 136,348 |
| School-Sponsored Activities and Athletics/Other Instruction | 51,130 |
| Total Instruction | <u>187,478</u> |

Support Services

| | |
|--|------------------|
| Student and Instruction Related Services | 17,043 |
| General Administrative Service | 17,043 |
| School Administrative Services | 102,261 |
| Plant Operations and Maintenance | <u>1,380,520</u> |
| Total Support Services | <u>1,516,867</u> |

Total Depreciation Expense - Governmental Activities \$ 1,704,345

Business-Type Activities:

| | |
|---|------------------|
| Food Service Operations | <u>\$ 11,322</u> |
| Total Depreciation Expense-Business-Type Activities | <u>\$ 11,322</u> |

VERONA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

Construction and Other Significant Commitments

The District has the following active construction projects as of June 30, 2017:

| <u>Project</u> | <u>Remaining Commitment</u> |
|---|---------------------------------|
| Network and Security Upgrades District Generator Project | \$ 16,410 |
| Mechanical Upgrades | 44,318 |
| General Construction Management | 63,824 |
| Masonry Repairs | 35,425 |
| Turf Field | <u>318,070</u> |
| | <u>\$ 478,047</u> |

E. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2017, is as follows:

Due to/from Other Funds

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|-----------------------|------------------|
| General Fund | Capital Projects Fund | \$ 2,435 |
| General Fund | Debt Service Fund | 12,890 |
| Debt Service Fund | Capital Projects Fund | <u>46,705</u> |
| Total | | <u>\$ 62,030</u> |

The above balances are the result of revenues earned or other financing sources received in one fund which are due to another fund and/or expenditures paid by one fund on behalf of another fund.

The District expects all interfund balances to be liquidated within one year.

Interfund transfers

| | <u>Transfer In:</u> | | | <u>Total</u> |
|-----------------------|-------------------------|------------------------------|------------------------------|------------------|
| | <u>General Fund</u> | <u>Debt Service Fund</u> | <u>Food Service Fund</u> | |
| Transfer Out: | | | | |
| Capital Projects Fund | \$ 75,436 | \$ 9,032 | | \$ 84,468 |
| General Fund | <u>-</u> | <u>-</u> | <u>\$ 2,272</u> | <u>2,272</u> |
| | <u>\$ 75,436</u> | <u>\$ 9,032</u> | <u>\$ 2,272</u> | <u>\$ 86,740</u> |

The above transfers are the result of revenues earned and/or other financing sources received in one fund to finance expenditures in another fund.

**VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

F. Leases

Capital Leases/Lease Purchase Agreements

The District has financed a maintenance vehicle, chromebooks and various energy initiative programs totaling \$3,720,626 under capital leases/lease purchase agreements. The leases are for terms of 5 to 15 years.

The unexpended proceeds from capital leases in the amount of \$3,493 at June 30, 2017 are held with the Fiscal Agent.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017 were as follows:

| <u>Fiscal Year Ending June 30</u> | <u>Governmental Activities</u> |
|---|------------------------------------|
| 2018 | \$ 559,136 |
| 2019 | 329,766 |
| 2020 | 236,150 |
| 2021 | 192,502 |
| 2022 | 197,396 |
| 2023-2027 | 1,064,376 |
| 2028-2030 | <u>813,691</u> |
| Total Minimum Lease Payments | 3,393,017 |
| Less: Amount Representing Interest | <u>(447,727)</u> |
| Present Value of Minimum Lease Payments | <u>\$ 2,945,290</u> |

G. Long-Term Debt

General Obligation Bonds

The Board issued general obligation bonds to provide funds for the acquisition and construction of major capital facilities and other capital assets. The full faith and credit of the Board are irrevocably pledged for the payment of the principal of the bonds and the interest thereon.

Bonds payable at June 30, 2017 are comprised of the following issues:

| | |
|--|---------------------|
| \$13,845,000, 2014 School Bonds, due in annual installments of \$575,000 to \$800,000 through May 1, 2034, interest at 2.500% to 3.500% | \$12,920,000 |
| \$24,635,000, 2015 Refunding Bonds, due in annual installments of \$1,600,000 to \$1,685,000 through March 1, 2031, interest at 4.000% to 5.000% | <u>23,060,000</u> |
| Total | <u>\$35,980,000</u> |

**VERONA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-Term Debt (Continued)

The Board's schedule of principal and interest for long-term debt issued and outstanding is as follows:

Governmental Activities:

| Fiscal Year Ending June 30, | <u>Serial Bonds</u> | | |
|-----------------------------------|----------------------|----------------------|----------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2018 | \$ 2,175,000 | \$ 1,399,013 | \$ 3,574,013 |
| 2019 | 2,315,000 | 1,320,638 | 3,635,638 |
| 2020 | 2,405,000 | 1,238,163 | 3,643,163 |
| 2021 | 2,400,000 | 1,152,838 | 3,552,838 |
| 2022 | 2,415,000 | 1,051,213 | 3,466,213 |
| 2023-2027 | 12,005,000 | 3,867,010 | 15,872,010 |
| 2028-2032 | 10,665,000 | 1,318,350 | 11,983,350 |
| 2033-2034 | <u>1,600,000</u> | <u>28,000</u> | <u>1,628,000</u> |
| | <u>\$ 35,980,000</u> | <u>\$ 11,375,225</u> | <u>\$ 47,355,225</u> |

Statutory Borrowing Power

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2017 was as follows:

| | |
|---|----------------------|
| 4% of Equalized Valuation Basis (Municipal) | \$ 91,844,839 |
| Less: Net Debt | <u>35,980,000</u> |
| Remaining Borrowing Power | <u>\$ 55,864,839</u> |

**VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

H. Other Long-Term Liabilities

Changes in Long-Term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2017, was as follows:

| | Balance, July 1, 2016 (Restated) | Additions | Reductions | Balance, June 30, 2017 | Due Within One Year |
|--|--|---------------------|---------------------|---------------------------|---------------------------|
| Governmental Activities: | | | | | |
| Bonds Payable | \$ 38,080,000 | | \$ 2,100,000 | \$ 35,980,000 | \$ 2,175,000 |
| Add: | | | | | |
| Unamortized Premium | 3,138,260 | - | 431,678 | 2,706,582 | - |
| | 41,218,260 | - | 2,531,678 | 38,686,582 | 2,175,000 |
| Capital Leases/Lease Purchase Agmts | 3,310,897 | 160,000 | 525,607 | 2,945,290 | 493,720 |
| Compensated Absences | 1,621,069 | - | 132,075 | 1,488,994 | - |
| Net Pension Liability- PERS | 9,183,572 | 3,249,549 | 362,079 | 12,071,042 | - |
| Net Pension Liability- Essex County | 173,180 | 30,459 | 26,742 | 176,897 | - |
| Governmental Activity Long-Term Liabilities | <u>\$ 55,506,978</u> | <u>\$ 3,440,008</u> | <u>\$ 3,578,181</u> | <u>\$ 55,368,805</u> | <u>\$ 2,668,720</u> |

For the governmental activities, the liabilities for compensated absences, capital leases/lease purchase agreements and net pension liabilities are generally liquidated by the general fund.

I. Short-Term Debt

The Board's short-term activity for the fiscal year ended June 30, 2017 was as follows:

Grant Anticipation Notes

The Board issued Grant Anticipation Notes to interim finance capital projects funded by the State Development Authority's Facility construction program. The Board's short-term debt activity for the fiscal year ended June 30, 2017 was as follows:

| Purpose | Rate % | Maturity Date | Balance, July 1, 2016 | Issued | Retired | Balance, June 30, 2017 |
|-------------------------|-----------|------------------|--------------------------|------------|---------|---------------------------|
| Grant Anticipation Note | 1.25% | 11/14/2017 | \$ - | \$ 932,528 | \$ - | \$ 932,528 |

State law requires that grant anticipation notes issued for capital purposes be converted to long-term obligations within five years after the original issue date; provided however that notes are not renewed beyond the third anniversary date of the originals unless an amount of such notes equal to the first legally payable installment of the bonds such notes were issued in anticipation of are paid and retired in each subsequent year.

**VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to property, general liability, automobile coverage, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; student accident; termination of employees and natural disasters. The Board has obtained commercial insurance coverage to guard against these events to minimize the exposure to the District should they occur. A complete schedule of insurance coverage can be found in the statistical section of this Comprehensive Annual Financial Report.

The District is a member of the Morris County Educational Services Commission Insurance Pool (MOCESCOM). The Group is a risk sharing public entity pool, established for the purpose of insuring against worker's compensation claims.

The relationship between the Board and the insurance fund is governed by a contract and by-laws that have been adopted by resolution of each unit's governing body. The Board is contractually obligated to make all annual and supplementary contributions to the fund, to report claims on a timely basis, cooperate with the management of the fund, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by the fund. Members have a contractual obligation to fund any deficit of the fund attributable to a membership year during which they were a member.

MOCESCOM provides its members with risk management services, including the defense of and settlement of claims and to establish reasonable and necessary loss reduction and prevention procedures to be followed by the members. Complete financial statements of the respective insurance fund are on file with the School's Business Administrator.

There has been no significant reduction in insurance coverage from the previous year nor have there been any settlements in excess of insurance coverage's in any of the prior three years.

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 District contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the District's fiduciary trust fund for the current and previous two years:

| <u>Fiscal</u> <u>Year Ended</u> <u>June 30,</u> | <u>Board</u> <u>Contributions</u> | <u>Employee</u> <u>Contributions</u> | <u>Amount</u> <u>Reimbursed</u> | <u>Ending</u> <u>Balance</u> |
|---|--------------------------------------|---|------------------------------------|---------------------------------|
| 2017 | | \$ 58,342 | \$ 60,424 | \$ - |
| 2016 | | 54,096 | 54,167 | 2,082 |
| 2015 | | 54,146 | 51,993 | 2,153 |

**VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 OTHER INFORMATION (Continued)

B. Contingent Liabilities

The District is a party defendant in some lawsuits, none of a kind unusual for a school district of its size and scope of operation. In the opinion of the Board's Attorney the potential claims against the District not covered by insurance policies would not materially affect the financial condition of the District.

Federal and State Awards – The Board participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Board may be required to reimburse the grantor government. As of June 30, 2017, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Board believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

C. Federal Arbitrage Regulations

The District is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At June 30, 2017, the District had no estimated arbitrage earnings due to the IRS.

D. Employee Retirement Systems and Pension Plans

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems (retirement systems) covering substantially all eligible Board employees:

Public Employees' Retirement System (PERS) – Established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement health care, to substantially all full time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for post-retirement health care coverage. PERS is a cost sharing multi-employer defined benefit pension plan.

Teachers' Pension and Annuity Fund (TPAF) – Established in January 1955, under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full time certified teachers or professional staff of the public school systems in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for post-retirement health care coverage. TPAF is a cost sharing plan with special funding situations.

The State of New Jersey sponsors and administers the following defined contribution public employee retirement program covering certain state and local government employees which include those Board employees who are eligible for pension coverage.

Defined Contribution Retirement Program (DCRP) – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected, certain appointed officials, and certain Board employees not eligible for enrollment in PERS or TPAF. Effective July 1, 2007 membership is mandatory for such individuals with vesting occurring after one (1) year of membership. DCRP is a defined contribution pension plan.

**VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Other Pension Funds

The State established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local government employers do not appropriate funds to SACT.

The cost of living increase for PERS and TPAF, are funded directly by each of the respective systems but are currently suspended as a result of reform legislation.

According to state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

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 accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

Basis of Accounting

The financial statements of the retirement systems are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the retirement systems. Benefits or refunds are recognized when due and payable in accordance with the terms of the retirement systems.

Investment Valuation

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund. The financial reports may be obtained in writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290 or at www.state.nj.us/treasury/doinvest.

Funding Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the aggregate funded ratio for the State administered TPAF and local PERS retirement systems, is 28 percent with an unfunded actuarial accrued liability of \$108.6 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded TPAF system is 22.33 percent and \$79.0 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS is 40.14 percent and \$29.6 billion, respectively.

The funded status and funding progress of the retirement systems is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement systems in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financing reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

**VERONA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Actuarial Methods and Assumptions

In the July 1, 2015 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (a) an investment rate of return for the retirement systems of 7.65 percent and (b) projected salary increases applied through the year 2026 of 1.65-5.15 percent based on age for the PERS and varying percentages based on experience for TPAF.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan member and employer contributions may be amended by State of New Jersey legislation with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 7.06% for PERS, 7.06% for TPAF and 5.50% for DCRP of the employee's annual compensation.

Annual Pension Costs (APC)

Per the requirements of GASB Statement No. 27 *Accounting for Pensions by State and Local Government Employees*, for the fiscal year ended June 30, 2017 for TPAF, which is a cost sharing plan with special funding situations, the annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board. PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the fiscal years ended June 30, 2017, 2016 and 2015 the Board was required to contribute for PERS and DCRP and the State of New Jersey was required to contribute for TPAF, respectively for normal cost pension and accrued liability contributions (including non-contributory group life insurance (NCGI)) the following amounts:

| Fiscal Year Ended <u>June 30,</u> | <u>PERS</u> | On-behalf <u>TPAF</u> | <u>DCRP</u> |
|---|-------------|--------------------------|-------------|
| 2017 | \$ 362,079 | \$ 1,735,381 | \$ 7,642 |
| 2016 | 351,720 | 1,262,015 | 10,728 |
| 2015 | 322,831 | 797,906 | 7,219 |

In addition for fiscal year 2016/2017 the District contributed \$1,140 for PERS and the State contributed \$3,013 for TPAF for Long Term Disability Insurance Premium (LTDI).

The PERS contributions are recognized in the governmental fund financial statements (modified accrual basis) as an expenditure. The on-behalf TPAF contributions are recognized in the governmental fund financial statements (modified accrual basis) as both a revenue and expenditure in accordance with GASB No. 24. The DCRP contributions are recognized in the governmental fund financial statements (modified accrual basis) as an expenditure, as well as, the district-wide financial statements (accrual basis) as an expense.

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$1,159,576 during the fiscal year ended June 30, 2017 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount has been recognized in the district-wide financial statements (accrual basis) and the governmental fund financial statements (modified accrual basis) as a revenue and expense/expenditure in accordance with GASB No. 24.

**VERONA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS)

At June 30, 2017, the District reported in the statement of net position (accrual basis) a liability of \$12,071,042 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2016, the District's proportionate share was .04076 percent, which was a decrease of .00015 percent from its proportionate share measured as of June 30, 2015 of .04091 percent.

For the fiscal year ended June 30, 2017, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$1,236,706 for PERS. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to PERS pension from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Difference Between Expected and Actual Experience | \$ 224,485 | |
| Changes of Assumptions | 2,500,475 | |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | 460,280 | |
| Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions | <u>325,093</u> | <u>\$ 25,011</u> |
| Total | <u>\$ 3,510,333</u> | <u>\$ 25,011</u> |

At June 30, 2017, the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

| Fiscal Year Ending <u>June 30,</u> | <u>Total</u> |
|--|---------------------|
| 2018 | \$ 753,063 |
| 2019 | 753,063 |
| 2020 | 862,298 |
| 2021 | 931,552 |
| 2022 | 185,346 |
| Thereafter | <u>-</u> |
| | <u>\$ 3,485,322</u> |

**VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

The District's total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

| | |
|---------------------------|----------------------------|
| Inflation Rate | 3.08% |
| Salary Increases: | |
| Through 2026 | 1.65-4.15% Based on Age |
| Thereafter | 2.65-5.15% Based on Age |
| Investment Rate of Return | 7.65% |
| Mortality Rate Table | RP-2000 |

Assumptions for mortality improvements are based on Society of Actuaries Scale AA.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014.

VERONA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2016 are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-----------------------------|--------------------------|---|
| Cash | 5.00% | 0.87% |
| U.S. Treasuries | 1.50% | 1.74% |
| Investment Grade Credit | 8.00% | 1.79% |
| Mortgages | 2.00% | 1.67% |
| High Yield Bonds | 2.00% | 4.56% |
| Inflation-Indexed Bonds | 1.50% | 3.44% |
| Broad US Equities | 26.00% | 8.53% |
| Developed Foreign Equities | 13.25% | 6.83% |
| Emerging Market Equities | 6.50% | 9.95% |
| Private Equity | 9.00% | 12.40% |
| Hedge Funds/Absolute Return | 12.50% | 4.68% |
| Real Estate (Property) | 2.00% | 6.91% |
| Commodities | 0.50% | 5.45% |
| Global Debt ex US | 5.00% | -0.25% |
| REIT | 5.25% | 5.63% |

Discount Rate

The discount rate used to measure the total pension liabilities of the PERS plan was as follows:

| <u>Year</u> | <u>Measurement Date</u> | <u>Discount Rate</u> |
|-------------|-------------------------|----------------------|
| 2017 | June 30, 2016 | 3.98% |

**VERONA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Discount Rate (Continued)

The following table represents the crossover period, if applicable, for the PERS defined benefit plan:

| | |
|-----------------------------------|-------------------------------------|
| Period of Projected Benefit | |
| Payments for which the Following | |
| Rates were Applied: | |
| Long-Term Expected Rate of Return | Through June 30, 2034 |
| Municipal Bond Rate * | From July 1, 2034 and Thereafter |

* The municipal bond return rate used is 2.85% as of the measurement date of June 30, 2016. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of Net Pension Liability

The following presents the District's proportionate share of the PERS net pension liability calculated using the discount rate of 3.98%, as well as what the District's proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.98 percent) or 1-percentage-point higher (4.98 percent) than the current rate:

| | 1% Decrease (2.98%) | Current Discount Rate (3.98%) | 1% Increase (4.98%) |
|---|------------------------------------|--|------------------------------------|
| District's Proportionate Share of the PERS Net Pension Liability | <u>\$ 14,791,653</u> | <u>\$ 12,071,042</u> | <u>\$ 9,824,942</u> |

The sensitivity analysis was based on the proportionate share of the District's net pension liability at June 30, 2016. A sensitivity analysis specific to the District's net pension liability was not provided by the pension system.

Pension Plan Fiduciary Net Position

Detailed information about the PERS pension plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial report may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

**VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF)

In accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the District is not required to recognize a net pension liability for TPAF. The State of New Jersey is the only entity that has a legal obligation to make employer contributions to TPAF on behalf of the District. Accordingly, the District's proportionate share percentage determined under Statement No. 68 is zero percent and the State's proportionate share is 100% of the net pension liability attributable to the District for TPAF. Therefore, in addition, the District does not recognize any portion of the TPAF collective deferred outflows of resources and deferred inflows of resources.

For the fiscal year ended June 30, 2017, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$9,316,767 for TPAF. This amount has been included in the district-wide statement of activities (accrual basis) as a revenue and expense in accordance with GASB No. 24.

At June 30, 2017 the State's proportionate share of the net pension liability attributable to the District is \$123,998,571. The nonemployer allocation percentages are based on the ratio of the State's contributions made as an employer and nonemployer towards the actuarially determined contribution amount adjusted by locations who participated in the State early retirement incentives to total contributions to TPAF during the year ended June 30, 2016. At June 30, 2016, the state's share of the net pension liability attributable to the District was .15763 percent, which was an increase of .01004 percent from its proportionate share measured as of June 30, 2015 of .14759 percent.

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

| | |
|---------------------------|-------------------------------|
| Inflation Rate | 2.50% |
| Salary Increases: | |
| 2012-2021 | Varies based on experience |
| Thereafter | Varies based on experience |
| Investment Rate of Return | 7.65% |

Assumptions for mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational bases based on a 60-year average of Social Security data from 1953 to 2013.

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

**VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2016 are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|------------------------------|--------------------------|---|
| US Cash | 5.00% | 0.39% |
| US Government Bonds | 1.50% | 1.28% |
| US Credit Bonds | 13.00% | 2.76% |
| US Mortgages | 2.00% | 2.38% |
| US Inflation-Indexed Bonds | 1.50% | 1.41% |
| US High Yield Bonds | 2.00% | 4.70% |
| US Equity Market | 26.00% | 5.14% |
| Foreign-Developed Equity | 13.25% | 5.91% |
| Emerging Markets Equity | 6.50% | 8.16% |
| Private Real Estate Property | 5.25% | 3.64% |
| Timber | 1.00% | 3.86% |
| Farmland | 1.00% | 4.39% |
| Private Equity | 9.00% | 8.97% |
| Commodities | 0.50% | 2.87% |
| Hedge Funds - MultiStrategy | 5.00% | 3.70% |
| Hedge Funds - Equity Hedge | 3.75% | 4.72% |
| Hedge Funds - Distressed | 3.75% | 3.49% |

VERONA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Discount Rate

The discount rate used to measure the total pension liabilities of the TPAF plan was as follows:

| <u>Year</u> | <u>Measurement Date</u> | <u>Discount Rate</u> |
|-------------|-------------------------|----------------------|
| 2017 | June 30, 2016 | 3.22% |

The following table represents the crossover period, if applicable, for the TPAF defined benefit plan:

Period of Projected Benefit

Payments for which the Following
 Rates were Applied:

Long-Term Expected Rate of Return Through June 30, 2029

Municipal Bond Rate * From July 1, 2029
 and Thereafter

* The municipal bond return rate used is 2.85% as of the measurement date of June 30, 2016. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of Net Pension Liability

The following presents the State's proportionate share of the TPAF net pension liability attributable to the District calculated using the discount rate of 3.22% as well as what the State's proportionate share of the TPAF net pension liability attributable to the District that would be if it were calculated using a discount rate that is 1-percentage-point lower (2.22 percent) or 1-percentage-point higher (4.22 percent) than the current rate:

| | 1% Decrease (2.22%) | Current Discount Rate (3.22%) | 1% Increase (4.22%) |
|--|------------------------------------|--|------------------------------------|
| State's Proportionate Share of the TPAF Net Pension Liability Attributable to the District | <u>\$ 148,082,004</u> | <u>\$ 123,998,571</u> | <u>\$ 104,331,340</u> |

The sensitivity analysis was based on the State's proportionate share of the net pension liability attributable to the District at June 30, 2016. A sensitivity analysis specific to the State's proportionate share of the net pension liability attributable to the District at June 30, 2016 was not provided by the pension system.

**VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the TPAF pension plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial report may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

Board of Education Employees' Pension Fund of Essex County (ECPF) (Continued)

At June 30, 2017, the District reported in the statement of net position (accrual basis) a liability of \$176,897 for its proportionate share of the ECPF net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2016, the District's proportionate share was 0.48869 percent, which was an increase of .03909 percent from its proportionate share measured as of June 30, 2015 of 0.44960.

For the year ended June 30, 2017, the District recognized in the district wide statement of activities (accrual basis) a pension expense credit of \$13,383 for ECPF. At June 30, 2017, the District reported deferred outflows of resources related to ECPF from the following sources:

| | Deferred Outflows of Resources |
|--|---|
| Net Difference Between Projected and Actual On Pension Plan Investments | \$ <u>39,640</u> |

At June 30, 2017, the amounts reported as deferred outflows of resources related to ECPF pension will be recognized as pension expense of \$7,928 per year for the fiscal years ended June 30, 2018 through June 30, 2022.

**VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Board of Education Employees' Pension Fund of Essex County (ECPF) (Continued)

Actuarial Assumptions

The District's total pension liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|----------------------------|--|
| Salary Increases | 4.50% |
| Investment Rate of Return | 6.50%, net of pension plan investment expense, including inflation |
| Cost-of-living adjustments | 2.00% |

Assumptions for mortality improvements are based on Society of Actuaries Scale AA.

Long-Term Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investments expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016 are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return*</u> |
|-----------------------|--------------------------|--|
| U.S. Large Cap Equity | 50.00% | 6.75% |
| U.S. Small Cap Equity | 10.00% | 6.75% |
| U.S. Fixed Income | 40.00% | 1.75% |

Discount Rate

The discount rate used to measure the total pension liability of the ECPF was 6.50% (measurement date June 30, 2016).

**VERONA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Board of Education Employees' Pension Fund of Essex County (ECPF) (Continued)

Sensitivity of Net Pension Liability

The following presents the District's proportionate share of the ECPF net pension liability calculated using the discount rate of 6.50% as well as what the District's proportionate share of the ECPF net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.5 percent) or 1-percentage-point higher (7.5 percent) than the current rate:

| | Decrease (5.5%) | Discount Rate (6.5%) | Increase (7.5%) |
|---|----------------------------|---------------------------------|----------------------------|
| District's Proportionate Share of the Net Pension Liability | \$ 222,171 | \$ 176,897 | \$ 117,730 |

Pension Plan Fiduciary Net Position

Detailed information about the ECPF pension plan's fiduciary net position is available in the separately issued financial report for the Board of Education Employees' Pension Fund of Essex County.

E. Post-Retirement Medical Benefits

The State of New Jersey sponsors and administers the post-retirement health benefit program plans for school districts. The Plans are classified as either single employer plans or cost sharing multiple employer defined benefit plans depending on the plan the eligible employee is covered under.

As a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* (OPEB), effective for Fiscal Year 2007, the State Health Benefits Program (SHBP), and the Prescription Drug Program (PDP), and Post-Retirement Medical (PRM) of the PERS and TPAF are combined and reported as Pension and Other employee Benefit Trust Funds in the State's Comprehensive Annual Financial Report (CAFR). Specifically, SHBP-State, and the PRM of the PERS are combined and reported as a Health Benefits Program Fund – State classified as a single employer plan. The SHBP-Local, PDP-Local, and the PRM of the TPAF-Local are combined and reported as Health Benefits Program Fund –Local Government classified as a cost-sharing multiple-employer plan in the State's CAFR. The post-retirement benefit programs had a total of 584 state and local participating employers and contributing entities for Fiscal Year 2016.

The State of New Jersey sponsors and administers the following health benefit programs covering certain state and local government employees, including those Board employees and retirees eligible for coverage.

**VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

Health Benefits Program Fund (HBPF) – Local Education (including Prescription Drug Program Fund) – The State of New Jersey provides paid coverage to members of the Teachers' Pension and Annuity Fund who retire from a board of education or county college with 25 years of service or on a disability retirement. Under the provisions of P.L. 1992, c.126, the State also provides paid coverage to members of the Public Employees' Retirement System and Alternate Benefits Program who retire from a board of education or county college with 25 years of service or on a disability retirement if the member's employer does not provide this coverage. Certain local participating employers also provide post-retirement medical coverage to their employees. Retirees who are not eligible for state paid health coverage at retirement can continue in the program if their employer participates in this program or if they are participating in the health benefits plan of their former employer and are enrolled in Medicare parts A and B by paying the cost of the insurance for themselves and their covered dependents. Also, education employees are eligible for the PDP coverage after 60 days of employment.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the above Fund. The financial reports may be accessed via the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

Basis of Accounting

The financial statements of the health benefit programs are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the health benefit programs. Benefits or refunds are recognized when due and payable in accordance with the terms of the health benefit programs.

Significant Legislation

P.L. 2011, c.78, effective October 2011, sets new employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to this new legislation's effective date with a minimum contribution required to be at least 1.5% of salary.

Investment Valuation

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair values.

Funded Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the State had a \$84.3 billion unfunded actuarial accrued liability for other post-employment benefits (OPEB) which is made up to \$25.9 billion for state active and retired members and \$41.6 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

The funded status and funding progress of the OPEB includes actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the OPEB in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at the point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

**VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

Actuarial Methods and Assumptions

In the July 1, 2015, OPEB actuarial valuation, the projected unit credit was used as the actuarial cost method, and the market value was used as asset valuation method for the OPEB. The actuarial assumptions included an assumed investment rate of return of 4.50 percent.

Post-Retirement Medical Benefits Contributions

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Teachers' Pension and Annuity Fund (TPAF) and Public Employees' Retirement System (PERS), respectively to fund post-retirement medical benefits for those State employees and education employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2016, there were 110,512, retirees receiving post-retirement medical benefits and the State contributed \$1.37 billion on their behalf. The cost of these benefits is funded through contributions by the State and in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program (ABP) who retired from a board of education or county college with 25 years of service. The State paid \$231.2 million toward Chapter 126 benefits for 20,045 eligible retired members in Fiscal Year 2016.

The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et.seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SEHBP. That report may be obtained from the Treasury website at: <http://www.nj.gov/treasury/pensions/pdf/financial/2016divisioncombined.pdf>.

The State sets the contribution rate based on a pay as you go basis and not on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the State Health Benefits Program Fund for TPAF retirees' post-retirement benefits on behalf of the School District for the fiscal years ended June 30, 2017, 2016 and 2015 were \$1,445,967, \$1,502,710 and \$1,266,676, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey.

F. Subsequent Events

On September 8, 2017 the District entered into a lease purchase agreement providing for acquisition of chromebooks, computers and a bus in the amount of \$200,826. The lease term is three years at an annual interest rate of 2.57%.

**VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 OTHER INFORMATION (Continued)

G. Tax Abatements

As defined by the Governmental Accounting Standards Board (GASB), a tax abatement is an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. School districts are not authorized by New Jersey statute to enter into tax abatement agreements. However, the county or municipality in which the school district is situated may have entered into tax abatement agreements, and that potential school tax revenue must be disclosed in these financial statements. If the county or municipality entered into tax abatement agreements, those agreements will not directly affect the school district's local tax revenue because N.J.S.A. 54:4-75 and N.J.S.A. 54:4-76 require that amounts so forgiven must effectively be recouped from other taxpayers and remitted to the school district.

For Verona Board of Education, the District's share of abated taxes resulting from the municipality having entered into a tax abatement agreement is indeterminate.

NOTE 6 RESTATEMENT

The Board has obtained the required information from the Board of Education Employees' Pension Fund of Essex County (ECPF) to record the pension liabilities in its financial statements. The Board has determined that the effect of implementing this accounting change on the financial statements previously reported as of and for the fiscal year ended June 30, 2016 was to recognize the District's proportionate share of the Board of Education Employees' Pension Fund of Essex County (ECPF), net pension liability and deferred outflows of resources with a corresponding reduction in the unrestricted component of net position in the amount of \$167,716. The result of this restatement is to reduce total net position of Governmental Activities at June 30, 2016 from \$2,931,808 as originally reported to \$2,764,092 as adjusted for the effects of the change in accounting principle.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

**VERONA BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Exhibit C-1

| | <u>Original Budget</u> | <u>Budget Adjustments</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Final to Actual</u> |
|--|----------------------------|-------------------------------|-------------------------|-------------------|---|
| REVENUES | | | | | |
| Local Sources | | | | | |
| Local Tax Levy | \$ 30,966,400 | | \$ 30,966,400 | \$ 30,966,400 | |
| Tuition-Individuals | 15,197 | | 15,197 | 61,308 | \$ 46,111 |
| Tuition-Intergovernmental | 31,562 | | 31,562 | 49,322 | 17,760 |
| Tuition-Summer School | 2,345 | | 2,345 | | (2,345) |
| Tuition-Preschool | | | | 71,600 | 71,600 |
| Miscellaneous | 260,000 | - | 260,000 | 180,670 | (79,330) |
| Total Local Sources | <u>31,275,504</u> | <u>-</u> | <u>31,275,504</u> | <u>31,329,300</u> | <u>53,796</u> |
| State Sources | | | | | |
| Special Education Aid | 793,816 | | 793,816 | 793,816 | |
| Security Aid | 38,359 | | 38,359 | 38,359 | |
| PARCC Readiness Aid | 21,960 | | 21,960 | 21,960 | |
| Per Pupil Growth Aid | 21,960 | | 21,960 | 21,960 | |
| Professional Learning Community Aid | 21,290 | | 21,290 | 21,290 | |
| Transportation Aid | 19,303 | | 19,303 | 19,303 | |
| Extraordinary Aid | 250,000 | | 250,000 | 368,976 | 118,976 |
| TPAF Pension Contribution (On-Behalf) | | | | | |
| Normal Pension Contribution | | | | 1,674,703 | 1,674,703 |
| NCGI Contributions | | | | 60,678 | 60,678 |
| Long Term Disability Insurance | | | | 3,013 | 3,013 |
| Post Retirement | | | | 1,445,967 | 1,445,967 |
| TPAF Social Security Contribution (On-Behalf) | - | - | - | 1,159,576 | 1,159,576 |
| Total State Sources | <u>1,166,688</u> | <u>-</u> | <u>1,166,688</u> | <u>5,629,601</u> | <u>4,462,913</u> |
| Total Revenues | <u>32,442,192</u> | <u>-</u> | <u>32,442,192</u> | <u>36,958,901</u> | <u>4,516,709</u> |
| EXPENDITURES | | | | | |
| CURRENT EXPENDITURES | | | | | |
| Instruction - Regular Programs | | | | | |
| Salaries of Teachers | | | | | |
| Preschool/Kindergarten | 376,632 | \$ 92,107 | 468,739 | 466,579 | 2,160 |
| Grades 1-5 | 4,574,698 | 19,399 | 4,594,097 | 4,581,817 | 12,280 |
| Grades 6-8 | 2,205,718 | 51,993 | 2,257,711 | 2,257,372 | 339 |
| Grades 9-12 | 3,517,180 | (74,077) | 3,443,103 | 3,438,626 | 4,477 |
| Regular Programs - Undistributed Instruction | | | | | |
| Other Salaries for Instruction | 158,980 | 40,741 | 199,721 | 199,721 | - |
| Other Purchased Services | 134,847 | 54,839 | 189,686 | 189,111 | 575 |
| General Supplies | 523,640 | (69,797) | 453,843 | 444,863 | 8,980 |
| Textbooks | 120,582 | (16,551) | 104,031 | 103,784 | 247 |
| Other Objects | 3,400 | - | 3,400 | 3,315 | 85 |
| Total Regular Programs | <u>11,615,677</u> | <u>98,654</u> | <u>11,714,331</u> | <u>11,685,188</u> | <u>29,143</u> |
| Special Education | | | | | |
| Learning and/or Language Disabilities | | | | | |
| Salaries of Teachers | 135,480 | 37,432 | 172,912 | 172,912 | - |
| Other Salaries for Instruction | 157,708 | (33,895) | 123,813 | 123,813 | - |
| General Supplies | 5,000 | (340) | 4,660 | 4,659 | 1 |
| Total Learning and/or Language Disabilities | <u>298,188</u> | <u>3,197</u> | <u>301,385</u> | <u>301,384</u> | <u>1</u> |
| Behavioral Disabilities | | | | | |
| Salaries of Teachers | 176,394 | 13,248 | 189,642 | 189,642 | - |
| Other Salaries for Instruction | 207,348 | 53,908 | 261,256 | 261,256 | - |
| Total Behavioral Disabilities | <u>383,742</u> | <u>67,156</u> | <u>450,898</u> | <u>450,898</u> | <u>-</u> |

**VERONA BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Exhibit C-1

| | <u>Original Budget</u> | <u>Budget Adjustments</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Final to Actual</u> |
|--|----------------------------|-------------------------------|-------------------------|-------------------|---|
| EXPENDITURES | | | | | |
| CURRENT EXPENDITURES (Continued) | | | | | |
| Resource Room/Resource Center | | | | | |
| Salaries of Teachers | \$ 1,019,075 | \$ (109,081) | \$ 909,994 | \$ 909,994 | - |
| Other Salaries for Instruction | 155,426 | 62,264 | 217,690 | 217,689 | \$ 1 |
| General Supplies | 3,300 | - | 3,300 | 4,469 | 831 |
| Total Resource Room | <u>1,179,801</u> | <u>(46,817)</u> | <u>1,132,984</u> | <u>1,132,152</u> | <u>832</u> |
| Autistic Program | | | | | |
| Salaries of Teachers | | - | | | - |
| Other Salaries of Instruction | 32,022 | - | 32,022 | 31,065 | 957 |
| Supplies | 3,000 | (1,500) | 1,500 | 1,165 | 335 |
| Total Autistic Program | <u>35,022</u> | <u>(1,500)</u> | <u>33,522</u> | <u>32,230</u> | <u>1,292</u> |
| Preschool Disabilities - Part-Time | | | | | |
| Salaries of Teachers | 236,443 | (29,156) | 207,287 | 207,287 | - |
| Other Salaries for Instruction | 82,521 | 21,134 | 103,655 | 103,655 | - |
| General Supplies | 3,700 | 501 | 4,201 | 4,201 | - |
| Total Preschool Disabilities - Part-Time | <u>322,664</u> | <u>(7,521)</u> | <u>315,143</u> | <u>315,143</u> | <u>-</u> |
| Preschool Disabilities - Full-Time | | | | | |
| Salaries of Teachers | 111,050 | 1,074 | 112,124 | 112,124 | - |
| Other Salaries for Instruction | 105,463 | 9,766 | 115,229 | 115,228 | 1 |
| General Supplies | 3,000 | (650) | 2,350 | 2,349 | 1 |
| Total Preschool Disabilities - Full-Time | <u>219,513</u> | <u>10,190</u> | <u>229,703</u> | <u>229,701</u> | <u>2</u> |
| Speech Instruction | | | | | |
| Salaries of Secretarial | - | 26,240 | 26,240 | 26,240 | - |
| Total Speech Instruction | <u>-</u> | <u>26,240</u> | <u>26,240</u> | <u>26,240</u> | <u>-</u> |
| Home Instruction | | | | | |
| Salaries of Teachers | 25,762 | 18,222 | 43,984 | 42,437 | 1,547 |
| Total Home Instruction | <u>25,762</u> | <u>18,222</u> | <u>43,984</u> | <u>42,437</u> | <u>1,547</u> |
| Total Special Education | <u>2,464,692</u> | <u>69,167</u> | <u>2,533,859</u> | <u>2,530,185</u> | <u>3,674</u> |
| Basic Skills/Remedial | | | | | |
| Salaries of Teachers | 143,606 | - | 143,606 | 143,270 | 336 |
| Total Basic Skills/Remedial | <u>143,606</u> | <u>-</u> | <u>143,606</u> | <u>143,270</u> | <u>336</u> |
| Bilingual Education | | | | | |
| Salaries of Teachers | 74,498 | - | 74,498 | 74,498 | - |
| General Supplies | 2,000 | - | 2,000 | 1,160 | 840 |
| Total Bilingual Education | <u>76,498</u> | <u>-</u> | <u>76,498</u> | <u>75,658</u> | <u>840</u> |
| School Sponsored Co-Curricular Activities | | | | | |
| Salaries | 183,972 | (22,481) | 161,491 | 161,451 | 40 |
| Other Objects | 58,771 | (6,523) | 52,248 | 51,456 | 792 |
| Total School Sponsored Co-Curricular Activities | <u>242,743</u> | <u>(29,004)</u> | <u>213,739</u> | <u>212,907</u> | <u>832</u> |
| School Sponsored Athletics - Instruction | | | | | |
| Salaries | 444,490 | (70,201) | 374,289 | 373,399 | 890 |
| Supplies & Materials | 161,100 | (12,664) | 148,436 | 139,304 | 9,132 |
| Other Objects | 20,973 | 300 | 21,273 | 21,013 | 260 |
| Total School Sponsored Athletics - Instruction | <u>626,563</u> | <u>(82,565)</u> | <u>543,998</u> | <u>533,716</u> | <u>10,282</u> |
| Total - Instruction | <u>15,169,779</u> | <u>56,252</u> | <u>15,226,031</u> | <u>15,180,924</u> | <u>45,107</u> |

VERONA BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Exhibit C-1

| | <u>Original Budget</u> | <u>Budget Adjustments</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Final to Actual</u> |
|--|----------------------------|-------------------------------|-------------------------|------------------|---|
| EXPENDITURES | | | | | |
| CURRENT EXPENDITURES (Continued) | | | | | |
| Undistributed Expenditures | | | | | |
| Instruction | | | | | |
| Tuition to Other LEAs within the State-Reg. | \$ 44,911 | \$ 21,326 | \$ 66,237 | \$ 66,236 | \$ 1 |
| Tuition to County Vocational School District-Reg. | 11,538 | (8,582) | 2,956 | 2,956 | - |
| Tuition to County Vocational School District-Special | 30,114 | (11,906) | 18,208 | 18,208 | - |
| Tuition to County Special Services - School Districts & Regional Day Schools | 90,983 | 8,531 | 99,514 | 99,514 | - |
| Tuition to Private Schools - Disabled w/i State | 2,321,730 | (219,678) | 2,102,052 | 2,102,037 | 15 |
| Tuition to Private Schools- Disabled- Outside State | - | 56,907 | 56,907 | 56,907 | - |
| Total Undistributed Expenditures - Instruction | 2,499,276 | (153,402) | 2,345,874 | 2,345,858 | 16 |
| Health Services | | | | | |
| Salaries | 395,930 | 14,576 | 410,506 | 410,504 | 2 |
| Purchased Professional & Technical Services | 14,000 | 19,638 | 33,638 | 33,638 | - |
| Supplies and Materials | 9,450 | (1,190) | 8,260 | 8,021 | 239 |
| Other Objects | 950 | 1,133 | 2,083 | 2,083 | - |
| Total Health Services | 420,330 | 34,157 | 454,487 | 454,246 | 241 |
| Speech, OT, PT & Related Services | | | | | |
| Salaries | 725,536 | 3,745 | 729,281 | 729,248 | 33 |
| Purchased Professional/Educational Services | 52,302 | 20,560 | 72,862 | 72,549 | 313 |
| Supplies and Materials | 3,000 | 2,986 | 5,986 | 5,985 | 1 |
| Total Speech, OT, PT & Related Services | 780,838 | 27,291 | 808,129 | 807,782 | 347 |
| Guidance | | | | | |
| Salaries of Other Professional Staff | 463,207 | 25,165 | 488,372 | 488,371 | 1 |
| Salaries of Secretarial and Clerical Assistants | 102,410 | 729 | 103,139 | 103,139 | - |
| Other Purchased Services | - | - | - | - | - |
| Supplies and Materials | 24,093 | (2,514) | 21,579 | 21,509 | 70 |
| Other Objects | 4,350 | 538 | 4,888 | 4,888 | - |
| Total Guidance | 594,060 | 23,918 | 617,978 | 617,907 | 71 |
| Child Study Teams | | | | | |
| Salaries of Other Professional Staff | 640,865 | 6,170 | 647,035 | 647,034 | 1 |
| Salaries of Secretarial and Clerical Assistants | 62,061 | - | 62,061 | 62,061 | - |
| Purchased Prof-Educational Services | 15,000 | 16,400 | 31,400 | 31,268 | 132 |
| Other Purchased Services | 250 | (98) | 152 | 152 | - |
| Residential Costs | 6,000 | (978) | 5,022 | 5,022 | - |
| Misc. Purchased Services | 6,475 | (1,720) | 4,755 | 4,754 | 1 |
| Supplies and Materials | 21,854 | (441) | 21,413 | 21,400 | 13 |
| Other Objects | - | - | - | - | - |
| Total Child Study Teams | 752,505 | 19,333 | 771,838 | 771,539 | 299 |
| Improvement of Instruction Services/ Other Support Services-Instructional Staff | | | | | |
| Salaries of Supervisor of Instruction | 361,775 | (11,112) | 350,663 | 350,663 | - |
| Salaries of Other Professional Staff | 142,049 | - | 142,049 | 142,049 | - |
| Salaries of Secr and Clerical Assist. | 40,336 | 216 | 40,552 | 40,552 | - |
| Other Purchased Prof. And Tech. Services | 103,000 | (45,282) | 57,718 | 57,380 | 338 |
| Other Purchased Services | - | - | - | - | - |
| Supplies and Materials | 19,414 | (5,798) | 13,616 | 13,414 | 202 |
| Other Objects | 4,085 | (274) | 3,811 | 3,811 | - |
| Total Improvement of Instruction Services/ Other Support Services-Instructional Staff | 670,659 | (62,250) | 608,409 | 607,869 | 540 |

**VERONA BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Exhibit C-1

| EXPENDITURES | Original Budget | Budget Adjustments | Final Budget | Actual | Variance Final to Actual |
|--|----------------------------|-------------------------------|-------------------------|------------------|---|
| CURRENT EXPENDITURES (Continued) | | | | | |
| Educational Media Services/School Library | | | | | |
| Salaries | \$ 303,849 | \$ (25,075) | \$ 278,774 | \$ 278,773 | \$ 1 |
| Supplies and Materials | 56,663 | (8,866) | 47,797 | 47,638 | 159 |
| Total Educational Media Services/School Library | 360,512 | (33,941) | 326,571 | 326,411 | 160 |
| Support Services General Administration | | | | | |
| Salaries | 194,409 | 8,296 | 202,705 | 202,704 | 1 |
| Legal Services | 80,000 | 62,550 | 142,550 | 142,481 | 69 |
| Audit Fees | 29,000 | 16,261 | 45,261 | 45,260 | 1 |
| Other Purchased Professional Services | 14,195 | 2,099 | 16,294 | 16,293 | 1 |
| Communications/Telephone | 65,013 | (2,993) | 62,020 | 61,585 | 435 |
| BOE Other Purchased Services | 1,392 | (695) | 697 | 697 | - |
| Misc. Purchased Services | 68,030 | 4,158 | 72,188 | 72,187 | 1 |
| Supplies and Materials | 5,384 | (2,268) | 3,116 | 3,116 | - |
| Judgments against the School District | - | - | - | - | - |
| Miscellaneous Expenditures | 20,600 | 142 | 20,742 | 20,742 | - |
| Total Support Services General Administration | 478,023 | 87,550 | 565,573 | 565,065 | 508 |
| Support Services School Administration | | | | | |
| Salaries of Principals/Asst. Principals | 1,230,758 | (1,666) | 1,229,092 | 1,229,092 | - |
| Salaries of Other Professional Staff | 122,400 | - | 122,400 | 122,400 | - |
| Salaries of Secretarial and Clerical Assistants | 481,075 | 10,870 | 491,945 | 491,825 | 120 |
| Other Purchased Services | 6,014 | 1,205 | 7,219 | 6,587 | 632 |
| Supplies and Materials | 20,611 | (5,870) | 14,741 | 14,210 | 531 |
| Other Objects | 21,955 | (7,675) | 14,280 | 14,280 | - |
| Total Support Services School Administration | 1,882,813 | (3,136) | 1,879,677 | 1,878,394 | 1,283 |
| Central Services | | | | | |
| Salaries | 316,564 | - | 316,564 | 316,255 | 309 |
| Supplies and Materials | 6,000 | 37 | 6,037 | 6,036 | 1 |
| Other Objects | 1,065 | 125 | 1,190 | 1,190 | - |
| Total Central Services | 323,629 | 162 | 323,791 | 323,481 | 310 |
| Administration - Information Technology Services | | | | | |
| Salaries | 150,216 | (8,449) | 141,767 | 141,767 | - |
| Purchased Technical Services | 153,055 | (1,300) | 151,755 | 151,675 | 80 |
| Other Purchased Services | 5,920 | - | 5,920 | 5,880 | 40 |
| General Supplies | - | 420 | 420 | 420 | - |
| Total Administration Information Technology Svcs. | 309,191 | (9,329) | 299,862 | 299,742 | 120 |
| Required Maintenance for School Facilities | | | | | |
| Salaries | 310,121 | 27,970 | 338,091 | 337,260 | 831 |
| Cleaning, Repair and Maintenance Services | 174,700 | 224,282 | 398,982 | 257,509 | 141,473 |
| Rentals | 72,765 | 30,442 | 103,207 | 103,207 | - |
| General Supplies | - | - | - | - | - |
| Total Required Maint. For School Facilities | 557,586 | 282,694 | 840,280 | 697,976 | 142,304 |
| Custodial Services | | | | | |
| Salaries | 1,130,159 | 31,192 | 1,161,351 | 1,154,681 | 6,670 |
| Cleaning, Repair and Maintenance Services | 60,000 | 13,341 | 73,341 | 72,693 | 648 |
| Lease Purchase- ESIP- Principal | 371,416 | - | 371,416 | 371,416 | - |
| Lease Purchase- ESIP- Interest | 69,561 | - | 69,561 | 69,561 | - |
| Other Purchased Property Services | 64,260 | (13,116) | 51,144 | 51,144 | - |
| Insurance | 130,161 | (2,629) | 127,532 | 127,532 | - |
| General Supplies | 86,500 | 42,622 | 129,122 | 127,698 | 1,424 |
| Energy (Natural Gas) | 190,000 | (21,130) | 168,870 | 168,869 | 1 |
| Energy (Electricity) | 190,000 | 35,056 | 225,056 | 224,186 | 870 |
| Other Objects | 4,000 | 9,462 | 13,462 | 13,462 | - |
| Total Custodial Services | 2,296,057 | 94,798 | 2,390,855 | 2,381,242 | 9,613 |

**VERONA BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Exhibit C-1

| | <u>Original Budget</u> | <u>Budget Adjustments</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Final to Actual</u> |
|---|----------------------------|-------------------------------|-------------------------|-------------------|---|
| EXPENDITURES | | | | | |
| CURRENT EXPENDITURES (Continued) | | | | | |
| Care and Upkeep of Grounds | | | | | |
| Cleaning, Repair and Maintenance Svc. | \$ 11,730 | \$ 17,525 | \$ 29,255 | \$ 29,254 | \$ 1 |
| General Supplies | 17,000 | 10,967 | 27,967 | 27,967 | - |
| Total Care and Upkeep of Grounds | <u>28,730</u> | <u>28,492</u> | <u>57,222</u> | <u>57,221</u> | <u>1</u> |
| Student Transportation Services | | | | | |
| Salaries for Pupil Trans (Bet. Home & Sch)-Sp. Ed. | 93,797 | 7,085 | 100,882 | 100,882 | - |
| Salaries for Pupil Trans (Other than Bet. Home & Sch) | 58,404 | 18,946 | 77,350 | 68,283 | 9,067 |
| Contracted Services (Btw Home & School)- Vendors | | 31,311 | 31,311 | 31,311 | - |
| Contracted Services (Special Education Students)- Joint Agreements | 450,000 | 66,064 | 516,064 | 516,064 | - |
| Transportation Supplies | 24,000 | 26,986 | 50,986 | 50,985 | 1 |
| Total Student Transportation Services | <u>626,201</u> | <u>150,392</u> | <u>776,593</u> | <u>767,525</u> | <u>9,068</u> |
| Unallocated Benefits - Employee Benefits | | | | | |
| Group Insurance | 75,000 | 7,354 | 82,354 | 82,353 | 1 |
| Social Security Contributions | 392,000 | (987) | 391,013 | 391,012 | 1 |
| Other Retirement Contributions- DCRP | | 7,642 | 7,642 | 7,642 | - |
| Other Retirement Contribution-Regular | | 17,307 | 17,307 | 17,307 | - |
| Other Retirement Contribution-PERS | 343,239 | 20,737 | 363,976 | 363,219 | 757 |
| Unemployment Compensation | 67,000 | 33,049 | 100,049 | 73,207 | 26,842 |
| Worker's Compensation | 200,000 | (8,582) | 191,418 | 191,418 | - |
| Health Benefits | 3,812,411 | (459,706) | 3,352,705 | 3,352,294 | 411 |
| Tuition Reimbursement | 80,000 | 39,917 | 119,917 | 119,916 | 1 |
| Unused Sick Payment to Terminated/Retired Staff | 79,110 | - | 79,110 | 79,110 | - |
| Total Unallocated Benefits - Employee Benefits | <u>5,048,760</u> | <u>(343,269)</u> | <u>4,705,491</u> | <u>4,677,478</u> | <u>28,013</u> |
| TPAF Pension Contribution (Non Budgeted) | | | | | |
| Normal Pension Contribution | | | | 1,674,703 | (1,674,703) |
| NCGI Contributions | | | | 60,678 | (60,678) |
| Long Term Disability Insurance | | | | 3,013 | (3,013) |
| Post Retirement | | | | 1,445,967 | (1,445,967) |
| TPAF Social Security Contribution (Non Budgeted) | - | - | - | 1,159,576 | (1,159,576) |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>4,343,937</u> | <u>(4,343,937)</u> |
| Total Undistributed Expenditures | <u>17,629,170</u> | <u>143,460</u> | <u>17,772,630</u> | <u>21,923,673</u> | <u>(4,151,043)</u> |
| Total Current Expenditures | <u>32,798,949</u> | <u>199,712</u> | <u>32,998,661</u> | <u>37,104,597</u> | <u>(4,105,936)</u> |
| CAPITAL OUTLAY | | | | | |
| Equipment | | | | | |
| Undistributed Expenditures | | | | | |
| Custodial Services | | 16,542 | 16,542 | 16,542 | - |
| Instructional | - | - | - | - | - |
| Total Equipment | <u>-</u> | <u>16,542</u> | <u>16,542</u> | <u>16,542</u> | <u>-</u> |
| Facilities and Acquisitions | | | | | |
| Other Objects | 1,362 | - | 1,362 | 1,362 | - |
| Total Facilities and Acquisitions | <u>1,362</u> | <u>-</u> | <u>1,362</u> | <u>1,362</u> | <u>-</u> |
| Total Capital Outlay | <u>1,362</u> | <u>16,542</u> | <u>17,904</u> | <u>17,904</u> | <u>-</u> |
| Total Expenditures - General Fund | <u>32,800,311</u> | <u>216,254</u> | <u>33,016,565</u> | <u>37,122,501</u> | <u>(4,105,936)</u> |

VERONA BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Exhibit C-1

| | <u>Original Budget</u> | <u>Budget Adjustments</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Final to Actual</u> |
|---|----------------------------|-------------------------------|-------------------------|---------------------|---|
| CAPITAL OUTLAY (Continued) | | | | | |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | \$ (358,119) | \$ (216,254) | \$ (574,373) | \$ (163,600) | \$ 410,773 |
| Other Financing Sources (Uses) | | | | | |
| Transfers In | | | | 75,436 | 75,436 |
| Transfers Out | - | (5,241) | (5,241) | (2,272) | 2,969 |
| Total Other Financing Sources (Uses) | - | (5,241) | (5,241) | 73,164 | 78,405 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures and Financing Sources | (358,119) | (221,495) | (579,614) | (90,436) | 489,178 |
| Fund Balances, Beginning of Year | 1,545,181 | - | 1,545,181 | 1,545,181 | - |
| Fund Balances, End of Year | <u>\$ 1,187,062</u> | <u>\$ (221,495)</u> | <u>\$ 965,567</u> | <u>\$ 1,454,745</u> | <u>\$ 489,178</u> |

Recapitulation of Fund Balance

| | | |
|--|---------------------|--|
| Nonspendable | | |
| Prepays | \$ 73,711 | |
| Restricted | | |
| Capital Reserve | 89,993 | |
| Maintenance Reserve | 242,916 | |
| Excess Surplus | 20,737 | |
| Excess Surplus - Designated for Subsequent Year's Budget | 221,000 | |
| Assigned- Designated for Subsequent Year's Budget | 31,841 | |
| Unassigned Fund Balance | <u>774,547</u> | |
| | 1,454,745 | |
| Less State Aid not Recognized on a GAAP Basis | <u>(448,844)</u> | |
| Fund Balance per Governmental Funds (GAAP) | <u>\$ 1,005,901</u> | |

**VERONA BOARD OF EDUCATION
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

| | <u>Original Budget</u> | <u>Budget Adjustments</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Final to Actual</u> |
|--|----------------------------|-------------------------------|-------------------------|----------------|---|
| REVENUES | | | | | |
| Local Sources | \$ 100,955 | \$ 266,980 | \$ 367,935 | \$ 136,981 | \$ (230,954) |
| State Sources | 149,133 | 12,452 | 161,585 | 140,587 | (20,998) |
| Federal Sources | <u>605,508</u> | <u>59,579</u> | <u>665,087</u> | <u>632,408</u> | <u>(32,679)</u> |
| Total Revenues | <u>855,596</u> | <u>339,011</u> | <u>1,194,607</u> | <u>909,976</u> | <u>(284,631)</u> |
| EXPENDITURES | | | | | |
| Instruction | | | | | |
| Salaries of Teachers | 47,554 | 45,200 | 92,754 | 110,727 | (17,973) |
| Purchased Prof. Tech. Svc. | | 19,328 | 19,328 | 9,757 | 9,571 |
| Purchased Professional-Educational Services | 190,886 | (78,725) | 112,161 | 91,249 | 20,912 |
| Other Professional Services | | - | | | - |
| Tuition | 521,766 | (54,193) | 467,573 | 467,573 | - |
| General Supplies | 50,817 | 341,247 | 392,064 | 143,137 | 248,927 |
| Textbooks | <u>12,848</u> | <u>(110)</u> | <u>12,738</u> | <u>12,652</u> | <u>86</u> |
| Total Instruction | <u>823,871</u> | <u>272,747</u> | <u>1,096,618</u> | <u>835,095</u> | <u>261,523</u> |
| Support Services | | | | | |
| Salaries of Other Professional Staff | 20,250 | (360) | 19,890 | 19,890 | - |
| Employee Benefits | | 37,855 | 37,855 | 25,572 | 12,283 |
| Purchased Prof. Tech. Svc. | | 23,396 | 23,396 | 12,571 | 10,825 |
| Purchased Professional-Education Services | 11,475 | 5,373 | 16,848 | 16,848 | - |
| Other Purchased Services | - | - | - | - | - |
| Total Support Services | <u>31,725</u> | <u>66,264</u> | <u>97,989</u> | <u>74,881</u> | <u>23,108</u> |
| Total Expenditures | <u>855,596</u> | <u>339,011</u> | <u>1,194,607</u> | <u>909,976</u> | <u>284,631</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balances, Beginning of Year | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balances, End of Year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

**VERONA BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 accounting principles generally accepted in the United States of America, with the exception of the legally mandated revenue recognition of certain state aid payments for budgetary purposes only and the treatment of encumbrances in the special revenue fund as described below. Encumbrance accounting is also employed as an extension of formal budgetary integration of 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 revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The following presents a reconciliation of the General and Special Revenue Funds from the budgetary basis of accounting as presented in the Budgetary Comparison Schedule - General Fund and Special Revenue Fund to the GAAP basis of accounting as presented in the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds.

| | General <u>Fund</u> | Special Revenue <u>Fund</u> |
|--|------------------------|-----------------------------------|
| Sources/Inflows of Resources | | |
| Actual revenue amounts (budgetary basis) (Exhibits C-1 and C-2) | \$ 36,958,901 | \$ 909,976 |
| State Aid payment not recognized for GAAP purposes, not recognized for budgetary statements. | 385,153 | |
| State Aid payment recognized for budgetary purposes, not recognized for GAAP statements. | <u>(448,844)</u> | <u>-</u> |
| Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (Exhibit B-2) | <u>\$ 36,895,210</u> | <u>\$ 909,976</u> |
| Uses/Outflows of Resources | | |
| Actual expenditure amounts (budgetary basis) (Exhibits C-1 and C-2) | <u>\$ 37,122,501</u> | <u>\$ 909,976</u> |
| Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (Exhibit B-2) | <u>\$ 37,122,501</u> | <u>\$ 909,976</u> |

REQUIRED SUPPLEMENTARY INFORMATION - PART III

**VERONA BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

Public Employees Retirement System

Last Four Fiscal Years*

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|---------------|--------------|--------------|--------------|
| District's Proportion of the Net Position Liability (Asset) | .04076% | 0.04091% | .03916% | .03812% |
| District's Proportionate Share of the Net Pension Liability (Asset) | \$ 12,071,042 | \$ 9,183,572 | \$ 7,331,860 | \$ 7,285,885 |
| District's Covered-Employee Payroll | \$ 2,572,880 | \$ 2,612,297 | \$ 2,574,194 | \$ 2,649,102 |
| District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll | 469% | 352% | 285% | 275% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 40.14% | 47.93% | 52.08% | 48.72% |

* The amounts presented for each fiscal year were determined as of the previous fiscal year-end.

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**VERONA BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS**

Public Employees Retirement System

Last Four Fiscal Years

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|----------------|----------------|----------------|----------------|
| Contractually Required Contribution | \$ 362,079 | \$ 351,720 | \$ 322,831 | \$ 287,242 |
| Contributions in Relation to the Contractually Required Contribution | <u>362,079</u> | <u>351,720</u> | <u>322,831</u> | <u>287,242</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's Covered-Employee Payroll | \$ 2,572,880 | \$ 2,612,297 | \$ 2,574,194 | \$2,649,102 |
| Contributions as a Percentage of Covered-Employee Payroll | 14% | 13% | 13% | 11% |

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**VERONA BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

Teachers Pension and Annuity Fund

Last Four Fiscal Years*

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|-----------------------|----------------------|----------------------|----------------------|
| District's Proportion of the Net Position Liability (Asset) | 0% | 0% | 0% | 0% |
| District's Proportionate Share of the Net Pension Liability (Asset) | | | - | - |
| State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District | <u>\$ 123,998,571</u> | <u>\$ 93,280,896</u> | <u>\$ 84,014,664</u> | <u>\$ 77,734,764</u> |
| Total | <u>\$ 123,998,571</u> | <u>\$ 93,280,896</u> | <u>\$ 84,014,664</u> | <u>\$ 77,734,764</u> |
| District's Covered-Employee Payroll | 15,591,191 | 15,817,173 | 14,991,957 | 14,603,136 |
| District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll | 0% | 0% | 0% | 0% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 22.33% | 28.71% | 33.64% | 33.76% |

* The amounts presented for each fiscal year were determined as of the previous fiscal year-end.

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**VERONA BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

Board of Education Employees' Pension Fund of Essex County

Last Three Fiscal Years*

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|-----------------|-----------------|-----------------|
| Contractually Required Contribution | \$ 17,076 | \$ 25,413 | \$ 26,314 |
| Contributions in Relation to the Contractually Required Contribution | <u>(17,076)</u> | <u>(25,413)</u> | <u>(26,314)</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's Covered Employee Payroll | \$ - | \$ - | \$ - |
| Contributions as a Percentage of Covered Employee Payroll | 0% | 0% | 0% |

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

VERONA BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
AND SCHEDULE OF DISTRICT CONTRIBUTIONS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Change of Benefit Terms: None.

Change of Assumptions: Assumptions used in calculating the net pension liability and statutorily required employer contribution are presented in Note 5.

SPECIAL REVENUE FUND

**VERONA BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

| | <u>Title I</u> | <u>IDEA Basic</u> | <u>Title IIA</u> | <u>Nonpublic Technology</u> | <u>Nonpublic Textbooks</u> | <u>Nonpublic Nursing</u> | <u>Nonpublic Security</u> | <u>Total Page 2</u> | <u>Total</u> |
|---|-------------------|-----------------------|------------------|---------------------------------|--------------------------------|------------------------------|-------------------------------|-------------------------|-------------------|
| REVENUES | | | | | | | | | |
| Local | | | | | | | | \$ 136,981 | \$ 136,981 |
| State | | | | \$ 5,746 | \$ 12,652 | \$ 19,890 | \$ 11,050 | 91,249 | 140,587 |
| Federal | \$ 123,012 | \$ 472,563 | \$ 12,623 | - | - | - | - | 24,210 | 632,408 |
| Total Revenues | \$ 123,012 | \$ 472,563 | \$ 12,623 | \$ 5,746 | \$ 12,652 | \$ 19,890 | \$ 11,050 | \$ 252,440 | \$ 909,976 |
| EXPENDITURES | | | | | | | | | |
| Instruction | | | | | | | | | |
| Salaries of Teachers | \$ 92,754 | | | | | | | \$ 17,973 | \$ 110,727 |
| Purchased Prof. and Technical Services | - | \$ 9,757 | | | | | | | 9,757 |
| Purchased Professional-Educational Services | | | | | | | | 91,249 | 91,249 |
| Other Professional Services | | | | | | | | - | - |
| Textbooks | | | | | \$ 12,652 | | | | 12,652 |
| Tuition | | 443,363 | | | | | | 24,210 | 467,573 |
| Supplies | 4,686 | 19,443 | - | - | - | - | - | 119,008 | 143,137 |
| Total Instruction | 97,440 | 472,563 | - | - | 12,652 | - | - | 252,440 | 835,095 |
| Support Services | | | | | | | | | |
| Salaries of Other Professional Staff | | | | | | \$ 19,890 | | | 19,890 |
| Employee Benefits | 25,572 | | | | | | | | 25,572 |
| Purchased Prof. and Technical Services | - | | \$ 12,571 | | | | | | 12,571 |
| Purchase Professional-Educational Services | - | | 52 | \$ 5,746 | | | \$ 11,050 | | 16,848 |
| Other Purchased Services | - | - | - | - | - | - | - | - | - |
| Total Support Services | 25,572 | - | 12,623 | 5,746 | - | 19,890 | 11,050 | - | 74,881 |
| Total Expenditures | \$ 123,012 | \$ 472,563 | \$ 12,623 | \$ 5,746 | \$ 12,652 | \$ 19,890 | \$ 11,050 | \$ 252,440 | \$ 909,976 |

**VERONA BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

| | IDEA | Non Public Chapter 192 | | Non Public Chapter 193 | | | Local | Total |
|---|-----------|------------------------|----------------|------------------------|----------------------|-------------------------|------------|------------|
| | Preschool | Compens. Education | Transportation | Exam. And Class | Corrective Speech | Supplem. Instruction | Grants | Page 2 |
| REVENUES | | | | | | | | |
| Local | | | | | | | \$ 136,981 | \$ 136,981 |
| State | | \$ 18,633 | \$ 22,707 | \$ 20,172 | \$ 16,632 | \$ 13,105 | - | 91,249 |
| Federal | \$ 24,210 | - | - | - | - | - | - | 24,210 |
| Total Revenues | \$ 24,210 | \$ 18,633 | \$ 22,707 | \$ 20,172 | \$ 16,632 | \$ 13,105 | \$ 136,981 | \$ 252,440 |
| EXPENDITURES | | | | | | | | |
| Instruction | | | | | | | | |
| Salaries of Teachers | | | | | | | \$ 17,973 | \$ 17,973 |
| Purchased Prof. and Technical Services | | | | | | | | |
| Purchased Professional-Educational Services | | \$ 18,633 | \$ 22,707 | \$ 20,172 | \$ 16,632 | \$ 13,105 | | 91,249 |
| Other Purchased Services | | | | | | | | |
| Other Professional Services | | | | | | | | - |
| Tuition | \$ 24,210 | | | | | | | 24,210 |
| Supplies | - | - | - | - | - | - | 119,008 | 119,008 |
| Total Instruction | 24,210 | 18,633 | 22,707 | 20,172 | 16,632 | 13,105 | 136,981 | 252,440 |
| Support Services | | | | | | | | |
| Salaries of Other Professional Staff | | | | | | | | |
| Purchased Professional Services | | | | | | | | |
| Purchase Professional-Educational Services | | | | | | | | |
| Other Professional Services | | | | | | | | |
| Other Purchased Services | | | | | | | | |
| Supplies | | | | | | | | |
| Travel | - | - | - | - | - | - | - | - |
| Total Support Services | - | - | - | - | - | - | - | - |
| Total Expenditures | \$ 24,210 | \$ 18,633 | \$ 22,707 | \$ 20,172 | \$ 16,632 | \$ 13,105 | \$ 136,981 | \$ 252,440 |

**VERONA BOARD OF EDUCATION
SPECIAL REVENUE FUND
PRESCHOOL EDUCATION PROGRAM AID
SCHEDULE OF EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

THIS SCHEDULE IS NOT APPLICABLE

CAPITAL PROJECTS FUND

**VERONA BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

| <u>Issue/Project Title</u> | <u>Appropriations</u> | <u>Expenditures to Date</u> | | <u>Balance, June 30, 2017</u> |
|--|-----------------------|-----------------------------|---------------------|-----------------------------------|
| | | <u>Prior Year</u> | <u>Current Year</u> | |
| Various Improvements and Renovations to the School Facilities; the Acquisition of Technology and Equipment; and Various Improvements and Renovation to Recreational Fields | \$ 16,641,855 | \$ 9,350,844 | \$ 7,308,846 | \$ (17,835) |
| Energy Savings Incentive Program | 3,200,000 | 2,452,819 | 747,181 | - |
| Acquisition of Chrome Books | <u>160,000</u> | <u>-</u> | <u>157,704</u> | <u>2,296</u> |
| | <u>\$ 20,001,855</u> | <u>\$ 11,803,663</u> | <u>\$ 8,213,731</u> | <u>\$ (15,539)</u> |
| Project Balances, June 30, 2017 | | | | \$ (15,539) |
| Restricted for Payment of Lease Purchase | | | | <u>1,276</u> |
| Fund Balance, June 30, 2017 (GAAP Basis) | | | | <u>\$ (14,263)</u> |
| <u>Recapitulation of Fund Balance</u> | | | | |
| Restricted: | | | | |
| Available for Capital Projects | | | | \$ (15,539) |
| Restricted for Payment of Lease Purchase | | | | <u>1,276</u> |
| Total Fund Balance - Restricted for Capital Projects | | | | <u>\$ (14,263)</u> |

**VERONA BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

REVENUES AND OTHER FINANCING SOURCES

| | |
|--|----------------|
| Revenues | |
| Interest Income | \$ 10,253 |
| Other Financing Sources | |
| Lease Proceeds | <u>160,000</u> |
| Total Revenues and Other Financing Sources | <u>170,253</u> |

EXPENDITURES AND OTHER FINANCING USES

| | |
|---|--------------------|
| Construction Services | 7,683,827 |
| Purchased Professional and Technical Services | 146,179 |
| Supplies | 156,613 |
| SDA Grants Cancelled | 152,310 |
| Transfer to General Fund | 75,436 |
| Transfer to Debt Service Fund | <u>9,032</u> |
| Total Expenditures and Other Financing Uses | <u>8,223,397</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (8,053,144) |
| Fund Balance, July 1, 2016 | <u>8,038,881</u> |
| Fund Balance, June 30, 2017 | <u>\$ (14,263)</u> |

**VERONA BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS
HIGH SCHOOL MUSIC ROOM ADDITION
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

| | <u>Prior Periods</u> | <u>Current Year</u> | <u>Totals</u> | <u>Revised Authorized Cost</u> |
|---|----------------------|---------------------|---------------------|--|
| Revenues and Other Financing Sources | | | | |
| Bond Proceeds | \$ 1,551,447 | - | \$ 1,551,447 | \$ 1,551,447 |
| Total Revenues and Other Financing Sources | <u>1,551,447</u> | <u>-</u> | <u>1,551,447</u> | <u>1,551,447</u> |
| Expenditures and Other Financing Uses | | | | |
| Construction Services | 1,001,677 | \$ 601,490 | 1,603,167 | 1,405,533 |
| Purchased Professional and Technical Services | <u>145,914</u> | <u>-</u> | <u>145,914</u> | <u>145,914</u> |
| Total Expenditures | <u>1,147,591</u> | <u>601,490</u> | <u>1,749,081</u> | <u>1,551,447</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>\$ 403,856</u> | <u>\$ (601,490)</u> | <u>\$ (197,634)</u> | <u>\$ -</u> |

Additional Project Information:

| | |
|----------------------------|------------------|
| Project Number | 5370-050-14-1001 |
| Grant Date | N/A |
| Bond Authorization Date | April 29, 2014 |
| Bonds Authorized | \$ 13,345,000 |
| Bonds Issued | \$ 13,345,000 |
| Original Authorized Cost | \$ 1,551,447 |
| Additional Authorized Cost | \$ - |
| Revised Authorized Cost | \$ 1,551,447 |

Percentage Increase Over Original

| | |
|---------------------------------|-----------------|
| Authorized Cost | 0% |
| Percentage Completion | 113% |
| Original Target Completion Date | August 31, 2015 |
| Revised Target Completion Date | August 31, 2017 |

**VERONA BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS
HIGH SCHOOL MECHANICAL UPGRADE
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

| | <u>Prior Periods</u> | <u>Current Year</u> | <u>Totals</u> | <u>Revised Authorized Cost</u> |
|---|-----------------------|-------------------------|------------------------|--|
| Revenues and Other Financing Sources | | | | |
| Bond Proceeds | \$ 2,311,594 | | \$ 2,311,594 | \$ 2,311,594 |
| State Sources - SDA Grant | <u>1,541,032</u> | <u>\$ (129,100)</u> | <u>1,411,932</u> | <u>1,411,932</u> |
| Total Revenues and Other Financing Sources | <u>3,852,626</u> | <u>(129,100)</u> | <u>3,723,526</u> | <u>3,723,526</u> |
| Expenditures and Other Financing Uses | | | | |
| Construction Services | 2,741,830 | \$ 664,054 | 3,405,884 | 3,021,084 |
| Purchased Professional and Technical Services | <u>377,372</u> | <u>8,807</u> | <u>386,179</u> | <u>702,442</u> |
| Total Expenditures | <u>3,119,202</u> | <u>672,861</u> | <u>3,792,063</u> | <u>3,723,526</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>\$ 733,424</u> | <u>\$ (801,961)</u> | <u>\$ (68,537)</u> | <u>\$ -</u> |

Additional Project Information:

| | |
|----------------------------|------------------|
| Project Number | 5370-050-14-1002 |
| Grant Date | June 6, 2014 |
| Bond Authorization Date | April 29, 2014 |
| Bonds Authorized | \$ 13,345,000 |
| Bonds Issued | \$ 13,345,000 |
| Original Authorized Cost | \$ 3,723,526 |
| Additional Authorized Cost | \$ - |
| Revised Authorized Cost | \$ 3,723,526 |

| | |
|--|-----------------|
| Percentage Increase Over Original Authorized Cost | 0% |
| Percentage Completion | 102% |
| Original Target Completion Date | August 31, 2016 |
| Revised Target Completion Date | August 31, 2017 |

**VERONA BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS
HIGH SCHOOL INTERIOR AND EXTERIOR RENOVATIONS
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

| | <u>Prior Periods</u> | <u>Current Year</u> | <u>Totals</u> | <u>Revised Authorized Cost</u> |
|---|-------------------------|-------------------------|-----------------------|--|
| Revenues and Other Financing Sources | | | | |
| Bond Proceeds | \$ 2,330,507 | - | \$ 2,330,507 | \$ 2,330,507 |
| State Sources - SDA Grant | <u>509,339</u> | <u>(1)</u> | <u>509,338</u> | <u>509,338</u> |
| Total Revenues and Other Financing Sources | <u>2,839,846</u> | <u>(1)</u> | <u>2,839,845</u> | <u>2,839,845</u> |
| Expenditures and Other Financing Uses | | | | |
| Construction Services | 1,309,535 | \$ 347,693 | 1,657,228 | 2,567,369 |
| Purchased Professional and Technical Services | <u>272,477</u> | <u>14,220</u> | <u>286,697</u> | <u>272,476</u> |
| Total Expenditures | <u>1,582,012</u> | <u>361,913</u> | <u>1,943,925</u> | <u>2,839,845</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>\$ 1,257,834</u> | <u>\$ (361,914)</u> | <u>\$ 895,920</u> | <u>\$ -</u> |

Additional Project Information:

| | |
|----------------------------|------------------|
| Project Number | 5370-050-14-1003 |
| Grant Date | July 10, 2014 |
| Bond Authorization Date | April 29, 2014 |
| Bonds Authorized | \$ 13,345,000 |
| Bonds Issued | \$ 13,345,000 |
| Original Authorized Cost | \$ 2,839,845 |
| Additional Authorized Cost | \$ - |
| Revised Authorized Cost | \$ 2,839,845 |

| | |
|--|-----------------|
| Percentage Increase Over Original Authorized Cost | 0% |
| Percentage Completion | 68% |
| Original Target Completion Date | August 15, 2015 |
| Revised Target Completion Date | August 15, 2017 |

**VERONA BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS
BROOKDALE AVENUE SCHOOL INTERIOR AND EXTERIOR RENOVATIONS
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

| | <u>Prior Periods</u> | <u>Current Year</u> | <u>Totals</u> | <u>Revised Authorized Cost</u> |
|---|----------------------|---------------------|--------------------|--|
| Revenues and Other Financing Sources | | | | |
| Bond Proceeds | \$ 201,355 | | \$ 201,355 | \$ 201,355 |
| State Sources - SDA Grant | <u>134,234</u> | <u>\$ (23,209)</u> | <u>111,025</u> | <u>111,025</u> |
| Total Revenues and Other Financing Sources | <u>335,589</u> | <u>(23,209)</u> | <u>312,380</u> | <u>312,380</u> |
| Expenditures and Other Financing Uses | | | | |
| Construction Services | 200,789 | \$ 154,956 | 355,745 | 280,246 |
| Purchased Professional and Technical Services | <u>32,134</u> | <u>2,808</u> | <u>34,942</u> | <u>32,134</u> |
| Total Expenditures | <u>232,923</u> | <u>157,764</u> | <u>390,687</u> | <u>312,380</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>\$ 102,666</u> | <u>\$ (180,973)</u> | <u>\$ (78,307)</u> | <u>\$ -</u> |

Additional Project Information:

| | |
|----------------------------|------------------|
| Project Number | 5370-050-14-1004 |
| Grant Date | July 10, 2014 |
| Bond Authorization Date | April 29, 2014 |
| Bonds Authorized | \$ 13,345,000 |
| Bonds Issued | \$ 13,345,000 |
| Original Authorized Cost | \$ 312,380 |
| Additional Authorized Cost | \$ - |
| Revised Authorized Cost | \$ 312,380 |

| | |
|--|-----------------|
| Percentage Increase Over Original Authorized Cost | 0% |
| Percentage Completion | 125% |
| Original Target Completion Date | August 31, 2015 |
| Revised Target Completion Date | August 31, 2017 |

**VERONA BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS
FREDERIC N. BROWN SCHOOL INTERIOR AND EXTERIOR RENOVATIONS
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

| | <u>Prior Periods</u> | <u>Current Year</u> | <u>Totals</u> | <u>Revised Authorized Cost</u> |
|---|----------------------|---------------------|-----------------|--|
| Revenues and Other Financing Sources | | | | |
| Bond Proceeds | \$ 398,802 | - | \$ 398,802 | \$ 398,802 |
| State Sources - SDA Grant | <u>135,280</u> | <u>-</u> | <u>135,280</u> | <u>135,280</u> |
| Total Revenues and Other Financing Sources | <u>534,082</u> | <u>-</u> | <u>534,082</u> | <u>534,082</u> |
| Expenditures and Other Financing Uses | | | | |
| Construction Services | 475,757 | \$ 408 | 476,165 | 480,239 |
| Purchased Professional and Technical Services | <u>53,843</u> | <u>4,580</u> | <u>58,423</u> | <u>53,843</u> |
| Total Expenditures | <u>529,600</u> | <u>4,988</u> | <u>534,588</u> | <u>534,082</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>\$ 4,482</u> | <u>\$ (4,988)</u> | <u>\$ (506)</u> | <u>\$ -</u> |

Additional Project Information:

| | |
|----------------------------|------------------|
| Project Number | 5370-080-14-1005 |
| Grant Date | July 10, 2014 |
| Bond Authorization Date | April 29, 2014 |
| Bonds Authorized | \$ 13,345,000 |
| Bonds Issued | \$ 13,345,000 |
| Original Authorized Cost | \$ 534,082 |
| Additional Authorized Cost | \$ - |
| Revised Authorized Cost | \$ 534,082 |

| | |
|--|-----------------|
| Percentage Increase Over Original Authorized Cost | 0% |
| Percentage Completion | 100% |
| Original Target Completion Date | August 31, 2015 |
| Revised Target Completion Date | August 31, 2017 |

**VERONA BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS
FOREST AVENUE SCHOOL INTERIOR AND EXTERIOR RENOVATIONS
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

| | <u>Prior Periods</u> | <u>Current Year</u> | <u>Totals</u> | <u>Revised Authorized Cost</u> |
|---|----------------------|---------------------|------------------|--|
| Revenues and Other Financing Sources | | | | |
| Bond Proceeds | \$ 419,607 | - | \$ 419,607 | \$ 419,607 |
| State Sources - SDA Grant | <u>162,399</u> | <u>-</u> | <u>162,399</u> | <u>162,399</u> |
| Total Revenues and Other Financing Sources | <u>582,006</u> | <u>-</u> | <u>582,006</u> | <u>582,006</u> |
| Expenditures and Other Financing Uses | | | | |
| Construction Services | 427,288 | \$ 40,501 | 467,789 | 531,849 |
| Purchased Professional and Technical Services | <u>50,157</u> | <u>2,950</u> | <u>53,107</u> | <u>50,157</u> |
| Total Expenditures | <u>477,445</u> | <u>43,451</u> | <u>520,896</u> | <u>582,006</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>\$ 104,561</u> | <u>\$ (43,451)</u> | <u>\$ 61,110</u> | <u>\$ -</u> |

Additional Project Information:

| | |
|----------------------------|------------------|
| Project Number | 5370-090-14-1006 |
| Grant Date | July 10, 2014 |
| Bond Authorization Date | April 29, 2014 |
| Bonds Authorized | \$ 13,345,000 |
| Bonds Issued | \$ 13,345,000 |
| Original Authorized Cost | \$ 582,006 |
| Additional Authorized Cost | \$ - |
| Revised Authorized Cost | \$ 582,006 |

| | |
|--|-----------------|
| Percentage Increase Over Original Authorized Cost | 0% |
| Percentage Completion | 90% |
| Original Target Completion Date | August 31, 2015 |
| Revised Target Completion Date | August 31, 2017 |

**VERONA BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS
HENRY B. WHITEHORNE MIDDLE SCHOOL INTERIOR AND EXTERIOR RENOVATIONS
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

| | <u>Prior Periods</u> | <u>Current Year</u> | <u>Totals</u> | <u>Revised Authorized Cost</u> |
|---|----------------------|---------------------|------------------|--|
| Revenues and Other Financing Sources | | | | |
| Bond Proceeds | \$ 820,889 | - | \$ 820,889 | \$ 820,889 |
| State Sources - SDA Grant | 237,609 | - | 237,609 | 237,609 |
| | <u>1,058,498</u> | <u>-</u> | <u>1,058,498</u> | <u>1,058,498</u> |
| Expenditures and Other Financing Uses | | | | |
| Construction Services | 482,617 | \$ 375,639 | 858,256 | 960,720 |
| Purchased Professional and Technical Services | 97,778 | 7,131 | 104,909 | 97,778 |
| | <u>580,395</u> | <u>382,770</u> | <u>963,165</u> | <u>1,058,498</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>\$ 478,103</u> | <u>\$ (382,770)</u> | <u>\$ 95,333</u> | <u>\$ -</u> |

Additional Project Information:

| | |
|----------------------------|------------------|
| Project Number | 5370-095-14-1007 |
| Grant Date | July 10, 2014 |
| Bond Authorization Date | April 29, 2014 |
| Bonds Authorized | \$ 13,345,000 |
| Bonds Issued | \$ 13,345,000 |
| Original Authorized Cost | \$ 1,058,498 |
| Additional Authorized Cost | \$ - |
| Revised Authorized Cost | \$ 1,058,498 |

| | |
|--|-----------------|
| Percentage Increase Over Original Authorized Cost | 0% |
| Percentage Completion | 91% |
| Original Target Completion Date | August 31, 2015 |
| Revised Target Completion Date | August 31, 2017 |

**VERONA BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS
LANING AVENUE ELEMENTARY SCHOOL INTERIOR AND EXTERIOR RENOVATIONS
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

| | <u>Prior Periods</u> | <u>Current Year</u> | <u>Totals</u> | <u>Revised Authorized Cost</u> |
|---|----------------------|---------------------|------------------|--|
| Revenues and Other Financing Sources | | | | |
| Bond Proceeds | \$ 115,444 | - | \$ 115,444 | \$ 115,444 |
| State Sources - SDA Grant | 76,962 | - | 76,962 | 76,962 |
| | <u>192,406</u> | <u>-</u> | <u>192,406</u> | <u>192,406</u> |
| Expenditures and Other Financing Uses | | | | |
| Construction Services | 146,749 | | 146,749 | 175,865 |
| Purchased Professional and Technical Services | 16,541 | 2,616 | 19,157 | 16,541 |
| | <u>163,290</u> | <u>2,616</u> | <u>165,906</u> | <u>192,406</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>\$ 29,116</u> | <u>\$ (2,616)</u> | <u>\$ 26,500</u> | <u>\$ -</u> |

Additional Project Information:

| | |
|----------------------------|------------------|
| Project Number | 5370-095-14-1008 |
| Grant Date | July 10, 2014 |
| Bond Authorization Date | April 29, 2014 |
| Bonds Authorized | \$ - |
| Bonds Issued | \$ - |
| Original Authorized Cost | \$ 192,406 |
| Additional Authorized Cost | \$ - |
| Revised Authorized Cost | \$ 192,406 |

| | |
|--|-----------------|
| Percentage Increase Over Original Authorized Cost | 0% |
| Percentage Completion | 86% |
| Original Target Completion Date | August 31, 2015 |
| Revised Target Completion Date | August 31, 2017 |

**VERONA BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS
MULTI-PURPOSE FIELD WORK
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

| | <u>Prior Periods</u> | <u>Current Year</u> | <u>Totals</u> | <u>Revised Authorized Cost</u> |
|---|----------------------|-----------------------|---------------------|--|
| Revenues and Other Financing Sources | | | | |
| Bond Proceeds | \$ 5,695,355 | - | \$ 5,695,355 | \$ 5,695,355 |
| Total Revenues and Other Financing Sources | <u>5,695,355</u> | <u>-</u> | <u>5,695,355</u> | <u>5,695,355</u> |
| Expenditures and Other Financing Uses | | | | |
| Construction Services | 972,545 | \$ 4,825,616 | 5,798,161 | 5,149,514 |
| Purchased Professional and Technical Services | <u>545,841</u> | <u>103,067</u> | <u>648,908</u> | <u>545,841</u> |
| Total Expenditures | <u>1,518,386</u> | <u>4,928,683</u> | <u>6,447,069</u> | <u>5,695,355</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>\$ 4,176,969</u> | <u>\$ (4,928,683)</u> | <u>\$ (751,714)</u> | <u>\$ -</u> |

Additional Project Information:

| | |
|--|--------------------|
| Project Number | N/A |
| Grant Date | N/A |
| Bond Authorization Date | April 29, 2014 |
| Bonds Authorized | \$ 13,345,000 |
| Bonds Issued | \$ 13,345,000 |
| Original Authorized Cost | \$ 5,695,355 |
| Additional Authorized Cost | \$ - |
| Revised Authorized Cost | \$ 5,695,355 |
| Percentage Increase Over Original Authorized Cost | 0% |
| Percentage Completion | 113% |
| Original Target Completion Date | September 30, 2015 |
| Revised Target Completion Date | September 30, 2017 |

**VERONA BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS
ENERGY SAVINGS INCENTIVE PROGRAM
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

| | <u>Prior Periods</u> | <u>Current Year</u> | <u>Totals</u> | <u>Revised Authorized Cost</u> |
|---|--------------------------|-------------------------|----------------------|--|
| Revenues and Other Financing Sources | | | | |
| Lease Proceeds | \$ 3,200,000 | \$ - | \$ 3,200,000 | \$ 3,200,000 |
| Total Revenues and Other Financing Sources | <u>3,200,000</u> | <u>-</u> | <u>3,200,000</u> | <u>3,200,000</u> |
| Expenditures and Other Financing Uses | | | | |
| Construction Services | 2,452,819 | 673,470 | 3,126,289 | 3,126,289 |
| Other Expenses- Applied to Lease Principal Payment | - | 73,711 | 73,711 | 73,711 |
| Total Expenditures | <u>2,452,819</u> | <u>747,181</u> | <u>3,200,000</u> | <u>3,200,000</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>\$ 747,181</u> | <u>\$ (747,181)</u> | <u>\$ -</u> | <u>\$ -</u> |

Additional Project Information:

| | |
|--|---------------|
| Project Number | N/A |
| Grant Date | N/A |
| Bond Authorization Date | N/A |
| Bonds Authorized | N/A |
| Bonds Issued | N/A |
| Original Authorized Cost | \$ 3,200,000 |
| Additional Authorized Cost | \$ - |
| Revised Authorized Cost | \$ 3,200,000 |
| Percentage Increase Over Original Authorized Cost | 0% |
| Percentage Completion | 100% |
| Original Target Completion Date | December 2016 |
| Revised Target Completion Date | December 2016 |

**VERONA BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS
ACQUISITION OF CHROME BOOKS - 2016/17
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

| | Prior Periods | Current Year | Totals | Revised Authorized Cost |
|---|------------------|--------------|------------|-------------------------------|
| Revenues and Other Financing Sources | | | | |
| Lease Proceeds | \$ - | \$ 160,000 | \$ 160,000 | \$ 160,000 |
| Total Revenues and Other Financing Sources | - | 160,000 | 160,000 | 160,000 |
| Expenditures and Other Financing Uses | | | | |
| Supplies | - | 157,704 | 157,704 | 160,000 |
| Total Expenditures | - | 157,704 | 157,704 | 160,000 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | \$ - | \$ 2,296 | \$ 2,296 | \$ - |

Additional Project Information:

| | |
|--|------------|
| Project Number | N/A |
| Grant Date | N/A |
| Bond Authorization Date | N/A |
| Bonds Authorized | N/A |
| Bonds Issued | N/A |
| Original Authorized Cost | \$ 160,000 |
| Additional Authorized Cost | \$ - |
| Revised Authorized Cost | \$ 160,000 |
| Percentage Increase Over Original Authorized Cost | 0% |
| Percentage Completion | 99% |
| Original Target Completion Date | June 2017 |
| Revised Target Completion Date | June 2017 |

ENTERPRISE FUNDS

**VERONA BOARD OF EDUCATION
ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
AS OF JUNE 30, 2017**

THIS SCHEDULE IS NOT APPLICABLE
FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-4

**COMBINING STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

THIS SCHEDULE IS NOT APPLICABLE
FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-5

**COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

THIS SCHEDULE IS NOT APPLICABLE
FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-6

FIDUCIARY FUNDS

**VERONA BOARD OF EDUCATION
FIDUCIARY FUNDS
COMBINING STATEMENT OF AGENCY ASSETS AND LIABILITIES
AS OF JUNE 30, 2017**

| | <u>Student Activity</u> | <u>Agency Payroll</u> | <u>Total</u> |
|-------------------------------------|-----------------------------|---------------------------|-------------------|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 124,539 | \$ 49,643 | \$ 174,182 |
| Total Assets | <u>\$ 124,539</u> | <u>\$ 49,643</u> | <u>\$ 174,182</u> |
| LIABILITIES | | | |
| Due to Student Groups | \$ 124,539 | | \$ 124,539 |
| Reserve for Flexible Spending | | \$ 27,285 | 27,285 |
| Accrued Salaries and Wages | | 1,918 | 1,918 |
| Payroll Deductions and Withholdings | <u>-</u> | <u>20,440</u> | <u>20,440</u> |
| Total Liabilities | <u>\$ 124,539</u> | <u>\$ 49,643</u> | <u>\$ 174,182</u> |

**FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

THIS STATEMENT IS NOT APPLICABLE

FINANCIAL STATEMENT IS PRESENTED ON EXHIBIT B-8

**VERONA BOARD OF EDUCATION
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

| | <u>Balance July 1, 2016</u> | <u>Cash Receipts</u> | <u>Cash Disbursements</u> | <u>Balance, June 30, 2017</u> |
|-------------------------------|---------------------------------|--------------------------|-------------------------------|-----------------------------------|
| JUNIOR HIGH SCHOOL | | | | |
| H.B. Whitehorne Middle School | \$ 34,830 | \$ 98,367 | \$ 103,285 | \$ 29,912 |
| SENIOR HIGH SCHOOL | | | | |
| Verona Senior High School | 79,009 | 140,686 | 129,158 | 90,537 |
| Athletic Fund | <u>72</u> | <u>49,292</u> | <u>45,274</u> | <u>4,090</u> |
| | <u>\$ 113,911</u> | <u>\$ 288,345</u> | <u>\$ 277,717</u> | <u>\$ 124,539</u> |

**PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

| | <u>Balance, July 1, 2016</u> | <u>Cash Receipts</u> | <u>Cash Disbursements</u> | <u>Balance, June 30, 2017</u> |
|-------------------------------------|----------------------------------|--------------------------|-------------------------------|-----------------------------------|
| Payroll Deductions and Withholdings | \$ 21,635 | \$ 24,357,233 | \$ 24,358,428 | \$ 20,440 |
| Accrued Salaries and Wages | 10,680 | 13,413,077 | 13,421,839 | 1,918 |
| Reserve for Flexible Spending | <u>19,919</u> | <u>93,392</u> | <u>86,026</u> | <u>27,285</u> |
| | <u>\$ 52,234</u> | <u>\$ 37,863,702</u> | <u>\$ 37,866,293</u> | <u>\$ 49,643</u> |

LONG-TERM DEBT

**VERONA BOARD OF EDUCATION
LONG TERM DEBT
SCHEDULE OF SERIAL BONDS PAYABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

| <u>Issue</u> | <u>Date of Issue</u> | <u>Amount of Issue</u> | <u>Annual Maturities</u> | | <u>Interest Rate</u> | <u>Balance, July 1, 2016</u> | <u>Issued</u> | <u>Retired</u> | <u>Balance, June 30, 2017</u> |
|-----------------------|----------------------|------------------------|--------------------------|---------------|----------------------|------------------------------|---------------|---------------------|-------------------------------|
| | | | <u>Date</u> | <u>Amount</u> | | | | | |
| 2014 School Bonds | 4/29/2014 | \$ 13,845,000 | 5/1/2018 | \$ 575,000 | 2.500 | | | | |
| | | | 5/1/2019 | 675,000 | 2.500 | | | | |
| | | | 5/1/2020 | 725,000 | 2.500 | | | | |
| | | | 5/1/2021 | 735,000 | 2.500 | | | | |
| | | | 5/1/2022 | 745,000 | 2.750 | | | | |
| | | | 5/1/2023 | 750,000 | 2.750 | | | | |
| | | | 5/1/2024 | 765,000 | 2.750 | | | | |
| | | | 5/1/2025 | 775,000 | 2.750 | | | | |
| | | | 5/1/2026 | 775,000 | 3.000 | | | | |
| | | | 5/1/2027 | 800,000 | 3.000 | | | | |
| | | | 5/1/2028 | 800,000 | 3.000 | | | | |
| | | | 5/1/2029 | 800,000 | 3.000 | | | | |
| | | | 5/1/2030 | 800,000 | 3.125 | | | | |
| | | | 5/1/2031 | 800,000 | 3.250 | | | | |
| | | | 5/1/2032 | 800,000 | 3.250 | | | | |
| | | | 5/1/2033 | 800,000 | 3.375 | | | | |
| | | | 5/1/2034 | 800,000 | 3.500 | | | | |
| | | | | | | \$ 13,445,000 | - | \$ 525,000 | \$ 12,920,000 |
| 2015 School Refunding | 3/13/2015 | \$ 24,635,000 | 3/1/2018 | 1,600,000 | 4.000 | | | | |
| | | | 3/1/2019 | 1,640,000 | 4.000 | | | | |
| | | | 3/1/2020 | 1,680,000 | 4.000 | | | | |
| | | | 3/1/2021 | 1,665,000 | 5.000 | | | | |
| | | | 3/1/2022 | 1,670,000 | 2.000 | | | | |
| | | | 3/1/2023 | 1,625,000 | 5.000 | | | | |
| | | | 3/1/2024 | 1,630,000 | 5.000 | | | | |
| | | | 3/1/2025 | 1,630,000 | 5.000 | | | | |
| | | | 3/1/2026 | 1,635,000 | 4.000 | | | | |
| | | | 3/1/2027 | 1,620,000 | 5.000 | | | | |
| | | | 3/1/2028 | 1,625,000 | 5.000 | | | | |
| 3/1/2029 | 1,675,000 | 5.000 | | | | | | | |
| 3/1/2030 | 1,680,000 | 4.000 | | | | | | | |
| 3/1/2031 | 1,685,000 | 5.000 | | | | | | | |
| | | | | | | 24,635,000 | \$ - | 1,575,000 | 23,060,000 |
| | | | | | | <u>\$ 38,080,000</u> | <u>\$ -</u> | <u>\$ 2,100,000</u> | <u>\$ 35,980,000</u> |

**VERONA BOARD OF EDUCATION
LONG TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASE AGREEMENTS/LEASE PURCHASE AGREEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

| <u>Series</u> | Amount of Original Issue | Balance, July 1, 2016 | <u>Issued</u> | <u>Retired</u> | Balance, June 30, 2017 |
|---------------------------------------|--------------------------------|--------------------------|-------------------|-------------------|---------------------------|
| 2014-Maintenance Vehicle | \$ 35,626 | \$ 14,550 | | \$ 7,205 | \$ 7,345 |
| 2015-Energy Incentive Savings Program | 3,200,000 | 3,067,181 | | 371,416 | 2,695,765 |
| 2015- Chrome Books Lease Purchase | 175,000 | 103,918 | | 51,419 | 52,499 |
| 2016- Chrome Books Lease Purchase | 150,000 | 125,248 | | 41,366 | 83,882 |
| 2016- Chrome Books Lease Purchase | 160,000 | - | \$ 160,000 | 54,201 | 105,799 |
| | | <u>\$ 3,310,897</u> | <u>\$ 160,000</u> | <u>\$ 525,607</u> | <u>\$ 2,945,290</u> |

**DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

| | Original Budget | Budget Adjustments | Final Budget | Actual | Variance Final to Actual |
|--|--------------------|-----------------------|------------------|------------------|--------------------------------|
| REVENUES | | | | | |
| Local Sources | | | | | |
| Local Tax Levy | \$ 2,871,015 | | \$ 2,871,015 | \$ 2,871,015 | |
| State Sources | | | | | |
| Debt Service Aid | 667,667 | - | 667,667 | 667,667 | - |
| Total Revenues | <u>3,538,682</u> | <u>-</u> | <u>3,538,682</u> | <u>3,538,682</u> | <u>-</u> |
| EXPENDITURES | | | | | |
| Regular Debt Service | | | | | |
| Principal | 2,100,000 | | 2,100,000 | 2,100,000 | |
| Interest | 1,459,388 | - | 1,459,388 | 1,459,388 | - |
| Total Expenditures | <u>3,559,388</u> | <u>-</u> | <u>3,559,388</u> | <u>3,559,388</u> | <u>-</u> |
| Excess (Deficiency) of Revenues Over/(Under) Expenditures | <u>(20,706)</u> | <u>-</u> | <u>(20,706)</u> | <u>(20,706)</u> | <u>-</u> |
| Other Financing Sources (Uses) | | | | | |
| Transfer In | - | - | - | 9,032 | 9,032 |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>9,032</u> | <u>9,032</u> |
| Excess(Deficiency) of Revenues and Other Financing Sources Over(Under) Expenditures | <u>(20,706)</u> | <u>-</u> | <u>(20,706)</u> | <u>(11,674)</u> | <u>9,032</u> |
| Fund Balance, Beginning of Year | <u>45,489</u> | <u>-</u> | <u>45,489</u> | <u>45,489</u> | <u>-</u> |
| Fund Balance, End of Year | <u>\$ 24,783</u> | <u>\$ -</u> | <u>\$ 24,783</u> | <u>\$ 33,815</u> | <u>\$ 9,032</u> |

Recapitulation of Fund Balance:

Restricted for Debt Service:

| | |
|---|--------------|
| Designated for Subsequent Year's Budget | \$ 24,783 |
| Available for Debt Service Expenditures | <u>9,032</u> |

Total Fund Balance-Restricted for
Debt Service

\$ 33,815

STATISTICAL SECTION

This part of the Verona Board of Education'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 government's overall financial health.

Contents

Exhibits

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

J-1 to J-5

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

J-6 to J-9

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

J-10 to J-13

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

J-14 and J-15

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs. J-16 to J-20

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

VERONA BOARD OF EDUCATION
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Unaudited)
(accrual basis of accounting)

| | Fiscal Year Ended June 30, | | | | | | | | | |
|--|----------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Governmental Activities | | | | | | | | | | |
| Net Investment in Capital Assets | \$ 6,655,294 | \$ 6,461,850 | \$ 6,542,788 | \$ 6,705,998 | \$ 6,966,552 | \$ 10,024,595 | \$ 10,140,982 | \$ 9,467,375 | \$ 11,262,874 | \$ 12,665,031 |
| Restricted | 1,491,295 | 954,017 | 501,958 | 171,777 | 164,783 | 90,008 | 287,608 | 500,958 | 673,474 | 352,461 |
| Unrestricted | <u>(1,988,673)</u> | <u>(1,662,598)</u> | <u>(1,407,245)</u> | <u>(1,049,120)</u> | <u>(1,183,105)</u> | <u>(1,050,906)</u> | <u>(8,590,018)</u> | <u>(8,601,745)</u> | <u>(9,172,256)</u> | <u>(9,938,705)</u> |
| Total Governmental Activities Net Position | \$ 6,157,916 | \$ 5,753,269 | \$ 5,637,501 | \$ 5,828,655 | \$ 5,948,230 | \$ 9,063,697 | \$ 1,838,572 | \$ 1,366,588 | \$ 2,764,092 | \$ 3,078,787 |
| Business-Type Activities | | | | | | | | | | |
| Net Investment in Capital Assets | \$ 32,554 | \$ 29,222 | \$ 25,890 | \$ 22,558 | \$ 19,226 | \$ 60,040 | \$ 47,628 | \$ 41,107 | \$ 29,785 | \$ 21,661 |
| Unrestricted | <u>49,278</u> | <u>26,039</u> | <u>19,404</u> | <u>7,010</u> | <u>13,387</u> | <u>(3,039)</u> | <u>20,982</u> | <u>11,138</u> | <u>17,977</u> | <u>10,421</u> |
| Total Business-Type Activities Net Position | \$ 81,832 | \$ 55,261 | \$ 45,294 | \$ 29,568 | \$ 32,613 | \$ 57,001 | \$ 68,610 | \$ 52,245 | \$ 47,762 | \$ 32,082 |
| District-Wide | | | | | | | | | | |
| Net Investment in Capital Assets | \$ 6,687,848 | \$ 6,491,072 | \$ 6,568,678 | \$ 6,728,556 | \$ 6,985,778 | \$ 10,084,635 | \$ 10,188,610 | \$ 9,508,482 | \$ 11,292,659 | \$ 12,686,692 |
| Restricted | 1,491,295 | 954,017 | 501,958 | 171,777 | 164,783 | 90,008 | 287,608 | 500,958 | 673,474 | 352,461 |
| Unrestricted | <u>(1,939,395)</u> | <u>(1,636,559)</u> | <u>(1,387,841)</u> | <u>(1,042,110)</u> | <u>(1,169,718)</u> | <u>(1,053,945)</u> | <u>(8,569,036)</u> | <u>(8,590,607)</u> | <u>(9,154,279)</u> | <u>(9,928,284)</u> |
| Total District Net Position | \$ 6,239,748 | \$ 5,808,530 | \$ 5,682,795 | \$ 5,858,223 | \$ 5,980,843 | \$ 9,120,698 | \$ 1,907,182 | \$ 1,418,833 | \$ 2,811,854 | \$ 3,110,869 |

VERONA BOARD OF EDUCATION
 CHANGES IN NET POSITION
 LAST TEN FISCAL YEARS
 (Unaudited)
 (accrual basis of accounting)

| | Fiscal Year Ended June 30, | | | | | | | | | |
|--|----------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Expenses | | | | | | | | | | |
| Governmental Activities | | | | | | | | | | |
| Instruction | | | | | | | | | | |
| Regular | \$ 13,830,118 | \$ 13,113,794 | \$ 13,979,982 | \$ 13,559,950 | \$ 14,274,188 | \$ 14,984,681 | \$ 15,097,067 | \$ 18,176,045 | \$ 19,295,953 | \$ 22,431,887 |
| Special Education | 4,488,595 | 4,280,896 | 4,264,879 | 4,503,628 | 4,658,751 | 4,593,223 | 4,902,628 | 5,853,353 | 6,479,779 | 7,286,594 |
| Other Instruction | 331,490 | 291,800 | 326,495 | 352,996 | 402,188 | 399,407 | 385,944 | 466,439 | 418,197 | 421,161 |
| School Sponsored Activities And Athletics | 789,408 | 832,929 | 884,332 | 851,004 | 919,157 | 964,506 | 1,011,087 | 1,127,135 | 1,237,964 | 1,214,014 |
| Community Services | 67,183 | 21,577 | 20,963 | | 6,450 | | | | | |
| Support Services: | | | | | | | | | | |
| Student and Instruction Related Services | 3,315,148 | 3,529,635 | 3,625,257 | 3,812,349 | 4,607,480 | 4,945,625 | 4,671,838 | 4,765,457 | 5,205,468 | 5,590,168 |
| School Administrative Services | 2,373,467 | 2,635,737 | 2,627,792 | 2,932,971 | 2,367,908 | 2,434,204 | 2,432,868 | 3,064,442 | 3,124,857 | 3,386,471 |
| General Administration | 682,398 | 571,229 | 597,791 | 626,250 | 612,146 | 658,156 | 734,420 | 597,313 | 696,937 | 771,714 |
| Plant Operations And Maintenance | 3,119,774 | 3,678,194 | 3,768,008 | 3,727,693 | 3,778,372 | 4,200,948 | 4,485,650 | 5,667,171 | 4,783,433 | 4,705,190 |
| Pupil Transportation | 526,813 | 546,041 | 459,971 | 466,844 | 478,843 | 499,926 | 641,206 | 713,344 | 888,883 | 1,032,430 |
| Business and Other Support Services | 543,963 | 518,043 | 493,452 | 540,371 | 502,522 | 658,644 | 696,393 | 701,640 | 785,432 | 877,465 |
| Interest On Long-Term Debt and Other Chgs | 1,700,160 | 1,556,890 | 1,569,642 | 1,552,194 | 1,501,988 | 1,433,132 | 1,432,836 | 1,815,349 | 1,300,089 | 1,221,902 |
| Total Governmental Activities Expenses | 31,768,517 | 31,576,765 | 32,618,564 | 32,926,250 | 34,109,993 | 35,772,452 | 36,491,937 | 42,947,688 | 44,216,992 | 48,938,996 |
| Business-Type Activities | | | | | | | | | | |
| VSEA | 17,555 | 21,634 | 40,416 | 49,526 | 46,815 | 60,478 | 53,724 | 49,836 | 50,521 | 59,952 |
| Food Service | 350,136 | 305,234 | 301,924 | 288,527 | 342,468 | 380,441 | 386,419 | 378,302 | 389,032 | 393,936 |
| Total Business-Type Activities Expense | 367,691 | 326,868 | 342,340 | 338,053 | 389,283 | 440,919 | 440,143 | 428,138 | 439,553 | 453,888 |
| Total District Expenses | \$ 32,136,208 | \$ 31,903,633 | \$ 32,960,904 | \$ 33,264,303 | \$ 34,499,276 | \$ 36,213,371 | \$ 36,932,080 | \$ 43,375,826 | \$ 44,656,545 | \$ 49,392,884 |
| Program Revenues | | | | | | | | | | |
| Governmental Activities | | | | | | | | | | |
| Charges For Services | | | | | | | | | | |
| Regular Instruction | \$ 147,070 | \$ 177,274 | \$ 114,476 | \$ 208,284 | \$ 257,108 | \$ 243,171 | \$ 150,042 | \$ 175,340 | \$ 179,818 | \$ 182,230 |
| Special Education | - | - | - | - | - | - | - | - | - | - |
| Operating and Capital Grants And Contributions | 5,103,714 | 4,096,835 | 4,346,750 | 3,449,371 | 3,985,678 | 4,771,362 | 4,704,379 | 9,550,380 | 11,770,607 | 14,377,728 |
| Total Governmental Activities Program Revenues | 5,250,784 | 4,274,109 | 4,461,226 | 3,657,655 | 4,242,786 | 5,014,533 | 4,854,421 | 9,725,720 | 11,950,425 | 14,559,958 |
| Business-Type Activities | | | | | | | | | | |
| Charges For Services | | | | | | | | | | |
| Food Service | 291,619 | 244,358 | 228,491 | 260,396 | 331,902 | 341,493 | 355,977 | 51,481 | 48,938 | 59,625 |
| VSEA | 3,640 | 32,870 | 33,594 | 40,153 | 55,109 | 56,720 | 59,571 | 347,390 | 355,456 | 372,038 |
| Operating Grants And Contributions | 7,658 | 8,194 | 6,200 | 5,000 | 5,317 | 4,937 | 4,796 | 4,658 | 3,819 | 4,273 |
| Total Business Type Activities Program Revenues | 302,917 | 285,422 | 268,285 | 305,549 | 392,328 | 403,150 | 420,344 | 403,529 | 408,213 | 435,936 |
| Total District Program Revenues | \$ 5,553,701 | \$ 4,559,531 | \$ 4,729,511 | \$ 3,963,204 | \$ 4,635,114 | \$ 5,417,683 | \$ 5,274,765 | \$ 10,129,249 | \$ 12,358,638 | \$ 14,995,894 |
| Net (Expense)/Revenue | | | | | | | | | | |
| Governmental Activities | \$ (26,517,733) | \$ (27,302,656) | \$ (28,157,338) | \$ (29,268,595) | \$ (29,867,207) | \$ (30,757,919) | \$ (31,637,516) | \$ (33,221,968) | \$ (32,266,567) | \$ (34,379,038) |
| Business-Type Activities | (64,774) | (41,446) | (74,055) | (32,504) | 3,045 | (37,769) | (19,799) | (24,609) | (31,340) | (17,952) |
| Total District-Wide Net Expenses | \$ (26,582,507) | \$ (27,344,102) | \$ (28,231,393) | \$ (29,301,099) | \$ (29,864,162) | \$ (30,795,688) | \$ (31,657,315) | \$ (33,246,577) | \$ (32,297,907) | \$ (34,396,990) |

VERONA BOARD OF EDUCATION
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Unaudited)
(accrual basis of accounting)

| | Fiscal Year Ended June 30. | | | | | | | | | |
|---|----------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| General Revenues and Other Changes in Net Assets | | | | | | | | | | |
| Governmental Activities | | | | | | | | | | |
| Property Taxes Levied For General Purposes, Net | \$ 23,437,661 | \$ 24,689,393 | \$ 25,601,948 | \$ 26,626,026 | \$ 27,158,547 | \$ 27,801,223 | \$ 28,496,254 | \$ 29,231,861 | \$ 30,040,337 | \$ 30,966,400 |
| Taxes Levied For Debt Service | 1,648,192 | 1,498,905 | 1,725,142 | 2,218,556 | 2,238,160 | 2,242,798 | 2,253,849 | 2,627,588 | 2,815,471 | 2,871,015 |
| Federal and State Aid - Unrestricted | 212,528 | | | | | | | | | |
| State Aid Restricted for Debt Service | 403,146 | 402,091 | 503,226 | 423,263 | 429,506 | 435,288 | 625,186 | 621,793 | 687,998 | 667,667 |
| Accrued Interest on Bond Sale | | | | | | | | | | |
| Investment Earnings | 534,523 | 8,185 | 1,895 | 940 | 9 | 8 | 323 | 20,780 | 17,258 | 10,253 |
| Miscellaneous Income | 181,169 | 314,182 | 273,419 | 207,738 | 160,660 | 166,829 | 354,072 | 256,206 | 297,580 | 180,670 |
| Transfers | - | (14,747) | (64,060) | (16,774) | - | (8,931) | (31,408) | (8,244) | (26,857) | (2,272) |
| Total Governmental Activities | 26,417,219 | 26,898,009 | 28,041,570 | 29,459,749 | 29,986,882 | 30,637,215 | 31,698,276 | 32,749,984 | 33,831,787 | 34,693,733 |
| Business-Type Activities | | | | | | | | | | |
| Investment Earnings | 252 | 128 | 28 | 4 | | | | | | |
| Transfers | - | 14,747 | 64,060 | 16,774 | - | 8,931 | 31,408 | 8,244 | 26,857 | 2,272 |
| Total Business-Type Activities | 252 | 14,875 | 64,088 | 16,778 | - | 8,931 | 31,408 | 8,244 | 26,857 | 2,272 |
| Total District-Wide | \$ 26,417,471 | \$ 26,912,884 | \$ 28,105,658 | \$ 29,476,527 | \$ 29,986,882 | \$ 30,646,146 | \$ 31,729,684 | \$ 32,758,228 | \$ 33,858,644 | \$ 34,696,005 |
| Change in Net Position | | | | | | | | | | |
| Governmental Activities | \$ (100,514) | \$ (404,647) | \$ (115,768) | \$ 191,154 | \$ 119,675 | \$ (120,704) | \$ 60,760 | \$ (471,984) | \$ 1,565,220 | \$ 314,695 |
| Business-Type Activities | (64,522) | (26,571) | (9,967) | (15,726) | 3,045 | (28,838) | 11,609 | (16,365) | (4,483) | (15,680) |
| Total District | \$ (165,036) | \$ (431,218) | \$ (125,735) | \$ 175,428 | \$ 122,720 | \$ (149,542) | \$ 72,369 | \$ (488,349) | \$ 1,560,737 | \$ 299,015 |

VERONA BOARD OF EDUCATION
FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Unaudited)
(modified accrual basis of accounting)

| | Fiscal Year Ended June 30, | | | | | | | | | |
|---|----------------------------|-------------------|-------------------|---------------------|-------------------|---------------------|----------------------|----------------------|---------------------|---------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| General Fund | | | | | | | | | | |
| Reserved | \$ 62,278 | \$ 490,164 | \$ 724,666 | | | | | | | |
| Unreserved | 547,351 | 224,191 | 213,425 | | | | | | | |
| Nonspendable | | | | | | | | | | \$ 73,711 |
| Restricted | | | | \$ 652,903 | \$ 633,147 | \$ 719,956 | \$ 812,578 | \$ 743,809 | \$ 821,353 | \$ 574,646 |
| Assigned | | | | | | | | 9,956 | 36,086 | 31,841 |
| Unassigned | - | - | - | 414,056 | 341,544 | 313,521 | 323,021 | 339,749 | 302,589 | 325,703 |
| Total General Fund | \$ 609,629 | \$ 714,355 | \$ 938,091 | \$ 1,066,959 | \$ 974,691 | \$ 1,033,477 | \$ 1,135,599 | \$ 1,093,514 | \$ 1,160,028 | \$ 1,005,901 |
| All Other Governmental Funds | | | | | | | | | | |
| Reserved | \$ 1,963,902 | \$ 334,599 | \$ 318,639 | | | | | | | |
| Unreserved | 1,398,464 | 618,093 | 223,296 | | \$ 9 | | | | | |
| Restricted | - | - | - | \$ 15,421 | 7,918 | \$ 5,477 | \$ 13,739,314 | \$ 14,369,550 | \$ 7,611,604 | \$ 19,552 |
| Total All Other Governmental Funds | \$ 3,362,366 | \$ 952,692 | \$ 541,935 | \$ 15,421 | \$ 7,927 | \$ 5,477 | \$ 13,739,314 | \$ 14,369,550 | \$ 7,611,604 | \$ 19,552 |

Beginning with Fiscal Year 2011, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". The Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. This Statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Reclassification of prior year fund balance amounts to comply with Statement No. 54 is not required.

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

| | Fiscal Year Ended June 30, | | | | | | | | | |
|---|----------------------------|-----------------------|---------------------|---------------------|--------------------|-------------------|----------------------|-------------------|-----------------------|-----------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Revenues | | | | | | | | | | |
| Tax Levy | \$ 25,085,853 | \$ 26,188,298 | \$ 27,327,090 | \$ 28,844,582 | \$ 29,396,707 | \$ 30,044,021 | \$ 30,750,103 | \$ 31,859,449 | \$ 32,855,808 | \$ 33,837,415 |
| Tuition Charges | 147,070 | 177,274 | 114,476 | 208,284 | 257,108 | 243,171 | 150,042 | 175,340 | 179,818 | 182,230 |
| Miscellaneous | 193,038 | 314,182 | 299,357 | 258,482 | 261,316 | 185,620 | 371,855 | 269,692 | 343,885 | 317,651 |
| Interest | 534,523 | 8,185 | 1,895 | 940 | 9 | 8 | 323 | 20,780 | 17,258 | 10,253 |
| State Sources | 5,300,331 | 3,990,890 | 4,195,378 | 2,996,240 | 3,744,188 | 4,727,332 | 4,681,308 | 5,882,064 | 7,381,050 | 6,694,620 |
| Federal Sources | 407,188 | 508,036 | 628,660 | 823,279 | 570,340 | 460,527 | 630,474 | 553,751 | 597,626 | 632,408 |
| Total Revenues | 31,668,003 | 31,186,865 | 32,566,856 | 33,131,807 | 34,229,668 | 35,660,679 | 36,584,105 | 38,761,076 | 41,375,445 | 41,674,577 |
| Expenditures | | | | | | | | | | |
| Instruction | | | | | | | | | | |
| Regular Instruction | 13,447,633 | 13,074,136 | 13,869,191 | 13,439,810 | 14,133,388 | 14,833,958 | 14,973,975 | 15,511,696 | 16,118,945 | 17,123,270 |
| Special Education Instruction | 4,460,943 | 4,270,481 | 4,273,598 | 4,503,754 | 4,661,814 | 4,597,744 | 4,914,698 | 5,422,680 | 6,006,173 | 6,380,677 |
| Other Instruction | 331,490 | 291,800 | 326,495 | 352,996 | 402,188 | 399,407 | 385,944 | 396,943 | 349,091 | 316,870 |
| School Sponsored Activities and Athletics | 782,630 | 798,882 | 850,043 | 816,957 | 885,191 | 915,300 | 962,054 | 978,351 | 1,058,768 | 962,474 |
| Community Services | 67,183 | 21,577 | 20,963 | | 6,450 | | | | | |
| Support Services | | | | | | | | | | |
| Student and Inst. Related Services | 3,296,125 | 3,450,254 | 3,623,506 | 3,782,776 | 4,605,615 | 4,930,986 | 4,653,462 | 4,461,222 | 4,731,691 | 4,765,476 |
| General Administration | 681,780 | 582,248 | 590,725 | 624,997 | 603,465 | 644,203 | 718,345 | 530,085 | 567,910 | 657,594 |
| School Administrative Services | 2,263,736 | 2,562,936 | 2,581,689 | 2,819,910 | 2,289,114 | 2,317,069 | 2,302,511 | 2,673,890 | 2,641,920 | 2,613,464 |
| Plant Operations And Maintenance | 2,575,115 | 2,808,786 | 2,887,096 | 2,849,971 | 2,906,584 | 2,912,696 | 3,191,491 | 4,368,393 | 3,450,479 | 3,500,542 |
| Pupil Transportation | 526,813 | 534,133 | 459,971 | 466,844 | 478,843 | 499,926 | 641,206 | 710,979 | 879,621 | 832,949 |
| Business and Other Support Services | 543,963 | 518,043 | 493,452 | 540,371 | 502,522 | 658,644 | 680,245 | 660,653 | 724,563 | 782,097 |
| Capital Outlay | 14,508,215 | 1,772,368 | 207,113 | 300,398 | 46,875 | 165,599 | 176,317 | 2,511,014 | 7,862,840 | 7,700,369 |
| Debt Service | | | | | | | | | | |
| Principal | 1,142,319 | 1,181,199 | 1,181,031 | 1,219,767 | 1,313,922 | 1,318,011 | 1,577,783 | 1,612,478 | 2,216,723 | 2,443,139 |
| Interest and Other Charges | 1,643,090 | 1,610,223 | 1,572,869 | 1,539,339 | 1,493,459 | 1,437,495 | 1,383,707 | 1,701,297 | 1,581,296 | 1,499,563 |
| Bond Issuance Costs | | | | | | | | 171,893 | | |
| Claims and Judgments | - | - | - | 316,268 | - | - | - | - | - | - |
| Total Expenditures | 46,271,035 | 33,477,066 | 32,937,742 | 33,574,158 | 34,329,430 | 35,631,038 | 36,561,738 | 41,711,574 | 48,190,020 | 49,578,484 |
| Excess (Deficiency) of Revenues | | | | | | | | | | |
| Over (Under) Expenditures | (14,603,032) | (2,290,201) | (370,886) | (442,351) | (99,762) | 29,641 | 22,367 | (2,950,498) | (6,814,575) | (7,903,907) |
| Other Financing Sources (Uses) | | | | | | | | | | |
| Lease Purchase Proceeds | | | 170,000 | 61,479 | | | | 3,375,000 | 150,000 | 160,000 |
| Capital Lease Proceeds | 197,520 | | 77,925 | | | 35,626 | | | | |
| Serial Bond Proceeds | | | | | | | 13,845,000 | | | |
| Payments to Escrow Agents | | | | | | | | (1,130,420) | | |
| Refunding Bond Proceeds | | | | | | | | 24,635,000 | | |
| Accrued Interest on Bonds | | | | | | | | | | |
| Premium on Issuance of Refunding Bonds | | | | | | | | 3,538,313 | | |
| Bonds Refunded | | | | | | | | (26,871,000) | | |
| Transfers In | 479,489 | 36,054 | 1,895 | 322,168 | 509 | 8 | 5,783 | 20,698 | 16,651 | 84,468 |
| Transfers Out | (479,489) | (50,801) | (65,955) | (338,942) | (509) | (8,939) | (37,191) | (28,942) | (43,508) | (86,740) |
| Total Other Financing Sources (Uses) | 197,520 | (14,747) | 183,865 | 44,705 | - | 26,695 | 13,813,592 | 3,538,649 | 123,143 | 157,728 |
| Net Change in Fund Balances | \$ (14,405,512) | \$ (2,304,948) | \$ (187,021) | \$ (397,646) | \$ (99,762) | \$ 56,336 | \$ 13,835,959 | \$ 588,151 | \$ (6,691,432) | \$ (7,746,179) |
| Debt Service as a Percentage of | | | | | | | | | | |
| Noncapital Expenditures | 8.77% | 8.80% | 8.41% | 8.29% | 8.19% | 7.77% | 8.14% | 8.45% | 9.42% | 9.41% |

* Noncapital expenditures are total expenditures less capital outlay.

**VERONA BOARD OF EDUCATION
GOVERNMENTAL FUND OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
(Unaudited)**

| <u>Fiscal Year Ended June 30,</u> | <u>Tuition</u> | <u>Interest on Investments</u> | <u>Donations/ Local Grants</u> | <u>Rentals</u> | <u>Miscellaneous</u> | <u>Total</u> |
|---------------------------------------|----------------|------------------------------------|------------------------------------|----------------|----------------------|--------------|
| 2008 | \$ 147,070 | \$ 55,034 | - | \$ 60,199 | \$ 120,970 | \$ 383,273 |
| 2009 | 177,274 | 44,239 | \$ 28,082 | 59,532 | 190,514 | 499,641 |
| 2010 | 114,476 | 1,895 | 25,938 | 51,982 | 221,437 | 415,728 |
| 2011 | 208,284 | 573 | 53,115 | 52,098 | 143,269 | 457,339 |
| 2012 | 257,108 | 9 | 100,656 | 47,557 | 113,103 | 518,433 |
| 2013 | 243,171 | 8 | 18,791 | 52,276 | 114,553 | 428,799 |
| 2014 | 150,042 | 323 | 17,783 | 63,688 | 290,384 | 522,220 |
| 2015 | 175,340 | 20,780 | 13,486 | 76,917 | 179,289 | 465,812 |
| 2016 | 179,818 | 17,258 | 46,305 | 122,504 | 175,076 | 540,961 |
| 2017 | 182,230 | 10,253 | 136,981 | 121,987 | 58,683 | 510,134 |

Source: School District's Records

VERONA BOARD OF EDUCATION
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN YEARS
(Unaudited)

| Fiscal Year Ended June 30, | Vacant Land | Residential | Commercial | Industrial | Apartment | Total Assessed Valuation | Public Utilities | Net Valuation Taxable | Estimated Actual (County Equalized) Valuation | Total Direct School Tax Rate ^a |
|----------------------------|--------------|----------------|---------------|--------------|--------------|--------------------------|------------------|-----------------------|---|---|
| 2008 | \$ 4,462,900 | \$ 442,316,900 | \$ 47,898,700 | \$ 2,098,100 | \$ 7,613,600 | \$ 504,390,200 | \$ 258,700 | \$ 504,648,900 | \$ 2,843,460,004 | \$ 5.19 |
| 2009 | 4,769,800 | 443,567,200 | 47,873,700 | 2,098,100 | 7,613,600 | 505,922,400 | 365,200 | 506,287,600 | 2,578,721,037 | 5.40 |
| 2010 * | 25,655,800 | 1,908,230,400 | 211,856,400 | 9,039,100 | 34,583,100 | 2,189,364,800 | 1,557,600 | 2,190,922,400 | 2,190,922,400 | 1.32 |
| 2011 | 24,871,600 | 997,464,850 | 87,736,600 | 3,843,000 | 15,545,800 | 1,129,461,850 | 1,443,500 | 1,130,905,350 | 2,141,243,800 | 1.37 |
| 2012 | 24,547,300 | 1,791,644,700 | 202,890,500 | 8,674,900 | 34,772,200 | 2,062,529,600 | 1,691,900 | 2,064,221,500 | 2,064,221,500 | 1.46 |
| 2013 | 23,468,100 | 1,738,805,300 | 200,505,600 | 8,674,900 | 34,727,200 | 2,006,181,100 | 1,660,800 | 2,007,841,900 | 2,007,841,900 | 1.52 |
| 2014 | 24,563,000 | 1,737,388,100 | 194,412,000 | 8,674,900 | 34,527,200 | 1,999,565,200 | 1,398,300 | 2,000,963,500 | 2,217,719,736 | 1.59 |
| 2015 | 24,999,400 | 1,747,345,600 | 190,822,200 | 8,674,900 | 34,306,700 | 2,006,148,800 | 1,419,800 | 2,007,568,600 | 2,007,568,600 | 1.64 |
| 2016 | 22,082,000 | 1,762,365,900 | 189,831,400 | 8,367,700 | 33,738,900 | 2,016,385,900 | 1,366,500 | 2,017,752,400 | 2,017,752,400 | 1.68 |
| 2017 | 28,968,000 | 1,765,295,400 | 185,439,700 | 5,356,600 | 36,688,900 | 2,021,748,600 | 1,336,300 | 2,023,084,900 | 2,023,084,900 | 1.72 |

*- Township had a Revaluation completed in 2009.

a Tax rates are per \$100

Source: County Abstract of Ratables

**VERONA BOARD OF EDUCATION
PROPERTY TAX RATES
PER \$100 OF ASSESSED VALUATION
LAST TEN YEARS
(Unaudited)**

| <u>Year</u> | <u>School District</u> | <u>Municipal</u> | <u>Essex County</u> | <u>Total</u> |
|-------------|----------------------------|------------------|-------------------------|--------------|
| 2008 | \$5.19 | \$2.42 | \$2.00 | \$9.61 |
| 2009 | 5.40 | 2.514 | 2.003 | 9.92 |
| 2010 | * | 1.32 | 0.642 | 2.42 |
| 2011 | 1.37 | 0.694 | 0.483 | 2.55 |
| 2012 | 1.46 | 0.72 | 0.502 | 2.68 |
| 2013 | 1.52 | 0.74 | 0.529 | 2.79 |
| 2014 | 1.59 | 0.785 | 0.568 | 2.95 |
| 2015 | 1.64 | 0.785 | 0.578 | 3.00 |
| 2016 | 1.68 | 0.785 | 0.601 | 3.06 |
| 2017 | 1.72 | 0.785 | 0.613 | 3.12 |

*- Township had a Revaluation completed in 2009.

Source: Tax Duplicate, Township of Verona

**VERONA BOARD OF EDUCATION
PRINCIPAL PROPERTY TAXPAYERS,
CURRENT YEAR AND NINE YEARS AGO
(Unaudited)**

| Taxpayer | 2017 | | 2008 | |
|--------------------------------------|------------------------|--|------------------------|--|
| | Taxable Assessed Value | % of Total District Net Assessed Value | Taxable Assessed Value | % of Total District Net Assessed Value |
| Claridge II | \$ 84,992,900 | 4.20% | \$ 28,353,100 | 5.62% |
| Claridge I | 54,214,400 | 2.68% | 17,389,700 | 3.45% |
| Ardleigh Mews Condominiums | 22,501,100 | 1.11% | 5,624,200 | 1.11% |
| Wedgewood Gardens Condominiums | 22,549,700 | 1.11% | 5,211,900 | 1.03% |
| Diener Family Partnership | 21,565,700 | 1.07% | 5,309,500 | 1.05% |
| Beacon Hill Assoc. | 18,080,800 | 0.89% | | |
| Hilltop/Cenrose | 15,897,100 | 0.79% | | |
| Cam Gar | 8,517,000 | 0.42% | 4,092,800 | 0.81% |
| GAHC3 Verona Mob, LLC | 8,410,500 | 0.42% | | |
| Montclair Golf Club | 7,200,000 | 0.36% | 1,767,300 | 0.35% |
| EVI Realty | 6,912,300 | 0.34% | 1,761,100 | 0.35% |
| J. Webster Realty LLC | 5,050,000 | 0.25% | | |
| Kadima Medical Properties Investment | 4,750,000 | 0.23% | 2,500,000 | 0.50% |
| Nordan Realty | | | 1,175,000 | 0.23% |
| | <u>\$ 280,641,500</u> | <u>13.39%</u> | <u>\$ 73,184,600</u> | <u>14.50%</u> |

Source: Municipal Tax Assessor

**VERONA BOARD OF EDUCATION
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(Unaudited)**

| Fiscal Year Ended June 30, | Taxes Levied for the Fiscal Year | Collected within the Fiscal Year of the Levy | | Collections in Subsequent Years |
|-------------------------------------|-------------------------------------|---|-----------------------|---------------------------------------|
| | | Amount | Percentage of Levy | |
| 2008 | \$ 25,085,853 | \$ 25,085,853 | 100.00% | N/A |
| 2009 | 26,188,298 | 26,188,298 | 100.00% | N/A |
| 2010 | 27,337,892 | 27,337,892 | 100.00% | N/A |
| 2011 | 28,844,582 | 28,844,582 | 100.00% | N/A |
| 2012 | 29,396,707 | 29,396,707 | 100.00% | N/A |
| 2013 | 30,044,021 | 30,044,021 | 100.00% | N/A |
| 2014 | 30,750,103 | 30,750,103 | 100.00% | N/A |
| 2015 | 31,859,449 | 31,859,449 | 100.00% | N/A |
| 2016 | 32,855,808 | 32,855,808 | 100.00% | N/A |
| 2017 | 33,837,415 | 33,837,415 | 100.00% | N/A |

VERONA BOARD OF EDUCATION
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(Unaudited)

| Fiscal Year Ended June 30, | <u>Governmental Activities</u> | | | Total District | Population | Per Capita |
|-------------------------------------|--------------------------------|-------------------|---------------|----------------|------------|------------|
| | General Obligation Bonds | Capital Leases | Loans Payable | | | |
| 2008 | \$ 37,181,000 | \$ 351,781 | | \$ 37,532,781 | 12,528 | \$ 2,996 |
| 2009 | 36,206,000 | 145,582 | | 36,351,582 | 12,430 | 2,925 |
| 2010 | 35,091,000 | 327,476 | | 35,418,476 | 12,643 | 2,801 |
| 2011 | 33,961,000 | 299,188 | | 34,260,188 | 13,459 | 2,546 |
| 2012 | 32,771,000 | 175,266 | | 32,946,266 | 13,504 | 2,440 |
| 2013 | 31,521,000 | 142,881 | | 31,663,881 | 13,479 | 2,349 |
| 2014 | 43,866,000 | 65,098 | | 43,931,098 | 13,485 | 3,258 |
| 2015 | 40,080,000 | 3,377,620 | | 43,457,620 | 13,478 | 3,224 |
| 2016 | 38,080,000 | 3,310,897 | | 41,390,897 | 13,569 | 3,050 |
| 2017 | 35,980,000 | 2,945,290 | | 38,925,290 | 13,519 | 2,879 |

Source: District records

VERONA BOARD OF EDUCATION
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(Unaudited)

| Fiscal Year Ended June 30, | General Bonded Debt Outstanding | | Net General Bonded Debt Outstanding | Percentage of Actual Taxable Value of Property | Per Capita |
|-------------------------------------|---------------------------------|------------|---|---|------------|
| | General Obligation Bonds | Deductions | | | |
| 2008 | \$ 37,181,000 | | \$ 37,181,000 | 7.37% | \$ 2,968 |
| 2009 | 36,206,000 | | 36,206,000 | 7.17% | 2,913 |
| 2010 | 35,091,000 | | 35,091,000 | 6.93% | 2,776 |
| 2011 | 33,961,000 | | 33,961,000 | 1.55% | 2,523 |
| 2012 | 32,771,000 | | 32,771,000 | 2.90% | 2,427 |
| 2013 | 31,521,000 | | 31,521,000 | 1.57% | 2,339 |
| 2014 | 43,866,000 | | 43,866,000 | 2.19% | 3,253 |
| 2015 | 40,080,000 | | 40,080,000 | 2.00% | 2,974 |
| 2016 | 38,080,000 | | 38,080,000 | 1.90% | 2,806 |
| 2017 | 35,980,000 | | 35,980,000 | 1.78% | 2,661 |

Source: District records

**VERONA BOARD OF EDUCATION
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2016
(Unaudited)**

| | <u>Gross Debt</u> | <u>Deductions</u> | <u>Net Debt</u> |
|---|----------------------|----------------------|----------------------|
| Municipal Debt: (1) | | | |
| Verona Board of Education | \$ 38,080,000 | \$ 38,080,000 | |
| Township of Verona | <u>41,358,399</u> | <u>9,516,932</u> | <u>\$ 31,841,467</u> |
| | <u>\$ 79,438,399</u> | <u>\$ 47,596,932</u> | <u>31,841,467</u> |
| Overlapping Debt Apportioned to the Municipality: | | | |
| Essex County | | | |
| County of Essex (A) | | | 11,734,238 |
| Essex County Utilities Authority (B) | | | <u>1,399,035</u> |
| | | | <u>13,133,273</u> |
| Total Direct and Overlapping Debt | | | <u>\$ 44,974,740</u> |

Source:

(1) Township of Verona's 2016 Annual Debt Statement

(A) The debt for this entity was apportioned to Verona by dividing the municipality's 2016 equalized value by the total 2016 equalized value for Essex County.

(B) The debt was computed based upon usage.

**VERONA BOARD OF EDUCATION
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(Unaudited)**

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---------------|----------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Debt Limit | \$ 94,370,732 | \$ 100,327,342 | \$ 100,860,695 | \$ 98,668,593 | \$ 95,210,285 | \$ 92,038,325 | \$ 89,141,839 | \$ 87,978,322 | \$ 89,246,737 | \$ 91,844,839 |
| Total Net Debt Applicable to Limit | 36,906,450 | 36,906,450 | 35,091,450 | 33,961,170 | 32,771,170 | 31,521,000 | 43,866,000 | 40,080,000 | 38,080,000 | 35,980,000 |
| Legal Debt Margin | \$ 57,464,282 | \$ 63,420,892 | \$ 65,769,245 | \$ 64,707,423 | \$ 62,439,115 | \$ 60,517,325 | \$ 45,275,839 | \$ 47,898,322 | \$ 51,166,737 | \$ 55,864,839 |
| Total Net Debt Applicable to the Limit as a Percentage of Debt Limit | 39.11% | 36.79% | 34.79% | 34.42% | 34.42% | 34.25% | 49.21% | 45.56% | 42.67% | 39.17% |

Legal Debt Margin Calculation for Fiscal Year 2017

Equalized Valuation Basis

| | |
|------|-------------------------|
| 2016 | \$ 2,371,939,654 |
| 2015 | 2,300,101,812 |
| 2014 | 2,216,321,436 |
| | <u>\$ 6,888,362,902</u> |

3 Year Average \$ 2,296,120,967

| | |
|--------------------------------|----------------------|
| 4% of Avg. Equalized Valuation | \$ 91,844,839 |
| Less Net Debt | <u>35,980,000</u> |
| Remaining Borrowing Power | <u>\$ 55,864,839</u> |

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

**VERONA BOARD OF EDUCATION
DEMOGRAPHIC STATISTICS
LAST TEN YEARS
(Unaudited)**

| <u>Year Ended December 31,</u> | <u>Unemployment Rate (1)</u> | <u>Per Capita Income(2)</u> | <u>Population</u> |
|------------------------------------|----------------------------------|---------------------------------|-------------------|
| 2008 | 2.7% | \$ 51,568 | 12,528 |
| 2009 | 5.4% | 53,136 | 12,430 |
| 2010 | 5.4% | 51,288 | 12,643 |
| 2011 | 5.1% | 52,324 | 13,459 |
| 2012 | 5.3% | 55,014 | 13,504 |
| 2013 | 4.8% | 55,404 | 13,479 |
| 2014 | 4.9% | 55,692 | 13,485 |
| 2015 | 4.2% | 58,619 | 13,478 |
| 2016 | 3.6% | 63,030 | 13,519 |
| 2017 | 3.6% | N/A | |

Source: (1) NJ Department of Labor, Bureau of Labor Force Statistics
(2) County Per Capital Personal Income

**VERONA BOARD OF EDUCATION
PRINCIPAL EMPLOYERS,
CURRENT YEAR AND NINE YEARS AGO
(Unaudited)**

INFORMATION NOT AVAILABLE

VERONA BOARD OF EDUCATION
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
(Unaudited)

| <u>Function/Program</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Instruction | | | | | | | | | | |
| Regular | 150.0 | 152.0 | 152.0 | 154.0 | 154.0 | 156.0 | 158.0 | 159.0 | 142.0 | 149.0 |
| Special Education | 29.3 | 29.0 | 28.0 | 21.0 | 21.0 | 21.0 | 21.0 | 21.0 | 22.0 | 26.0 |
| Other Instruction | 3.3 | 3.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 55.0 | 75.0 |
| Support Services: | | | | | | | | | | |
| Student and Instruction Related Services | 31.2 | 26.0 | 27.0 | 38.0 | 39.0 | 39.0 | 39.0 | 40.0 | 37.0 | 33.0 |
| General Administration | 2.0 | 3.0 | 2.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 2.0 | 2.0 |
| School Administrative Services | 18.0 | 19.0 | 19.0 | 18.0 | 18.0 | 18.0 | 18.0 | 18.0 | 27.0 | 27.0 |
| Other Administrative Services | 3.8 | 2.0 | 2.0 | | | | | | | |
| Central Services | 5.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 3.0 | 3.0 |
| Administrative Information Technology | 1.0 | 1.0 | 1.0 | 1.0 | 2.0 | 2.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| Plant Operations And Maintenance | 21.0 | 21.0 | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 |
| Pupil Transportation | 2.4 | 2.4 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 4.0 | 3.0 | 5.0 |
| Total | <u>267.0</u> | <u>262.4</u> | <u>260.0</u> | <u>262.0</u> | <u>264.0</u> | <u>266.0</u> | <u>269.0</u> | <u>272.0</u> | <u>314.0</u> | <u>343.0</u> |

Source: District Personnel Records

VERONA BOARD OF EDUCATION
 OPERATING STATISTICS
 LAST TEN FISCAL YEARS
 (Unaudited)

| Fiscal Year | Enrollment ^a | Operating Expenditures ^b | Cost Per Pupil ^c | Percentage Change | Pupil/Teacher Ratio | | | | Average Daily Enrollment (ADE) | Average Daily Attendance (ADA) | % Change in Average Daily Enrollment | Student Attendance Percentage |
|-------------|-------------------------|-------------------------------------|-----------------------------|-------------------|---------------------|------------|---------------|--------------------|--------------------------------|--------------------------------|--------------------------------------|-------------------------------|
| | | | | | Teaching Staff | Elementary | Middle School | Senior High School | | | | |
| 2008 | 2,043 | \$ 28,977,411 | \$ 14,184 | 4.47% | 196 | 13.7:1 | 20.4:1 | 13.1:1 | 2,023 | 1,920 | -0.46% | 94.93% |
| 2009 | 2,080 | 28,913,276 | 13,901 | -2.00% | 189 | 14.2:1 | 20.6:1 | 13.2:1 | 2,068 | 1,968 | 2.25% | 95.16% |
| 2010 | 2,152 | 29,976,729 | 13,930 | 0.21% | 189 | 14.1:1 | 20.7:1 | 13.7:1 | 2,089 | 1,980 | 1.02% | 94.78% |
| 2011 | 2,169 | 30,198,386 | 13,923 | -0.05% | 189 | 14.8:1 | 21.1:1 | 14.3:1 | 2,159 | 2,073 | 3.35% | 96.02% |
| 2012 | 2,218 | 31,475,174 | 14,191 | 1.93% | 195 | 15.1:1 | 22.1:1 | 14:1 | 2,210 | 2,098 | 2.36% | 94.93% |
| 2013 | 2,184 | 32,709,933 | 14,977 | 5.54% | 161 | 14.2:1 | 23:1 | 14:1 | 2,183 | 2,100 | -1.22% | 96.20% |
| 2014 | 2,193 | 33,423,931 | 15,241 | 1.76% | 161 | 14.2:1 | 23:1 | 14:1 | 2,185 | 2,099 | 0.09% | 96.07% |
| 2015 | 2,190 | 35,714,892 | 16,308 | 7.00% | 158 | 17:1 | 23:1 | 14:1 | 2,172 | 2,087 | -0.59% | 96.09% |
| 2016 | 2,189 | 36,529,161 | 16,688 | 2.33% | 164 | 17:01 | 23:01 | 14:0 | 2,142 | 2,051 | -1.38% | 95.75% |
| 2017 | 2,197 | 37,719,270 | 17,169 | 2.88% | 175 | 18:1 | 11:1 | 12:0 | 2,180 | 2,078 | 1.77% | 95.32% |

Sources: District records

- Note:
- a Enrollment based on annual October district count.
 - b Operating expenditures equal total expenditures less debt service and capital outlay.
 - c Cost per pupil represents operating expenditures divided by enrollment.

**VERONA BOARD OF EDUCATION
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS
(UNAUDITED)**

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| <u>District Building</u> | | | | | | | | | | |
| <u>Elementary</u> | | | | | | | | | | |
| Brookdale Avenue School (1927) | | | | | | | | | | |
| Square Feet | 37,972 | 37,972 | 37,972 | 37,972 | 37,972 | 37,972 | 37,972 | 37,972 | 37,972 | 37,972 |
| Capacity (students) | 270 | 270 | 270 | 270 | 270 | 270 | 270 | 270 | 270 | 270 |
| Enrollment | 138 | 138 | 138 | 137 | 145 | 132 | 118 | 123 | 115 | 135 |
| Laning Avenue School (1918) | | | | | | | | | | |
| Square Feet | 46,477 | 46,477 | 46,477 | 46,477 | 46,477 | 46,477 | 46,477 | 46,477 | 46,477 | 46,477 |
| Capacity (students) | 377 | 377 | 377 | 377 | 377 | 377 | 377 | 377 | 377 | 377 |
| Enrollment | 254 | 280 | 259 | 311 | 329 | 321 | 291 | 285 | 265 | 246 |
| F.N. Brown (1931) | | | | | | | | | | |
| Square Feet | 38,985 | 38,985 | 38,985 | 38,985 | 38,985 | 38,985 | 38,985 | 38,985 | 38,985 | 38,985 |
| Capacity (students) | 303 | 303 | 303 | 303 | 303 | 303 | 303 | 303 | 303 | 303 |
| Enrollment | 224 | 230 | 249 | 249 | 240 | 214 | 215 | 212 | 199 | 215 |
| Forest Avenue School (1927) | | | | | | | | | | |
| Square Feet | 27,750 | 27,750 | 27,750 | 27,750 | 27,750 | 27,750 | 27,750 | 27,750 | 27,750 | 27,750 |
| Capacity (students) | 303 | 303 | 303 | 303 | 303 | 303 | 303 | 303 | 303 | 303 |
| Enrollment | 244 | 246 | 239 | 224 | 231 | 230 | 227 | 223 | 234 | 222 |
| <u>Middle School</u> | | | | | | | | | | |
| H.B. Whitehorne (1920) | | | | | | | | | | |
| Square Feet | 118,224 | 118,224 | 118,224 | 118,224 | 118,224 | 118,224 | 118,224 | 118,224 | 118,224 | 118,224 |
| Capacity (students) | 721 | 721 | 721 | 721 | 721 | 721 | 721 | 721 | 721 | 721 |
| Enrollment | 619 | 619 | 622 | 635 | 664 | 691 | 733 | 724 | 726 | 720 |
| <u>High School</u> | | | | | | | | | | |
| Verona High School (1955) | | | | | | | | | | |
| Square Feet | 120,245 | 120,245 | 120,245 | 120,245 | 120,245 | 120,245 | 120,245 | 120,245 | 120,245 | 120,245 |
| Capacity (students) | 687 | 687 | 687 | 687 | 687 | 687 | 687 | 687 | 687 | 687 |
| Enrollment | 564 | 567 | 591 | 613 | 609 | 602 | 609 | 623 | 616 | 659 |

Number of Schools at June 30, 2017
 Elementary = 4
 Middle School = 1
 Senior High School = 1

Source: District Facilities Office
 Note: Year of original construction is shown in parentheses. Increases in square footage and capacity are the result of and additions. Enrollment is based on the annual October district count.

VERONA RIVER BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
LAST TEN FISCAL YEARS
(Unaudited)

| | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|----------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <u>School Facilities</u> | | | | | | | | | | |
| Verona High School | \$ 176,651 | \$ 202,517 | \$ 213,232 | \$ 132,129 | \$ 158,314 | \$ 154,400 | \$ 190,081 | \$ 226,973 | \$ 188,615 | \$ 215,392 |
| Brookdale Avenue School | 30,068 | 34,471 | 36,295 | 41,725 | 49,994 | 49,806 | 61,316 | 73,217 | 59,563 | 68,018 |
| F.N. Brown School | 45,102 | 51,706 | 54,442 | 42,838 | 51,328 | 49,807 | 61,316 | 73,217 | 61,152 | 69,833 |
| Forest Avenue School | 33,827 | 38,780 | 40,832 | 30,493 | 36,536 | 34,864 | 42,921 | 51,252 | 43,529 | 49,708 |
| Henry B. Whitehorn Middle School | 60,137 | 68,943 | 72,590 | 129,909 | 155,654 | 149,419 | 183,949 | 219,652 | 185,446 | 211,772 |
| Laning Avenue School | <u>30,068</u> | <u>34,471</u> | <u>36,295</u> | <u>51,070</u> | <u>61,191</u> | <u>59,768</u> | <u>73,580</u> | <u>87,861</u> | <u>72,904</u> | <u>83,253</u> |
| Grand Total | <u>\$ 375,853</u> | <u>\$ 430,888</u> | <u>\$ 453,686</u> | <u>\$ 428,164</u> | <u>\$ 513,017</u> | <u>\$ 498,064</u> | <u>\$ 613,163</u> | <u>\$ 732,172</u> | <u>\$ 611,209</u> | <u>\$ 697,976</u> |

**VERONA BOARD OF EDUCATION
INSURANCE SCHEDULE
JUNE 30, 2017
(Unaudited)**

| <u>TYPE OF POLICY</u> | <u>POLICY LIMITS</u> | <u>DEDUCTIBLE</u> |
|---|----------------------|-------------------|
| MORRIS ESSEX INSURANCE FUND | | |
| ZURICH INS. CO. | | |
| PROPERTY SECTION | | |
| Property - Blanket Bldgs & Contents | | |
| School Limit Per Statement of Values | \$96,900,755 | \$5,000 |
| Flood: | | |
| Outside zones A,V,or B | \$5,000,000 | \$50,000 |
| Zone B | \$2,000,000 | \$100,000 |
| Zones A or V | \$1,000,000 | \$500,000 |
| Earthquake | \$5,000,000 | 5% |
| Business Income and & Extra Expense | \$5,000,000 | 72 Hours |
| Contractors Equipment (\$10,000 per item limit) | \$250,000 | \$1,000 |
| Musical Instruments, Athletic Equipment, Band Uniforms and Theatrical Equip. | \$250,000 | \$1,000 |
| Valuable Papers | \$5,000,000 | \$500 |
| Electronic Data Process.Equip | \$2,500,000 | \$5,000 |
| Accounts Receivable | \$250,000 | \$500 |
| BOILER & MACHINERY | | |
| Property Damage (Blanket) | \$50,000,000 | \$5,000 |
| GENERAL LIABILITY | | |
| General Aggregate | \$2,000,000 | \$5,000 |
| Each Occurrence | \$1,000,000 | \$5,000 |
| COMMERCIAL AUTOMOBILE LIABILITY | | |
| Combined Single Limit | \$1,000,000 | |
| Comprehensive | | \$1,000 |
| Collision | | \$1,000 |
| COMMERCIAL UMBRELLA | \$10,000,000 | \$10,000 |
| WORKERS COMPENSATION | | |
| Per Occurrence | \$5,000,000 | |
| Policy Limit | \$5,000,000 | |
| Aggregate | \$5,000,000 | |
| CRIME | | |
| Employee Theft | \$500,000 | \$5,000 |
| Forgery and Alterations | \$50,000 | \$1,000 |
| EDUCATORS LEGAL LIABILITY | \$1,000,000 | \$10,000 |
| Selective Insurance Co. | | |
| INDIVIDUAL BONDS | | |
| Business Administrator/Bd Secy | \$100,000 | |
| Treasurer of School Monies | \$250,000 | |

SINGLE AUDIT SECTION



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-1

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
JULIUS B. CONSONI, CPA, PSA
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
MARK SACO, CPA
SHERYL M. NICOLosi, CPA, PSA

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Trustees
Verona Board of Education
Verona, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Verona Board of Education as of and for the fiscal year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the Verona Board of Education's basic financial statements and have issued our report thereon dated December 4, 2017.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

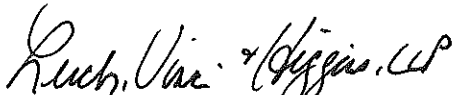
Compliance and Other Matters

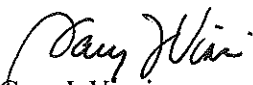
As part of obtaining reasonable assurance about whether the Verona Board of Education’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct 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 and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

However, we noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the Verona Board of Education in a separate report entitled, “Auditor’s Management Report on Administrative Findings – Financial, Compliance and Performance” dated December 4, 2017.

Purpose of this Report

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


LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants


Gary J. Vinci
Public School Accountant
PSA Number CS00829

Fair Lawn, New Jersey
December 4, 2017



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-2

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
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SHERYL M. NICOLosi, CPA, PSA

**REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT
ON THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL
ASSISTANCE AS REQUIRED BY NEW JERSEY OMB CIRCULAR 15-08**

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Trustees
Verona Board of Education
Verona, New Jersey

Report on Compliance for Each State Program

We have audited the Verona Board of Education's compliance with the types of compliance requirements described in the New Jersey OMB Circular 15-08 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of the Verona Board of Education's major state programs for the fiscal year ended June 30, 2017. The Verona Board of Education's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of state statutes, regulations, and the terms and conditions of its state financial assistance applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Verona Board of Education's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; and New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards and New Jersey Circular 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 state program occurred. An audit includes examining, on a test basis, evidence about the Verona Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

In our opinion, the Verona Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2017.

Report on Internal Control Over Compliance

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

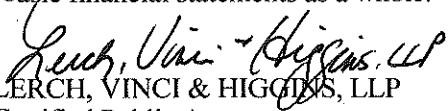
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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


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

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

Report on Schedule of Expenditures of State Financial Assistance Required by New Jersey OMB Circular 15-08

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 Verona Board of Education, as of and for the fiscal year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements. We issued our report thereon dated December 4, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.


LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants


Gary J. Vinci
Public School Accountant
PSA Number CS00829

Fair Lawn, New Jersey
December 4, 2017

**VERONA BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

| Federal/Grantor/Pass-Through Grantor/ Program Title | Federal CFDA Number | FAIN Number | Grant Period | Award Amount | Balance July 1, 2016 | Carryover Amount | Cash Received | Budgetary Expenditures | Adjustments | Refund of Prior Years' Balances | June 30, 2017 | | | Memo GAAP Receivable | |
|---|---------------------------|-----------------|-----------------|-----------------|-------------------------|---------------------|------------------|---------------------------|-------------|---------------------------------------|------------------------|---------------------|-------------------|----------------------------|-------------|
| | | | | | | | | | | | Accounts Receivable | Unearned Revenue | Due to Grantor | | |
| U.S. Department of Education | | | | | | | | | | | | | | | |
| Passed-through State Department of Education | | | | | | | | | | | | | | | |
| Special Milk Program | 10.556 | 17161NJ304N1099 | 7/1/16-6/30/17 | \$ 4,273 | \$ - | | \$ 4,221 | \$ 4,273 | | | | \$ (52) | | | \$ (52) |
| Special Milk Program | 10.556 | 16161NJ304N1099 | 7/1/15-6/30/16 | 3,819 | (52) | - | 52 | - | - | - | - | - | - | - | - |
| Total U.S. Department of Agriculture | | | | | (52) | - | 4,273 | 4,273 | - | - | - | (52) | - | - | (52) |
| Special Revenue Fund | | | | | | | | | | | | | | | |
| U.S. Department of Education | | | | | | | | | | | | | | | |
| Passed-through State Department of Education | | | | | | | | | | | | | | | |
| N.C.L.B. Title I- Part A | 84.010 | S010A160030 | 7/1/16-6/30/17 | 122,490 | | 522 | 123,012 | 123,012 | (522) | | | | | | - |
| N.C.L.B. Title I- Part A | 84.010 | S010A150030 | 7/1/15-6/30/16 | 62,327 | (12,283) | (522) | | | 522 | | | (12,283) | | | (12,283) |
| N.C.L.B. Title II-Part A | 84.367A | S367A160029 | 7/1/16-6/30/17 | 19,256 | | 4,193 | 12,571 | 12,623 | (4,193) | | | (10,878) | \$ 10,826 | - | (52) |
| N.C.L.B. Title II-Part A | 84.367A | S367A150029 | 7/1/15-6/30/16 | 21,415 | (5,112) | (4,193) | 5,112 | | 4,193 | | | - | - | | - |
| I.D.E.I.A. Part B, Basic | 84.027 | H027A160100 | 7/1/16-6/30/17 | 475,214 | | 6,919 | 471,820 | 472,563 | (6,919) | | | (10,313) | \$ 9,570 | - | (743) |
| I.D.E.I.A. Part B, Basic | 84.027 | H027A150100 | 7/1/15-6/30/16 | 497,720 | (71,400) | (6,919) | 71,400 | | 6,919 | | | - | - | | - |
| I.D.E.I.A. Part B, Preschool | 84.173 | H173A160114 | 7/1/16-6/30/17 | 24,210 | | | 24,210 | 24,210 | | | | - | - | | - |
| Total Special Education Cluster IDEA | | | | | (71,400) | - | 567,430 | 496,773 | - | - | - | (10,313) | 9,570 | - | (743) |
| Total U.S. Department of Education/Special Revenue Fund | | | | | (88,795) | - | 708,125 | 632,408 | - | - | - | (33,474) | 20,396 | - | (13,078) |
| Total Federal Financial Awards | | | | | \$ (88,847) | \$ - | \$ 712,398 | \$ 636,681 | \$ - | \$ - | \$ - | \$ (33,526) | \$ 20,396 | \$ - | \$ (13,130) |

Note: FAIN Numbers are only applicable for current year grant awards

Note: The District is not subject to a Federal Single Audit

VERONA BOARD OF EDUCATION
 SCHEDULE OF STATE FINANCIAL ASSISTANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

| State Grantor/Program Title | Grant or State Project Number | Grant Period | Award Amount | Balance, July 1, 2016 | | | Budgetary Expenditures | Refund of Prior Years' Balances | Balance, June 30, 2017 | | | Memo | | |
|--|-------------------------------|----------------|--------------|-----------------------|----------------|---------------|------------------------|---------------------------------|------------------------|------------------|----------------|-----------------|-------------------------------|--|
| | | | | (Accounts Receivable) | Due to Grantor | Cash Received | | | (Accounts Receivable) | Unearned Revenue | Due to Grantor | GAAP Receivable | Cumulative Total Expenditures | |
| State Department of Education | | | | | | | | | | | | | | |
| <i>General Fund</i> | | | | | | | | | | | | | | |
| Special Education Aid | 17-495-034-5120-089 | 7/1/16-6/30/17 | \$ 793,816 | | | \$ 724,653 | \$ 793,816 | | \$ (69,163) | | | \$ 793,816 | | |
| Special Education Aid | 16-495-034-5120-089 | 7/1/15-6/30/16 | 794,481 | \$ (70,324) | | 70,324 | | | - | | | | | |
| Security Aid | 17-495-034-5120-084 | 7/1/16-6/30/17 | 38,359 | | | 35,017 | 38,359 | | (3,342) | | | 38,359 | | |
| Security Aid | 16-495-034-5120-084 | 7/1/15-6/30/16 | 33,659 | (2,979) | | 2,979 | | | - | | | | | |
| PARCC Readiness Aid | 17-495-034-5120-098 | 7/1/16-6/30/17 | 21,960 | | | 20,047 | 21,960 | | (1,913) | | | 21,960 | | |
| PARCC Readiness Aid | 16-495-034-5120-098 | 7/1/15-6/30/16 | 21,960 | (1,944) | | 1,944 | | | - | | | | | |
| Per Pupil Growth Aid | 17-495-034-5120-097 | 7/1/16-6/30/17 | 21,960 | | | 20,047 | 21,960 | | (1,913) | | | 21,960 | | |
| Per Pupil Growth Aid | 16-495-034-5120-097 | 7/1/15-6/30/16 | 21,960 | (1,944) | | 1,944 | | | - | | | | | |
| Professional Learning Community Aid | 17-495-034-5120-101 | 7/1/16-6/30/17 | 21,290 | | | 19,435 | 21,290 | | (1,855) | | | | 21,290 | |
| Total State Aid Public Cluster | | | | (77,191) | | 896,390 | 897,385 | | (78,186) | | | | 897,385 | |
| Transportation Aid | 17-495-034-5120-014 | 7/1/16-6/30/17 | 19,303 | | | 17,421 | 19,303 | | (1,882) | | | | 19,303 | |
| Transportation Aid | 16-495-034-5120-014 | 7/1/15-6/30/16 | 15,587 | (1,380) | \$ - | 1,380 | | \$ - | \$ - | \$ - | \$ - | \$ - | | |
| Total Transportation Aid Cluster | | | | (1,380) | | 18,801 | 19,303 | | (1,882) | | | | 19,303 | |
| Extraordinary Aid | 17-100-034-5120-473 | 7/1/16-6/30/17 | 368,976 | | | | 368,976 | | (368,976) | | | | 368,976 | |
| Extraordinary Aid | 16-100-034-5120-473 | 7/1/15-6/30/16 | 306,582 | (306,582) | | 306,582 | | | - | | | | | |
| Reimbursed TPAF Pension Contribution | | | | | | | | | | | | | | |
| Normal | 17-495-034-5094-002 | 7/1/16-6/30/17 | 1,674,703 | | | 1,674,703 | 1,674,703 | | | | | | 1,674,703 | |
| NCGI | 17-495-034-5094-004 | 7/1/16-6/30/17 | 60,678 | | | 60,678 | 60,678 | | | | | | 60,678 | |
| LTDI | 17-495-034-5094-004 | 7/1/16-6/30/17 | 3,013 | | | 3,013 | 3,013 | | | | | | 3,013 | |
| Post Retirement | 17-495-034-5094-001 | 7/1/16-6/30/17 | 1,445,967 | | | 1,445,967 | 1,445,967 | | | | | | 1,445,967 | |
| Total On-Behalf TPAF Contribution Cluster | | | | | | 3,184,361 | 3,184,361 | | | | | | 3,184,361 | |
| Reimbursed TPAF Social Security Contributions | 17-495-034-5094-003 | 7/1/16-6/30/17 | | | | 1,044,551 | 1,159,576 | | (115,025) | | | (115,025) | 1,159,576 | |
| Reimbursed TPAF Social Security Contributions | 16-495-034-5094-003 | 7/1/15-6/30/16 | 1,121,946 | (55,345) | | 55,345 | | | | | | | | |
| Total General Fund | | | | (440,498) | | 5,506,030 | 5,629,601 | | (564,069) | | | (115,025) | 5,629,601 | |
| <i>Special Revenue Fund</i> | | | | | | | | | | | | | | |
| New Jersey Nonpublic Aid: | | | | | | | | | | | | | | |
| Textbook | 17-100-034-5120-064 | 7/1/16-6/30/17 | 12,738 | | | 12,738 | 12,652 | | | | \$ 86 | | 12,652 | |
| Nursing Services | 17-100-034-5120-070 | 7/1/16-6/30/17 | 19,890 | | | 19,890 | 19,890 | | | | | | 19,890 | |
| Technology Aid | 17-100-034-5120-373 | 7/1/16-6/30/17 | 5,746 | | | 5,746 | 5,746 | | | | | | 5,746 | |
| Security Aid | 17-100-034-5120-509 | 7/1/16-6/30/17 | 11,050 | | | 11,050 | 11,050 | | | | | | 11,050 | |
| Auxiliary Services (Chp 192) | | | | | | | | | | | | | | |
| Compensatory Education | 17-100-034-5120-067 | 7/1/16-6/30/17 | 26,874 | | | 26,874 | 18,633 | | | | | 8,241 | 18,633 | |
| Compensatory Education | 16-100-034-5120-067 | 7/1/15-6/30/16 | 25,381 | | 5,162 | | | 5,162 | | | | | | |
| Transportation | 17-100-034-5120-068 | 7/1/16-6/30/17 | 22,707 | | | 22,707 | 22,707 | | | | | | 22,707 | |
| Total Nonpublic Auxiliary Services Aid (Chp 192) Cluster | | | | | 5,162 | 49,581 | 41,340 | 5,162 | | | | 8,241 | 41,340 | |
| Handicapped Services (Chp 193) | | | | | | | | | | | | | | |
| Supplementary Instruction | 17-100-034-5120-066 | 7/1/16-6/30/17 | 16,479 | | | 16,479 | 13,105 | | | | 3,374 | | 13,105 | |
| Supplementary Instruction | 16-100-034-5120-066 | 7/1/15-6/30/16 | 16,337 | | 3,046 | | | 3,046 | | | | | | |
| Examination and Classification | 17-100-034-5120-066 | 7/1/16-6/30/17 | 27,194 | | | 27,194 | 20,172 | | | | 7,022 | | 20,172 | |
| Examination and Classification | 16-100-034-5120-066 | 7/1/15-6/30/16 | 26,751 | | 8,003 | | | 8,003 | | | | | | |
| Corrective Speech | 17-100-034-5120-666 | 7/1/16-6/30/17 | 18,907 | | | 18,907 | 16,632 | | | | 2,275 | | 16,632 | |
| Corrective Speech | 16-100-034-5120-666 | 7/1/15-6/30/16 | 17,557 | | 2,927 | | | 2,927 | | | | | | |
| Total Nonpublic Handicapped Services Aid (Chp 193) Cluster | | | | | 13,976 | 62,580 | 49,909 | 13,976 | | | | 12,671 | 49,909 | |
| Total Special Revenue Fund | | | | | 19,138 | 161,585 | 140,587 | 19,138 | | | | 20,998 | 140,587 | |

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VERONA BOARD OF EDUCATION
 SCHEDULE OF STATE FINANCIAL ASSISTANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

| State Grantor/Program Title | Grant or State Project Number | Grant Period | Balance, July 1, 2016 | | | | Refund of Prior Years' Balances | Balance, June 30, 2017 | | | Memo | |
|--|-------------------------------|----------------|-----------------------|-----------------------|----------------|---------------|---------------------------------|------------------------|-----------------------|------------------|----------------|-----------------|
| | | | Award Amount | (Accounts Receivable) | Due to Grantor | Cash Received | | Budgetary Expenditures | (Accounts Receivable) | Unearned Revenue | Due to Grantor | GAAP Receivable |
| <i>Capital Projects Fund</i> | | | | | | | | | | | | |
| NJ Economic Development Authority | | | | | | | | | | | | |
| High School Mechanical Upgrades | 5370-050-14-1002 | | \$ 1,541,032 | \$ (1,090,531) | | \$ 975,441 | \$ 167,298 | \$ (282,387) | | | \$ (282,387) | \$ 167,298 |
| High School Interior & Exterior Renovations | 5370-050-14-1003 | | 509,339 | (457,307) | | 356,538 | 1,098 | (101,867) | | | (101,867) | 1,098 |
| Brookdale Ave. Interior & Exterior Renovations | 5370-050-14-1004 | | 134,234 | (78,921) | | 75,397 | 18,680 | (22,205) | | | (22,205) | 18,680 |
| F. N. Brown School Interior & Exterior Renovations | 5370-050-14-1005 | | 135,280 | (121,752) | | - | - | (121,752) | | | (121,752) | - |
| Forest Ave. School Interior & Exterior Renovations | 5370-090-14-1006 | | 162,399 | (112,043) | | 113,679 | 34,116 | (32,480) | | | (32,480) | 34,116 |
| Whitehome Middle School Interior & Exterior Renovations | 5370-095-14-1007 | | 237,609 | (126,382) | | 71,283 | 87,466 | (142,565) | | | (142,565) | 87,466 |
| Laning Ave. Interior & Exterior Renovations | 5370-095-14-1008 | | 76,962 | (65,164) | - | - | 11,798 | (76,962) | - | - | (76,962) | 11,798 |
| Total Capital Projects Fund | | | (2,052,100) | - | - | 1,592,338 | 320,456 | (780,218) | - | - | (780,218) | 320,456 |
| Debt Service Fund | | | | | | | | | | | | |
| Debt Service Aid | 17-495-034-5120-075 | 7/1/16-6/30/17 | 667,667 | - | - | \$ 667,667 | 667,667 | - | - | - | - | 667,667 |
| Total State Financial Assistance Subject to Single Audit Determination | | | \$ (2,492,598) | \$ 19,138 | \$ 7,927,620 | \$ 6,758,311 | \$ 19,138 | \$ (1,344,287) | \$ - | \$ 20,998 | \$ (895,243) | \$ 6,758,311 |
| State Financial Assistance Not Subject to Single Audit Major Program Determination | | | | | | | | | | | | |
| <i>General Fund</i> | | | | | | | | | | | | |
| Normal Pension Costs | 17-495-034-5094-002 | 7/1/16-6/30/17 | 1,674,703 | - | - | (1,674,703) | (1,674,703) | - | - | - | - | (1,674,703) |
| NonContributory Insurance | 17-495-034-5094-004 | 7/1/16-6/30/17 | 60,678 | - | - | (60,678) | (60,678) | - | - | - | - | (60,678) |
| LTDI | 17-195-034-5094-004 | 7/1/16-6/30/17 | 3,013 | - | - | (3,013) | (3,013) | - | - | - | - | (3,013) |
| Post Retirement | 17-495-034-5094-001 | 7/1/16-6/30/17 | 1,445,967 | - | - | (1,445,967) | (1,445,967) | - | - | - | - | (1,445,967) |
| Total for State Financial Assistance Subject to Single Audit Major Program Determination | | | \$ (2,492,598) | \$ 19,138 | \$ 4,743,259 | \$ 3,573,950 | \$ 19,138 | \$ (1,344,287) | \$ - | \$ 20,998 | \$ (895,243) | \$ 3,573,950 |

**VERONA BOARD OF EDUCATION
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 GENERAL

The accompanying schedules present the activity of all federal and state financial assistance programs of the Verona Board of Education. The Board of Education is defined in Note 1(A) to the Board's financial statements. All federal financial assistance received directly from federal agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedules are prepared and presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These basis of accounting are described in Notes 1(C) to the Board's financial statements. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (U.S. Uniform Guidance) and New Jersey OMB Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid". Therefore, some amounts presented in these schedules may differ from the amounts presented in, or used in the preparation of, the financial statements.

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

The 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 a modified accrual basis with the exception of the revenue recognition of the delayed state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes, those payments are not recognized until the subsequent year due to the state deferral and recording of certain state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, which may include the delayed state aid payments, whereas the GAAP basis does not. The special revenue fund also recognizes the delayed state aid payments in the current budget year, consistent with N.J.S.A. 18A:22-44.2.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is a decrease of \$63,691 for the general fund. See the Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's financial statements on a GAAP basis as presented as follows:

| | <u>Federal</u> | <u>State</u> | <u>Total</u> |
|----------------------------|----------------|--------------|--------------|
| General Fund | | \$ 5,565,910 | \$ 5,565,910 |
| Special Revenue Fund | \$ 632,408 | 140,587 | 772,995 |
| Capital Projects Fund | | 320,456 | 320,456 |
| Debt Service Fund | | 667,667 | 667,667 |
| Food Service Fund | 4,273 | - | 4,273 |
| | <hr/> | <hr/> | <hr/> |
| Total Financial Assistance | \$ 636,681 | \$ 6,694,620 | \$ 7,331,301 |

**VERONA BOARD OF EDUCATION
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules may not necessarily agree with the amounts reported in the related federal and state financial reports due to timing differences between the District's fiscal year and grant program years.

NOTE 5 OTHER INFORMATION

TPAF Social Security contributions in the amount of \$1,159,576 represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2017. The amount reported as TPAF Pension System Contributions in the amount of \$1,735,381, TPAF Post-Retirement Medical Benefits Contributions in the amount of \$1,445,967 and TPAF Long-Term Disability Insurance in the amount of \$3,013 represents the amount paid by the State on behalf of the District for the fiscal year ended June 30, 2017.

NOTE 6 ON-BEHALF PROGRAMS NOT SUBJECT TO STATE SINGLE AUDIT

On-behalf State Programs for TPAF Pension, Post-Retirement Medical Benefits and Long-Term Disability Insurance Contributions are not subject to a State single audit and, therefore, are excluded from major program determination. The Schedule of State Financial Assistance provides a reconciliation of State financial assistance reported in the District's financial statements and the amount subject to State single audit and major program determination.

NOTE 7 DE MINIMIS INDIRECT COST RATE

The District has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

VERONA BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Part I – Summary of Auditor's Results

Financial Statement Section

Type of auditors' report issued on financial statements Unmodified

Internal control over financial reporting:

1) Material weakness(es) identified: yes X no

2) Significant deficiencies identified that are not considered to be material weaknesses? yes X none reported

Noncompliance material to the basic financial statements noted? yes X no

Federal Awards Section

Not Applicable

**VERONA BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Part 2 – Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements and abuse related to the financial statements in accordance with Government Auditing Standards.

There are none.

VERONA BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major state programs, as required by New Jersey OMB's Circular 15-08.

CURRENT YEAR FEDERAL AWARDS

Not Applicable

CURRENT YEAR STATE AWARDS

There are none.

**VERONA BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. Uniform Guidance and New Jersey OMB's Circular 15-08.

STATUS OF PRIOR YEAR FINDINGS

There are none.