

VERONA BOARD OF EDUCATION
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Verona, New Jersey

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

of the

Verona Board of Education

Verona, New Jersey

For The Fiscal Year Ended June 30, 2018

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

(973) 571-2029 / (973) 571-6779 FAX
WWW.VERONASCHOOLS.ORG

DR. RUI DIONISIO,
SUPERINTENDENT OF SCHOOLS

CHERYL A. NARDINO, CPA
BUSINESS ADMINISTRATOR/
BOARD SECRETARY

MATTHEW LARACY,
TREASURER OF SCHOOL MONIES

January 15, 2019

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, 2018, 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 2017-2018 fiscal year with an enrollment of 2,218 students, which is 21 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>
2013-2014	2,193	+41%
2014-2015	2,190	-.16%
2015-2016	2,189	-.04%
2016-2017	2,197	+.004%
2017-2018	2,218	+.009%

2) ECONOMIC CONDITION AND OUTLOOK: The Township of Verona is a fully developed community, which has a middle class socioeconomic 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 2017-2018

- District-wide, Educationally Focused Professional Development:
 - Reading Workshop K-5
 - Differentiated Reading 6-12
 - Rich Math Tasks K-5
 - Social Studies/ELA 5-12
 - Science K-12
- Staff book club monthly meetings with elementary/middle school mathematics teachers, STEM supervisor, and Director of CIA (Mathematical Mindsets)
- Continue to Implement Conflict Resolution/Peer Mediation at the elementary schools
- New Jersey Positive Behavior Supports in Schools (NJ PBSIS) at our Middle School and High School (Year 1 of 3)
- Continue to support the middle school House Model
- Continue to implement Faculty Advisory Councils
- Continue to expand Capstone Program
- Develop the Strategic Plan for 2018-2023
- Partnerships for Global Connections for Student Learning
- Focus on the Future Seminars
- Implement Orton-Gillingham Reading Intervention (2nd Cohort, Year 1)
- Explore New Course Offerings
- Monitor and Enhance Music Program
- Refine Assessments Annually
- Revise Curriculum Annually
- Review and Revise SGO's Annually
- Refine Evaluative Feedback for Continuous Improvement with Professional Development
- Implement Teacher Facilitated Professional Development Programs

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, 2018.

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.

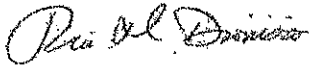
8) RISK MANAGEMENT: The Board carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds.

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,

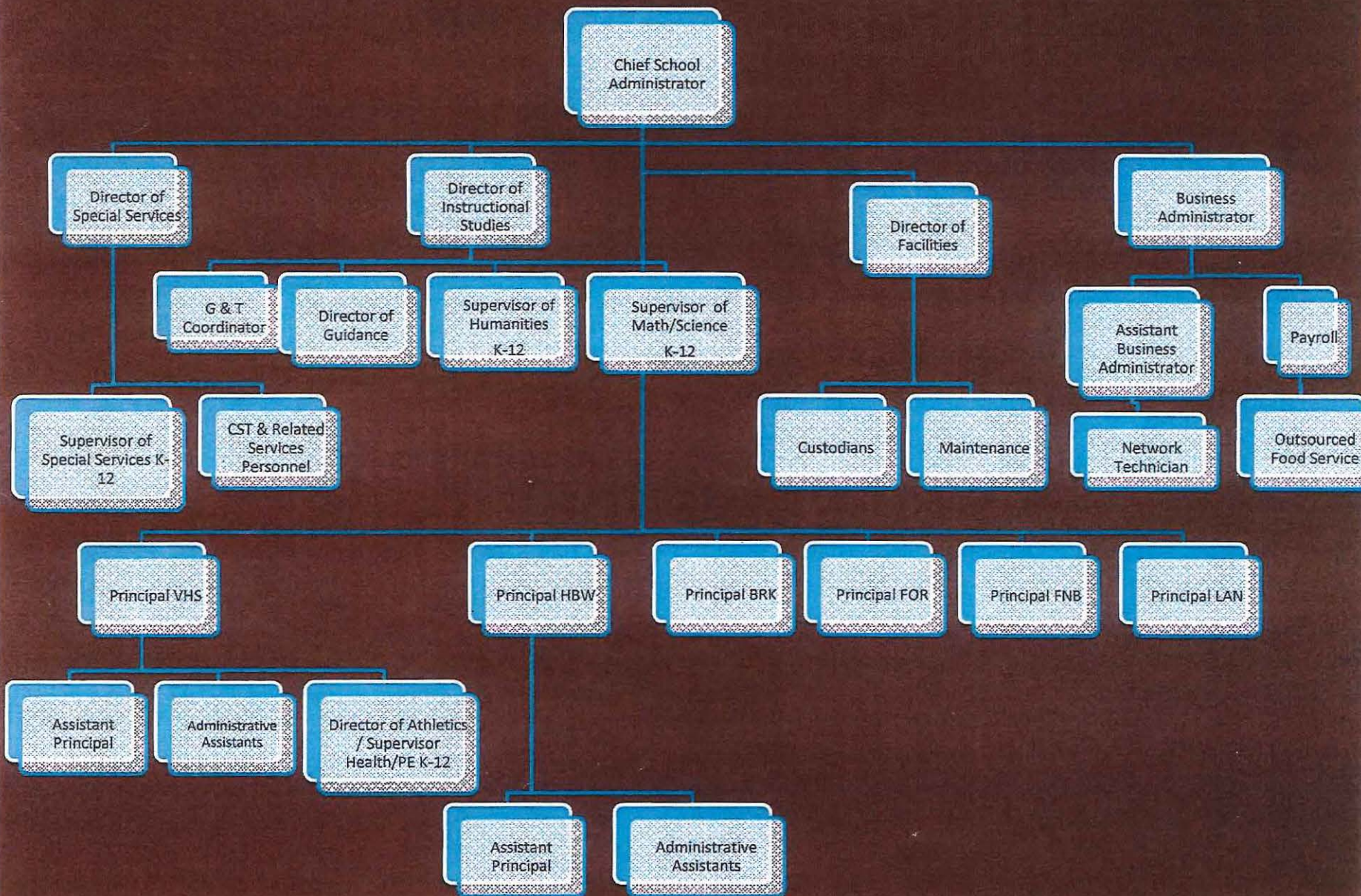


Dr. Rui Dionisio
Superintendent



Cheryl A. Nardino, CPA
Business Administrator/Board Secretary

Verona Public Schools



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

**ROSTER OF OFFICIALS
JUNE 30, 2018**

<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

LAN Associates
Midland Park, New Jersey 07432

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. LEIDIG, CPA, PSA
ROBERT LERCH, CPA

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

Emphasis of Matter

Adoption of New Accounting Pronouncement

As discussed in Note 1 to the financial statements, in the fiscal year ended June 30, 2018 the Verona Board of Education adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension information and other postemployment benefits 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 January 15, 2019 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
January 15, 2019

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, 2018. 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 2017-2018 fiscal year include the following:

- The net position of the Verona Board of Education at the close of the fiscal year was in a deficit position of \$175,605.
- Overall revenues were \$51,306,879. General revenues accounted for \$35,738,472 or 70% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$15,568,407 or 30% of total revenues.
- The school district had \$50,797,672 in expenses for governmental activities; only \$15,568,407 of these expenses were offset by program specific charges, grants or contributions. General revenues (predominantly property taxes) of \$35,738,472 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 \$739,868.
- The General Fund fund balance at June 30, 2018 was \$710,385, a decrease of \$295,516 when compared with the beginning balance at July 1, 2017.

VERONA BOARD OF EDUCATION

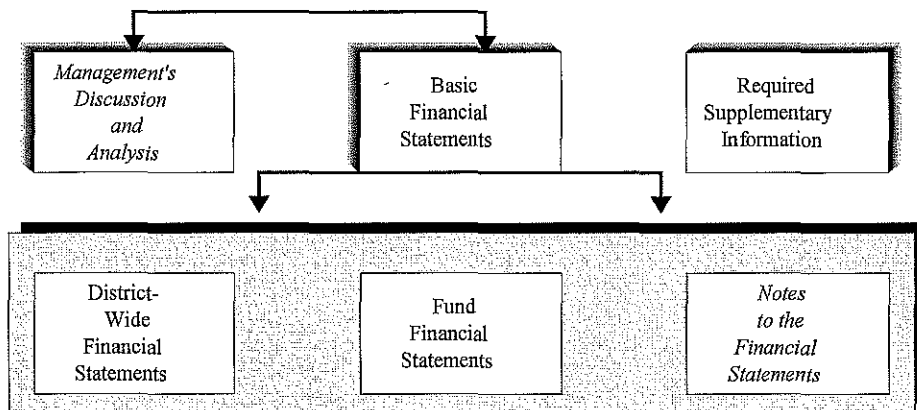
Management's Discussion and Analysis

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 dedications 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, liabilities and deferred inflows were more than assets and deferred outflows by \$175,605 as of June 30, 2018. The following schedule summarizes this analysis as of June 30, 2018 and 2017.

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, 2018 and 2017

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u> (Restated)	<u>2018</u>	<u>2017</u> (Restated)	<u>2018</u>	<u>2017</u> (Restated)
Assets						
Current Assets	\$ 1,962,369	\$ 2,951,267	\$ 99,486	\$ 78,610	\$ 2,061,855	\$ 3,029,877
Capital Assets	47,947,971	50,038,346	21,118	27,123	47,969,089	50,065,469
Total Assets	<u>49,910,340</u>	<u>52,989,613</u>	<u>120,604</u>	<u>105,733</u>	<u>50,030,944</u>	<u>53,095,346</u>
Deferred Outflows of Resources						
Deferred Amount on Refunding of Debt	740,693	864,699	-	-	740,693	864,699
Deferred Amounts on Net Pension Liability	2,296,105	3,549,973	-	-	2,296,105	3,549,973
Total Deferred Outflows of Resources	<u>3,036,798</u>	<u>4,414,672</u>	<u>-</u>	<u>-</u>	<u>3,036,798</u>	<u>4,414,672</u>
Total Assets and Deferred Outflows of Resources	<u>52,947,138</u>	<u>57,404,285</u>	<u>120,604</u>	<u>105,733</u>	<u>53,067,742</u>	<u>57,510,018</u>
Liabilities						
Other Liabilities	1,598,445	2,325,540	83,183	68,189	1,681,628	2,393,729
Long-Term Liabilities	49,277,074	55,368,805	-	-	49,277,074	55,368,805
Total Liabilities	<u>50,875,519</u>	<u>57,694,345</u>	<u>83,183</u>	<u>68,189</u>	<u>50,958,702</u>	<u>57,762,534</u>
Deferred Inflows of Resources						
Deferred Amounts on Net Pension Liability	2,284,645	25,011	-	-	2,284,645	25,011
Total Deferred Inflows of Resources	<u>2,284,645</u>	<u>25,011</u>	<u>-</u>	<u>-</u>	<u>2,284,645</u>	<u>25,011</u>
Total Liabilities and Deferred Inflows of Resources	<u>53,160,164</u>	<u>57,719,356</u>	<u>83,183</u>	<u>68,189</u>	<u>53,243,347</u>	<u>57,787,545</u>
Net Position:						
Net Investment in Capital Assets	9,954,673	9,271,173	21,118	27,123	9,975,791	9,298,296
Restricted	379,376	352,461	-	-	379,376	352,461
Unrestricted	(10,547,075)	(9,938,705)	16,303	10,421	(10,530,772)	(9,928,284)
Total Net Position	<u>\$ (213,026)</u>	<u>\$ (315,071)</u>	<u>\$ 37,421</u>	<u>\$ 37,544</u>	<u>\$ (175,605)</u>	<u>\$ (277,527)</u>

VERONA BOARD OF EDUCATION

Management's Discussion and Analysis

Changes in Net Position For the Fiscal Years Ended June 30, 2018 and 2017

	Governmental		Business-Type		Total	
	Activities		Activities			
	2018	2017 (Restated)	2018	2017 (Restated)	2018	2017
Revenues						
Program Revenues						
Charges for Services	\$ 149,745	\$ 182,230	\$ 402,325	\$ 431,663	\$ 552,070	\$ 613,893
Operating Grants and Contributions	15,011,500	14,057,272	4,837	4,273	15,016,337	14,061,545
Capital Grants and Contributions		320,456		-	-	320,456
General Revenues						
Property Taxes	34,694,545	33,837,415			34,694,545	33,837,415
State Aid	665,025	667,667			665,025	667,667
Other	378,902	190,923	-	-	378,902	190,923
Total Revenues	50,899,717	49,255,963	407,162	435,936	51,306,879	49,691,899
Expenses						
Instruction						
Regular	22,664,402	22,431,887			22,664,402	22,431,887
Special Education	8,069,439	7,286,594			8,069,439	7,286,594
Other Instruction	410,662	421,161			410,662	421,161
School Sponsored Activities and Ath.	1,357,579	1,214,014			1,357,579	1,214,014
Support Services						
Student and Instruction Related Serv.	5,770,401	5,590,168			5,770,401	5,590,168
School Administrative Services	3,425,021	3,386,471			3,425,021	3,386,471
General Administrative Services	805,213	771,714			805,213	771,714
Plant Operations and Maintenance	5,291,293	4,705,190			5,291,293	4,705,190
Pupil Transportation	901,393	1,032,430			901,393	1,032,430
Business and Other Support Services	925,767	877,465			925,767	877,465
Food Services			52,810	59,952	52,810	59,952
VSEA			354,475	393,936	354,475	393,936
Interest on Long-Term Debt and Other Chgs	1,176,502	1,221,902	-	-	1,176,502	1,221,902
Total Expenses	50,797,672	48,938,996	407,285	453,888	51,204,957	49,392,884
Change in Net Position	102,045	316,967	(123)	(17,952)	101,922	299,015
Transfers		(2,272)		2,272		
Net Position Beginning of Year (Restated)	(315,071)	2,764,092	37,544	47,762	(277,527)	2,811,854
Prior Period Adjustment	-	(3,393,858)	-	5,462	-	(3,388,396)
Net Position, End of Year	\$ (213,026)	\$ (315,071)	\$ 37,421	\$ 37,544	\$ (175,605)	\$ (277,527)

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 \$50,899,717, for the fiscal year ended June 30, 2018. Property taxes of \$34,694,545 represented 72% percent of revenues. Another significant portion of revenues came from State aid; total State, Federal and formula aid was \$15,676,525. 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 \$50,797,672. The District's expenses are predominantly related to educating and caring for students. Instruction totaled \$32,502,082 (64%) of total expenditures. Student and instruction related support services, total \$5,770,401 or (11%) of total expenditures.

Total governmental activities revenues surpassed expenses and transfers out increasing net position \$102,045 from the previous year.

Total and Net Cost of Governmental Activities. The District's total cost of services was \$50,797,672. After applying program revenues, derived from charges for services of \$149,745 and operating and capital grants and contributions of \$15,676,525 the net cost of services of the District is \$35,636,427.

Total and Net Cost of Governmental Activities

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Instruction				
Regular	\$ 22,664,402	\$ 22,431,887	\$ 14,073,398	\$ 13,716,746
Special Education	8,069,439	7,286,594	4,804,015	4,372,848
Other Instruction	410,662	421,161	230,929	255,027
School Sponsored Activities and Athletics	1,357,579	1,214,014	1,023,590	929,150
Support Services				
Student and Instruction Related Svcs.	5,770,401	5,590,168	4,599,656	4,717,000
School Administrative Services	3,425,021	3,386,471	2,416,839	2,448,802
General Administrative Services	805,213	771,714	643,829	617,072
Plant Operations and Maintenance	5,291,293	4,705,190	5,052,225	4,346,738
Pupil Transportation	901,393	1,032,430	842,764	990,722
Business and Other Support Services	925,767	877,465	772,680	763,031
Interest on Long-Term Debt	<u>1,176,502</u>	<u>1,221,902</u>	<u>1,176,502</u>	<u>1,221,902</u>
Total	<u>\$ 50,797,672</u>	<u>\$ 48,938,996</u>	<u>\$ 35,636,427</u>	<u>\$ 34,379,038</u>

VERONA BOARD OF EDUCATION

Management's Discussion and Analysis

Business-Type Activities – The District's total business-type activities revenues were \$407,162 for the fiscal year ended June 30, 2018. 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 \$407,285. 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 \$123 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 \$739,838. At June 30, 2017 the fund balance was \$1,025,453.

Revenues for the District's governmental funds were \$43,180,656 while total expenditures were \$43,667,067.

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 <u>June 30, 2018</u>	Fiscal Year Ended <u>June 30, 2017</u>	Amount of Increase <u>(Decrease)</u>	Percent Increase <u>(Decrease)</u>
Local Sources:				
Property Taxes	\$ 31,810,340	\$ 30,966,400	\$ 843,940	2.73%
Tuition	149,745	182,230	(32,485)	-17.83%
Miscellaneous	328,411	180,670	147,741	81.77%
State Sources	<u>6,358,303</u>	<u>5,565,910</u>	<u>792,393</u>	14.24%
 Total General Fund Revenues	 <u>\$ 38,646,799</u>	 <u>\$ 36,895,210</u>	 <u>\$ 1,751,589</u>	 <u>4.75%</u>

Local property taxes increased 3% over the previous year. State aid revenues increased in excess of \$792 thousand. 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.

	Fiscal Year Ended <u>June 30, 2018</u>	Fiscal Year Ended <u>June 30, 2017</u>	Amount of Increase <u>(Decrease)</u>	Percent Increase <u>(Decrease)</u>
Instruction	\$ 25,222,906	\$ 23,788,718	\$ 1,434,188	6.03%
Support Services	13,093,132	12,717,784	375,348	2.95%
Debt Service	600,973	599,457	1,516	0.25%
Capital Outlay	<u>25,304</u>	<u>16,542</u>	<u>8,762</u>	0.00%
Total Expenditures	<u>\$ 38,942,315</u>	<u>\$ 37,122,501</u>	<u>\$ 1,819,814</u>	<u>4.90%</u>

Total General Fund expenditures increased \$1,819,814 or more than 4% from the previous year.

In 2017-2018 General Fund expenditures and other financing uses exceeded revenues and other financing sources by \$295,516. As a result, total fund balance decreased to \$710,385 at June 30, 2018. After deducting statutory transfers and reserves, the unassigned fund balance increased from \$325,703 at June 30, 2017 to \$339,755 at June 30, 2018.

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 \$934,136 for the fiscal year ended June 30, 2018. Federal sources accounted for the majority of Special Revenue Fund's revenue which represented 77% of the total revenue for the year.

Total Special Revenue Fund revenues increased \$24,160 from the previous year. Increase is due primarily to federal grant awards.

Expenditures of the Special Revenue Fund were \$934,136. Instructional expenditures were \$835,736 or 89% of total expended for the fiscal year ended June 30, 2018.

Capital Projects Fund – The capital project revenue and other financing sources exceeded expenditures and other financing uses by \$31,643 increasing fund balance to \$17,380 at June 30, 2018. The receipt of a local donation for the turf field was a cause of the increase.

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, 2018 amounts to \$47,969,089 (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 2017-2018 amounted to \$2,175,235 for governmental activities and \$6,005 for business-type activities.

Capital Assets at June 30, 2018 and 2017 (Net of Accumulated Depreciation)

	Governmental		Business-Type		Total	
	<u>2018</u>	<u>2017</u> (Restated)	<u>2018</u>	<u>2017</u> (Restated)	<u>2018</u>	<u>2017</u> (Restated)
Land	\$ 1,679,937	\$ 1,679,937			\$ 1,679,937	\$ 1,679,937
Improvements Other Than Buildings	6,270,294	6,586,885			6,270,294	6,586,885
Buildings	39,604,092	41,320,714			39,604,092	41,320,714
Machinery and Equipment	<u>393,648</u>	<u>450,810</u>	\$ 21,118	\$ 27,123	<u>414,766</u>	<u>477,933</u>
Total Capital Assets	<u>\$ 47,947,971</u>	<u>\$ 50,038,346</u>	<u>\$ 21,118</u>	<u>\$ 27,123</u>	<u>\$ 47,969,089</u>	<u>\$ 50,065,469</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 \$1,591,710, bonds payable net of unamortized premium of \$36,123,432, capital leases/lease purchase agreements payable of \$2,610,559, net pension liability - Public Employees Retirement System of \$8,849,099 and net pension liability – Essex County of \$102,274 for a total of \$49,277,074.

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, 2018 the District has in excess of \$1.1 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 2018/2019 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 2018-2019. Budgeted expenditures in the General Fund increased \$723,624 to \$34,399,387 in fiscal year 2018-2019.

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, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 870,469	\$ 92,855	\$ 963,324
Restricted Cash with Fiscal Agents	2		2
Investments	113,056		113,056
Receivables, net			
Receivables from Other Governments	956,041	89	956,130
Accounts Receivable	23,438	1,503	24,941
Internal Balance	(637)	637	-
Inventory		4,402	4,402
Capital Assets			
Not Being Depreciated	1,679,937		1,679,937
Being Depreciated, net	46,268,034	21,118	46,289,152
Total Assets	<u>49,910,340</u>	<u>120,604</u>	<u>50,030,944</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amount on Refunding of Debt	740,693	-	740,693
Deferred Amounts on Net Pension Liability	2,296,105	-	2,296,105
Total Deferred Outflows of Resources	<u>3,036,798</u>	<u>-</u>	<u>3,036,798</u>
Total Assets and Deferred Outflows of Resources	<u>52,947,138</u>	<u>120,604</u>	<u>53,067,742</u>
LIABILITIES			
Accounts Payable and Other Liabilities	210,487		210,487
Intergovernmental Payable	11,873		11,873
Accrued Interest Payable	375,944		375,944
Unearned Revenue	219,923	83,183	303,106
Grant Anticipation Note Payable	780,218		780,218
Noncurrent Liabilities			
Due Within One Year	2,700,377		2,700,377
Due Beyond One Year	46,576,697	-	46,576,697
Total Liabilities	<u>50,875,519</u>	<u>83,183</u>	<u>50,958,702</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Amounts on Net Pension Liability	2,284,645	-	2,284,645
Total Liabilities and Deferred Inflows of Resources	<u>53,160,164</u>	<u>83,183</u>	<u>53,243,347</u>
NET POSITION			
Net Investment in Capital Assets	9,954,673	21,118	9,975,791
Restricted for:			
Capital Projects	284,881		284,881
Other Purposes	94,495		94,495
Unrestricted	(10,547,075)	16,303	(10,530,772)
Total Net Position	<u>\$ (213,026)</u>	<u>\$ 37,421</u>	<u>\$ (175,605)</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, 2018**

Net (Expense) Revenue and
Changes in Net Position

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	\$ 22,664,402	\$ 149,745	\$ 8,441,259		\$ (14,073,398)		\$ (14,073,398)
Special Education	8,069,439		3,265,424		(4,804,015)		(4,804,015)
Other Instruction	410,662		179,733		(230,929)		(230,929)
School Sponsored Activities and Athletics	1,357,579		333,989		(1,023,590)		(1,023,590)
Support Services							
Student and Instruction Related Services	5,770,401		1,170,745		(4,599,656)		(4,599,656)
School Administrative Services	3,425,021		1,008,182		(2,416,839)		(2,416,839)
General Administrative Services	805,213		161,384		(643,829)		(643,829)
Plant Operations and Maintenance	5,291,293		239,068		(5,052,225)		(5,052,225)
Pupil Transportation	901,393		58,629		(842,764)		(842,764)
Business and Other Support Services	925,767		153,087		(772,680)		(772,680)
Interest on Long-Term Debt and Other Charges	1,176,502	-	-	-	(1,176,502)	-	(1,176,502)
Total Governmental Activities	50,797,672	149,745	15,011,500	-	(35,636,427)	-	(35,636,427)
Business-Type Activities:							
VSEA	52,810	56,899				\$ 4,089	4,089
Food Service	354,475	345,426	4,837	-	-	(4,212)	(4,212)
Total Business-Type Activities	407,285	402,325	4,837	-	-	(123)	(123)
Total Primary Government	\$ 51,204,957	\$ 552,070	\$ 15,016,337	\$ -	(35,636,427)	(123)	(35,636,550)

Continued

**VERONA BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Total Primary Government (Carried Forward)	\$ (35,636,427)	\$ (123)	\$ (35,636,550)
General Revenues and Transfers			
Taxes:			
Property Taxes, Levied for General Purposes	31,810,340		31,810,340
Taxes Levied for Debt Service	2,884,205		2,884,205
State Aid Restricted for Debt Service	665,025		665,025
Investment Earnings	26,319		26,319
Miscellaneous Income	352,583	-	352,583
Transfers	-	-	-
Total General Revenues and Transfers	<u>35,738,472</u>	<u>-</u>	<u>35,738,472</u>
Change in Net Position	102,045	(123)	101,922
Net Position Beginning of Year (Restated)	<u>(315,071)</u>	<u>37,544</u>	<u>(277,527)</u>
Net Position End of Year	<u>\$ (213,026)</u>	<u>\$ 37,421</u>	<u>\$ (175,605)</u>

FUND FINANCIAL STATEMENTS

**VERONA BOARD OF EDUCATION
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2018**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
ASSETS					
Cash and Cash Equivalents	\$ 712,264	\$ 158,205			\$ 870,469
Restricted Cash with Fiscal Agents			\$ 2		2
Investments			113,056		113,056
Receivables, Net					
Receivables From Other Governments	57,364	118,459	780,218		956,041
Accounts	23,438				23,438
Due from Other Funds	<u>38,891</u>	<u>-</u>	<u>-</u>	<u>\$ 49,775</u>	<u>88,666</u>
 Total Assets	 <u>\$ 831,957</u>	 <u>\$ 276,664</u>	 <u>\$ 893,276</u>	 <u>\$ 49,775</u>	 <u>\$ 2,051,672</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 120,435	\$ 45,368	\$ 44,684		\$ 210,487
Due to Other Funds	637		50,994	\$ 37,672	89,303
Payable to State Governments		11,873			11,873
Grant Anticipation Notes Payable			780,218		780,218
Unearned Revenue	<u>500</u>	<u>219,423</u>	<u>-</u>	<u>-</u>	<u>219,923</u>
 Total Liabilities	 <u>121,572</u>	 <u>276,664</u>	 <u>875,896</u>	 <u>37,672</u>	 <u>1,311,804</u>
Fund Balances					
Restricted					
Excess Surplus-Designated for Subsequent Year's Budget	20,737				20,737
Capital Reserve	268,796				268,796
Maintenance Reserve	81,097				81,097
Capital Projects			16,085		16,085
Debt Service			1,295	12,103	13,398
Unassigned	<u>339,755</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>339,755</u>
 Total Fund Balances	 <u>710,385</u>	 <u>-</u>	 <u>17,380</u>	 <u>12,103</u>	 <u>739,868</u>
 Total Liabilities and Fund Balances	 <u>\$ 831,957</u>	 <u>\$ 276,664</u>	 <u>\$ 893,276</u>	 <u>\$ 49,775</u>	

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 \$69,671,334 and the accumulated depreciation is \$21,723,363.

47,947,971

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

(375,944)

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)

(49,277,074)

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.

740,693

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

\$ 9,311
2,286,794
(2,284,645)

11,460

Net Position of Governmental Activities (Exhibit A-1)

\$ (213,026)

**VERONA BOARD OF EDUCATION
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<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	\$ 31,810,340			\$ 2,884,205	\$ 34,694,545
Tuition	149,745				149,745
Interest	23,229		\$ 3,090		26,319
Miscellaneous	305,182	\$ 60,511	47,401	-	413,094
Total - Local Sources	32,288,496	60,511	50,491	2,884,205	35,283,703
State Sources	6,358,303	150,597		665,025	7,173,925
Federal Sources	-	723,028	-	-	723,028
Total Revenues	38,646,799	934,136	50,491	3,549,230	43,180,656
EXPENDITURES					
Current					
Regular Instruction	17,270,866	266,292	155,621		17,692,779
Special Education Instruction	6,567,515	569,444			7,136,959
Other Instruction	305,057				305,057
School Sponsored Activities and Athletics	1,079,468				1,079,468
Support Services					
Student and Instruction Related Services	4,823,035	77,585			4,900,620
General Administrative Services	688,637				688,637
School Administrative Services	2,647,740				2,647,740
Plant Operations and Maintenance	3,277,711		1,427		3,279,138
Pupil Transportation	849,836	20,815			870,651
Business and Other Support Services	806,173				806,173
Debt Service					
Principal	535,557			2,175,000	2,710,557
Interest	65,416			1,399,012	1,464,428
Capital Outlay	25,304	-	59,556	-	84,860
Total Expenditures	38,942,315	934,136	216,604	3,574,012	43,667,067
Excess (Deficiency) of Revenues Over (Under) Expenditures	(295,516)	-	(166,113)	(24,782)	(486,411)
OTHER FINANCING SOURCES (USES)					
Lease Purchase Proceeds			200,826		200,826
Transfers In			-	3,070	3,070
Transfers Out	-	-	(3,070)	-	(3,070)
Total Other Financing Sources (Uses)	-	-	197,756	3,070	200,826
Net Change in Fund Balances	(295,516)	-	31,643	(21,712)	(285,585)
Fund Balance, Beginning of Year	1,005,901	-	(14,263)	33,815	1,025,453
Fund Balance, End of Year	\$ 710,385	\$ -	\$ 17,380	\$ 12,103	\$ 739,868

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, 2018**

Total Net Change in Fund Balances - Governmental Funds (Exhibit B-2) \$ (285,585)

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	\$ (2,175,235)	
Capital Outlay	<u>84,860</u>	(2,090,375)

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)

2,509,731

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	(102,716)
------------------------------------	-----------

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	388,150
Amortization of Deferred Amount on Refunding of Debt	(124,006)

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	(261,230)
Decrease in Pension Expense- Essex County	44,294

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>23,782</u>
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Change in Net Position of Governmental Activities (Exhibit A-2) \$ 102,045

**VERONA BOARD OF EDUCATION
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
AS OF JUNE 30, 2018**

	Business-Type Activities		
	Enterprise Fund		
	Food Services	Other Non-Major (VSEA)	Total
ASSETS			
Current Assets			
Cash	\$ 9,379	\$ 83,476	\$ 92,855
Intergovernmental Receivable			
Federal	89		89
Other Accounts Receivable	1,503		1,503
Due from Other Funds	637		637
Inventories	4,402	-	4,402
	<u>16,010</u>	<u>83,476</u>	<u>99,486</u>
Total Current Assets			
Capital Assets			
Machinery and Equipment	322,702		322,702
Less: Accumulated Depreciation	(301,584)	-	(301,584)
	<u>21,118</u>	<u>-</u>	<u>21,118</u>
Total Capital Assets, Net			
Total Assets	<u>37,128</u>	<u>83,476</u>	<u>120,604</u>
LIABILITIES			
Current Liabilities			
Unearned Revenue	15,712	67,471	83,183
	<u>15,712</u>	<u>67,471</u>	<u>83,183</u>
Total Current Liabilities			
NET POSITION			
Investment in Capital Assets	21,118		21,118
Unrestricted	298	16,005	16,303
	<u>21,416</u>	<u>16,005</u>	<u>37,421</u>
Total Net Position	<u>\$ 21,416</u>	<u>\$ 16,005</u>	<u>\$ 37,421</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, 2018**

	Business-Type Activities Enterprise Fund		
	<u>Food Services</u>	<u>Other Non-Major (VSEA)</u>	<u>Total</u>
OPERATING REVENUES			
Charges for Services			
Daily Sales	\$ 345,426		\$ 345,426
Program Fees	-	\$ 56,899	56,899
Total Operating Revenues	<u>345,426</u>	<u>56,899</u>	<u>402,325</u>
OPERATING EXPENSES			
Salaries and Wages	140,104	47,994	188,098
Food Costs	142,650		142,650
Other Expenses	21,974	4,816	26,790
Insurance	19,657		19,657
Miscellaneous	964		964
Depreciation Expense	6,005		6,005
Administrative and Management Fees	23,121	-	23,121
Total Operating Expenses	<u>354,475</u>	<u>52,810</u>	<u>407,285</u>
Operating Income (Loss)	<u>(9,049)</u>	<u>4,089</u>	<u>(4,960)</u>
NONOPERATING REVENUES			
Federal Sources			
Special Milk Program	4,837	-	4,837
Total Nonoperating Revenues	<u>4,837</u>	<u>-</u>	<u>4,837</u>
Income (Loss) Before Transfers	(4,212)	4,089	(123)
Transfer In	-	-	-
Change in Net Position	(4,212)	4,089	(123)
Net Position, Beginning of Year (Restated)	<u>25,628</u>	<u>11,916</u>	<u>37,544</u>
Net Position, End of Year	<u>\$ 21,416</u>	<u>\$ 16,005</u>	<u>\$ 37,421</u>

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, 2018**

	Business-Type Activities		
	Enterprise Fund		
	Food Services	Other Non-Major (VSEA)	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers	\$ 348,489	\$ 67,086	\$ 415,575
Cash Payments for Employees' Salaries and Benefits	(140,104)	(47,994)	(188,098)
Cash Payments to Suppliers for Goods and Services	(209,212)	(4,816)	(214,028)
Net Cash Provided (Used) By Operating Activities	(827)	14,276	13,449
CASH FLOWS FROM NONCAPITAL AND RELATED ACTIVITIES			
Transfer from Other Funds	4,800	-	4,800
Net Cash Provided by Noncapital and Related Activities	4,800	-	4,800
Net Change in Cash and Cash Equivalents	3,973	14,276	18,249
Cash and Cash Equivalents, Beginning of Year	5,406	69,200	74,606
Cash and Cash Equivalents, End of Year	\$ 9,379	\$ 83,476	\$ 92,855
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) FOR OPERATING ACTIVITIES			
Operating Income (Loss)	\$ (9,049)	\$ 4,089	\$ (4,960)
Adjustments to Reconcile Operating Income to Net Cash Used for Operating Activities			
Depreciation	6,005		6,005
Change in Assets and Liabilities			
(Increase)/Decrease in Inventory	(846)		(846)
(Increase)/Decrease in Other Accounts Receivable	(1,107)		(1,107)
(Increase)/Decrease in Due from Other Funds	(637)		(637)
Increase/(Decrease) in Accounts Payable			-
Increase/(Decrease) in Unearned Revenue	4,807	10,187	14,994
Total Adjustments	8,222	10,187	18,409
Net Cash Provided (Used) By Operating Activities	\$ (827)	\$ 14,276	\$ 13,449

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, 2018**

	<u>Private Purpose Trust Fund</u>	<u>Unemployment Insurance Trust Fund</u>	<u>Agency Fund</u>
ASSETS			
Cash and Cash Equivalents	\$ 10,000		\$ 215,389
Due from Other Funds	<u>-</u>	<u>-</u>	<u>-</u>
 Total Assets	<u>10,000</u>	<u>-</u>	<u>\$ 215,389</u>
LIABILITIES			
Accrued Salaries and Wages			\$ 1,918
Payroll Deductions and Withholdings			62,052
Reserve for Flexible Spending			28,198
Due to Student Groups	<u>-</u>	<u>-</u>	<u>123,221</u>
 Total Liabilities	<u>-</u>	<u>-</u>	<u>\$ 215,389</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, 2018**

	<u>Private Purpose Trust Fund</u>	<u>Unemployment Insurance Trust Fund</u>
ADDITIONS		
Contributions		
Donations		
Employee		\$ 55,792
Investment Earnings		
Interest	-	83
	<hr/>	<hr/>
Total Additions	-	55,875
	<hr/>	<hr/>
DEDUCTIONS		
Unemployment Claims		55,875
Transfer to High School Student Activities	-	-
	<hr/>	<hr/>
Total Deductions	-	55,875
	<hr/>	<hr/>
Change in Net Position	-	-
Net Position Beginning of Year	10,000	-
	<hr/>	<hr/>
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, 2018**

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 of schools 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 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 2018, the District adopted the following GASB statements:

- GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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. 85, *Omnibus 2017*. 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*. 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.

**VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards (Continued)

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

- 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. 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.
- GASB No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, will be effective beginning with the fiscal year ending June 30, 2019. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistency provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms association with debt will be disclosed.
- GASB No. 89, *Accounting for Interest Costs Incurred Before the End of a Construction Period*, will be effective beginning with the fiscal year ending June 30, 2020. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

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, 2018**

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, 2018

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 funds* are used to account for resources legally held in trust for state unemployment insurance claims and for private donations for scholarship awards. All resources of the funds, 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.

The *fiduciary agency funds* account for assets held by the District as an agent for student activities and for payroll deductions and withholdings. The funds for the student activities fund are solely for noninstructional student activities that are supported and controlled by student organizations and clubs for which school administration does not have management involvement. The payroll funds are held to remit employee withholdings to respective state, federal and other agencies.

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, 2018**

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. *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.

**VERONA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

5. 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

6. 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 amount 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.

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 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 arise only under the accrual basis of accounting that qualify for reporting in this category. The item that qualifies for reporting in this category are 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.

**VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

7. *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.

8. *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.

9. *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 with 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, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

10. *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.

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, 2017 audited excess surplus that was 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 3C).

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 3D).

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.

**VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Governmental Fund Statements (Continued)

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

In the general operating fund and other governmental funds (capital projects and debt service fund types), it is the District's policy to consider restricted resources to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted (i.e., committed, assigned or unassigned) fund balances are available, followed by committed and then assigned fund balances. Unassigned amounts are used only after the other resources have been used.

11. *Fund Balance Policies*

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Board itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Board's highest level of decision-making authority. The Board of Trustees is the highest level of decision-making authority for the school district that can, by adoption of a resolution or formal Board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Board for specific purposes but do not meet the criteria to be classified as committed. The Board has authorized the School Business Administrator/Board Secretary to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

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.

**VERONA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 2016-2017 and 2017-2018 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.

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 are as follows:

Bonds Payable	\$ 33,805,000
Issuance Premium (to be amortized over life of debt)	2,318,432
Capital Leases/Lease Purchase Agreements	2,610,559
Compensated Absences Payable	1,591,710
Net Pension Liability	
Public Employees' Retirement System	8,849,099
Essex County	<u>102,274</u>
Net Adjustment to Reduce Fund Balance - Total Governmental Funds	
to Arrive at Net Position - Governmental Activities	<u>\$ 49,277,074</u>

**VERONA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details are as follows:

Debt Issued or Incurred:	
Capital Lease Financing	\$ (200,826)
Principal Repayments:	
General Obligation Bonds	2,175,000
Capital Lease/Lease Purchase Agreements	<u>535,557</u>
Net Adjustment to Increase Net Changes in Fund Balances - Total	
Governmental Funds to Arrive at Changes in Net Position of	
Governmental Activities	<u>\$ 2,509,731</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 February 14, 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 2017/2018. Also, during 2017/2018 the Board increased the original budget by \$388,718. The increase was funded by additional state aid appropriated, grant awards and appropriation of maintenance reserve funds. On November 28, 2017, the Board authorized and approved a budget modification transferring \$242,916 from the General Fund maintenance reserve.

**VERONA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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>
General Fund			
Custodial Services –			
Lease Purchase – ESIP – Principal	\$264,878	\$339,878	\$75,000
Special Revenue Fund			
Instruction –			
Salaries of Teachers	151,115	159,097	7,982

The above variances were offset with other available resources.

C. 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, 2018**

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Capital Reserve (Continued)

The activity of the capital reserve for the fiscal year ended June 30, 2018 is as follows:

Balance, July 1, 2017	\$ 89,993
Increases:	
Deposits Approve by Board Resolution	<u>178,803</u>
Balance, June 30, 2018	<u>\$ 268,796</u>

D. 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, 2018 is as follows:

Balance, July 1, 2017	\$ 242,916
Increased by:	
Return of Unexpended Funds	<u>81,097</u>
	324,013
Decreased by:	
Withdrawal Approved by Board Resolution	<u>242,916</u>
Balance, June 30, 2018	<u>\$ 81,097</u>

The June 30, 2018 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.

**VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

E. 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, 2018 is \$20,737. This amount was designated and appropriated in the 2018/2019 original budget certified for taxes.

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 and NCUSIF.

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, 2018, the book value of the Board's deposits were \$1,188,715 and bank and brokerage firm balances of the Board's deposits amounted to \$1,829,463. The Board's deposits which are displayed on the various fund balance sheets as "cash and cash equivalents" are categorized as:

Depository Account

Insured	\$ <u>1,829,463</u>
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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, 2018 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; any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor; 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; Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law," (C.40A:5A-1 et seq.); Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Investment in the Department of the Treasury for investment by school districts; Local Government investment pools; deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); and agreements for the repurchase of fully collateralized securities, if transacted in accordance with the above statute.

**VERONA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

A. Cash Deposits and Investments (Continued)

Investments (Continued)

As of June 30, 2018, the Board had the following investments:

<u>Investment Type:</u>	<u>Fair Value</u>
U.S. Government Securities	\$ <u>113,056</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, 2018, \$113,056 of the Board’s investments was exposed to custodial credit risk.

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.

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, 2018 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	\$ 23,438			\$ 1,503	\$ 24,941
Intergovernmental					
Federal		\$ 118,459		89	118,548
State	57,364	-	\$ 780,218	-	837,582
Gross Receivables	80,802	118,459	780,218	1,592	981,071
Less: Allowance for Uncollectibles	-	-	-	-	-
Net Total Receivables	<u>\$ 80,802</u>	<u>\$ 118,459</u>	<u>\$ 780,218</u>	<u>\$ 1,592</u>	<u>\$ 981,071</u>

**VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

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:

General Fund		
Overpayment of School Tax Levy	\$	500
Special Revenue Fund		
Unencumbered Local Donations		<u>219,423</u>
 Total Unearned Revenue for Governmental Funds	 \$	 <u>219,923</u>

D. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2018 was as follows:

	Balance, July 1, 2017 (Restated)	Increases	Decreases	Balance, June 30, 2018
Governmental Activities:				
Capital Assets, Not Being Depreciated				
Land	\$ 1,679,937	-	-	\$ 1,679,937
 Total Capital Assets, Not Being Depreciated	 <u>1,679,937</u>	 <u>-</u>	 <u>-</u>	 <u>1,679,937</u>
 Capital Assets, Being Depreciated				
Buildings and Building Improvements	57,528,615	\$ 12,056		57,540,671
Improvements Other than Buildings	8,393,811	47,500		8,441,311
Machinery and Equipment	<u>1,984,111</u>	<u>25,304</u>	<u>-</u>	<u>2,009,415</u>
 Total Capital Assets Being Depreciated	 <u>67,906,537</u>	 <u>84,860</u>	 <u>-</u>	 <u>67,991,397</u>
 Less Accumulated Depreciation for				
Buildings and Building Improvements	(16,207,901)	(1,728,678)		(17,936,579)
Improvements Other than Buildings	(1,806,926)	(364,091)		(2,171,017)
Machinery and Equipment	<u>(1,533,301)</u>	<u>(82,466)</u>	<u>-</u>	<u>(1,615,767)</u>
 Total Accumulated Depreciation	 <u>(19,548,128)</u>	 <u>(2,175,235)</u>	 <u>-</u>	 <u>(21,723,363)</u>
 Total Capital Assets, Being Depreciated, Net	 <u>48,358,409</u>	 <u>(2,090,375)</u>	 <u>-</u>	 <u>46,268,034</u>
 Governmental Activities Capital Assets, Net	 <u>\$ 50,038,346</u>	 <u>\$ (2,090,375)</u>	 <u>\$ -</u>	 <u>\$ 47,947,971</u>

**VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

	Balance, July 1, 2017 (Restated)	Increases	Decreases	Balance, June 30, 2018
Business-Type Activities				
Capital Assets, Being Depreciated:				
Machinery and Equipment	\$ 322,702	-	-	\$ 322,702
Total Capital Assets Being Depreciated	<u>322,702</u>	<u>-</u>	<u>-</u>	<u>322,702</u>
Less Accumulated Depreciation for:				
Machinery and Equipment	(295,579)	\$ (6,005)	-	(301,584)
Total Accumulated Depreciation	<u>(295,579)</u>	<u>(6,005)</u>	<u>-</u>	<u>(301,584)</u>
Total Capital Assets, Being Depreciated, Net	<u>27,123</u>	<u>(6,005)</u>	<u>-</u>	<u>21,118</u>
Business-Type Activities Capital Assets, Net	<u>\$ 27,123</u>	<u>\$ (6,005)</u>	<u>\$ -</u>	<u>\$ 21,118</u>

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

Governmental Activities:

Instruction

Regular	\$ 174,019
School-Sponsored Activities and Athletics/Other Instruction	<u>65,257</u>
Total Instruction	<u>239,276</u>

Support Services

Student and Instruction Related Services	21,752
General Administrative Service	21,752
School Administrative Services	130,515
Plant Operations and Maintenance	<u>1,761,940</u>
Total Support Services	<u>1,935,959</u>

Total Depreciation Expense - Governmental Activities \$ 2,175,235

Business-Type Activities:

Food Service Operations	<u>\$ 6,005</u>
Total Depreciation Expense-Business-Type Activities	<u>\$ 6,005</u>

The District conducted an update and appraisal of its capital assets inventory during the 2017/18 fiscal year. The District has recorded a prior period adjustment to its July 1, 2017 capital asset values as well as the accumulated depreciation amount. The net effect of this adjustment was a decrease to governmental activities net position of \$3,393,858 and an increase to business-type activities net position of \$5,462.

**VERONA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

E. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2018, is as follows:

Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Projects Fund	\$ 1,219
General Fund	Debt Service Fund	37,672
Food Service Fund	General Fund	637
Debt Service Fund	Capital Projects Fund	<u>49,775</u>
 Total		 <u>\$ 89,303</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 and/or to cover cash balances which were in an overdraft position.

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

Interfund transfers

	<u>Transfer In:</u>
	Debt Service
	<u>Fund</u>
Transfer Out:	
Capital Projects Fund	\$ <u>3,070</u>
	 <u>\$ 3,070</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.

F. Leases

Capital Leases

The District had financed a maintenance vehicle, chromebooks, a bus and various energy initiative programs totaling \$3,921,452 under capital leases. The leases are for terms of 5 to 15 years.

The unexpended proceeds from capital leases in the amount of \$2 at June 30, 2018 are held with the Fiscal Agent.

**VERONA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

F. Leases (Continued)

Capital Leases (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2018 were as follows:

<u>Fiscal Year Ending June 30</u>	<u>Governmental Activities</u>
2019	\$ 385,377
2020	291,762
2021	248,114
2022	197,396
2023	202,400
2024-2028	1,091,166
2028-2030	<u>584,501</u>
Total Minimum Lease Payments	3,000,716
Less: Amount Representing Interest	<u>(390,157)</u>
Present Value of Minimum Lease Payments	<u>\$ 2,610,559</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, 2018 are comprised of the following issues:

\$13,845,000, 2014 School Bonds, due in annual installments of \$675,000 to \$800,000 through May 1, 2034, interest at 2.500% to 3.500%	\$12,345,000
\$24,635,000, Bonds, due in annual installments of \$1,640,000 to \$1,685,000 through March 1, 2031, interest at 2.00% to 5.00%	<u>21,460,000</u>
Total	<u>\$33,805,000</u>

**VERONA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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,	Serial Bonds		Total
	Principal	Interest	
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	2,375,000	997,325	3,372,325
2024-2028	12,055,000	3,476,361	15,531,361
2029-2033	9,040,000	1,001,900	10,041,900
2034	800,000	28,000	828,000
	<u>\$ 33,805,000</u>	<u>\$ 10,266,438</u>	<u>\$ 44,071,438</u>

Statutory Borrowing Power

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2018 was as follows:

4% of Equalized Valuation Basis (Municipal)	\$ 93,951,723
Less: Net Debt	<u>33,805,000</u>
Remaining Borrowing Power	<u>\$ 60,146,723</u>

**VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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, 2018, was as follows:

	<u>Balance, July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, June 30, 2017</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable	\$ 35,980,000		\$ 2,175,000	\$ 33,805,000	\$ 2,315,000
Add:					
Unamortized Premium	<u>2,706,582</u>	<u>-</u>	<u>388,150</u>	<u>2,318,432</u>	<u>-</u>
	38,686,582	-	2,563,150	36,123,432	2,315,000
Capital Leases/Lease Purchase Agmts	2,945,290	200,826	535,557	2,610,559	385,377
Compensated Absences	1,488,994	178,314	75,598	1,591,710	
Net Pension Liability					
PERS	12,071,042		3,221,943	8,849,099	
Essex County	<u>176,897</u>	<u>-</u>	<u>74,623</u>	<u>102,274</u>	<u>-</u>
Governmental Activity Long-Term Liabilities	<u>\$ 55,368,805</u>	<u>\$ 379,140</u>	<u>\$ 6,470,871</u>	<u>\$ 49,277,074</u>	<u>\$ 2,700,377</u>

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

I. Short-Term Debt

The Board’s short-term activity for the fiscal year ended June 30, 2018 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 grants. The Board’s short-term debt activity for the fiscal year ended June 30, 2018 was as follows:

<u>Purpose</u>	<u>Rate %</u>	<u>Maturity Date</u>	<u>Balance, July 1, 2017</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance, June 30, 2018</u>
Grant Anticipation Note	1.69876%	11/14/2018	<u>\$ 932,528</u>	<u>\$ 780,218</u>	<u>\$ 932,528</u>	<u>\$ 780,218</u>

**VERONA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 or Group). 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 funds, to report claims on a timely basis, cooperate with the management of the funds, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by the funds. Members have a contractual obligation to fund any deficit of the funds 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 funds 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 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:

Fiscal Year Ended <u>June 30,</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2018	\$ 55,792	\$ 55,875	
2017	58,342	60,424	-
2016	54,096	54,167	2,082

**VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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, 2018, 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, 2018, the District had no estimated arbitrage earnings due to the IRS.

D. Employee Retirement Systems and Pension Plans

Plan Descriptions and Benefits Provided

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. PERS is a cost sharing multiple employer defined benefit pension plan.

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death, and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

**VERONA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Public Employees' Retirement System (PERS) (Continued)

The following represents the membership tiers for PERS:

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tier 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reached age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tier 1 and 2 members before reaching age 60, tier 3 and 4 members with 25 or more years of service credit before age 62, and tier 5 members with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least ten years of service credit and have not reached the service retirement age for the respective tier.

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. TPAF is a cost sharing multiple employer defined benefit pension plan with a special funding situation, by which the State is responsible to fund 100% of local employer contributions, excluding any local employer early retirement incentive (ERI) contributions.

The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death, and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

The following represent the membership tiers for TPAF:

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

**VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Teachers' Pension and Annuity Fund (TPAF) (Continued)

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tier 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reached age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tier 1 and 2 members before reaching age 60, tier 3 and 4 members with 25 or more years of service credit before age 62, and tier 5 members with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement for his/her respective tier. Deferred retirement is available to members who have at least ten years of service credit and have not reached the service retirement age for the respective tier.

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.

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 (“Division”), 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.

**VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Plan Amendments

The authority to amend the provisions of the above plans rests with new legislation passed by the State of New Jersey. Pension reforms enacted pursuant to Chapter 78, P.L. 2011 included provisions creating special Pension Plan Design Committees for TPAF and PERS, once a Target Funded Ratio (TFR) is met. The Pension Plan Design Committees will have the discretionary authority to modify certain plan design features, including member contribution rate; formula for calculation of final compensation of final salary; fraction used to calculate a retirement allowance; age at which a member may be eligible and the benefits for service or early retirement; and benefits provided for disability retirement. The committees will also have the authority to reactivate the cost of living adjustment (COLA) on pensions. However, modifications can only be made to the extent that the resulting impact does not cause the funded ratio to drop below the TFR in any one year of a 30-year projection period.

Measurement Focus and Basis of Accounting

The financial statements of the retirement systems are prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the pension trust funds. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

Investment Valuation

The Division of Investment, Department of the Treasury, State of New Jersey (Division of Investment) manages and invests certain assets of the retirement systems. Investments are reported at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The 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.

**VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Funding Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date, the aggregate funded ratio for the State administered TPAF and local PERS retirement systems, is 33 percent with an unfunded actuarial accrued liability of 90.90 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded TPAF system is 25.41 percent and \$67.6 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS is 48.10 percent and \$23.3 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.

Actuarial Methods and Assumptions

In the July 1, 2016 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 7.00 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 7.34% for PERS, 7.34% for TPAF and 5.50% for DCRP of the employee's annual compensation for fiscal year 2018.

Annual Pension Costs (APC)

For the fiscal year ended June 30, 2018 for TPAF, which is a cost sharing multiple employer defined benefit pension plan with a special funding situation, the annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multiple 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.

**VERONA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Annual Pension Costs (APC) (Continued)

During the fiscal years ended June 30, 2018, 2017 and 2016 the Board was required to contribute for PERS and DCRP and the State of New Jersey, as a nonemployer contributing entity, 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>
2018	\$ 352,161	\$ 2,318,631	\$ 8,865
2017	362,079	1,735,381	7,642
2016	351,720	1,262,015	10,728

In addition for fiscal years 2017/2018 and 2016/2017 the District contributed \$4,829 and \$1,140, respectively for PERS and the State contributed \$2,358 and \$3,013, respectively 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 Statement No. 85, *Omnibus 2017* (GASB No. 85). 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 \$1,171,432 during the fiscal year ended June 30, 2018 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. 85.

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

Public Employees Retirement System (PERS)

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, (GASB No. 68) requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentages presented are based on the ratio of the contributions as an individual employer to total contributions to the PERS during the fiscal year ended June 30, 2017. Employer allocation percentages have been rounded for presentation purposes.

Although the NJ Division of Pensions and Benefits (“Division”) administers one cost-sharing multiple employer defined benefit pension plan, separate actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective pension expense excluding that attributable to employer-paid member contributions are determined separately for each individual employer of the State and local groups of the plan.

**VERONA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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)

To facilitate the separate actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages are presented for each group. The allocation percentages for each group as of June 30, 2017 are based on the ratio of each employer’s contribution to total employer contributions of the group for the fiscal year ended June 30, 2017.

At June 30, 2018, the District reported in the statement of net position (accrual basis) a liability of \$8,849,099 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of 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, 2017, the District’s proportionate share was .03801 percent, which was a decrease of .00275 percent from its proportionate share measured as of June 30, 2016 of .04076 percent.

For the fiscal year ended June 30, 2018, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$613,391 for PERS. The pension contribution made by the District during the current 2017/2018 fiscal year is the contribution that is applied to the net pension liability reported at the end of the current fiscal year of June 30, 2018 with a measurement date of the prior fiscal year end of June 30, 2017. Since the State of New Jersey applies the current year pension contribution towards the calculation of the net pension liability reported at the end of the current fiscal year, which has a measurement date of the preceding fiscal year end, there is no deferred outflows of resources reported as of June 30, 2018 for contributions made subsequent to the current fiscal year end. At June 30, 2018, 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	\$ 208,366	
Changes of Assumptions	1,782,789	\$ 1,776,252
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	60,256	
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	<u>235,383</u>	<u>508,393</u>
Total	<u>\$ 2,286,794</u>	<u>\$ 2,284,645</u>

**VERONA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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)

At June 30, 2018, 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:

<u>Year Ending June 30,</u>	<u>Total</u>
2019	\$ 195,678
2020	304,914
2021	142,081
2022	(388,513)
2023	(252,011)
Thereafter	<u>-</u>
	<u>\$ 2,149</u>

Actuarial Assumptions

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

	<u>PERS</u>
Inflation Rate	2.25%
Salary Increases:	
Through 2026	1.65-4.15% Based on Age
Thereafter	2.65-5.15% Based on Age
Investment Rate of Return	7.00%
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, 2016 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, 2018**

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, 2017 are summarized in the following table:

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

Discount Rate

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

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2018	June 30, 2017	5.00%
2017	June 30, 2016	3.98%

**VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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)

GASB No. 68, requires participating employers in TPAF to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The non-employer allocation percentages presented are based on the ratio of the State's contributions made as a non-employer toward the actuarially determined contribution amount adjusted by locations who participated in the State early retirement incentives to total contributions to TPAF during the fiscal year ended June 30, 2017. Non-employer allocation percentages have been rounded for presentation purposes.

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and non-employer contributions by the State. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. For the fiscal year ended June 30, 2017, the State's pension contribution was less than the actuarial determined amount.

In accordance with GASB No. 68, the District is not required to recognize a net pension liability for TPAF. The State of New Jersey, as a nonemployer contributing entity, 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, 2018, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$7,206,203 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. 85.

At June 30, 2018 the State's proportionate share of the net pension liability attributable to the District is \$104,023,239. 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, 2017. At June 30, 2017, the state's share of the net pension liability attributable to the District was .15428 percent, which was a decrease of .00335 percent from its proportionate share measured as of June 30, 2016 of .15763 percent.

**VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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)

Actuarial Assumptions

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

	<u>TPAF</u>
Inflation Rate	2.25%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.00%

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, 2016 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, 2018**

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, 2017 are summarized in the following table:

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

**VERONA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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:

Fiscal Year	Measurement Date	Discount Rate
2018	June 30, 2017	4.25%
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, 2036
Municipal Bond Rate *	From July 1, 2036 and Thereafter

* The municipal bond return rate used is 3.58% as of the measurement date of June 30, 2017. 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 4.25%, 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 (3.25 percent) or 1-percentage-point higher (5.25 percent) than the current rate:

	1% Decrease (3.25%)	Current Discount Rate (4.25%)	1% Increase (5.25%)
State's Proportionate Share of the TPAF Net Pension Liability Attributable to the District	<u>\$ 414,176,052</u>	<u>\$ 348,623,835</u>	<u>\$ 294,621,634</u>

The sensitivity analysis was based on the State's proportionate share of the net pension liability attributable to the District at June 30, 2017. A sensitivity analysis specific to the State's proportionate share of the net pension liability attributable to the District at June 30, 2017 was not provided by the pension system.

**VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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)

Plan Description

The Board of Education Employees' Pension Fund of Essex County (the "Plan"), is a multiple-employer contributory defined benefit pension plan that provides pension and life insurance benefits to employees of the Boards of Education within Essex County employed before July 1, 1981, except temporary employees and employees eligible for coverage under any New Jersey State administered pension plan created under prior New Jersey laws. The ECPF became effective April 16, 1929. The Plan provides for retirement, service, and non-service connected death and disability benefits for its members. The Plan is governed by New Jersey Statutes under Title 18A, and is administered by a Board of Trustees for the plan who is also responsible for the management and investment of Plan assets. The Board of Trustees consists of one active and five retirees elected Plan members.

Pursuant to New Jersey Public Law enacted in 1980, members were given the option to transfer their membership in the plan to the PERS. Approximately 2,775 members, 58% of the membership, elected to transfer to PERS effective July 1, 1981. The Plan is closed to new entrants.

Benefits Provided

Regular service retirement benefits are determined as $1/45^{\text{th}}$ of the highest 3 year average salary multiplied by the member's years of credited service. A member may elect early retirement benefits if they are under age 60 and have at least 25 years of credited services. The Plan also offers a special veterans benefits, disability and deferred benefits. Group life insurance benefits and death benefits are available to be paid to beneficiaries if elected by the member.

For more complete information about the Plan agreement and vesting and benefit provisions, participants are referred to the pamphlet, *A Summary of Benefits*. Copies of this pamphlet are available from the Pension Fund Administration Office.

Contributions

Contributions are made by the members at 3%, the maximum contribution rate required by statute, of their annual compensation. Contributions made by the Boards are determined annually based upon actuarial valuations. The Boards are required to reimburse the Plan for administrative expenses and cost of living increases associated with its retirees. Plan provisions and contribution requirements are established by New Jersey state statute assets. District contributions to the Plan amounted to \$17,076 for fiscal year 2018.

**VERONA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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)

Contributions (Continued)

At June 30, 2018, the District reported in the statement of net position (accrual basis) a liability of \$102,274 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, 2017, the District's proportionate share was 0.35785 percent, which was a decrease of .13084 percent from its proportionate share measured as of June 30, 2016 of 0.48869.

For the fiscal year ended June 30, 2018, the District recognized in the district wide statement of activities (accrual basis) a pension expense credit of \$60,718 for ECPF. At June 30, 2018, 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>9,311</u>
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At June 30, 2018, the amounts reported as deferred outflows of resources related to ECPF pension will be recognized as pension expense of \$1,832 per year for the fiscal years ended June 30, 2019 through June 30, 2023.

Actuarial Assumptions

The District's total pension liability was determined by an actuarial valuation as of June 30, 2017, 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.

**VERONA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 (Continued)

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, 2017 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%	6.71%
U.S. Small Cap Equity	10.00%	6.71%
U.S. Fixed Income	40.00%	2.11%

Discount Rate

The discount rate used to measure the total pension liability of the ECPF was 6.50% (measurement date June 30, 2017).

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	\$ <u>128,449</u>	\$ <u>102,274</u>	\$ <u>68,067</u>

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.

**VERONA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 5 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits

The State of New Jersey sponsors and administers the post-retirement health benefit program plan for school districts.

As a result of implementing GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, the post-retirement health benefit program plan is reported in an Agency Fund in the New Jersey Comprehensive Annual Financial Report effective for the fiscal year ended June 30, 2017. Therefore, the plan has no assets accumulated in a trust. In accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pension* (GASB No. 75), the plan is classified as a single employer defined benefit OPEB plan with a special funding situation that is not administered through a trust that meets the criteria in paragraph 4 of GASB No. 75.

Plan Description and Benefits Provided

The State of New Jersey sponsors and administers the following post-retirement health benefit program plan covering certain local school district employees, including those Board employees and retirees eligible for coverage.

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund) – N.J.S.A. 52:14-17.32f provides medical coverage and prescription drug benefits to qualified retired education participants. The State of New Jersey provides employer-paid coverage to members of the TPAF who retire from a board of education or county college with 25 years of service or on a disability retirement. Under the provisions of Chapter 126, P.L. 1992, the State also provides employer-paid coverage to members of the PERS and Alternate Benefits Program (ABP) 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 employer 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.

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree’s annual retirement benefit and level of coverage.

The 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.

Plan Membership

Membership of the defined benefit OPEB plan consisted of the following at June 30, 2017:

Active Plan Members	\$223,747
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	142,331
Inactive Plan Members Entitled to but not yet Receiving Benefits	<u> -</u>
Total	<u>\$366,078</u>

**VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 5 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

Measurement Focus and Basis of Accounting

The financial statements of the post-employment health benefit plans are prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the post-employment health benefit plans. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

Investment Valuation

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Funded Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date, the State had a \$69.3 billion unfunded actuarial accrued liability for other post-employment benefits (OPEB) which is made up to \$25.5 billion for state active and retired members and \$43.8 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.

Actuarial Methods and Assumptions

In the July 1, 2016, 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.

**VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 5 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

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, 2017, there were 112,966, retirees receiving post-retirement medical benefits and the State contributed \$1.39 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 \$238.9 million toward Chapter 126 benefits for 20,913 eligible retired members in Fiscal Year 2017.

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, as a nonemployer contributing entity, to the State Health Benefits Program Fund – Local Education Retired for retirees' post-retirement benefits on behalf of the School District for the fiscal years ended June 30, 2018, 2017 and 2016 were \$1,497,554, \$1,445,967 and \$1,502,710, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund – Local Education Retired for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey. The on-behalf OPEB contributions are recognized in the governmental fund financial statements (modified accrual basis) as both a revenue and expenditure in accordance with GASB No. 85.

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

GASB Statement No. 75 requires participating employers in the State Health Benefit Program Fund – Local Education Retired to recognize their proportionate share of the collective OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources and collective OPEB expense excluding that attributable to retiree-paid member contributions. The nonemployer allocation percentages presented are based on the ratio of the State's contributions made as a nonemployer toward the actuarially determined contribution amount to total contributions to the plan during the fiscal year ended June 30, 2017. Nonemployer allocation percentages have been rounded for presentation purposes.

In accordance with GASB No. 75, the District is not required to recognize an OPEB liability for the post-employment health benefit plan. The State of New Jersey, as a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to the plan on behalf of the District. Accordingly, the District's proportionate share percentage determined under Statement No. 75 is zero percent and the State's proportionate share is 100% of the OPEB liability attributable to the District. Therefore, in addition, the District does not recognize any portion of the collective deferred outflows of resources and deferred inflows of resources related to the plan.

**VERONA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 5 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

For the fiscal year ended June 30, 2018, the District recognized in the district-wide statement of activities (accrual basis) OPEB expense of \$4,329,043. This amount has been included in the district-wide statement of activities (accrual basis) as a revenue and expense in accordance with GASB No. 85.

At June 30, 2018 the State's proportionate share of the OPEB liability attributable to the District is \$73,758,239. The nonemployer allocation percentages are based on the ratio of the State's proportionate share of the OPEB liability attributable to the District at June 30, 2017 to the total OPEB liability of the State Health Benefit Program Fund – Local Education Retired Employees Plan at June 30, 2017. At June 30, 2017, the state's share of the OPEB liability attributable to the District was .13751 percent, which was a decrease of .00050 percent from its proportionate share measured as of June 30, 2016 of .13801 percent.

Actuarial Assumptions

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

Inflation Rate	2.50%
Salary Increases *	
Initial Fiscal Year Applied Through	2026
Rate	1.55% to 4.55%
Rate Thereafter	2.00% to 5.45%
Mortality	RP-2014 Headcount-Weighted Healthy Employee, Health Annuitant and Disabled Male/Female Mortality Table with Fully Generational Mortality Improvement Projections from the Central Year Using Scale MP-2017
Long-Term Rate of Return	1.00%

*Salary increases are based on the defined benefit plan that the individual is enrolled in and his or her year of service for TPAF and his or her age for PERS.

Healthcare cost trend rates for pre-Medicare Preferred Provider Organization (PPO) medical benefits, this amount initially is 5.9 percent and decreases to a 5.0 percent long-term trend rate after nine years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5 percent. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9 percent and decreases to a 5.0 percent long-term trend rate after nine years. For prescription drug benefits, the initial trend rate is 10.5 percent and decreases to a 5.0 percent long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0 percent. This reflects the known underlying cost of the Part B premium. The Medicare Advantage trend rate is 4.5 percent and will continue in all future years.

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

**VERONA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 5 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Long-Term Expected Rate of Return

As the OPEB plan only invests in the State of New Jersey Cash Management Fund, the long-term expected rate of return on OPEB investments was based off the best-estimate ranges of future real rates of return (expected returns, net of OPEB plan investment expense and inflation) for cash equivalents, which is 1.00% as of June 30, 2017.

Discount Rate

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

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2018	June 30, 2017	3.58%
2017	June 30, 2016	2.85%

The discount rate represents the municipal bond return rate as chosen by the Division. 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. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Changes in the Total OPEB Liability

The change in the State's proportionate share of the OPEB liability attributable to the District for the fiscal year ended June 30, 2018 (measurement date June 30, 2017) is as follows:

	<u>Total OPEB Liability (State Share 100%)</u>
Balance, June 30, 2016 Measurement Date	\$ 79,810,756
Changes Recognized for the Fiscal Year:	
Service Cost	\$ 3,005,167
Interest on the Total OPEB Liability	2,345,315
Changes of Assumptions	(9,744,530)
Gross Benefit Payments	(1,721,873)
Contributions from the Member	63,404
Net Changes	<u>\$ (6,052,517)</u>
Balance, June 30, 2017 Measurement Date	<u>\$ 73,758,239</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.85 percent in 2016 to 3.58 percent in 2017.

The change in the total OPEB liability was based on the State's proportionate share of the OPEB liability attributable to the District at June 30, 2017. A change in the total OPEB liability specific to the State's proportionate share of the OPEB liability attributable to the District for the fiscal year ended June 30, 2017 was not provided by the pension system.

**VERONA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 5 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Sensitivity of OPEB Liability

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the State's proportionate share of the OPEB liability attributable to the District calculated using the discount rate of 3.58%, as well as what the State's proportionate share of the OPEB liability attributable to the District that would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58 percent) or 1-percentage-point higher (4.58 percent) than the current rate:

	1% Decrease <u>(2.58%)</u>	Current Discount Rate <u>(3.58%)</u>	1% Increase <u>(4.58%)</u>
State's Proportionate Share of the OPEB Liability Attributable to the District	\$ <u>87,556,351</u>	\$ <u>73,758,239</u>	\$ <u>62,813,445</u>

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the State's proportionate share of the OPEB liability attributable to the District calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB Liability (School Retirees)	\$ <u>60,659,021</u>	\$ <u>73,758,239</u>	\$ <u>91,153,846</u>

The sensitivity analyses were based on the State's proportionate share of the OPEB liability attributable to the District at June 30, 2017. Sensitivity analyses specific to the State's proportionate share of the OPEB liability attributable to the District at June 30, 2017 were not provided by the pension system.

F. 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.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

**VERONA BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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	\$ 31,810,340		\$ 31,810,340	\$ 31,810,340	
Tuition-Individuals	154,332		154,332	63,575	\$ (90,757)
Tuition-Intergovernmental	31,562		31,562	26,170	(5,392)
Tuition-Preschool				60,000	60,000
Miscellaneous	260,000	-	260,000	328,411	68,411
Total Local Sources	<u>32,256,234</u>	<u>-</u>	<u>32,256,234</u>	<u>32,288,496</u>	<u>32,262</u>
State Sources					
Special Education Aid	793,816	\$ 87,078	880,894	880,894	
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	397,431	147,431
Lead Testing for Schools Aid				5,010	5,010
TPAF Pension Contribution (On-Behalf)					
Normal Pension Contribution				2,263,697	2,263,697
NCGI Contributions				54,934	54,934
Long Term Disability Insurance				2,358	2,358
Post Retirement				1,497,554	1,497,554
TPAF Social Security Contribution (On-Behalf)	-	-	-	1,171,432	1,171,432
Total State Sources	<u>1,166,688</u>	<u>87,078</u>	<u>1,253,766</u>	<u>6,396,182</u>	<u>5,142,416</u>
Total Revenues	<u>33,422,922</u>	<u>87,078</u>	<u>33,510,000</u>	<u>38,684,678</u>	<u>5,174,678</u>
EXPENDITURES					
CURRENT					
Instruction - Regular Programs					
Salaries of Teachers					
Preschool/Kindergarten	497,764	(80,877)	416,887	416,843	44
Grades 1-5	4,461,105	13,654	4,474,759	4,474,328	431
Grades 6-8	2,329,688	35,999	2,365,687	2,365,687	-
Grades 9-12	3,518,380	(34,960)	3,483,420	3,483,419	1
Home Instruction	15,000	3,500	18,500	18,499	1
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction	193,736	158,564	352,300	351,110	1,190
Other Purchased Services	190,325	37,170	227,495	225,761	1,734
General Supplies	499,645	(80,940)	418,705	413,414	5,291
Textbooks	93,718	(23,348)	70,370	70,277	93
Other Objects	3,400	-	3,400	3,038	362
Total Regular Programs	<u>11,802,761</u>	<u>28,762</u>	<u>11,831,523</u>	<u>11,822,376</u>	<u>9,147</u>
Special Education					
Learning and/or Language Disabilities					
Salaries of Teachers	307,721	(27,536)	280,185	280,117	68
Other Salaries for Instruction	153,764	24,354	178,118	178,117	1
General Supplies	3,100	-	3,100	2,881	219
Total Learning and/or Language Disabilities	<u>464,585</u>	<u>(3,182)</u>	<u>461,403</u>	<u>461,115</u>	<u>288</u>
Behavioral Disabilities					
Salaries of Teachers	195,178	(1,592)	193,586	193,586	-
Other Salaries for Instruction	271,458	(54,313)	217,145	217,145	-
General Supplies	6,400	900	7,300	7,206	94
Total Behavioral Disabilities	<u>473,036</u>	<u>(55,005)</u>	<u>418,031</u>	<u>417,937</u>	<u>94</u>

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

Exhibit C-1

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final to Actual
EXPENDITURES					
CURRENT (Continued)					
Resource Room/Resource Center					
Salaries of Teachers	\$ 913,202	\$ 96,321	\$ 1,009,523	\$ 1,009,519	\$ 4
Other Salaries for Instruction	227,133	5,868	233,001	232,672	329
General Supplies	5,700	-	5,700	4,939	761
Total Resource Room	<u>1,146,035</u>	<u>102,189</u>	<u>1,248,224</u>	<u>1,247,130</u>	<u>1,094</u>
Autistic Program					
Other Salaries of Instruction	30,757	(10,468)	20,289	20,289	-
Total Autistic Program	<u>30,757</u>	<u>(10,468)</u>	<u>20,289</u>	<u>20,289</u>	<u>-</u>
Preschool Disabilities - Part-Time					
Salaries of Teachers	176,489	20,383	196,872	196,872	-
Other Salaries for Instruction	115,412	(7,328)	108,084	108,084	-
General Supplies	6,200	2,379	8,579	8,268	311
Total Preschool Disabilities - Part-Time	<u>298,101</u>	<u>15,434</u>	<u>313,535</u>	<u>313,224</u>	<u>311</u>
Preschool Disabilities - Full-Time					
Salaries of Teachers	193,510	(101,840)	91,670	91,670	-
Salaries of Secretarial	26,867	-	26,867	26,867	-
Other Salaries for Instruction	94,031	(14,647)	79,384	79,384	-
General Supplies	5,100	(145)	4,955	4,955	-
Total Preschool Disabilities - Full-Time	<u>319,508</u>	<u>(116,632)</u>	<u>202,876</u>	<u>202,876</u>	<u>-</u>
Speech Instruction					
Salaries of Secretarial	26,867	-	26,867	26,867	-
Total Speech Instruction	<u>26,867</u>	<u>-</u>	<u>26,867</u>	<u>26,867</u>	<u>-</u>
Home Instruction					
Salaries of Teachers	15,000	17,328	32,328	32,328	-
Total Home Instruction	<u>15,000</u>	<u>17,328</u>	<u>32,328</u>	<u>32,328</u>	<u>-</u>
Total Special Education	<u>2,773,889</u>	<u>(50,336)</u>	<u>2,723,553</u>	<u>2,721,766</u>	<u>1,787</u>
Basic Skills/Remedial					
Salaries of Teachers	147,760	(6,924)	140,836	140,836	-
Total Basic Skills/Remedial	<u>147,760</u>	<u>(6,924)</u>	<u>140,836</u>	<u>140,836</u>	<u>-</u>
Bilingual Education					
Salaries of Teachers	60,000	(14,081)	45,919	45,918	1
General Supplies	2,000	(1,267)	733	732	1
Total Bilingual Education	<u>62,000</u>	<u>(15,348)</u>	<u>46,652</u>	<u>46,650</u>	<u>2</u>
School Sponsored Co-Curricular Activities					
Salaries	183,972	(2,917)	181,055	179,413	1,642
Other Objects	62,776	(1,685)	61,091	59,069	2,022
Total School Sponsored Co-Curricular Activities	<u>246,748</u>	<u>(4,602)</u>	<u>242,146</u>	<u>238,482</u>	<u>3,664</u>
School Sponsored Athletics - Instruction					
Salaries	449,892	(30,008)	419,884	416,155	3,729
Supplies & Materials	164,922	(1,010)	163,912	145,627	18,285
Other Objects	22,436	(2,189)	20,247	20,130	117
Total School Sponsored Athletics - Instruction	<u>637,250</u>	<u>(33,207)</u>	<u>604,043</u>	<u>581,912</u>	<u>22,131</u>
Total - Instruction	<u>15,670,408</u>	<u>(79,569)</u>	<u>15,590,839</u>	<u>15,553,852</u>	<u>36,987</u>

**VERONA BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 (Continued)					
Other Instructional Programs - Instruction					
Supplies and Materials	-	\$ 1,830	\$ 1,830	\$ 1,830	-
Total Other Instructional Programs - Instruction	-	1,830	1,830	1,830	-
Summer School					
Salaries	-	256	256	-	\$ 256
Total Summer School	-	256	256	-	256
Undistributed Expenditures					
Instruction					
Tuition to Other LEAs within the State-Reg.	\$ 65,550	(6,112)	59,438	59,438	-
Tuition to County Vocational School District-Reg.	10,877	(7,921)	2,956	2,956	-
Tuition to County Vocational School District-Special	23,443	(18,891)	4,552	4,552	-
Tuition to County Special Services - School Districts & Regional Day Schools	99,000	3,465	102,465	102,465	-
Tuition to Private Schools - Disabled w/ State	2,577,761	28,420	2,606,181	2,606,180	1
Tuition to Private Schools- Disabled- Outside State	-	-	-	-	-
Total Undistributed Expenditures - Instruction	2,776,631	(1,039)	2,775,592	2,775,591	1
Health Services					
Salaries	414,525	4,449	418,974	418,972	2
Purchased Professional & Technical Services	7,000	(650)	6,350	6,350	-
Supplies and Materials	9,610	(1,500)	8,110	6,879	1,231
Other Objects	950	(300)	650	449	201
Total Health Services	432,085	1,999	434,084	432,650	1,434
Speech, OT, PT & Related Services					
Salaries	759,730	(36,821)	722,909	722,860	49
Purchased Professional/Educational Services	41,900	31,491	73,391	73,390	1
Supplies and Materials	3,000	-	3,000	2,440	560
Total Speech, OT, PT & Related Services	804,630	(5,330)	799,300	798,690	610
Guidance					
Salaries of Other Professional Staff	499,095	39,909	539,004	538,842	162
Salaries of Secretarial and Clerical Assistants	54,463	-	54,463	54,463	-
Purchased Professional- Educational Services	35,100	(5,742)	29,358	29,357	1
Supplies and Materials	24,791	(3,318)	21,473	21,471	2
Other Objects	3,150	(526)	2,624	2,624	-
Total Guidance	616,599	30,323	646,922	646,757	165
Child Study Teams					
Salaries of Other Professional Staff	680,615	(12,439)	668,176	668,175	1
Salaries of Secretarial and Clerical Assistants	63,316	-	63,316	63,316	-
Purchased Prof-Educational Services	22,000	(1,210)	20,790	20,790	-
Other Purchased Services	10,150	(4,634)	5,516	5,515	1
Misc. Purchased Services	6,475	(3,408)	3,067	3,059	8
Supplies and Materials	30,997	(2,284)	28,713	28,326	387
Total Child Study Teams	813,553	(23,975)	789,578	789,181	397
Improvement of Instruction Services/ Other Support Services-Instructional Staff					
Salaries of Supervisor of Instruction	359,294	-	359,294	359,294	-
Salaries of Other Professional Staff	144,840	3,500	148,340	148,340	-
Salaries of Sec and Clerical Assist.	42,295	-	42,295	41,844	451
Other Purchased Prof. And Tech. Services	104,500	(50,965)	53,535	53,259	276
Supplies and Materials	10,000	15,486	25,486	24,685	801
Other Objects	5,085	(790)	4,295	4,295	-
Total Improvement of Instruction Services/ Other Support Services-Instructional Staff	666,014	(32,769)	633,245	631,717	1,528

**VERONA BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Exhibit C-1

EXPENDITURES	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final to Actual
CURRENT (Continued)					
Educational Media Services/School Library					
Salaries	\$ 283,691	\$ 3,822	\$ 287,513	\$ 287,513	-
Supplies and Materials	46,823	(4,879)	41,944	41,440	\$ 504
Total Educational Media Services/School Library	330,514	(1,057)	329,457	328,953	504
Support Services General Administration					
Salaries	212,025	3,913	215,938	215,936	2
Legal Services	95,717	37,258	132,975	132,975	-
Audit Fees	29,000	6,041	35,041	35,041	-
Other Purchased Professional Services	2,000	22,045	24,045	24,045	-
Purchased Professional and Technical Services	13,288	-	13,288	13,262	26
Communications/Telephone	65,895	(7,649)	58,246	57,974	272
Miscellaneous Purchased Services	70,595	2,019	72,614	72,613	1
Travel	1,392	-	1,392	622	770
Supplies and Materials	10,384	(1,800)	8,584	8,458	126
Miscellaneous Expenditures	20,600	181	20,781	20,781	-
Total Support Services General Administration	520,896	62,008	582,904	581,707	1,197
Support Services School Administration					
Salaries of Principals/Asst. Principals	1,248,904	-	1,248,904	1,248,366	538
Salaries of Other Professional Staff	124,848	12,152	137,000	137,000	-
Salaries of Secretarial and Clerical Assistants	434,900	15,726	450,626	450,343	283
Other Purchased Services	6,014	(1,521)	4,493	4,492	1
Travel	-	291	291	290	1
Supplies and Materials	12,466	(3,333)	9,133	8,314	819
Other Objects	15,000	(2,470)	12,530	12,530	-
Total Support Services School Administration	1,842,132	20,845	1,862,977	1,861,335	1,642
Central Services					
Salaries	323,052	624	323,676	323,675	1
Supplies and Materials	6,000	(1,036)	4,964	4,963	1
Interest on Current Loans	11,022	635	11,657	11,657	-
Other Objects	1,065	325	1,390	1,390	-
Total Central Services	341,139	548	341,687	341,685	2
Administration - Information Technology Services					
Salaries	143,644	2,793	146,437	146,437	-
Purchased Technical Services	157,570	(15,139)	142,431	142,431	-
Other Purchased Services	6,000	328	6,328	5,842	486
General Supplies	-	470	470	470	-
Total Administration Information Technology Svcs.	307,214	(11,548)	295,666	295,180	486
Required Maintenance for School Facilities					
Salaries	311,100	23,902	335,002	335,001	1
Cleaning, Repair and Maintenance Services	170,185	237,135	407,320	326,145	81,175
Rentals	65,280	37,509	102,789	102,788	1
Total Required Maint. For School Facilities	546,565	298,546	845,111	763,934	81,177
Custodial Services					
Salaries	1,163,785	30,896	1,194,681	1,194,205	476
Cleaning, Repair and Maintenance Services	60,000	(6,733)	53,267	53,266	1
Lease Purchase- ESIP- Principal	264,878	-	264,878	339,878	(75,000)
Lease Purchase- ESIP- Interest	60,778	-	60,778	60,778	-
Other Purchased Property Services	65,545	(21,911)	43,634	43,634	-
Insurance	135,107	(1,800)	133,307	133,283	24
General Supplies	100,500	36,430	136,930	136,847	83
Energy (Natural Gas)	190,000	(19,961)	170,039	170,038	1
Energy (Electricity)	190,000	52,455	242,455	242,454	1
Other Objects	4,000	3,258	7,258	7,258	-
Total Custodial Services	2,234,593	72,634	2,307,227	2,381,641	(74,414)

**VERONA BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 (Continued)					
Care and Upkeep of Grounds					
Cleaning, Repair and Maintenance Svc.	\$ 11,730	\$ 39,908	\$ 51,638	\$ 51,638	-
General Supplies	17,000	5,671	22,671	22,670	\$ 1
Total Care and Upkeep of Grounds	<u>28,730</u>	<u>45,579</u>	<u>74,309</u>	<u>74,308</u>	<u>1</u>
Student Transportation Services					
Salaries for Pupil Trans (Bet. Home & Sch)-Sp. Ed.	110,418	(22,033)	88,385	88,385	-
Salaries for Pupil Trans (Other than Bet. Home & Sch)	62,664	(5,139)	57,525	56,486	1,039
Contracted Services (Btw Home & School)- Vendors	35,000	2,065	37,065	37,065	-
Contracted Services (Special Education Students)- Joint Agreements	450,000	116,577	566,577	566,576	1
Transportation Supplies	24,000	41,383	65,383	65,375	8
Total Student Transportation Services	<u>682,082</u>	<u>132,853</u>	<u>814,935</u>	<u>813,887</u>	<u>1,048</u>
Unallocated Benefits - Employee Benefits					
Group Insurance	78,000	5,253	83,253	83,253	-
Social Security Contributions	392,000	14,861	406,861	406,861	-
Other Retirement Contributions- DCRP		8,865	8,865	8,865	-
Other Retirement Contribution-Regular	26,314	(9,890)	16,424	16,424	-
Other Retirement Contribution-PERS	363,000	(5,610)	357,390	356,990	400
Unemployment Compensation	77,000	(19,179)	57,821	57,781	40
Worker's Compensation	172,643	(103,492)	69,151	69,151	-
Health Benefits	3,728,157	(70,698)	3,657,459	3,657,248	211
Tuition Reimbursement	104,000	18,436	122,436	122,435	1
Unused Sick Payment to Terminated/Retired Staff	76,016	(418)	75,598	75,598	-
Total Unallocated Benefits - Employee Benefits	<u>5,017,130</u>	<u>(161,872)</u>	<u>4,855,258</u>	<u>4,854,606</u>	<u>652</u>
TPAF Pension Contribution (Non Budgeted)					
Normal Pension Contribution				2,263,697	(2,263,697)
NCGI Contributions				54,934	(54,934)
Long Term Disability Insurance				2,358	(2,358)
Post Retirement				1,497,554	(1,497,554)
TPAF Social Security Contribution (Non Budgeted)	-	-	-	1,171,432	(1,171,432)
	-	-	-	4,989,975	(4,989,975)
Total Undistributed Expenditures	<u>17,960,507</u>	<u>427,745</u>	<u>18,388,252</u>	<u>23,361,797</u>	<u>(4,973,545)</u>
Total Current Expenditures	<u>33,630,915</u>	<u>348,176</u>	<u>33,979,091</u>	<u>38,915,649</u>	<u>(4,936,558)</u>
CAPITAL OUTLAY					
Equipment					
Undistributed Expenditures					
School Sponsored and Other Instruction Programs		2,983	2,983	2,982	1
Admin Info Tech.		22,323	22,323	22,322	1
School Buses- Regular	25,486	(25,486)	-	-	-
School Buses- Special	18,000	(18,000)	-	-	-
Total Equipment	<u>43,486</u>	<u>(18,180)</u>	<u>25,306</u>	<u>25,304</u>	<u>2</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>44,848</u>	<u>(18,180)</u>	<u>26,668</u>	<u>26,666</u>	<u>2</u>
Total Expenditures - General Fund	<u>33,675,763</u>	<u>329,996</u>	<u>34,005,759</u>	<u>38,942,315</u>	<u>(4,936,556)</u>

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

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	\$ (252,841)	\$ (242,918)	\$ (495,759)	\$ (257,637)	\$ 238,122
Fund Balances, Beginning of Year	<u>1,454,745</u>	<u>-</u>	<u>1,454,745</u>	<u>1,454,745</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 1,201,904</u>	<u>\$ (242,918)</u>	<u>\$ 958,986</u>	<u>\$ 1,197,108</u>	<u>\$ 238,122</u>
 <u>Recapitulation of Fund Balance</u>					
Restricted					
Capital Reserve				268,796	
Maintenance Reserve				81,097	
Excess Surplus - Designated for Subsequent Year's Budget				20,737	
Unassigned Fund Balance				<u>826,478</u>	
				1,197,108	
Less State Aid not Recognized on a GAAP Basis				<u>(486,723)</u>	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 710,385</u>	

**VERONA BOARD OF EDUCATION
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final to Actual
REVENUES					
Local Sources	\$ 365,905	\$ (55,385)	\$ 310,520	\$ 60,511	\$ (250,009)
State Sources	157,885	14,585	172,470	150,597	(21,873)
Federal Sources	665,087	99,522	764,609	723,028	(41,581)
Total Revenues	<u>1,188,877</u>	<u>58,722</u>	<u>1,247,599</u>	<u>934,136</u>	<u>(313,463)</u>
EXPENDITURES					
Instruction					
Salaries of Teachers	168,699	(17,584)	151,115	159,097	(7,982)
Other Salaries for Instruction		22,400	22,400	22,400	-
Purchased Prof. Tech. Svc.		9,571	9,571	9,571	-
Purchased Professional-Educational Services	131,909	(21,931)	109,978	99,732	10,246
Tuition	506,344	(66,542)	439,802	439,802	-
General Supplies	332,501	14,759	347,260	65,994	281,266
Textbooks	12,738	(1,837)	10,901	10,197	704
Total Instruction	<u>1,152,191</u>	<u>(61,164)</u>	<u>1,091,027</u>	<u>806,793</u>	<u>284,234</u>
Support Services					
Salaries of Other Professional Staff	19,890	(587)	19,303	19,303	-
Employee Benefits		44,026	44,026	44,026	-
Purchased Prof. Tech. Svc.		56,617	56,617	38,767	17,850
Purchased Professional-Education Services	16,796	17,911	34,707	23,328	11,379
Supplies	-	1,919	1,919	1,919	-
Total Support Services	<u>36,686</u>	<u>119,886</u>	<u>156,572</u>	<u>127,343</u>	<u>29,229</u>
Total Expenditures	<u>1,188,877</u>	<u>58,722</u>	<u>1,247,599</u>	<u>934,136</u>	<u>313,463</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, 2018**

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 Fund	Special Revenue Fund
Sources/Inflows of Resources		
Actual revenue amounts (budgetary basis) (Exhibits C-1 and C-2)	\$ 38,684,678	\$ 934,136
State Aid payment not recognized for GAAP purposes, not recognized for budgetary statements.	448,844	
State Aid payment recognized for budgetary purposes, not recognized for GAAP statements.	<u>(486,723)</u>	<u>-</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (Exhibit B-2)	<u>\$ 38,646,799</u>	<u>\$ 934,136</u>
Uses/Outflows of Resources		
Actual expenditure amounts (budgetary basis) (Exhibits C-1 and C-2)	<u>\$ 38,942,315</u>	<u>\$ 934,136</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (Exhibit B-2)	<u>\$ 38,942,315</u>	<u>\$ 934,136</u>

REQUIRED SUPPLEMENTARY INFORMATION - PART III

**PENSION INFORMATION
AND
POST EMPLOYMENT BENEFIT INFORMATION**

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

Public Employees Retirement System

Last Five Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	0.03801%	.04076%	0.04091%	.03916%	.03812%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 8,849,099	\$ 12,071,042	\$ 9,183,572	\$ 7,331,860	\$ 7,285,885
District's Covered-Employee Payroll	\$ 2,749,941	\$ 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	322%	469%	352%	285%	275%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	48.10%	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 Five Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 352,161	\$ 362,079	\$ 351,720	\$ 322,831	\$ 287,242
Contributions in Relation to the Contractually Required Contribution	<u>352,161</u>	<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>	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 2,749,941	\$ 2,572,880	\$ 2,612,297	\$ 2,574,194	\$ 2,649,102
Contributions as a Percentage of Covered-Employee Payroll	13%	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 Five Fiscal Years*

	<u>2018</u>	<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%	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>\$ 104,023,239</u>	<u>\$ 123,998,571</u>	<u>\$ 93,280,896</u>	<u>\$ 84,014,664</u>	<u>\$ 77,734,764</u>
Total	<u>\$ 104,023,239</u>	<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	16,142,269	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%	0%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	25.41%	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 Four Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 14,754	\$ 17,076	\$ 25,413	\$ 26,314
Contributions in Relation to the Contractually Required Contribution	<u>(14,754)</u>	<u>(17,076)</u>	<u>(25,413)</u>	<u>(26,314)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Employee Payroll	\$ -	\$ -	\$ -	\$ -
Contributions as a Percentage of Covered Employee Payroll	0%	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, 2018**

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.

**VERONA BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE DISTRICT'S PROPORTIONATE SHARE OF
TOTAL OPEB LIABILITY**

Postemployment Health Benefit Plan

Last One Fiscal Year*

	2018
Total OPEB Liability	
Service Cost	\$ 3,005,167
Interest on Total OPEB Liability	2,345,315
Changes of Assumptions	(9,744,530.0)
Gross Benefit Payments	(1,721,873)
Contribution from the Member	63,404
Net Change in Total OPEB Liability	(6,052,517)
Total OPEB Liability - Beginning	79,810,756
Total OPEB Liability - Ending	\$ 73,758,239
District's Proportionate Share of OPEB Liability	\$ -
State's Proportionate Share of OPEB Liability	73,758,239
Total OPEB Liability - Ending	\$ 73,758,239
District's Covered-Employee Payroll	\$ 18,892,210
District's Proportionate Share of the Total OPEB Liability as a Percentage of its Covered-Employee Payroll	0%

Note: No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

*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. 75. 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 CHANGES IN THE DISTRICT'S PROPORTIONATE SHARE OF THE OPEB LIABILITY
AND SCHEDULE OF DISTRICT PROPORTIONATE SHARE OF THE OPEB LIABILITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Changes in Benefit Terms:

None.

Changes of Assumptions

Assumptions used in calculating the OPEB liability 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, 2018

	<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								\$ 60,511	\$ 60,511
State				\$ 6,524	\$ 10,197	\$ 19,303	\$ 14,841	99,732	150,597
Federal	\$ 193,507	\$ 466,338	\$ 36,917	-	-	-	-	26,266	723,028
Total Revenues	\$ 193,507	\$ 466,338	\$ 36,917	\$ 6,524	\$ 10,197	\$ 19,303	\$ 14,841	\$ 186,509	\$ 934,136
EXPENDITURES									
Instruction									
Salaries of Teachers	\$ 151,115							\$ 7,982	\$ 159,097
Other Salaries for Instruction								22,400	22,400
Purchased Prof. and Technical Services	-	\$ 9,571						-	9,571
Purchased Professional-Educational Services								99,732	99,732
Textbooks					\$ 10,197			-	10,197
Tuition		439,802						-	439,802
Supplies	80	13,083	-	-	-	-	-	52,831	65,994
Total Instruction	151,195	462,456	-	-	10,197	-	-	182,945	806,793
Support Services									
Salaries of Other Professional Staff						\$ 19,303			19,303
Employee Benefits	42,312							1,714	44,026
Purchased Prof. and Technical Services			\$ 36,917					1,850	38,767
Purchase Professional-Educational Services		3,882		\$ 4,605			\$ 14,841		23,328
Supplies	-	-	-	1,919	-	-	-	-	1,919
Total Support Services	42,312	3,882	36,917	6,524	-	19,303	14,841	3,564	127,343
Total Expenditures	\$ 193,507	\$ 466,338	\$ 36,917	\$ 6,524	\$ 10,197	\$ 19,303	\$ 14,841	\$ 186,509	\$ 934,136

**VERONA BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Title IV	IDEA Preschool	Non Public Chapter 192 Compens. Education	Non Public Chapter 192 Transpor- tation	Exam. And Class	Non Public Chapter 193 Corrective Speech	Supplem. Instruction	Local Grants	Total Page 2
REVENUES									
Local								\$ 60,511	\$ 60,511
State			\$ 24,804	\$ 20,815	\$ 20,206	\$ 16,144	\$ 17,763		99,732
Federal	\$ 2,077	\$ 24,189	-	-	-	-	-	-	26,266
Total Revenues	\$ 2,077	\$ 24,189	\$ 24,804	\$ 20,815	\$ 20,206	\$ 16,144	\$ 17,763	\$ 60,511	\$ 186,509
EXPENDITURES									
Instruction									
Salaries of Teachers								\$ 7,982	\$ 7,982
Other Salaries for Instruction		\$ 22,400						-	22,400
Purchased Prof. and Technical Services	-								-
Purchased Professional-Educational Services			\$ 24,804	\$ 20,815	\$ 20,206	\$ 16,144	\$ 17,763		99,732
Tuition									-
Supplies	227	75	-	-	-	-	-	52,529	52,831
Total Instruction	227	22,475	24,804	20,815	20,206	16,144	17,763	60,511	182,945
Support Services									
Salaries of Other Professional Staff									
Purchased Prof. and Technical Services	1,850								1,850
Purchase Professional-Educational Services									
Employee Benefits		\$ 1,714							1,714
Supplies	-								-
Total Support Services	1,850	1,714	-	-	-	-	-	-	3,564
Total Expenditures	\$ 2,077	\$ 24,189	\$ 24,804	\$ 20,815	\$ 20,206	\$ 16,144	\$ 17,763	\$ 60,511	\$ 186,509

CAPITAL PROJECTS FUND

**VERONA BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<u>Issue/Project Title</u>	<u>Appropriations</u>	<u>Expenditures to Date</u>		<u>Balance, June 30, 2018</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	\$ 16,689,257	\$ 16,659,690	\$ 13,484	\$ 16,083
Acquisition of Equipment	160,000	157,704	2,296	-
Acquisition of Bus, Workstations and Equipment	<u>200,826</u>	<u>-</u>	<u>200,824</u>	<u>2</u>
	<u>\$ 16,849,257</u>	<u>\$ 16,817,394</u>	<u>\$ 216,604</u>	<u>\$ 16,085</u>
Project Balances, June 30, 2018				\$ 16,085
Restricted for Payment of Lease Purchase				<u>1,295</u>
Fund Balance, June 30, 2018 (GAAP Basis)				<u>\$ 17,380</u>
<u>Recapitulation of Fund Balance</u>				
Restricted:				
Available for Capital Projects				\$ 16,085
Restricted for Payment of Lease Purchase				<u>1,295</u>
Total Fund Balance - Restricted for Capital Projects				<u>\$ 17,380</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, 2018**

REVENUES AND OTHER FINANCING SOURCES

Revenues	
Interest Income	\$ 3,090
Local Donation	47,401
Other Financing Sources	
Lease Proceeds	<u>200,826</u>
Total Revenues and Other Financing Sources	<u>251,317</u>
 EXPENDITURES AND OTHER FINANCING USES	
Construction Services	12,056
Purchased Professional and Technical Services	1,427
Equipment	47,500
Supplies	155,621
Transfer to Debt Service Fund	<u>3,070</u>
Total Expenditures and Other Financing Uses	<u>219,674</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	31,643
Fund Balance, July 1, 2017	<u>(14,263)</u>
Fund Balance, June 30, 2018	<u>\$ 17,380</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, 2018**

	<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	1,603,167	\$ 8,871	1,612,038	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>1,749,081</u>	<u>8,871</u>	<u>1,757,952</u>	<u>1,551,447</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (197,634)</u>	<u>\$ (8,871)</u>	<u>\$ (206,505)</u>	<u>\$ -</u>

Additional Project Information:

Project Number	5370-050-14-1001
Grant Date	N/A
Bond Authorization Date	April 29, 2014
Bonds Authorized	\$ 13,845,000
Bonds Issued	\$ 13,845,000
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, 2018**

	<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>1,411,932</u>	<u>\$ -</u>	<u>1,411,932</u>	<u>1,411,932</u>
Total Revenues and Other Financing Sources	<u>3,723,526</u>	<u>-</u>	<u>3,723,526</u>	<u>3,723,526</u>
Expenditures and Other Financing Uses				
Construction Services	3,405,884	644	3,406,528	3,021,084
Purchased Professional and Technical Services	<u>386,179</u>	<u>-</u>	<u>386,179</u>	<u>702,442</u>
Total Expenditures	<u>3,792,063</u>	<u>644</u>	<u>3,792,707</u>	<u>3,723,526</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (68,537)</u>	<u>\$ (644)</u>	<u>\$ (69,181)</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	\$ 13,845,000
Bonds Issued	\$ 13,845,000
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, 2018**

	<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>509,338</u>	<u>-</u>	<u>509,338</u>	<u>509,338</u>
 Total Revenues and Other Financing Sources	 <u>2,839,845</u>	 <u>-</u>	 <u>2,839,845</u>	 <u>2,839,845</u>
Expenditures and Other Financing Uses				
Construction Services	1,657,228	\$ 2,541	1,659,769	2,567,369
Purchased Professional and Technical Services	<u>286,697</u>	<u>1,427</u>	<u>288,124</u>	<u>272,476</u>
 Total Expenditures	 <u>1,943,925</u>	 <u>3,968</u>	 <u>1,947,893</u>	 <u>2,839,845</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 <u>\$ 895,920</u>	 <u>\$ (3,968)</u>	 <u>\$ 891,952</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	\$ 13,845,000
Bonds Issued	\$ 13,845,000
Original Authorized Cost	\$ 2,839,845
Additional Authorized Cost	\$ -
Revised Authorized Cost	\$ 2,839,845

Percentage Increase Over Original Authorized Cost	0%
Percentage Completion	69%
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, 2018**

	<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	111,025	\$ -	111,025	111,025
	<u>312,380</u>	<u>-</u>	<u>312,380</u>	<u>312,380</u>
Expenditures and Other Financing Uses				
Construction Services	355,745		355,745	280,246
Purchased Professional and Technical Services	34,942	-	34,942	32,134
	<u>390,687</u>	<u>-</u>	<u>390,687</u>	<u>312,380</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (78,307)</u>	<u>\$ -</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	\$ 13,845,000
Bonds Issued	\$ 13,845,000
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, 2018**

	<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	476,165		476,165	480,239
Purchased Professional and Technical Services	<u>58,423</u>	<u>-</u>	<u>58,423</u>	<u>53,843</u>
 Total Expenditures	 <u>534,588</u>	 <u>-</u>	 <u>534,588</u>	 <u>534,082</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 <u>\$ (506)</u>	 <u>\$ -</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	\$ 13,845,000
Bonds Issued	\$ 13,845,000
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, 2018**

	<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	162,399	-	162,399	162,399
	<u>582,006</u>	<u>-</u>	<u>582,006</u>	<u>582,006</u>
Expenditures and Other Financing Uses				
Construction Services	467,789	-	467,789	531,849
Purchased Professional and Technical Services	53,107	-	53,107	50,157
	<u>520,896</u>	<u>-</u>	<u>520,896</u>	<u>582,006</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 61,110</u>	<u>\$ -</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	\$ 13,845,000
Bonds Issued	\$ 13,845,000
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, 2018**

	<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	858,256		858,256	960,720
Purchased Professional and Technical Services	104,909	-	104,909	97,778
	<u>963,165</u>	<u>-</u>	<u>963,165</u>	<u>1,058,498</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 95,333</u>	<u>\$ -</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	\$ 13,845,000
Bonds Issued	\$ 13,845,000
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, 2018**

	<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	19,157	-	19,157	16,541
	<u>165,906</u>	<u>-</u>	<u>165,906</u>	<u>192,406</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 26,500</u>	<u>\$ -</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	\$ 13,845,000
Bonds Issued	\$ 13,845,000
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, 2018**

	<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
Other	-	\$ 47,401	47,401	47,401
	<u>5,695,355</u>	<u>47,401</u>	<u>5,742,756</u>	<u>5,742,756</u>
Total Revenues and Other Financing Sources				
Expenditures and Other Financing Uses				
Construction Services	5,798,161	\$ -	5,798,161	5,196,915
Purchased Professional and Technical Services	648,908	-	648,908	545,841
	<u>6,447,069</u>	<u>-</u>	<u>6,447,069</u>	<u>5,742,756</u>
Total Expenditures				
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (751,714)</u>	<u>\$ 47,401</u>	<u>\$ (704,313)</u>	<u>\$ -</u>

Additional Project Information:

Project Number	N/A
Grant Date	N/A
Bond Authorization Date	April 29, 2014
Bonds Authorized	\$ 13,845,000
Bonds Issued	\$ 13,845,000
Original Authorized Cost	\$ 5,742,756
Additional Authorized Cost	\$ -
Revised Authorized Cost	\$ 5,742,756
Percentage Increase Over Original Authorized Cost	0%
Percentage Completion	112%
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
ACQUISITION OF CHROME BOOKS - 2016/17
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
Lease Proceeds	\$ 160,000	\$ -	\$ 160,000	\$ 160,000
Total Revenues and Other Financing Sources	<u>160,000</u>	<u>-</u>	<u>160,000</u>	<u>160,000</u>
Expenditures and Other Financing Uses				
Supplies	<u>157,704</u>	<u>2,296</u>	<u>160,000</u>	<u>160,000</u>
Total Expenditures	<u>157,704</u>	<u>2,296</u>	<u>160,000</u>	<u>160,000</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 2,296</u>	<u>\$ (2,296)</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	\$ 160,000
Additional Authorized Cost	\$ -
Revised Authorized Cost	\$ 160,000
Percentage Increase Over Original Authorized Cost	0%
Percentage Completion	100%
Original Target Completion Date	June 2017
Revised Target Completion Date	June 2017

**VERONA BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS
ACQUISITION OF BUS, WORKSTATIONS AND CHROME BOOKS
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
Lease Proceeds	\$ -	\$ 200,826	\$ 200,826	\$ 200,826
Total Revenues and Other Financing Sources	<u>-</u>	<u>200,826</u>	<u>200,826</u>	<u>200,826</u>
Expenditures and Other Financing Uses				
Equipment		47,500	47,500	\$ 47,500
Supplies	-	153,324	153,324	153,326
Total Expenditures	<u>-</u>	<u>200,824</u>	<u>200,824</u>	<u>200,826</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 2</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	\$ 200,826
Additional Authorized Cost	\$ -
Revised Authorized Cost	\$ 200,826
Percentage Increase Over Original Authorized Cost	0%
Percentage Completion	100%
Original Target Completion Date	June 2018
Revised Target Completion Date	June 2018

ENTERPRISE FUNDS

**VERONA BOARD OF EDUCATION
ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
AS OF JUNE 30, 2018**

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, 2018**

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, 2018**

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, 2018

	<u>Student</u> <u>Activity</u>	<u>Agency</u> <u>Payroll</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 123,221	\$ 92,168	\$ 215,389
Total Assets	<u>\$ 123,221</u>	<u>\$ 92,168</u>	<u>\$ 215,389</u>
LIABILITIES			
Due to Student Groups	\$ 123,221		\$ 123,221
Reserve for Flexible Spending		\$ 28,198	28,198
Accrued Salaries and Wages		1,918	1,918
Payroll Deductions and Withholdings	<u>-</u>	<u>62,052</u>	<u>62,052</u>
Total Liabilities	<u>\$ 123,221</u>	<u>\$ 92,168</u>	<u>\$ 215,389</u>

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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, 2018**

	<u>Balance July 1, 2017</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance, June 30, 2018</u>
JUNIOR HIGH SCHOOL				
H.B. Whitehorne Middle School	\$ 29,912	\$ 80,084	\$ 82,613	\$ 27,383
SENIOR HIGH SCHOOL				
Verona Senior High School	90,537	207,952	207,200	91,289
Athletic Fund	<u>4,090</u>	<u>42,118</u>	<u>41,659</u>	<u>4,549</u>
	<u>\$ 124,539</u>	<u>\$ 330,154</u>	<u>\$ 331,472</u>	<u>\$ 123,221</u>

**PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Balance, July 1, 2017</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance, June 30, 2018</u>
Payroll Deductions and Withholdings	\$ 20,440	\$ 24,874,112	\$ 24,832,500	\$ 62,052
Accrued Salaries and Wages	1,918	13,854,563	13,854,563	1,918
Reserve for Flexible Spending	<u>27,285</u>	<u>96,132</u>	<u>95,219</u>	<u>28,198</u>
	<u>\$ 49,643</u>	<u>\$ 38,824,807</u>	<u>\$ 38,782,282</u>	<u>\$ 92,168</u>

LONG-TERM DEBT

**VERONA BOARD OF EDUCATION
LONG TERM DEBT
SCHEDULE OF SERIAL BONDS PAYABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<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, 2017</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance, June 30, 2018</u>
			<u>Date</u>	<u>Amount</u>					
2014 School Bonds	4/29/2014	\$ 13,845,000	5/1/2019	\$ 675,000	2.500 %	\$ 12,920,000			\$ 12,345,000
			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				
						\$ 12,920,000		\$ 575,000	\$ 12,345,000
2015 School Refunding	3/13/2015	\$ 24,635,000	3/1/2019	1,640,000	4.000	23,060,000			21,460,000
			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				
						23,060,000	-	1,600,000	21,460,000
						\$ 35,980,000	\$ -	\$ 2,175,000	\$ 33,805,000

**VERONA BOARD OF EDUCATION
LONG TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASE AGREEMENTS/LEASE PURCHASE AGREEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<u>Series</u>	Amount of Original Issue	Balance, <u>July 1, 2017</u>	<u>Issued</u>	<u>Retired</u>	Balance, <u>June 30, 2018</u>
2014-Maintenance Vehicle	\$ 35,626	\$ 7,345		\$ 7,345	-
2015-Energy Incentive Savings Program	3,200,000	2,695,765		339,878	\$ 2,355,887
2015- Chrome Books Lease Purchase	175,000	52,499		52,499	-
2016- Chrome Books Lease Purchase	150,000	83,882		41,565	42,317
2016- Chrome Books Lease Purchase	160,000	105,799		52,434	53,365
2017- Bus, Work Stations and Chrome Books	200,826	-	\$ 200,826	41,836	158,990
		<u>\$ 2,945,290</u>	<u>\$ 200,826</u>	<u>\$ 535,557</u>	<u>\$ 2,610,559</u>

**VERONA BOARD OF EDUCATION
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<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	\$ 2,884,205		\$ 2,884,205	\$ 2,884,205	
State Sources					
Debt Service Aid	<u>665,025</u>	<u>-</u>	<u>665,025</u>	<u>665,025</u>	<u>-</u>
Total Revenues	<u>3,549,230</u>	<u>-</u>	<u>3,549,230</u>	<u>3,549,230</u>	<u>-</u>
EXPENDITURES					
Debt Service					
Principal	2,175,000		2,175,000	2,175,000	
Interest	<u>1,399,013</u>	<u>-</u>	<u>1,399,013</u>	<u>1,399,012</u>	<u>\$ 1</u>
Total Expenditures	<u>3,574,013</u>	<u>-</u>	<u>3,574,013</u>	<u>3,574,012</u>	<u>1</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>(24,783)</u>	<u>-</u>	<u>(24,783)</u>	<u>(24,782)</u>	<u>1</u>
Other Financing Sources (Uses)					
Transfer In	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,070</u>	<u>3,070</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,070</u>	<u>3,070</u>
Excess(Deficiency) of Revenues and Other Financing Sources Over(Under) Expenditures	<u>(24,783)</u>	<u>-</u>	<u>(24,783)</u>	<u>(21,712)</u>	<u>3,071</u>
Fund Balance, Beginning of Year	<u>33,815</u>	<u>-</u>	<u>33,815</u>	<u>33,815</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 9,032</u>	<u>\$ -</u>	<u>\$ 9,032</u>	<u>\$ 12,103</u>	<u>\$ 3,071</u>

Recapitulation of Fund Balance:

Restricted for Debt Service:

Designated for Subsequent Year's Budget	\$ 9,032
Available for Debt Service Expenditures	<u>3,071</u>

Total Fund Balance-Restricted for
Debt Service

\$ 12,103

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,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities										
Net Investment in Capital Assets	\$ 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	\$ 9,954,673
Restricted	954,017	501,958	171,777	164,783	90,008	287,608	500,958	673,474	352,461	379,376
Unrestricted	(1,662,598)	(1,407,245)	(1,049,120)	(1,183,105)	(1,050,906)	(8,590,018)	(8,601,745)	(9,172,256)	(9,938,705)	(10,547,075)
Total Governmental Activities Net Position	\$ 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	\$ (213,026)
Business-Type Activities										
Net Investment in Capital Assets	\$ 29,222	\$ 25,890	\$ 22,558	\$ 19,226	\$ 60,040	\$ 47,628	\$ 41,107	\$ 29,785	\$ 21,661	\$ 21,118
Unrestricted	26,039	19,404	7,010	13,387	(3,039)	20,982	11,138	17,977	10,421	16,303
Total Business-Type Activities Net Position	\$ 55,261	\$ 45,294	\$ 29,568	\$ 32,613	\$ 57,001	\$ 68,610	\$ 52,245	\$ 47,762	\$ 32,082	\$ 37,421
District-Wide										
Net Investment in Capital Assets	\$ 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	\$ 9,975,791
Restricted	954,017	501,958	171,777	164,783	90,008	287,608	500,958	673,474	352,461	379,376
Unrestricted	(1,636,559)	(1,387,841)	(1,042,110)	(1,169,718)	(1,053,945)	(8,569,036)	(8,590,607)	(9,154,279)	(9,928,284)	(10,530,772)
Total District Net Position	\$ 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	\$ (175,605)

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

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental Activities										
Instruction										
Regular	\$ 13,113,794	\$ 13,979,982	\$ 13,559,950	\$ 14,274,188	\$ 14,984,631	\$ 15,097,067	\$ 18,176,045	\$ 19,295,953	\$ 22,431,887	\$ 22,664,402
Special Education	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	8,069,439
Other Instruction	291,800	326,495	352,996	402,188	399,407	385,944	466,439	418,197	421,161	410,662
School Sponsored Activities And Athletics	832,929	884,332	851,004	919,157	964,506	1,011,087	1,127,135	1,237,964	1,214,014	1,357,579
Community Services	21,577	20,963		6,450						
Support Services:										
Student and Instruction Related Services	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	5,770,401
School Administrative Services	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	3,425,021
General Administration	571,229	597,791	626,250	612,146	658,156	734,420	597,313	696,937	771,714	805,213
Plant Operations And Maintenance	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	5,291,293
Pupil Transportation	546,041	459,971	466,844	478,843	499,926	641,206	713,344	888,883	1,032,430	901,393
Business and Other Support Services	518,043	493,452	540,371	502,522	658,644	696,393	701,640	785,432	877,465	925,767
Interest On Long-Term Debt and Other Chgs	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	1,176,502
Total Governmental Activities Expenses	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	50,797,672
Business-Type Activities										
VSEA	21,634	40,416	49,526	46,815	60,478	53,724	49,836	50,521	59,952	52,810
Food Service	305,234	301,924	288,527	342,468	380,441	386,419	378,302	389,032	393,936	354,475
Total Business-Type Activities Expense	326,868	342,340	338,053	389,283	440,919	440,143	428,138	439,553	453,888	407,285
Total District Expenses	\$ 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	\$ 51,204,957
Program Revenues										
Governmental Activities										
Charges For Services										
Regular Instruction	\$ 177,274	\$ 114,476	\$ 208,284	\$ 257,108	\$ 243,171	\$ 150,042	\$ 175,340	\$ 179,818	\$ 182,230	\$ 149,745
Operating and Capital Grants And Contributions	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	15,011,500
Total Governmental Activities Program Revenues	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	15,161,245
Business-Type Activities										
Charges For Services										
Food Service	244,358	228,491	260,396	331,902	341,493	355,977	51,481	48,938	59,625	56,899
VSEA	32,870	33,594	40,153	55,109	56,720	59,571	347,390	355,456	372,038	345,426
Operating Grants And Contributions	8,194	6,200	5,000	5,317	4,937	4,796	4,658	3,819	4,273	4,837
Total Business Type Activities Program Revenues	285,422	268,285	305,549	392,328	403,150	420,344	403,529	408,213	435,936	407,162
Total District Program Revenues	\$ 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	\$ 15,568,407
Net (Expense)/Revenue										
Governmental Activities	\$ (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)	\$ (35,636,427)
Business-Type Activities	(41,446)	(74,055)	(32,504)	3,045	(37,769)	(19,799)	(24,609)	(31,340)	(17,952)	(123)
Total District-Wide Net Expenses	\$ (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)	\$ (35,636,550)

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

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Revenues and Other Changes in Net Assets										
Governmental Activities										
Property Taxes Levied For General Purposes, Net	\$ 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	\$ 31,810,340
Taxes Levied For Debt Service	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	2,884,205
State Aid Restricted for Debt Service	402,091	503,226	423,263	429,506	435,288	625,186	621,793	687,998	667,667	665,025
Investment Earnings	8,185	1,895	940	9	8	323	20,780	17,258	10,253	26,319
Miscellaneous Income	314,182	273,419	207,738	160,660	166,829	354,072	256,206	297,580	180,670	352,583
Transfers	(14,747)	(64,060)	(16,774)	-	(8,931)	(31,408)	(8,244)	(26,857)	(2,272)	-
Total Governmental Activities	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	35,738,472
Business-Type Activities										
Investment Earnings	128	28	4	-	-	-	-	-	-	-
Transfers	14,747	64,060	16,774	-	8,931	31,408	8,244	26,857	2,272	-
Total Business-Type Activities	14,875	64,088	16,778	-	8,931	31,408	8,244	26,857	2,272	-
Total District-Wide	\$ 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	\$ 35,738,472
Change in Net Position										
Governmental Activities	\$ (404,647)	\$ (115,768)	\$ 191,154	\$ 119,675	\$ (120,704)	\$ 60,760	\$ (471,984)	\$ 1,565,220	\$ 314,695	\$ 102,045
Business-Type Activities	(26,571)	(9,967)	(15,726)	3,045	(28,838)	11,609	(16,365)	(4,483)	(15,680)	(123)
Total District	\$ (431,218)	\$ (125,735)	\$ 175,428	\$ 122,720	\$ (149,542)	\$ 72,369	\$ (488,349)	\$ 1,560,737	\$ 299,015	\$ 101,922

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

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Reserved	\$ 490,164	\$ 724,666								
Unreserved	224,191	213,425								
Nonspendable									\$ 73,711	
Restricted			\$ 652,903	\$ 633,147	\$ 719,956	\$ 812,578	\$ 743,809	\$ 821,353	574,646	\$ 370,630
Assigned							9,956	36,086	31,841	
Unassigned	-	-	414,056	341,544	313,521	323,021	339,749	302,589	325,703	339,755
Total General Fund	\$ 714,355	\$ 938,091	\$ 1,066,959	\$ 974,691	\$ 1,033,477	\$ 1,135,599	\$ 1,093,514	\$ 1,160,028	\$ 1,005,901	\$ 710,385
All Other Governmental Funds										
Reserved	\$ 334,599	\$ 318,639								
Unreserved	618,093	223,296		\$ 9						
Restricted	-	-	\$ 15,421	7,918	\$ 5,477	\$ 13,739,314	\$ 14,369,550	\$ 7,611,604	\$ 19,552	\$ 29,483
Total All Other Governmental Funds	\$ 952,692	\$ 541,935	\$ 15,421	\$ 7,927	\$ 5,477	\$ 13,739,314	\$ 14,369,550	\$ 7,611,604	\$ 19,552	\$ 29,483

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,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Tax Levy	\$ 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	\$ 34,694,545
Tuition Charges	177,274	114,476	208,284	257,108	243,171	150,042	175,340	179,818	182,230	149,745
Miscellaneous	314,182	299,357	258,482	261,316	185,620	371,855	269,692	343,885	317,651	413,094
Interest	8,185	1,895	940	9	8	323	20,780	17,258	10,253	26,319
State Sources	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	7,173,925
Federal Sources	508,036	628,660	823,279	570,340	460,527	630,474	553,751	597,626	632,408	723,028
Total Revenues	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	43,180,656
Expenditures										
Instruction										
Regular Instruction	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	17,692,779
Special Education Instruction	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	7,136,959
Other Instruction	291,800	326,495	352,996	402,188	399,407	385,944	396,943	349,091	316,870	305,057
School Sponsored Activities and Athletics	798,882	850,043	816,957	885,191	915,300	962,054	978,351	1,058,768	962,474	1,079,468
Community Services	21,577	20,963		6,450						
Support Services										
Student and Inst. Related Services	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	4,900,620
General Administration	582,248	590,725	624,997	603,465	644,203	718,345	530,085	567,910	657,594	688,637
School Administrative Services	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	2,647,740
Plant Operations And Maintenance	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	3,279,138
Pupil Transportation	534,133	459,971	466,844	478,843	499,926	641,206	710,979	879,621	832,949	870,651
Business and Other Support Services	518,043	493,452	540,371	502,522	658,644	680,245	660,653	724,563	782,097	806,173
Capital Outlay	1,772,368	207,113	300,398	46,875	165,599	176,317	2,511,014	7,862,840	7,700,369	84,860
Debt Service										
Principal	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	2,710,557
Interest and Other Charges	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	1,464,428
Bond Issuance Costs							171,893			
Claims and Judgments	-	-	316,268	-	-	-	-	-	-	-
Total Expenditures	33,477,066	32,937,742	33,574,158	34,329,430	35,631,038	36,561,798	41,711,574	48,190,020	49,578,484	43,667,067
Excess (Deficiency) of Revenues										
Over (Under) Expenditures	(2,290,201)	(370,886)	(442,351)	(99,762)	29,641	22,367	(2,950,498)	(6,814,575)	(7,903,907)	(486,411)
Other Financing Sources (Uses)										
Lease Purchase Proceeds		170,000	61,479				3,375,000	150,000	160,000	200,826
Capital Lease Proceeds		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	36,054	1,895	322,168	509	8	5,783	20,698	16,651	84,468	3,070
Transfers Out	(50,801)	(65,955)	(338,942)	(509)	(8,939)	(37,191)	(28,942)	(43,508)	(86,740)	(3,070)
Total Other Financing Sources (Uses)	(14,747)	183,865	44,705	-	26,695	13,813,592	3,538,649	123,143	157,728	200,826
Net Change in Fund Balances	\$ (2,304,948)	\$ (187,021)	\$ (397,646)	\$ (99,762)	\$ 56,336	\$ 13,835,959	\$ 588,151	\$ (6,691,432)	\$ (7,746,179)	\$ (285,585)
Debt Service as a Percentage of										
Noncapital Expenditures	8.80%	8.41%	8.29%	8.19%	7.77%	8.14%	8.45%	9.42%	9.41%	9.58%

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* 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</u> <u>Ended June 30,</u>	<u>Tuition</u>	<u>Interest on</u> <u>Investments</u>	<u>Donations/</u> <u>Local Grants</u>	<u>Rentals</u>	<u>Miscellaneous</u>	<u>Total</u>
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
2018	149,745	26,319	107,912	105,664	199,518	589,158

Source: School District's Records

VERONA BOARD OF EDUCATION
ASSESSED VALUATION AND ESTIMATED ACTUAL VALUATION 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
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
2018	27,646,500	1,769,307,600	181,633,100	5,356,600	36,356,900	2,020,300,700	1,335,400	2,021,636,100	2,021,636,100	1.76

*- 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>
2009		\$5.40	\$2.514	\$2.003	\$9.92
2010	*	1.32	0.642	0.457	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
2018		1.76	0.807	0.594	3.16

*- 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	2018		2009	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
Claridge II	\$ 85,200,100	4.21%	\$ 28,353,100	5.62%
Claridge I	51,902,300	2.57%	17,389,700	3.45%
Ardleigh Mews Condominiums	22,521,900	1.11%	5,624,200	1.11%
Wedgewood Gardens Condominiums	18,248,800	0.90%	5,211,900	1.03%
Diener Family Partnership	20,315,700	1.00%	5,309,500	1.05%
Beacon Hill Assoc.	22,147,900	1.10%		
Hilltop/Cenrose	8,517,000	0.42%		
Cam Gar	18,468,400	0.91%	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	4,500,000	0.22%		
Kadima Medical Properties Investment			2,500,000	0.50%
Nordan Realty	5,050,000	0.25%	1,175,000	0.23%
	<u>\$ 279,394,900</u>	<u>13.35%</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	
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
2018	34,694,545	34,694,545	100.00%	N/A

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

Fiscal Year Ended June 30,	Governmental Activities			Total District	Population	Per Capita
	General Obligation Bonds	Capital Leases	Loans Payable			
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	13,464	2,545
2012	32,771,000	175,266		32,946,266	13,513	2,438
2013	31,521,000	142,881		31,663,881	13,503	2,345
2014	43,866,000	65,098		43,931,098	13,516	3,250
2015	40,080,000	3,377,620		43,457,620	13,517	3,215
2016	38,080,000	3,310,897		41,390,897	13,619	3,039
2017	35,980,000	2,945,290		38,925,290	13,630	2,856
2018	33,805,000	2,610,559		36,415,559	13,608	2,676

Source: District records

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

Fiscal Year Ended June 30,	<u>General Bonded Debt Outstanding</u>		Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Deductions			
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%	2,522
2012	32,771,000		32,771,000	2.90%	2,425
2013	31,521,000		31,521,000	1.57%	2,334
2014	43,866,000		43,866,000	2.19%	3,245
2015	40,080,000		40,080,000	2.00%	2,965
2016	38,080,000		38,080,000	1.90%	2,796
2017	35,980,000		35,980,000	1.78%	2,640
2018	33,805,000		33,805,000	1.67%	2,484

Source: District records

**VERONA BOARD OF EDUCATION
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2017
(Unaudited)**

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Municipal Debt: (1)			
Verona Board of Education	\$ 36,760,218	\$ 36,760,218	
Township of Verona	<u>40,534,455</u>	<u>9,437,933</u>	<u>\$ 31,096,522</u>
	<u>\$ 77,294,673</u>	<u>\$ 46,198,151</u>	<u>31,096,522</u>
Overlapping Debt Apportioned to the Municipality:			
Essex County			
County of Essex (A)			11,434,950
Essex County Utilities Authority (B)			<u>1,235,169</u>
			<u>12,670,119</u>
Total Direct and Overlapping Debt			<u>\$ 43,766,641</u>

Source:

(1) Township of Verona's 2017 Annual Debt Statement

(A) The debt for this entity was apportioned to Verona by dividing the municipality's 2017 equalized value by the total 2017 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)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt Limit	\$ 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	\$ 93,951,723
Total Net Debt Applicable to Limit	<u>36,906,450</u>	<u>35,091,450</u>	<u>33,961,170</u>	<u>32,771,170</u>	<u>31,521,000</u>	<u>43,866,000</u>	<u>40,080,000</u>	<u>38,080,000</u>	<u>35,980,000</u>	<u>33,805,000</u>
Legal Debt Margin	<u>\$ 63,420,892</u>	<u>\$ 65,769,245</u>	<u>\$ 64,707,423</u>	<u>\$ 62,439,115</u>	<u>\$ 60,517,325</u>	<u>\$ 45,275,839</u>	<u>\$ 47,898,322</u>	<u>\$ 51,166,737</u>	<u>\$ 55,864,839</u>	<u>\$ 60,146,723</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	36.79%	34.79%	34.42%	34.42%	34.25%	49.21%	45.56%	42.67%	39.17%	35.98%

Legal Debt Margin Calculation for Fiscal Year 2018

Equalized Valuation Basis

2017	\$ 2,374,337,757
2016	2,371,939,654
2015	2,300,101,812
	<u>\$ 7,046,379,223</u>

3 Year Average \$ 2,348,793,074

4% of Avg. Equalized Valuation \$ 93,951,723
 Less Net Debt 33,805,000

Remaining Borrowing Power \$ 60,146,723

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>
2009	5.4%	52,603	12,430
2010	5.4%	51,448	12,643
2011	5.1%	51,866	13,464
2012	5.3%	54,345	13,513
2013	4.8%	54,842	13,503
2014	4.9%	55,455	13,516
2015	4.2%	57,541	13,517
2016	3.6%	59,863	13,619
2017	3.6%	60,887	13,630
2018	3.4%	N/A	13,608

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>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>2018</u>
Instruction										
Regular	152.0	152.0	154.0	154.0	156.0	158.0	159.0	142.0	149.0	142.0
Special Education	29.0	28.0	21.0	21.0	21.0	21.0	21.0	22.0	26.0	32.0
Other Instruction	3.0	2.0	2.0	2.0	2.0	2.0	2.0	55.0	75.0	80.0
Support Services:										
Student and Instruction Related Services	26.0	27.0	38.0	39.0	39.0	39.0	40.0	37.0	33.0	35.0
General Administration	3.0	2.0	1.0	1.0	1.0	1.0	1.0	2.0	2.0	3.0
School Administrative Services	19.0	19.0	18.0	18.0	18.0	18.0	18.0	27.0	27.0	27.0
Other Administrative Services	2.0	2.0								
Central Services	4.0	4.0	4.0	4.0	4.0	4.0	4.0	3.0	3.0	3.0
Administrative Information Technology	1.0	1.0	1.0	2.0	2.0	3.0	3.0	3.0	3.0	3.0
Plant Operations And Maintenance	21.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	21.0
Pupil Transportation	2.4	3.0	3.0	3.0	3.0	3.0	4.0	3.0	5.0	5.0
Total	<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>	<u>351.0</u>

Source: District Personnel Records

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

5

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				
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	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%
2018	2,218	39,407,222	17,767	3.49%	174	13:05:01	11:09:01	12:01	2,175	2,072	-0.23%	95.26%

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)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
District Building										
<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	137	145	132	118	123	115	135	131
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	280	259	311	329	321	291	285	265	246	249
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	230	249	249	240	214	215	212	199	215	245
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	246	239	224	231	230	227	223	234	222	219
<u>Middle School</u>										
H.B. Whitehome (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	622	635	664	691	733	724	726	720	681
<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	567	591	613	609	602	609	623	616	659	693

Number of Schools at June 30, 2018
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>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>2018</u>
<u>School Facilities</u>										
Verona High School	\$ 202,517	\$ 213,232	\$ 132,129	\$ 158,314	\$ 154,400	\$ 190,081	\$ 226,973	\$ 188,615	\$ 215,392	\$ 235,747
Brookdale Avenue School	34,471	36,295	41,725	49,994	49,806	61,316	73,217	59,563	68,018	74,446
F.N. Brown School	51,706	54,442	42,838	51,328	49,807	61,316	73,217	61,152	69,833	76,432
Forest Avenue School	38,780	40,832	30,493	36,536	34,864	42,921	51,252	43,529	49,708	54,405
Henry B. Whitehorne Middle School	68,943	72,590	129,909	155,654	149,419	183,949	219,652	185,446	211,772	231,784
Laning Avenue School	<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>	<u>91,120</u>
Grand Total	<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>	<u>\$ 763,934</u>

**VERONA BOARD OF EDUCATION
INSURANCE SCHEDULE
JUNE 30, 2018
(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	\$250,000	\$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	\$3,000,000	\$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	\$250,000	\$5,000
EDUCATORS LEGAL LIABILITY	\$1,000,000	\$10,000
Selective Insurance Co.		
INDIVIDUAL BONDS		
Business Administrator/Bd Secy	\$100,000	
Treasurer of School Monies	\$275,000	

SINGLE AUDIT SECTION



LERCH, VINCI & HIGGINS, LLP

EXHIBIT K-1

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. LEIDIG, CPA, PSA
ROBERT LERCH, CPA

**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, 2018 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 January 15, 2019.

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 January 15, 2019.

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
January 15, 2019



LERCH, VINCI & HIGGINS, LLP

EXHIBIT K-2

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
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ROBERT LERCH, CPA

**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 Major 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, 2018. 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 federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; 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, 2018.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with New Jersey OMB Circular 15-08 which is described in the accompanying schedule of findings and questioned costs as item 2018-001. Our opinion on each major state program is not modified with respect to these matters.

The Verona Board of Education's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Verona Board of Education's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 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 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 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 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, 2018 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 January 15, 2019, 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 federal awards and 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 federal awards and 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
January 15, 2019

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

Federal/Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	FAIN Number	Grant Period	Award Amount	Balance July 1, 2017	Carryover Amount	Cash Received	Budgetary Expenditures	Adjustments	Refund of Prior Years' Balances	June 30, 2018			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	171NJ304N1099	7/1/17-6/30/18	\$ 4,837			\$ 4,748	\$ 4,837					\$ (89)		\$ (89)
Special Milk Program	10.556	16161NJ304N1099	7/1/16-6/30/17	4,273	\$ (52)	-	52	-	-	-	-	-	-	-	-
Total U.S. Department of Agriculture					(52)	-	4,800	4,837	-	-	-	(89)	-	-	(89)
Special Revenue Fund															
U.S. Department of Education Passed-through State Department of Education															
E.S.E.A-Title I- Part A	84.010	S010A170030	7/1/17-6/30/18	196,602			125,861	193,507				(70,741)	\$ 3,095		(67,646)
E.S.E.A-Title I- Part A	84.010	S010A150030	7/1/15-6/30/16	62,327	(12,283)		12,283					-			-
E.S.E.A-Title II-Part A	84.367A	S367A170029	7/1/17-6/30/18	47,363		\$ 10,826	3,349	36,917	\$ (10,826)			(54,840)	21,272	-	(33,568)
E.S.E.A-Title II-Part A	84.367A	S367A160029	7/1/16-6/30/17	19,256	(52)	(10,826)	52	-	10,826			-	-	-	-
E.S.E.A- Title IV	84.424	S424A170031	7/1/17-6/30/18	10,000				2,077				(10,000)	7,923		(2,077)
I.D.E.I.A. Part B, Basic	84.027	H027A170100	7/1/17-6/30/18	476,049		9,570	452,884	466,338	(9,570)			(32,735)	19,281	-	(13,454)
I.D.E.I.A. Part B, Basic	84.027	H027A160100	7/1/16-6/30/17	475,214	(743)	(9,570)	743		9,570			-	-	-	-
I.D.E.I.A. Part B, Preschool	84.173	H173A170114	7/1/17-6/30/18	24,189			22,475	24,189				(1,714)		-	(1,714)
Total Special Education Cluster IDEA					(743)	-	476,102	490,527	-	-	-	(34,449)	19,281	-	(15,168)
Total U.S. Department of Education/Special Revenue Fund					(13,078)	-	617,647	723,028	-	-	-	(170,030)	51,571	-	(118,459)
Total Federal Financial Awards				\$ (13,130)	\$ -	\$ -	\$ 622,447	\$ 727,865	\$ -	\$ -	\$ (170,119)	\$ 51,571	\$ -	\$ -	\$ (118,548)

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, 2018

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance, July 1, 2017			Budgetary Expenditures	Refund of Prior Years' Balances	Balance, June 30, 2018			Memo		
				(Accounts Receivable)	Due to Grantor	Cash Received			(Accounts Receivable)	Unearned Revenue	Due to Grantor	GAAP Receivable	Cumulative Total Expenditures	
State Department of Education														
General Fund														
Special Education Aid	18-495-034-5120-089	7/1/17-6/30/18	\$ 880,894			\$ 802,533	\$ 880,894	\$ (78,361)				\$ 880,894		
Special Education Aid	17-495-034-5120-089	7/1/16-6/30/17	793,816	(69,163)		69,163		-						
Security Aid	18-495-034-5120-084	7/1/17-6/30/18	38,359			34,947	38,359	(3,412)				38,359		
Security Aid	17-495-034-5120-084	7/1/16-6/30/17	38,359	(3,342)		3,342		-						
PARCC Readiness Aid	18-495-034-5120-098	7/1/17-6/30/18	21,960			20,006	21,960	(1,954)				21,960		
PARCC Readiness Aid	17-495-034-5120-098	7/1/16-6/30/17	21,960	(1,913)		1,913		-						
Per Pupil Growth Aid	18-495-034-5120-097	7/1/17-6/30/18	21,960			20,006	21,960	(1,954)				21,960		
Per Pupil Growth Aid	17-495-034-5120-097	7/1/16-6/30/17	21,960	(1,913)		1,913		-						
Professional Learning Community Aid	18-495-034-5120-101	7/1/17-6/30/18	21,290			19,396	21,290	(1,894)				21,290		
Professional Learning Community Aid	17-495-034-5120-101	7/1/16-6/30/17	21,290	(1,855)		1,855		-						
Total State Aid Public Cluster				(78,186)	-	975,074	984,463	(87,575)	-	-	-	-	984,463	
Transportation Aid	18-495-034-5120-014	7/1/17-6/30/18	19,303			17,586	19,303	(1,717)				19,303		
Transportation Aid	17-495-034-5120-014	7/1/16-6/30/17	19,303	(1,882)		1,882		-						
Total Transportation Aid Cluster				(1,882)	-	19,468	19,303	(1,717)	-	-	-	-	19,303	
Extraordinary Aid	18-100-034-5120-473	7/1/17-6/30/18	-				397,431	(397,431)				397,431		
Extraordinary Aid	17-100-034-5120-473	7/1/16-6/30/17	368,976	(368,976)		368,976		-						
Lead Testing for Schools Aid			5,010			5,010	5,010					5,010		
Reimbursed TPAF Pension Contribution Normal	18-495-034-5094-002	7/1/17-6/30/18	2,263,697			2,263,697	2,263,697					2,263,697		
NCGI	18-495-034-5094-004	7/1/17-6/30/18	54,934			54,934	54,934					54,934		
LTDI	18-495-034-5094-004	7/1/17-6/30/18	2,358			2,358	2,358					2,358		
Post Retirement	18-495-034-5094-001	7/1/17-6/30/18	1,497,554			1,497,554	1,497,554					1,497,554		
Total On-Behalf TPAF Contribution Cluster						3,818,543	3,818,543					3,818,543		
Reimbursed TPAF Social Security Contributions	18-495-034-5094-003	7/1/17-6/30/18	1,171,432			1,114,068	1,171,432	(57,364)				\$ (57,364)	1,171,432	
Reimbursed TPAF Social Security Contributions	17-495-034-5094-003	7/1/16-6/30/17	1,159,576	(115,025)		115,025		-						
Total General Fund				(564,069)	-	6,416,164	6,396,182	(544,087)	-	-	-	(57,364)	6,396,182	
Special Revenue Fund														
New Jersey Nonpublic Aid:														
Textbook	18-100-034-5120-064	7/1/17-6/30/18	10,901			10,901	10,197			\$ 704		10,197		
Textbook	17-100-034-5120-064	7/1/16-6/30/17	12,738		\$ 86			\$ 86						
Nursing Services	18-100-034-5120-070	7/1/17-6/30/18	19,303			19,303	19,303					19,303		
Technology Aid	18-100-034-5120-373	7/1/17-6/30/18	7,363			7,363	6,524			839		6,524		
Security Aid	18-100-034-5120-509	7/1/17-6/30/18	14,925			14,925	14,841			84		14,841		
Auxiliary Services (Chp 192)														
Compensatory Education	18-100-034-5120-067	7/1/17-6/30/18	24,804			24,804	24,804					24,804		
Compensatory Education	17-100-034-5120-067	7/1/16-6/30/17	26,874		8,241			8,241						
Transportation	18-100-034-5120-068	7/1/17-6/30/18	20,815			20,815	20,815					20,815		
Total Nonpublic Auxiliary Services Aid (Chp 192) Cluster					8,241	45,619	45,619	8,241	-	-	-	-	45,619	
Handicapped Services (Chp 193)														
Supplementary Instruction	18-100-034-5120-066	7/1/17-6/30/18	19,031			19,031	17,763			1,268		17,763		
Supplementary Instruction	17-100-034-5120-066	7/1/16-6/30/17	16,479		3,374			3,374						
Examination and Classification	18-100-034-5120-066	7/1/17-6/30/18	26,936			26,936	20,206			6,730		20,206		
Examination and Classification	17-100-034-5120-066	7/1/16-6/30/17	27,194		7,022			7,022						
Corrective Speech	18-100-034-5120-066	7/1/17-6/30/18	18,392			18,392	16,144			2,248		16,144		
Corrective Speech	17-100-034-5120-066	7/1/16-6/30/17	18,907		2,275			2,275						
Total Nonpublic Handicapped Services Aid (Chp 193) Cluster					12,671	64,359	54,113	12,671	-	-	10,246	-	54,113	
Total Special Revenue Fund					20,998	162,470	150,597	20,998	-	-	11,873	-	150,597	

VERONA BOARD OF EDUCATION
 SCHEDULE OF STATE FINANCIAL ASSISTANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

State Grantor/Program Title	Grant or State Project Number	Grant Period	Balance, July 1, 2017				Balance, June 30, 2018			Memo			
			Award Amount	(Accounts Receivable)	Due to Grantor	Cash Received	Budgetary Expenditures	Refund of Prior Years' Balances	(Accounts Receivable)	Unearned Revenue	Due to Grantor	GAAP Receivable	Cumulative Total Expenditures
Capital Projects Fund													
NJ Economic Development Authority													
High School Mechanical Upgrades	5370-050-14-1002		\$ 1,541,032	\$ (282,387)							\$ (282,387)	\$ -	
High School Interior & Exterior Renovations	5370-050-14-1003		509,339	(101,867)							(101,867)	-	
Brookdale Ave. Interior & Exterior Renovations	5370-050-14-1004		134,234	(22,205)							(22,205)	-	
F. N. Brown School Interior & Exterior Renovations	5370-050-14-1005		135,280	(121,752)							(121,752)	-	
Forest Ave. School Interior & Exterior Renovations	5370-090-14-1006		162,399	(32,480)							(32,480)	-	
Whitshorne Middle School Interior & Exterior Renovations	5370-095-14-1007		237,609	(142,565)							(142,565)	-	
Laning Ave. Interior & Exterior Renovations	5370-095-14-1008		76,962	(76,962)							(76,962)	-	
Total Capital Projects Fund				(780,218)							(780,218)	-	
Debt Service Fund													
Debt Service Aid													
	18-495-034-5120-075	7/1/17-6/30/18	-	-	-	\$ 665,025	\$ 665,025	-	-	-	-	\$ 665,025	
Total State Financial Assistance Subject to Single Audit Determination			\$ (1,344,287)	\$ 20,998		7,243,659	7,211,804	\$ 20,998	\$ (1,324,305)	\$ -	\$ 11,873	\$ (837,582)	\$ 7,211,804
State Financial Assistance Not Subject to Single Audit Major Program Determination													
General Fund													
Normal Pension Costs	18-495-034-5094-002	7/1/17-6/30/18	2,263,697			(2,263,697)	(2,263,697)					(2,263,697)	
NonContributory Insurance	18-495-034-5094-004	7/1/17-6/30/18	54,934			(54,934)	(54,934)					(54,934)	
LTDI	18-195-034-5094-004	7/1/17-6/30/18	2,358			(2,358)	(2,358)					(2,358)	
Post Retirement	18-495-034-5094-001	7/1/17-6/30/18	1,497,554			(1,497,554)	(1,497,554)					(1,497,554)	
Total for State Financial Assistance Subject to Single Audit Major Program Determination			\$ (1,344,287)	\$ 20,998	\$ 3,425,116	\$ 3,393,261	\$ 20,998	\$ (1,324,305)	\$ -	\$ 11,873	\$ (837,582)	\$ 3,393,261	

**VERONA BOARD OF EDUCATION
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 \$37,879 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		\$ 6,358,303	\$ 6,358,303
Special Revenue Fund	\$ 723,028	150,597	873,625
Debt Service Fund		665,025	665,025
Food Service Fund	<u>4,837</u>	<u>-</u>	<u>4,837</u>
Total Financial Assistance	<u>\$ 727,865</u>	<u>\$ 7,173,925</u>	<u>\$ 7,901,790</u>

**VERONA BOARD OF EDUCATION
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 \$1,171,432 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, 2018. The amount reported as TPAF Pension System Contributions in the amount of \$2,318,631, TPAF Post-Retirement Medical Benefits Contributions in the amount of \$1,497,554 and TPAF Long-Term Disability Insurance in the amount of \$2,358 represents the amount paid by the State on behalf of the District for the fiscal year ended June 30, 2018.

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 payments 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, 2018

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 QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Part I – Summary of Auditor’s Results

State Awards Section

Internal Control over major programs:

(1) Material weakness(es) identified? yes no

(2) Significant deficiencies identified that are not considered to be material weakness(es)? yes none reported

Type of auditor's report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with N.J. Circular Letter 15-08? yes no

Identification of major state programs:

GMIS Number(s)	Name of State Program
18-495-034-5120-089	Special Education Aid
18-495-034-5120-084	Security Aid
18-495-034-5120-098	PARCC Readiness
18-495-034-5120-097	Per Pupil Growth Aid
18-495-034-5120-101	Professional Learning Community Aid
18-495-034-5120-075	Debt Service Aid

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? yes no

**VERONA BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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, 2018

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

**VERONA BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 federal and state programs, as required by U.S. Uniform Guidance and New Jersey OMB's Circular 15-08.

CURRENT YEAR STATE AWARDS

Finding 2018-001

The District did not update the Debt Service Data Collection report for refunding bonds previously issued by the Board.

State Program Information

Debt Service Aid

Criteria or Specific Requirement

NJ Department of Education – Grant Compliance Supplement

Condition

The school district issued refunding bonds in 2015, however, the Debt Service Data Collection report was not adjusted to reflect the change.

Questioned Costs

Unknown.

Context

See condition.

Effect

The school district did not correctly report the fiscal year debt payments maturing during the 2017/18 fiscal year.

Recommendation

Greater care be exercised when completing the Debt Service Data Collection report.

Views of Responsible Officials and Planned Corrective Actions

Management has reviewed this finding and has indicated it will review and revise its procedures to ensure corrective action is taken.

**VERONA BOARD OF EDUCATION
SUMMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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.