

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 11, 2020

New Issue

Rating: S&P: "AA-"
See "RATING" herein

In the opinion of McManimon, Scotland & Baumann, LLC, Bond Counsel, assuming compliance by the Board (as defined herein) with certain tax covenants described herein, under existing law, interest on the Bonds (as defined herein) is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax. Based upon existing law, interest on the Bonds and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein.

THE BOARD OF EDUCATION OF THE
TOWNSHIP OF VERONA
IN THE COUNTY OF ESSEX, NEW JERSEY
\$27,771,000 SCHOOL BONDS
(Book-Entry-Only) (Callable)

Dated: Date of Delivery

Due: March 1, as shown below

The \$27,771,000 School Bonds (the "Bonds") of The Board of Education of the Township of Verona in the County of Essex, New Jersey (the "Board" when referring to the governing body and legal entity and the "School District" when referring to the territorial boundaries governed by the Board) will be issued in the form of one certificate for the aggregate principal amount of the Bonds maturing in each year and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Interest on the Bonds will be payable semiannually on March 1 and September 1 in each year until maturity, or earlier redemption, commencing on September 1, 2020. Principal of and interest on the Bonds will be paid to DTC by the Board or its designated paying agent. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each next preceding February 15 and August 15 (the "Record Dates" for the payment of interest on the Bonds). The Bonds shall be subject to redemption prior to their stated maturities. See "DESCRIPTION OF THE BONDS - Redemption" herein.

The Bonds are valid and legally binding obligations of the Board and, unless paid from other sources, are payable from *ad valorem* taxes levied upon all the taxable real property within the School District for the payment of the Bonds and the interest thereon without limitation as to rate or amount.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS AND CUSIPS*

<u>Maturity</u> <u>(March 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP*</u>	<u>Maturity</u> <u>(March 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP*</u>
2022	\$1,176,000	%	%		2032	\$1,560,000	%	%	
2023	950,000				2033	1,560,000			
2024	1,100,000				2034	1,565,000			
2025	1,250,000				2035	1,600,000			
2026	1,450,000				2036	1,600,000			
2027	1,500,000				2037	1,600,000			
2028	1,500,000				2038	1,600,000			
2029	1,500,000				2039	1,600,000			
2030	1,500,000				2040	1,600,000			
2031	1,560,000								

The Bonds are offered when, as and if issued and delivered to the Underwriter (as defined herein), subject to prior sale, to withdrawal or modification of the offer without notice and to the approval of legality by the law firm of McManimon, Scotland & Baumann, LLC, Roseland, New Jersey and certain other conditions described herein. Phoenix Advisors, LLC, Bordentown, New Jersey has served as Municipal Advisor in connection with the issuance of the Bonds. Delivery is anticipated to be via DTC in New York, New York on or about March 4, 2020.

ELECTRONIC SUBMISSIONS FOR THE BONDS WILL BE RECEIVED VIA PARITY UNTIL 11:00 A.M. ON FEBRUARY 19, 2020. FOR MORE DETAILS ON HOW TO BID ELECTRONICALLY, VIEW THE NOTICE OF SALE POSTED AT WWW.MUNIHUB.COM.

* Registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds, and the Board does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

This is a Preliminary Official Statement, complete with the exception of the specific information permitted to be omitted by Rule 15c2-12 of the Securities and Exchange Commission. The Board has authorized distribution of this Preliminary Official Statement to prospective purchasers and others. In accordance with Rule 15c2-12, this Preliminary Official Statement is deemed final. Upon the sale of the Bonds described herein, the Board will deliver a final Official Statement within the earlier of seven business days following such sale or in order to accompany the purchasers confirmations that request payment for the Bonds.

**THE BOARD OF EDUCATION OF THE
TOWNSHIP OF VERONA
IN THE COUNTY OF ESSEX, NEW JERSEY**

MEMBERS OF THE BOARD

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James Day, Vice-President
Timothy Alworth
Sara Drappi
Pamela Priscoe

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Dr. Rui Dionisio

ACTING BOARD SECRETARY

Ernest Turner

BOARD AUDITOR

Lerch, Vinci & Higgins, LLP
Fair Lawn, New Jersey

BOARD ATTORNEY

Daniel R. Roberts, Esquire
Kenney, Gross, Kovats & Parton
Red Bank, New Jersey

MUNICIPAL ADVISOR

Phoenix Advisors, LLC
Bordentown, New Jersey

BOND COUNSEL

McManimon, Scotland & Baumann, LLC
Roseland, New Jersey

No broker, dealer, salesperson or other person has been authorized by the Board to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by the foregoing. The information contained herein has been provided by the Board and other sources deemed reliable; however, no representation is made as to the accuracy or completeness of information from sources other than the Board. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information and the expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder under any circumstances shall create any implication that there has been no change in any of the information herein since the date hereof or since the date as of which such information is given, if earlier.

References in this Official Statement to laws, rules, regulations, resolutions, agreements, reports and documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein, and copies of which may be inspected at the offices of the Board during normal business hours.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale.

The order and placement of materials in this Official Statement, including the appendices, are not to be deemed to be a determination of relevance, materiality or importance, and this Official Statement, including the appendices, must be considered in its entirety.

In order to facilitate the distribution of the Bonds, the Underwriter may engage in transactions intended to stabilize the price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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**OFFICIAL STATEMENT
OF
THE BOARD OF EDUCATION OF THE
TOWNSHIP OF VERONA
IN THE COUNTY OF ESSEX, NEW JERSEY**

**\$27,771,000
SCHOOL BONDS
(BOOK-ENTRY-ONLY) (CALLABLE)**

INTRODUCTION

This Official Statement, which includes the front cover page and the appendices attached hereto, has been prepared by The Board of Education of the Township of Verona in the County of Essex, New Jersey (the “Board” when referring to the governing body and legal entity and the “School District” when referring to the territorial boundaries governed by the Board) in connection with the sale and issuance of its \$27,771,000 School Bonds (the “Bonds”). This Official Statement has been executed by and on behalf of the Board by the Acting Board Secretary, and its distribution and use in connection with the sale of the Bonds have been authorized by the Board.

This Official Statement contains specific information relating to the Bonds including their general description, certain matters affecting the financing, certain legal matters, historical financial information and other information pertinent to this issue. This Official Statement should be read in its entirety.

All financial and other information presented herein has been provided by the Board from its records, except for information expressly attributed to other sources. The presentation of information is intended to show recent historic information and, but only to the extent specifically provided herein, certain projections into the immediate future and is not necessarily indicative of future or continuing trends in the financial position of the Board.

DESCRIPTION OF THE BONDS

The following is a summary of certain provisions of the Bonds. Reference is made to the Bonds themselves for the complete text thereof, and the discussion herein is qualified in its entirety by such reference.

Terms and Interest Payment Dates

The Bonds shall be dated the date of delivery and shall mature on March 1 in each of the years and in the amounts set forth on the front cover page hereof. The Bonds shall bear interest from the date of delivery, which interest shall be payable semi-annually on the first day of March and September, commencing on September 1, 2020 (each an “Interest Payment Date”), in each of the years and at the interest rates set forth on the front cover page hereof until maturity, or earlier redemption, by the Board or a duly appointed paying agent to the registered owners of the Bonds as of each February 15 and August 15 immediately preceding the respective Interest Payment Dates (the “Record Dates”). Interest on the Bonds shall be calculated on the basis of a 360-day year of twelve 30-day calendar months. So long as The Depository Trust Company, New York, New York (“DTC”) or its nominee, Cede & Co. (or any successor or assign), is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the Board or a designated paying agent directly to DTC or its nominee, Cede & Co., which will in turn remit such payments to DTC Participants, which will in turn remit such payments to the beneficial owners of the Bonds. *See* “BOOK-ENTRY-ONLY SYSTEM” herein.

The Bonds will be issued in fully registered book-entry-only form without certificates. One certificate shall be issued for the aggregate principal amount of Bonds maturing in each year and, when issued, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository for the Bonds. The certificates will be on deposit with DTC. DTC will be responsible for maintaining a book-entry system for recording the interests of its participants and transfers of the interests among its participants. The participants will be responsible for maintaining records regarding the beneficial ownership interests in the Bonds on behalf of the individual purchasers. Individual purchases may be made in the principal amount of any multiple of \$5,000 (except that bonds maturing in any year in an amount that is not a multiple of \$5,000 shall be purchased in an amount that is a multiple of \$1,000 with a minimum purchase of \$5,000 required) through book entries made on the books and the records of DTC and its participants. Individual purchasers of the Bonds will not receive certificates representing their beneficial ownership interests in the Bonds, but each book-entry owner will receive a credit balance on the books of its nominee, and this credit balance will be confirmed by an initial transaction statement stating the details of the Bonds purchased. See “BOOK-ENTRY-ONLY SYSTEM” herein.

Redemption

The Bonds maturing prior to March 1, 2028 are not subject to redemption prior to maturity. The Bonds maturing on or after March 1, 2028 shall be subject to redemption at the option of the Board, in whole or in part, on any date on or after March 1, 2027 at a price of 100% of the Bonds to be redeemed (the “Redemption Price”), plus unpaid accrued interest to the date fixed for redemption.

Notice of redemption shall be given by mailing by first class mail in a sealed envelope with postage prepaid to the registered owners of the Bonds not less than thirty (30) days, nor more than sixty (60) days prior to the date fixed for redemption. Such mailing shall be to the Owners of such Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the Board or a duly appointed bond registrar. So long as DTC (or any successor thereto) acts as securities depository for the Bonds, such notice of redemption shall be sent directly to such depository and not to the beneficial owners of the Bonds. Any failure of the depository to advise any of its participants or any failure of any participant to notify any beneficial owner of any notice of redemption shall not affect the validity of the redemption proceedings. If the Board determines to redeem a portion of the Bonds prior to maturity, the Bonds to be redeemed shall be selected by the Board; the Bonds to be redeemed having the same maturity shall be selected by the securities depository in accordance with its regulations.

If notice of redemption has been given as provided herein, the Bonds or the portion thereof called for redemption shall be due and payable on the date fixed for redemption at the Redemption Price, together with accrued interest to the date fixed for redemption. Interest shall cease to accrue on and after such redemption date.

Security for the Bonds

The Bonds are valid and legally binding general obligations of the Board, and the Board has irrevocably pledged its full faith and credit for the payment of the principal of and interest on the Bonds. Unless paid from other sources, the principal of and interest on the Bonds are payable from *ad valorem* taxes levied upon all the taxable property within the School District without limitation as to rate or amount except to the extent that enforcement of such payment may be limited by bankruptcy, insolvency or other similar laws on equitable principles effecting the enforcement of creditors’ rights generally.

New Jersey School Bond Reserve Act (N.J.S.A. 18A:56-17 et seq.)

All school bonds are secured by the School Bond Reserve (the “School Bond Reserve”) established in the Fund for the Support of Free Public Schools of the State of New Jersey (the “Fund”) in accordance

with the New Jersey School Bond Reserve Act, N.J.S.A. 18A:56-17 et seq. (P.L. 1980, c. 72, approved July 16, 1980, as amended by P.L. 2003, c. 118, approved July 1, 2003 (the “Act”). Amendments to the Act provide that the Fund will be divided into two (2) School Bond Reserve accounts. All bonds issued prior to July 1, 2003 shall be benefited by a School Bond Reserve account funded in an amount equal to 1-1/2% of the aggregate issued and outstanding bonded indebtedness of counties, municipalities or school districts for school purposes issued prior to July 1, 2003 (the “Old School Bond Reserve Account”) and all bonds, including the Bonds, issued on or after July 1, 2003 shall be benefited by a School Bond Reserve account equal to 1% of the aggregate issued and outstanding bonded indebtedness of counties, municipalities or school districts for school purposes issued on or after July 1, 2003 (the “New School Bond Reserve Account”), provided such amounts do not exceed the moneys available in the Fund. If a municipality, county or school district is unable to make payment of principal of or interest on any of its bonds issued for school purposes, the trustees of the Fund will purchase such bonds at par value and will pay to the bondholders the interest due or to become due within the limits of funds available in the applicable School Bond Reserve account in accordance with the provisions of the Act.

The Act provides that the School Bond Reserve shall be composed entirely of direct obligations of the United States government or obligations guaranteed by the full faith and credit of the United States government. Securities representing at least one-third of the minimal market value to be held in the School Bond Reserve shall be due to mature within one year of issuance or purchase. Beginning with the fiscal year ending on June 30, 2003 and continuing on each June 30 thereafter, the State Treasurer shall calculate the amount necessary to fully fund the Old School Bond Reserve Account and the New School Bond Reserve Account as required pursuant to the Act. To the extent moneys are insufficient to maintain each account in the School Bond Reserve at the required levels, the State of New Jersey (the “State”) agrees that the State Treasurer shall, no later than September 15 of the fiscal year following the June 30 calculation date, pay to the trustees for deposit in the School Bond Reserve such amounts as may be necessary to maintain the Old School Bond Reserve Account and the New School Bond Reserve Account at the levels required by the Act. No moneys may be borrowed from the Fund to provide liquidity to the State unless the Old School Bond Reserve Account and the New School Bond Reserve Account each are at the levels certified as full funding on the most recent June 30 calculation date. The amount of the School Bond Reserve in each account is pledged as security for the prompt payment to holders of bonds benefited by such account of the principal of and the interest on such bonds in the event of the inability of the issuer to make such payments. In the event the amounts in either the Old School Bond Reserve Account or the New School Bond Reserve Account fall below the amount required to make payments on bonds, the amounts in both accounts are available to make payments for bonds secured by the School Bond Reserve.

The Act further provides that the amount of any payment of interest or purchase price of school bonds paid pursuant to the Act shall be deducted from the appropriation or apportionment of State aid, other than certain State aid which may be otherwise restricted pursuant to law, payable to the school district, county or municipality and shall not obligate the State to make, nor entitle the school district, county or municipality to receive any additional appropriation or apportionment. Any amount so deducted shall be applied by the State Treasurer to satisfy the obligation of the school district, county or municipality arising as a result of the payment of interest or purchase price of bonds pursuant to the Act.

AUTHORIZATION AND PURPOSE

The School District is issuing the Bonds pursuant to: (i) Chapter 24 of Title 18A of the New Jersey Statutes, as amended and supplemented; (ii) a resolution duly adopted by the Board on January 28, 2020 (the “Resolution”); and (iii) a proposal adopted by the Board on August 27, 2019 and approved by a majority of the legal voters present and voting at the School District election held on November 5, 2019.

The Bonds are being issued to undertake renovations, alterations and improvements at Verona High School, H.B. Whitehorne Middle School, Forest Avenue Elementary School, F.N. Brown Elementary

School, Brookdale Avenue Elementary School and Laning Avenue Elementary School, including fixtures, furnishings, equipment, site work and related work (collectively, the “Project”).

BOOK-ENTRY-ONLY SYSTEM¹

The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal and interest, and other payments on the Bonds to DTC Participants or Beneficial Owners (as defined below), confirmation and transfer of beneficial ownership interests in the Bonds and other related transactions by and between DTC, DTC Participants and Beneficial Owners, is based on certain information furnished by DTC to the Board. Accordingly, the Board does not make any representations concerning these matters.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks and trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has an S&P Global Ratings, acting through Standard & Poor’s Financial Services LLC, rating of AA+. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct Participants’ and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interest in the Bonds are to be accomplished by entries made on the books of Direct Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates

¹ Source: The Depository Trust Company

representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants or Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Board as soon as possible after the Record Date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the Board, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Board or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct Participants and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Board or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Board may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the Board believes to be reliable, but the Board takes no responsibility for the accuracy thereof.

THE BOARD WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH

RESPECT TO THE PAYMENTS TO OR PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, OR THE INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDHOLDERS OR REGISTERED OWNERS OF THE BONDS (OTHER THAN UNDER THE CAPTION “TAX MATTERS”) SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

Discontinuance of Book-Entry-Only System

In the event that the book-entry-only system is discontinued and the Beneficial Owners become registered owners of the Bonds, the following provisions apply: (i) the Bonds may be exchanged for an equal aggregate principal amount of Bonds in other authorized denominations and of the same maturity, upon surrender thereof at the office of the Board/paying agent; (ii) the transfer of any Bonds may be registered on the books maintained by the paying agent for such purposes only upon the surrender thereof to the Board/paying agent together with the duly executed assignment in form satisfactory to the Board/paying agent; and (iii) for every exchange or registration of transfer of Bonds, the Board/paying agent may make a charge sufficient to reimburse for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer of the Bonds. Interest on the Bonds will be payable by check or draft, mailed on each Interest Payment Date to the registered owners thereof as of the close of business on the Record Date, whether or not a business day, next preceding an Interest Payment Date.

THE SCHOOL DISTRICT AND THE BOARD

The School District is a Type II school district that is coterminous with the borders of the Township of Verona (the “Township”) located in the County of Essex (the “County”) in the State. The School District provides a full range of educational services appropriate to students in pre-kindergarten (Pre-K) through grade twelve (12).

The Board is comprised of five (5) members elected by the legally qualified voters in the School District to terms of three (3) years on a staggered basis. The President and Vice President are chosen for one (1) year terms from among the members of the Board. *See* “APPENDIX A – Certain Economic and Demographic Information About the School District and the Township of Verona.”

THE STATE’S ROLE IN PUBLIC EDUCATION

The Constitution of the State provides that the legislature of the State shall provide for the maintenance and support of a thorough and efficient system of free public schools for the instruction of all children in the State between the ages of 5 and 18 years. Case law has expanded the responsibility to include children between the ages of 3 and 21.

The responsibilities of the State with respect to the general supervision and control of public education have been delegated to the New Jersey Department of Education (the “Department”), which is a part of the executive branch of the State government and was created by the State Legislature. The Department is governed and guided by the policies set forth by the New Jersey Board of Education (the “State Board”). The State Board is responsible for the general supervision and control of public education and is obligated to formulate plans and to make recommendations for the unified, continuous and efficient development of public education of all people of all ages within the State. To fulfill these responsibilities, the State Board has the power, *inter alia*, to adopt rules and regulations that have the effect of law and that are binding upon school districts.

The Commissioner of Education (the “Commissioner”) is the chief executive and administrative officer of the Department. The Commissioner is appointed by the Governor of the State with the advice and consent of the State Senate and serves at the pleasure of the Governor during the Governor’s term of office. The Commissioner is Secretary and Chief Executive Officer of the State Board and is responsible for the supervision of all school districts in the State and is obligated to enforce the rules and regulations of the State Board. The Commissioner has the authority to recommend the withholding of State financial aid and the Commissioner’s consent is required for authorization to sell school bonds that exceed the debt limit of the municipality in which the school district is located and may also set the amount to be raised by taxation for a board of education if a school budget has not been adopted by a board of school estimate or by the voters.

An Executive County Superintendent of Schools (the “County Superintendent”) is appointed for each county in the State by the Governor, upon the recommendation of the Commissioner and with the advice and consent of the State Senate. The County Superintendent reports to the Commissioner or a person designated by the Commissioner. The County Superintendent is responsible for the supervision of the school districts in the county and is charged with the enforcement of rules pertaining to the certification of teachers, pupil registers and financial reports and the review of budgets. Under the Uniform Shared Services and Consolidation Act, P.L. 2007, c. 63 approved April 3, 2007 (A4), the role of the County Superintendent was changed to create the post of the Executive County Superintendent with expanded powers for the operation and management of school districts to, among other things, promote administrative and operational efficiencies, eliminate non-operating school districts and recommend a school district consolidation plan to eliminate school districts through the establishment or enlargement of regional school districts, subject to voter approval.

STRUCTURE OF SCHOOL DISTRICTS IN NEW JERSEY

Categories of School Districts

State school districts are characterized by the manner in which the board of education or the governing body takes office. School districts are principally categorized in the following categories:

(1) Type I, in which the mayor or chief executive officer (“CEO”) of a municipality appoints the members of a board of education and a board of school estimate, which board of school estimate consists of two (2) members of the board of education, two (2) members of the governing body of the municipality and the mayor or CEO of the municipality comprising the school district, approves fiscal matters;

(2) Type II, in which the registered voters in a school district elect the members of a board of education and either (a) the registered voters may also vote upon fiscal matters, or (b) a board of school estimate, consisting of two (2) members of the governing body of and the CEO of each municipality within the school district and the president of and one member of the board of education, approves all fiscal matters;

(3) Regional and consolidated school districts comprising the territorial boundaries of more than one municipality in which the registered voters in the school district elect members of the board of education and may vote upon fiscal matters. Regional school districts may be “All Purpose Regional School Districts” or “Limited Purpose Regional School Districts”;

(4) State operated school districts created by the State Board, pursuant to State law, when a local board of education cannot or will not correct severe educational deficiencies;

(5) County vocational school districts have boards of education consisting of the County Superintendent and four (4) members unless it is a county of the first class, which adopted an ordinance, in which case it can have a board consisting of seven (7) appointed members which the board of chosen freeholders of the county appoints. Such vocational school districts shall also have a board of school estimate, consisting of two (2) members appointed by the board of education of the school district, two (2) members appointed by the board of chosen freeholders and a fifth member being the county executive or the director of the board of chosen freeholders of the county, which approves fiscal matters; and

(6) County special services school districts have boards of education consisting of the County Superintendent and six (6) persons appointed by the board of chosen freeholders of the county. Such special services school districts shall also have a board of school estimate, consisting of two (2) members appointed by the board of education of the school district, two (2) members appointed by the board of chosen freeholders and a fifth member being the freeholder-director of the board of chosen freeholders, which approves all fiscal matters.

There is a procedure whereby a Type I school district or a Type II school district may change from one type to the other after an approving public referendum. Such a public referendum must be held whenever directed by the municipal governing body or board of education in a Type I school district, or the board of education in a Type II school district, or when petitioned for by fifteen percent (15%) of the voters of any school district. The School District is a Type II school district.

Under the Uniform Services and Consolidation Act, the Executive County Superintendent is required to eliminate non-operating school districts and to recommend consolidation to eliminate school districts through the establishment or enlargement of regional school districts, subject to voter approval.

School Budgetary Process (N.J.S.A. 18A:22-1 et seq.)

In a Type I school district, a separate body from the school district, known as the board of school estimate, examines the budget requests and fixes the appropriation amounts for the next year's operating budget at or after a public hearing. This board, whose composition is fixed by statute, certifies the budget to the municipal governing body or board of education. If the board of education disagrees with the certified budget of the board of school estimate, then it can appeal to the Commissioner to request changes.

In a Type II school district, the elected board of education develops the budget proposal and, at or after a public hearing, submits it for voter approval unless the board has moved its annual election to November as discussed below. Debt service provisions are not subject to public referendum. If approved, the budget goes into effect. If defeated, the governing body of the Township must develop the school budget by May 19 of each year. Should the governing body be unable to do so, the Commissioner establishes the local school budget.

The Budget Election Law (P.L. 2011, c.202, effective January 17, 2012) established procedures that allow the date of the annual school election of a Type II school district, without a board of school estimate, to be moved from April to the first Tuesday after the first Monday in November, to be held simultaneously with the general election. Such change in the annual school election date must be authorized by resolution of either the board of education or the governing body of the municipality, or by an affirmative vote of a majority of the voters whenever a petition, signed by at least 15% of the legally qualified voters, is filed with the board of education. Once the annual school election is moved to November, such election may not be changed back to an April annual school election for four (4) years.

School districts that opt to move the annual school election to November are no longer required to submit the budget to the voters for approval if the budget is at or below the 2% property tax levy cap as provided for by the 2% Tax Levy Cap Law. For school districts that opt to change the annual school

election date to November, proposals to spend above the 2% property tax levy cap would be presented to voters at the annual school election in November.

The Board conducts its annual elections in November.

Spending Growth Limitation

CEIFA (as hereinafter defined) places limits on the amount school districts can increase their annual current expenses and capital outlay budgets, and such limits are known as a school district's spending growth limitation amount (the "Spending Growth Limitation"). *See* "SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT" herein.

SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT

Levy and Collection of Taxes

School districts in the State do not levy or collect taxes to pay those budgeted amounts that are not provided by the State. The municipality within which a school district is situated levies or collects the required taxes and must remit them in full to the school district.

Budgets and Appropriations

School districts in the State must operate on an annual cash basis budget. Each school district must adopt an annual budget in such detail and upon forms as prescribed by the Commissioner, to which must be attached an itemized statement showing revenues, including State and federal aid, and expenditures. The Commissioner must approve a budget prior to its final adoption and has the power to increase or decrease individual line items in a budget. Any amendments to a school district's budget must be approved by the board of education or the board of school estimate, as the case may be. Every budget submitted must provide no less than the minimum permissible amount deemed necessary under State law to provide for a thorough and efficient education as mandated by the State constitution. The Commissioner may not approve any budget unless the Commissioner is satisfied that the school district has adequately implemented within the budget the Core Curriculum Content Standards required by State law. If necessary, the Commissioner is authorized to order changes in the local school district's budget. The Commissioner will also ensure that other provisions of law are met including the limitations on taxes and spending explained below.

Tax and Spending Limitations

The Public School Education Act of 1975, N.J.S.A. 18A:7A-1 *et seq.*, P.L. 1975, c. 212 (as amended and partially repealed) first limited the amount of funds that could be raised by a local school district. It limited the annual increase of any school district's net current expense budget. The budgetary limitation was known as a "CAP" on expenditures. The "CAP" was intended to control the growth in local property taxes. Subsequently there have been numerous legislative changes as to how the spending limitations would be applied.

The Quality Education Act of 1990, N.J.S.A. 18A:7D-1 *et seq.*, P.L. 1990, c. 52 ("QEA") (now repealed) also limited the annual increase in the school district's current expense and capital outlay budgets by a statutory formula linked to the annual percentage increase in per capita income. The QEA was amended and revised by Chapter 62 of the Laws of New Jersey of 1991, and further amended by Chapter 7 of the Laws of New Jersey of 1993.

The Comprehensive Educational Improvement and Financing Act of 1996, N.J.S.A. 18A:7F-1 et seq., P.L. 1996, c. 138 (“CEIFA”) (as amended by P.L. 2004, c.73, effective July 1, 2004), which followed QEA, also limited the annual increase in a school district’s net budget by a spending growth limitation. CEIFA limited the amount school districts could increase their annual current expenses and capital outlay budgets, defined as a school district’s “Spending Growth Limitation”. Generally, budgets could increase by either a set percent or the consumer price index, whichever was greater. Amendments to CEIFA lowered the budget cap to 2.5% from 3%. Budgets could also increase because of certain adjustments for enrollment increases, certain capital outlay expenditures, pupil transportation costs, and special education costs that exceeded \$40,000 per pupil. Waivers were available from the Commissioner based on increasing enrollments and other fairly narrow grounds and increases higher than the cap could be approved by a vote of 60% at the annual school election.

P.L. 2007, c. 62, effective April 3, 2007 (Assembly Bill A1), provided additional limitations on school district spending by limiting the amount a school district could raise for school district purposes through the property tax levy by 4% over the prior budget year’s tax levy. P.L. 2007, c. 62 provided for adjustments to the cap for increases in enrollment, reductions in State aid and increased health care costs and for certain other extraordinary cost increases that required approval by the Commissioner. The bill granted discretion to the Commissioner to grant other waivers from the cap for increases in special education costs, capital outlay, and tuition charges. The Commissioner also had the ability to grant extraordinary waivers to the tax levy cap for certain other cost increases beginning in fiscal year 2009 through 2012.

P.L. 2007, c. 62 was deemed to supersede the prior limitations on the amount school districts could increase their annual current expenses and capital outlay budgets, created by CEIFA (as amended by P.L. 2004, c.73, effective July 1, 2004). However, Chapter 62 was in effect only through fiscal year 2012. Without an extension of Chapter 62 by the legislature, the Spending Growth Limitations on the general fund and capital outlay budget would be in effect.

Debt service was not limited either by the Spending Growth Limitations or the 4% cap on the tax levy increase imposed by Chapter 62.

The previous legislation was amended by P.L. 2010, c. 44, approved July 13, 2010 and became applicable to the next local budget year following enactment. This law limits the school district tax levy for the general fund budget to increases of 2% over the prior budget year with exceptions only for enrollment increases, increases for certain normal and accrued liability for pension contributions in excess of 2%, certain healthcare increases, and amounts approved by a simple majority of voters voting at a special election (the “Tax Levy Cap Law”). Additionally, also becoming effective in the 2011-2012 fiscal year, a school district that has not been granted approval to exceed the tax levy CAP by a separate proposal to bank the unused tax levy for use in any of the next three (3) succeeding budget years. A school district can request a use of “banked CAP” only after it has fully exhausted all eligible statute spending authority in the budget year. The process for obtaining waivers from the Commissioner for additional increases over the tax levy cap or Spending Growth Limitations was eliminated under Chapter 44. Notwithstanding the foregoing, under P.L. 2018, c. 67, approved, July 24, 2018, which increases State school aid to underfunded school districts and decreases state school aid to over funded school districts, during the 2018-2019 through 2024-2025 fiscal years, SDA Districts, which are certain urban school districts formerly referred to as Abbott Districts referred to herein under “SUMMARY OF STATE AID TO SCHOOL DISTRICTS”, are permitted increases in the tax levy over the 2% limit to raise a general fund tax levy to an amount that does not exceed its local share of the adequacy budget.

The restrictions are solely on the tax levy for the general fund and are not applicable to the debt service fund. There are no restrictions on a local school district’s ability to raise funds for debt service, and nothing would limit the obligation of a school district to levy *ad valorem* taxes upon all taxable real property within the school district to pay debt service on its bonds or notes with one exception. School districts are

subject to GAAP accounting, and under GAAP interest on obligations maturing within one year must be treated as operating expenses. Accordingly, under the Department of Education's Chart of Accounts, interest on notes is raised in the General Fund of a school district and therefore is counted within its 2% tax levy cap on spending.

Issuance of Debt

Among the provisions for the issuance of school debt are the following requirements: (i) bonds must mature in serial installments within the statutory period of usefulness of the projects being financed but not exceeding forty (40) years; (ii) bonds shall be issued pursuant to an ordinance adopted by the governing body of the municipality comprised within the school district for a Type I school district; (iii) for Type II school districts (without boards of school estimate) bonds shall be issued by board of education resolution approving the bond proposal and by approval of the legally qualified voters of the school district; (iv) debt must be authorized by a resolution of a board of education (and approved by a board of school estimate in a Type I school district); and (v) there must be filed with the State by each municipality comprising a school district a supplemental debt statement and a school debt statement setting forth the amount of bonds and notes authorized but unissued and outstanding for such school district.

When a school district changes from a type I to a type II school district and obligations have been authorized and remain unissued by the municipality pursuant to ordinances adopted by the municipality to authorize and issue school debt, the new type II district assumes the obligation of any outstanding notes issued for such purposes and is authorized to issue notes or bonds without further voter approval to fund such purposes or pay off or permanently finance the notes pursuant to N.J.S.A. 18A:24-63. The Board does not assume the obligation of outstanding school bonds issued by the municipality, but the debt would count towards the school district borrowing margin.

Annual Audit (N.J.S.A. 18A:23-1 et seq.)

Every board of education is required to provide an annual audit of the school district's accounts and financial transactions. Beginning with the fiscal year ended June 30, 2010, a licensed public school accountant must complete the annual audit no later than five (5) months after the end of the fiscal year. P.L. 2010, c. 49 amended N.J.S.A. 18A:23-1 to provide an additional month for the completion of a school district's audit. Previously the audit was required to be completed within four (4) months. The audit, in conformity with statutory requirements, must be filed with the board of education and the Commissioner. Additionally, the audit must be summarized and discussed at a regular public meeting of the local board of education within thirty (30) days following receipt of the annual audit by such board of education.

Temporary Financing (N.J.S.A. 18A:24-3)

Temporary notes may be issued in anticipation of the issuance of permanent bonds for a capital improvement or capital project. Such temporary notes may not exceed in the aggregate the amount of bonds authorized for such improvement or project. A school district's temporary notes may be issued for one (1) year periods, with the final maturity not exceeding five (5) years from the date of original issuance; provided, however, that no such notes shall be renewed beyond the third and fourth anniversary date of the original notes unless an amount of such notes, at least equal to the first legally payable installment of the bonds in anticipation of which said notes are issued, is paid and retired subsequent to such third anniversary date from funds other than the proceeds of obligations.

Refunding Bonds

Notwithstanding limitations regarding the issuance of debt, including debt limits and voter referendums, school districts may authorize and issue refunding bonds for the purpose of paying any refunded bonds, together with the costs of issuing the refunding bonds.

Debt Limitation (N.J.S.A. 18A:24-19)

Except as provided below, no additional debt shall be authorized if the principal amount, when added to the net debt previously authorized, exceeds a statutory percentage of the average equalized valuation of taxable property in a school district. As a pre-kindergarten (Pre-K) through grade twelve (12) school district, the Board can borrow up to 4% of the average equalized valuation of taxable property in the School District. The Board has not exceeded its 4% debt limit. *See* “APPENDIX A – Debt Limit of the Board.”

Exceptions to Debt Limitation

A Type II school district (other than a regional school district) may also utilize its constituent municipality’s remaining statutory borrowing power (i.e., the excess of 3.5% of the average equalized valuation of taxable property within the constituent municipality over the constituent municipality’s net debt). The School District has not utilized the borrowing margin of the Township. A school district may also authorize debt in excess of this limit with the consent of the Commissioner and the Local Finance Board (as hereinafter defined).

Capital Lease Financing

School districts are permitted to enter into lease purchase agreements for the acquisition of equipment or for the improvement of school buildings. Generally, lease purchase financings must mature within five (5) years except for certain lease purchase financings of energy savings equipment and other energy conservation measures, which may mature within fifteen (15) years and in certain cases twenty (20) years from the date the project is placed in service, if paid from energy savings (see “Energy Savings Obligations” below). Facilities lease purchase agreements, which may only be financed for a term of five (5) years or less, must be approved by the Commissioner. The Educational Facilities Construction and Financing Act, P.L. 2000, c. 72, effective July 18, 2000, as amended (“EFCFA”) repealed the authorization to enter into facilities leases for a term in excess of five (5) years. The payment of rent is treated as a current expense and within the school district’s Spending Growth Limitation and tax levy cap, and the payment of rent on an ordinary equipment lease and on a five (5) year and under facilities lease is subject to annual appropriation. Lease purchase payments on leases in excess of five (5) years entered into under prior law (CEIFA) are treated as debt service payments and, therefore, will receive debt service aid if the school district is entitled and are outside the school district’s Spending Growth Limitation and tax levy cap.

Energy Saving Obligations

Under N.J.S.A. 18A:18A-4.6 (P.L. 2009, c. 4, effective March 23, 2009, as amended by P.L. 2012, c. 55, effective September 19, 2013), the Energy Savings Improvement Program Law or the “ESIP Law,” school districts may issue energy savings obligations as refunding bonds without voter approval or lease purchase agreements to fund certain improvements that result in reduced energy use, facilities for production of renewable energy or water conservation improvements, provided that the value of the savings will cover the cost of the measures. The lease purchase financings for such measures must mature within 15 years, or in certain instances 20 years, from the date the projects are placed in service. These energy savings refunding bonds or leases are payable from the general fund. Such payments are within the school district’s Spending Growth Limitation and tax levy cap but are not necessarily subject to annual appropriation.

Promissory Notes for Cash Flow Purposes

N.J.S.A. 18A:22-44.1 permits school districts to issue promissory notes in an amount not exceeding ½ the amount appropriated for current general fund expenses. These promissory notes are not considered debt and are used for cash flow purposes including funding in anticipation of the receipt of taxes, other revenues or grants.

Investment of School Funds

Investment of funds by New Jersey school districts is governed by State statute. Pursuant to N.J.S.A. 18A:20-37, school districts are limited to purchasing the following securities: (1) direct obligations of, or obligations guaranteed by, the United States of America ("Government Obligations"); (2) U.S. Government money market mutual funds; (3) obligations of Federal Government agencies or instrumentalities having a maturity of 397 days or fewer, provided such obligations bear a fixed rate of interest not dependent on any index or external factor; (4) bonds or other obligations of the particular school district or municipalities or counties within which the school district is located; (5) bonds or other obligations having a maturity of 397 days or fewer issued by New Jersey school districts, municipalities, counties and entities subject to the Local Authorities Fiscal Control Law, N.J.S.A. 40A:5A-1 et seq. or approved by the Division of Investment of the State Department of the Treasury; (6) certain local government investment pools, rated in the highest rating category, investing in U.S. government securities or certain New Jersey local government issuers and repurchase agreements fully collateralized by securities set forth in sections (1) and (3) above and meeting other statutory requirements; (7) deposits with the New Jersey Cash Management Fund (created pursuant to N.J.S.A. 52:18A-90.4; the "Cash Management Fund"); (8) certain fully collateralized repurchase agreements with a maximum maturity of 30 days for securities described in sections (1) and (3) above or bonds or other obligations issued by certain New Jersey local governments having a maturity of 397 days or fewer, and meeting other statutory requirements; and (9) deposits of funds initially invested through a public depository meeting the requirements of the Government Unit Deposit Protection Act designated by the school district which arranges for the deposit of the funds in one or more federally insured banks, savings banks, savings and loan associations or credit unions for the account of the school district and meeting other statutory requirements. School districts are required to deposit their funds in interest-bearing bank accounts in banks satisfying certain security requirements set forth in N.J.S.A. 17:9-41 et seq. or invest in permitted investments to the extent practicable, and may invest in bank certificates of deposit.

The Cash Management Fund is governed by regulations of the State Investment Council, a nonpartisan oversight body, and is not permitted to invest in derivatives. The Cash Management Fund is permitted to invest in Government Obligations, Federal Government Agency obligations, certain short-term investment-grade corporate obligations, commercial paper rated "prime," certificates of deposit, repurchase agreements involving Government Obligations and Federal Government Agency obligations and certain other types of instruments. The average maturity of these securities in the Cash Management Fund must be one year or less, and only a quarter of the securities are permitted to mature in as much as two years.

The Board has no investments in derivatives.

SUMMARY OF STATE AID TO SCHOOL DISTRICTS

In 1973, the Supreme Court of the State (the "Court") first ruled in Robinson v. Cahill that the method then used to finance public education principally through property taxation was unconstitutional. Pursuant to the Court's ruling, the State Legislature enacted the Public School Education Act of 1975, N.J.S.A. 18A:7A-1 et seq. (P.L. 1975, c. 212) (the "Public School Education Act") (since amended and partially repealed), which required funding of the State's school aid through the New Jersey Gross Income

Tax Act, P.L. 1976, c. 47, since amended and supplemented, enacted for the purpose of providing property tax relief.

On June 5, 1990, the Court ruled in Abbott v. Burke that the school aid formula enacted under the Public School Education Act was unconstitutional as applied. The Court found that poorer urban school districts were significantly disadvantaged under that school funding formula because school revenues were derived primarily from property taxes. The Court found that wealthy school districts were able to spend more, yet tax less for educational purposes.

Since that time there has been much litigation and many cases affecting the State's responsibilities to fund public education and many legislative attempts to distribute State aid in accordance with the court cases and the constitutional requirement. The cases addressed not only current operating fund aid but also addressed the requirement to provide facilities aid as well. The legislation has included the QEA (now repealed), CEIFA and EFCFA, which became law on July 18, 2000. For many years, aid has simply been determined in the State Budget, which itself is an act of the legislature, based upon amounts provided in prior years. The school funding formula provided in the School Funding Reform Act of 2008, P.L. 2007, c. 260, approved January 1, 2008 (A500), removed the special status given to certain school districts known as Abbott Districts after the school funding cases and instead has funding follow students with certain needs and provides aid in a way that takes into account the ability of the local school district to raise local funds to support the budget in amounts deemed adequate to provide for a thorough and efficient education as required by the State constitution. This legislation was challenged in the Court, and the Court held that the State's then current plan for school aid was a "constitutionally adequate scheme". However, the State continued to underfund certain school districts and to overfund other school districts in its budgets based on the statutory scheme. In its budget process for FY 2019 and with the enactment of P.L. 2018, c. 67, approved July 24, 2018, the State is moving the school districts toward the intent of the statutory scheme by increasing funding for underfunded school districts and decreasing funding for overfunded school districts over the next six (6) years.

Pursuant to Public Law 2018, c.67, signed into law by the Governor of the State on July 24, 2018, the School Funding Reform Act has been modified to adjust the distribution of State aid to school districts in the State ("SFRA Modification Law"). In particular, the SFRA Modification Law revises the School Funding Reform Act so that, after calculating the amount of State aid available per pupil, State aid will be distributed to each school district based on student enrollment. The SFRA Modification Law also eliminates the application of the State aid growth limit and adjustment aid, but includes a transition period for school districts that will receive less State aid. Under the SFRA Modification Law, most school districts that will receive reduced State aid resulting from the revised funding formula will be provided a transition period from the 2019-2020 school year through the 2024-2025 school year during which funding will be reduced. For those school districts where State aid will increase under the SFRA Modification Law, the transition period to increase funding will be one-year.

After over 35 years of litigation, the State provides State aid to school districts of the State in amounts provided in the State Budget each year. These now include equalization aid, educational adequacy aid, special education categorical aid, transportation aid, preschool education aid, school choice aid, security aid, adjustment aid and other aid determined in the discretion of the Commissioner.

State law requires that the State will provide aid for the construction of school facilities in an amount equal to the greater of the district aid percentage or 40% times the eligible costs determined by the Commissioner either in the form of a grant or debt service aid as determined under the EFCFA. The amount of the aid to which a school district is entitled is established prior to the authorization of the project. Grant funding is provided by the State up front and debt service aid must be appropriated annually by the State.

The School District expects to receive debt service aid for the Project. The Commissioner has determined that the full cost of the Project in the amount of \$27,771,503 is eligible for such aid. The State has agreed to pay up to 40% of the debt service on the Bonds each year.

The State reduced debt service aid by fifteen percent (15%) for the fiscal years 2011 through 2019. As a result of the debt service aid reduction for those fiscal years, school districts received eighty-five percent (85%) of the debt service aid that they would have otherwise received. In addition, school districts which received grants under the EFCFA, which grants were financed through the New Jersey Economic Development Authority (the “EDA”), were assessed an amount in their fiscal years 2011 through 2019 budgets representing 15% of the school district’s proportionate share of the principal and interest payments on the outstanding EDA bonds issued to fund such grants.

SUMMARY OF FEDERAL AID TO SCHOOL DISTRICTS

Federal funds are available for certain programs approved by the federal government with allocation decided by the State, which assigns a proportion to each local school district. The Every Student Succeeds Act of 2015, enacted December 10, 2015, is a federal assistance program for which a school district qualifies to receive aid. A remedial enrichment program for children of low income families is available under Chapter 1 Aid. Such federal aid is generally received in the form of block grants. Aid is also provided under the Individuals with Disabilities Education Act although never in the amounts federal law required.

MUNICIPAL FINANCE - FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES

Local Bond Law (N. J. S. A. 40A:2-1 et seq.)

The Local Bond Law governs the issuance of bonds and notes to finance certain general municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects bonded and that bonds be retired in serial installments. A 5% cash down payment is generally required toward the financing of expenditures for municipal purposes subject to a number of exceptions. All bonds and notes issued by the Township are general full faith and credit obligations.

The authorized bonded indebtedness of a municipality for municipal purposes is limited by statute, subject to the exceptions noted below, to an amount equal to 3.5% of its average equalized valuation basis. See “SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT – Debt Limitation (N.J.S.A. 18A:24-19) and Exception to Debt Limitation.”

Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit, including school bonds that do not exceed the school bond borrowing margin and certain debt that may be deemed self-liquidating.

A municipality may exceed its debt limit with the approval of the Local Finance Board, a State regulatory agency (the “Local Finance Board), and as permitted by other statutory exceptions. If all or any part of a proposed debt authorization would exceed its debt limit, the municipality may apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the credit of the municipality or substantially reduce the ability of the municipality to meet its obligations or to provide essential public improvements and services, or if it makes certain other statutory determinations, approval is granted. In addition, debt in excess of the statutory limit may be issued by a municipality to fund certain notes, to provide for self-liquidating purposes, and, in

each fiscal year, to provide for purposes in an amount not exceeding 2/3 of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of utility and assessment obligations).

A municipality may sell short-term “bond anticipation notes” to temporarily finance a capital improvement or project in anticipation of the issuance of bonds if the bond ordinance or a subsequent resolution so provides. A local unit’s bond anticipation notes must mature within one year, but may be renewed or rolled over. Bond anticipation notes, including renewals, must mature and be paid no later than the first day of the fifth month following the close of the tenth fiscal year next following the date of the original notes. For bond ordinances adopted on or after February 3, 2003, notes may only be renewed beyond the third anniversary date of the original notes if a minimum payment equal to the first year’s required principal payment on the bonds is paid to retire a portion of the notes on or before each subsequent anniversary date from funds other than the proceeds of bonds or notes. For bond ordinances adopted prior to February 3, 2003, the governing body may elect to make such minimum principal payment only when the notes are renewed beyond the third and fourth anniversary dates. Generally, bond anticipation notes may not be outstanding for longer than ten (10) years. An additional period may be available following the tenth anniversary date equal to the period from the notes’ maturity to the end of the tenth fiscal year in which the notes mature plus four (4) months in the next following fiscal year from the date of original issuance. Beginning in the third year, the amount of notes that may be issued is decreased by the minimum required for the first year’s principal payment for a bond issue.

Local Budget Law (N. J. S. A. 40A:4-1 et seq.)

The foundation of the State local finance system is the annual cash basis budget. The Township, which operates on a calendar year (January 1 to December 31), must adopt a budget in the form required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the “Division”). Certain items of revenue and appropriation are regulated by law and the proposed budget must be certified by the director of the Division (the “Director”) prior to final adoption. The Local Budget Law requires each local unit to appropriate sufficient funds for payment of current debt service, and the Director is required to review the adequacy of such appropriations, among others, for certification.

Tax Anticipation Notes are limited in amount by law and must be paid off in full within 120 days of the close of the fiscal year.

The Director has no authority over individual operating appropriations, unless a specific amount is required by law, but the review functions focusing on anticipated revenues serve to protect the solvency of all local units.

The cash basis budgets of local units must be in balance, i.e., the total of anticipated revenues must equal the total of appropriations (N.J.S.A. 40A:4-22). If in any year a local unit’s expenditures exceed its realized revenues for that year, then such excess must be raised in the succeeding year’s budget.

The Local Budget Law (N.J.S.A. 40A:4-26) provides that no miscellaneous revenues from any source may be included as an anticipated revenue in the budget in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the Director determines that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and certifies that determination to the local unit.

No budget or budget amendment may be adopted unless the Director shall have previously certified his approval of such anticipated revenues except that categorical grants-in-aid contracts may be included for their face amount with an offsetting appropriation. The fiscal years for such grants rarely coincide with the municipality’s calendar year. However, grant revenue is generally not realized until received in cash.

The same general principle that revenue cannot be anticipated in a budget in excess of that realized in the preceding year applies to property taxes. The maximum amount of delinquent taxes that may be anticipated is limited by a statutory formula, which allows the local unit to anticipate collection at the same rate realized for the collection of delinquent taxes in the previous year. Also, the local unit is required to make an appropriation for a “reserve for uncollected taxes” in accordance with a statutory formula to provide for a tax collection in an amount that does not exceed the percentage of taxes levied and payable in the preceding fiscal year that was received in cash by the last day of that fiscal year. The budget also must provide for any cash deficits of the prior year.

Emergency appropriations (those made after the adoption of the budget and the determination of the tax rate) may be authorized by the governing body of the local unit. However, with minor exceptions, such appropriations must be included in full in the following year’s budget. When such appropriations exceed 3% of the adopted operating budget, consent of the Director must be obtained.

The exceptions are certain enumerated quasi-capital projects (“special emergencies”) such as ice, snow and flood damage to streets, roads and bridges, which may be amortized over three (3) years, and tax map preparation, revaluation programs, revision and codification of ordinances, master plan preparations, and drainage map preparation for flood control purposes, which may be amortized over five (5) years. Emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project.

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between appropriation accounts may be made only during the last two (2) months of the year. Appropriation reserves may also be transferred during the first three (3) months of the year, to the previous year’s budget. Both types of transfers require a 2/3 vote of the full membership of the governing body; however, transfers cannot be made from either the down payment account or the capital improvement fund. Transfers may be made between sub-account line items within the same account at any time during the year, subject to internal review and approval. In a “CAP” budget, no transfers may be made from excluded from “CAP” appropriations to within “CAP” appropriations nor can transfers be made between excluded from “CAP” appropriations.

A provision of law known as the New Jersey “Cap Law” (N.J.S.A. 40A:4-45.1 *et seq.*) imposes limitations on increases in municipal appropriations subject to various exceptions. The payment of debt service is an exception from this limitation. The Cap formula is somewhat complex, but basically, it permits a municipality to increase its overall appropriations by the lesser of 2.5% or the “Index Rate”. The “Index Rate” is the rate of annual percentage increase, rounded to the nearest one-half percent, in the Implicit Price Deflator for State and Local Government purchases of goods and services computed by the U.S. Department of Commerce. Exceptions to the limitations imposed by the Cap Law also exist for other things including capital expenditures; extraordinary expenses approved by the Local Finance Board for implementation of an interlocal services agreement; expenditures mandated as a result of certain emergencies; and certain expenditures for services mandated by law. Counties are also prohibited from increasing their tax levies by more than the lesser of 2.5% or the Index Rate subject to certain exceptions. Municipalities by ordinance approved by a majority of the full membership of the governing body may increase appropriations up to 3.5% over the prior year’s appropriation, and counties by resolution approved by a majority of the full membership of the governing body may increase the tax levy up to 3.5% over the prior year’s tax levy in years when the Index Rate is 2.5% or less.

Legislation constituting P.L. 2010, c. 44, approved July 13, 2010 limits tax levy increases for local units to 2% with exceptions only for capital expenditures including debt service, increases in pension contributions and accrued liability for pension contributions in excess of 2%, certain healthcare increases, extraordinary costs directly related to a declared emergency and amounts approved by a simple majority of voters voting at a special election.

Neither the tax levy limitation nor the “Cap Law” limits, including the provisions of the recent legislation, would limit the obligation of a municipality to levy *ad valorem* taxes upon all taxable real property within a municipality to pay debt service on its bonds or notes.

In accordance with the Local Budget Law, each local unit must adopt and may from time to time amend rules and regulations for capital budgets, which rules and regulations must require a statement of capital undertakings underway or projected for a period not greater than over the next ensuing six (6) years as a general improvement program. The capital budget, when adopted, does not constitute the approval or appropriation of funds, but sets forth a plan of the possible capital expenditures which the local unit may contemplate over the next six (6) years. Expenditures for capital purposes may be made either by ordinances adopted by the governing body setting forth the items and the method of financing or from the annual operating budget if the terms were detailed.

Tax Assessment and Collection Procedure

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income, where appropriate. Current assessments are the results of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners, but it often results in a divergence of the assessment ratio to true value. Because of the changes in property resale values, annual adjustments could not keep pace with the changing values.

Upon the filing of certified adopted budgets by the local unit and the county, the tax rate is struck by the County Board of Taxation based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provision for the assessment of property, the levying of taxes and the collection thereof are set forth in N.J.S.A. 54:4-1 et seq. Special taxing districts are permitted in New Jersey for various special services rendered to the properties located within the special districts.

Tax bills are mailed annually in June by the Tax Collector. The taxes are due August 1 and November 1, respectively, and are adjusted to reflect the current calendar year’s total tax liability. The preliminary taxes due February 1 and May 1 of the succeeding year are based upon one-half of the current year’s total tax.

Tax installments not paid on or before the due date are subject to interest penalties of 8% per annum on the first \$1,500.00 of the delinquency and 18% per annum on any amount in excess of \$1,500.00. These interest penalties are the highest permitted under State statutes. If a delinquency is in excess of \$10,000.00 and remains in arrears after December 31st, an additional penalty of 6% shall be charged. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with New Jersey Statutes.

Tax Appeals

The State Statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. Prior to February 1 in each year, the municipality must mail to each property owner a notice of the current assessment and taxes on the property. The taxpayer has a right to petition the County Board of Taxation on or before April 1 for review. The County Board of Taxation has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the County Board of Taxation, appeal may be made to the Tax Court of New Jersey for further hearing. Some State Tax Court appeals may take several years prior to settlement, and any losses in tax collections from prior years are charged directly to operations.

Local Fiscal Affairs Law (N.J.S.A. 40A:5-1 et seq.)

This law regulates the non-budgetary financial activities of local governments. The chief financial officer of every local unit must file annually, with the Director, a verified statement of the financial condition of the local unit and all constituent boards, agencies or commissions.

An independent examination of each local unit's accounts must be performed annually by a licensed registered municipal accountant. The audit, conforming to the Division of Local Government Services' "Requirements of Audit", includes recommendations for improvement of the local unit's financial procedures and must be filed with the Director. A synopsis of the audit report, together with all recommendations made, must be published in a local newspaper within thirty (30) days of its submission.

FINANCIAL STATEMENTS

Excerpts from the financial statements of the Board for the fiscal year ended June 30, 2019 are presented in Appendix B to this Official Statement (the "Financial Statements"). The Financial Statements have been audited by Lerch, Vinci & Higgins, LLP, Fair Lawn, New Jersey, an independent auditor (the "Board Auditor"), as stated in its report appearing in Appendix B to this Official Statement. See "APPENDIX B – Financial Statements of the Board for the Fiscal Year Ending June 30, 2019". Such Financial Statements are included herein for informational purposes only, and the information contained in the Financial Statements should not be used to modify the description of the Bonds contained herein.

The Board Auditor has not participated in the preparation of this Official Statement except as previously stated.

LITIGATION

To the knowledge of the Board Attorney, Daniel R. Roberts, Esq. of Kenney, Gross, Kovats & Parton, Red Bank, New Jersey (the "Board Attorney") there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Bonds, or the levy or the collection of any taxes to pay the principal of or the interest on the Bonds, or in any manner questioning the authority or the proceedings for the issuance of the Bonds or for the levy or the collection of taxes, or contesting the corporate existence or the boundaries of the Board or the School District or the title of any of the present officers. To the knowledge of the Board Attorney and confirmed by the Acting Board Secretary, no litigation is presently pending or threatened that, in the opinion of the Board Attorney, would have a material adverse impact on the financial condition of the Board if adversely decided. A certificate to such effect will be executed by the Board Attorney and delivered to the Underwriter (as hereinafter defined) of the Bonds at the closing.

TAX MATTERS

Exclusion of Interest on the Bonds From Gross Income for Federal Tax Purposes

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met on a continuing basis subsequent to the issuance of the Bonds in order to assure that interest on the Bonds will be excluded from gross income for federal income tax purposes under Section 103 of the Code. Failure of the Board to comply with such requirements may cause interest on the Bonds to lose the exclusion from gross income for federal income tax purposes, retroactive to the date of issuance of the Bonds. The Board will make certain representations in its Arbitrage and Tax Certificate, which will be executed on the date of issuance of the Bonds, as to various tax requirements. The Board has covenanted

to comply with the provisions of the Code applicable to the Bonds and has covenanted not to take any action or fail to take any action that would cause interest on the Bonds to lose the exclusion from gross income under Section 103 of the Code. Bond Counsel (as defined herein) will rely upon the representations made in the Arbitrage and Tax Certificate and will assume continuing compliance by the Board with the above covenants in rendering its federal income tax opinions with respect to the exclusion of interest on the Bonds from gross income for federal income tax purposes and with respect to the treatment of interest on the Bonds for the purposes of alternative minimum tax.

Assuming the Board observes its covenants with respect to compliance with the Code, McManimon, Scotland & Baumann, LLC, Bond Counsel to the Board ("Bond Counsel"), is of the opinion that, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code, and interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel's legal judgment as to exclusion of interest on the Bonds from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service ("IRS") or any court. Bond Counsel expresses no opinion about (i) the effect of future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and enforcement of the Code or those regulations by the IRS.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Board or the owners of the Bonds regarding the tax status of interest thereon in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Bonds, under current IRS procedures, the IRS will treat the Board as the taxpayer and the beneficial owners of the Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including, but not limited to, selection of the Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market value of the Bonds.

Payments of interest on tax-exempt obligations, including the Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If a Bond owner is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

Original Issue Discount

Certain maturities of the Bonds may be sold at an initial offering price less than the principal amount payable on such Bonds at maturity (the "Discount Bonds"). The difference between the initial public offering price of the Discount Bonds at which a substantial amount of each of the Discount Bonds was sold and the principal amount payable at maturity of each of the Discount Bonds constitutes the original issue discount. Bond Counsel is of the opinion that the appropriate portion of the original issue discount allocable to the original and each subsequent owner of the Discount Bonds will be treated for federal income tax purposes as interest not includable in gross income under Section 103 of the Code to the same extent as stated interest on the Discount Bonds. Under Section 1288 of the Code, the original issue discount on the Discount Bonds accrues on the basis of economic accrual. The basis of an initial purchaser of a Discount Bond acquired at the initial public offering price of the Discount Bonds will be increased by the amount of such accrued discount. Owners of the Discount Bonds should consult their own tax advisors with respect to the determination for federal income tax purposes of the original issue discount properly accruable with respect to the Discount Bonds and the tax accounting treatment of accrued interest.

Original Issue Premium

Certain maturities of the Bonds may be sold at an initial offering price in excess of the amount payable at the maturity date (the "Premium Bonds"). The excess, if any, of the tax basis of the Premium Bonds to a purchaser (other than a purchaser who holds such Premium Bonds as inventory, as stock-in-trade or for sale to customers in the ordinary course of business) over the amount payable at maturity is amortizable bond premium, which is not deductible from gross income for federal income tax purposes. Amortizable bond premium, as it amortizes, will reduce the owner's tax cost of the Premium Bonds used to determine, for federal income tax purposes, the amount of gain or loss upon the sale, redemption at maturity or other disposition of the Premium Bonds. Accordingly, an owner of a Premium Bond may have taxable gain from the disposition of the Premium Bond, even though the Premium Bond is sold, or disposed of, for a price equal to the owner's original cost of acquiring the Premium Bond. Bond premium amortizes over the term of the Premium Bonds under the "constant yield method" described in regulations interpreting Section 1272 of the Code. Owners of the Premium Bonds should consult their own tax advisors with respect to the calculation of the amount of bond premium that will be treated for federal income tax purposes as having amortized for any taxable year (or portion thereof) of the owner and with respect to other federal, state and local tax consequences of owning and disposing of the Premium Bonds.

Bank-Qualification

The Bonds will not be designated as qualified under Section 265 of the Code by the Board for an exemption from the denial of deduction for interest paid by financial institutions to purchase or to carry tax-exempt obligations.

The Code denies the interest deduction for certain indebtedness incurred by banks, thrift institutions and other financial institutions to purchase or to carry tax-exempt obligations. The denial to such institutions of 100% of the deduction for interest paid on funds allocable to tax-exempt obligations applies to those tax-exempt obligations acquired by such institutions after August 7, 1986. For certain issues that are eligible to be designated, and that are designated, by the issuer as qualified under Section 265 of the Code, 80% of such interest may be deducted as a business expense by such institutions.

Additional Federal Income Tax Consequences of Holding the Bonds

Prospective purchasers of the Bonds should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Bonds, may have additional federal income tax consequences for certain taxpayers, including, without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty companies, foreign corporations and certain S corporations.

Bond Counsel expresses no opinion regarding any federal tax consequences other than its opinion with regard to the exclusion of interest on the Bonds from gross income pursuant to Section 103 of the Code and interest on the Bonds not constituting an item of tax preference under Section 57 of the Code. Prospective purchasers of the Bonds should consult their tax advisors with respect to all other tax consequences (including, but not limited to, those listed above) of holding the Bonds.

Changes in Federal Tax Law Regarding the Bonds

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State of New Jersey. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Bonds will not have an adverse effect on the tax status of interest on the Bonds or the market value or marketability of the Bonds.

These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax) or repeal (or reduction in the benefit) of the exclusion of interest on the Bonds from gross income for federal or state income tax purposes for all or certain taxpayers.

State Taxation

Bond Counsel is of the opinion that, based upon existing law, interest on the Bonds and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act.

THE OPINIONS EXPRESSED BY BOND COUNSEL WITH RESPECT TO THE BONDS ARE BASED UPON EXISTING LAWS AND REGULATIONS AS INTERPRETED BY RELEVANT JUDICIAL AND REGULATORY CHANGES AS OF THE DATE OF ISSUANCE OF THE BONDS, AND BOND COUNSEL HAS EXPRESSED NO OPINION WITH RESPECT TO ANY LEGISLATION, REGULATORY CHANGES OR LITIGATION ENACTED, ADOPTED OR DECIDED SUBSEQUENT THERETO. PROSPECTIVE PURCHASERS OF THE BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE POTENTIAL IMPACT OF ANY PENDING OR PROPOSED FEDERAL OR STATE TAX LEGISLATION, REGULATIONS OR LITIGATION.

MUNICIPAL BANKRUPTCY

The undertakings of the Board should be considered with reference to 11 U.S.C. 401 et seq., as amended and supplemented (the “Bankruptcy Code”), and other bankruptcy laws affecting creditors’ rights and municipalities in general. The Bankruptcy Code permits the State or any political subdivision, public agency, or instrumentality that is insolvent or unable to meet its debts to commence a voluntary bankruptcy case by filing a petition with a bankruptcy court for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of petitioner’s creditors; provides that a petition filed under this chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; grants certain priority to debt owed for services or material; and provides that the plan must be accepted in writing by or on behalf of classes of creditors holding at least two-thirds in amount and more than one-half in number of the allowed claims of such class. The Bankruptcy Code specifically does not limit or impair the power of a state to control, by legislation or otherwise, the procedures that a municipality must follow in order to take advantage of the provisions of the Bankruptcy Code.

The Bankruptcy Code provides that special revenue acquired by the debtor after the commencement of the case shall remain subject to any lien resulting from any security agreement entered into by such debtor before the commencement of such bankruptcy case. However, any such lien, other than municipal betterment assessments, shall be subject to the necessary operating expenses of such project or system. Furthermore, the Bankruptcy Code provides that a transfer of property of a debtor to or for the benefit of any holder of a bond or note, on account of such bond or note, may not be avoided pursuant to certain preferential transfer provisions set forth in such Bankruptcy Code.

Reference should also be made to N.J.S.A. 52:27-40 et seq., which provides that a local unit has the power to file a petition in bankruptcy with any United States Court or court in bankruptcy under the provisions of the Bankruptcy Code, for the purpose of effecting a plan of readjustment of its debts or for the composition of its debts; provided, however, the approval of the Municipal Finance Commission must be obtained. The powers of the Municipal Finance Commission have been vested in the Local Finance Board.

Reference to the Bankruptcy Code or the State statute should not create any implication that the Board expects to utilize the benefits of their provisions.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, the issuance, the sale and the delivery of the Bonds are subject to the approval of Bond Counsel to the Board, whose approving legal opinion will be delivered with the Bonds substantially in the form set forth as Appendix C hereto. Certain legal matters may be passed on to the Board for review by the Board Attorney.

PREPARATION OF OFFICIAL STATEMENT

The Board hereby states that the descriptions and statements herein, including the Financial Statements, are true and correct in all material respects, and it will confirm same to the Underwriter (as hereinafter defined) by a certificate signed by the Board President and the Acting Board Secretary.

All other information has been obtained from sources that the Board considers to be reliable, and it makes no warranty, guaranty or other representation with respect to the accuracy and the completeness of such information.

Bond Counsel has neither participated in the preparation of the financial or statistical information contained in this Official Statement, nor have they verified the accuracy, completeness or fairness thereof and, accordingly, expresses no opinion with respect thereto.

RATING

S&P Global Ratings, acting through Standard & Poor's Financial Services LLC (the "Rating Agency"), has assigned a rating of "AA-" to the Bonds based upon the underlying credit of the School District. The Bonds are additionally secured by the Act.

The rating reflects only the views of the Rating Agency and an explanation of the significance of such rating may only be obtained from the Rating Agency at the following address: 55 Water Street, New York, New York 10041. The Board furnished to the Rating Agency certain information and materials concerning the Bonds and the School District. There can be no assurance that the rating will be maintained for any given period of time or that the rating may not be raised, lowered or withdrawn entirely, if in the Rating Agency's judgment, circumstances so warrant. Any downward change in, or withdrawal of, such rating may have an adverse effect on the marketability or market price of the Bonds.

UNDERWRITING

The Bonds have been purchased from the Board at a public sale by _____ (the "Underwriter") at a price of \$_____.

The Underwriter intends to offer the Bonds to the public initially at the offering yields set forth on the front cover of this Official Statement, which may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investments trusts) at yields higher than the public offering yields set forth on the front cover of this Official Statement, and such yields may be changed, from time to time, by the Underwriter without prior notice.

MUNICIPAL ADVISOR

Phoenix Advisors, LLC, Bordentown, New Jersey has served as Municipal Advisor to the Board with respect to the issuance of the Bonds (the “Municipal Advisor”). The Municipal Advisor is not obligated to undertake and has not undertaken, either to make an independent verification of, or to assume responsibility for, the accuracy, completeness or fairness of the information contained in this Official Statement and the appendices hereto. The Municipal Advisor is an independent firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

SECONDARY MARKET DISCLOSURE

Solely for purposes of complying with Rule 15c2-12 of the Securities and Exchange Commission, as amended and interpreted from time to time (the “Rule”), and provided that the Bonds are not exempt from the Rule and provided that the Bonds are not exempt from the following requirements in accordance with paragraph (d) of the Rule, for so long as the Bonds remain outstanding (unless the Bonds have been wholly defeased), the Board shall provide for the benefit of the holders of the Bonds and the beneficial owners thereof:

(a) On or prior to February 1 of each year, beginning February 1, 2021, electronically to the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access (“EMMA”) system or such other repository designated by the SEC to be an authorized repository for filing secondary market disclosure information, if any, annual financial information with respect to the Board consisting of the audited financial statements (or unaudited financial statements if audited financial statements are not then available, which audited financial statements will be delivered when and if available) of the Board and certain financial information and operating data consisting of (1) Board indebtedness; (2) property valuation information; and (3) tax rate, levy and collection data. The audited financial statements will be prepared in accordance with generally accepted accounting principles as modified by governmental accounting standards as may be required by New Jersey law;

(b) if any of the following events occur regarding the Bonds, a timely notice not in excess of ten (10) business days after the occurrence of the event sent to EMMA:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to the rights of holders of the Bonds, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the Board;
- (13) The consummation of a merger, consolidation, or acquisition involving the Board or the sale of all or substantially all of the assets of the Board, other than in the ordinary course of business, the entry into a definitive agreement to undertake such

- an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
 - (15) Incurrence of a Financial Obligation of the Board, if material, or agreement to covenants, events of default, remedies, priority rights or other similar terms of a Financial Obligation, any of which affect holders of the Bonds, if material; and
 - (16) Default, event of acceleration, termination event, modification of terms or other similar events under a Financial Obligation of the Board, if any such event reflects financial difficulties.

The term “Financial Obligation” as used in subparagraphs (b)(15) and (b)(16) above means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation or (iii) guarantee of (i) or (ii); provided, however, that the term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

For the purposes of the event identified in subparagraph (12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Board in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Board, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Board.

Notice of failure of the Board to provide required annual financial information on or before the date specified in the Resolution shall be sent in a timely manner to EMMA.

If all or any part of the Rule ceases to be in effect for any reason, then the information required to be provided under the Resolution, insofar as the provisions of the Rule no longer in effect required the provision of such information, shall no longer be required to be provided.

The Business Administrator/Board Secretary shall determine, in consultation with Bond Counsel, the application of the Rule or the exemption from the Rule for each issue of obligations of the Board prior to their offering. Such officer is authorized to enter into additional written contracts or undertakings to implement the Rule and is further authorized to amend such contracts or undertakings or the undertakings set forth in the Resolution, provided such amendment is, in the opinion of nationally recognized bond counsel, in compliance with the Rule.

In the event that the Board fails to comply with the above-described undertaking and covenants, the Board shall not be liable for any monetary damages, remedy of the beneficial owners of the Bonds being specifically limited in the undertaking to specific performance of the covenants.

The Board has previously entered into continuing disclosure undertakings under the Rule in respect of its own obligations. The Board appointed Phoenix Advisors, LLC, Bordentown, New Jersey in April of 2015 to act as Continuing Disclosure Agent to assist in the filing of certain information on EMMA as required under its obligations.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to Ernest Turner, Acting Board Secretary, 121 Fairview Avenue, Verona, NJ 07044, (973) 571-2029, or to the Municipal Advisor, Phoenix Advisors, LLC, at 625 Farnsworth Avenue, Bordentown, New Jersey 08505, (609) 291-0130.

CERTIFICATE WITH RESPECT TO THE OFFICIAL STATEMENT

At the time of the original delivery of the Bonds, the Board will deliver a certificate of one of its authorized officials to the effect that such official has examined this Official Statement (including the appendices) and the financial and other data concerning the School District contained herein and that, to the best of such official's knowledge and belief, (i) this Official Statement, both as of its date and as of the date of delivery of the Bonds, does not contain any untrue statement of a material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading and (ii) between the date of this Official Statement and the date of delivery of the Bonds there has been no material adverse change in the affairs (financial or otherwise), financial condition or results or operations of the Board except as set forth in or contemplated by this Official Statement.

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement among the Board, the Underwriter and the holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Bonds made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Board since the date hereof. The information contained in this Official Statement is not guaranteed as to accuracy or completeness.

THE BOARD OF EDUCATION OF TOWNSHIP OF VERONA IN THE COUNTY OF ESSEX, NEW JERSEY

By: _____
Ernest Turner,
Acting Board Secretary

Date: February __, 2020

APPENDIX A

**CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION ABOUT THE SCHOOL
DISTRICT AND THE TOWNSHIP OF VERONA**

**CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING
TO THE SCHOOL DISTRICT AND THE TOWNSHIP OF
VERONA, IN THE COUNTY OF ESSEX, STATE OF NEW JERSEY**

Summary

The public school system in the Township of Verona (the “Township” or “Verona”), in the County of Essex (the “County”), State of New Jersey (the “State”) is operated by The Board of Education of the Township of Verona in the County of Essex, New Jersey (the “Board” when referring to the governing body and the “School District” when referring to the territorial boundaries governed thereby), as a Type II School District. It functions independently through a five (5) member board, elected by the voters in staggered three (3) year terms. The Board appoints a Superintendent who is responsible for budgeting, planning and operational functions of the School District. The Board operates a Kindergarten through grade twelve (12) district which houses its students in four (4) elementary schools, one (1) middle school and one (1) high school. These schools includes class rooms with rooms for music, art, sciences, computer studies, a library, multi-purpose rooms, a cafeteria and a gymnasium.

SCHOOL DISTRICT ENROLLMENT

<u>Fiscal Year</u>	<u>Total School District Enrollment</u>
2019-2020	2,247
2018-2019	2,235
2017-2018	2,218
2016-2017	2,197
2015-2016	2,189
2014-2015	2,190
2013-2014	2,193

Staff¹

The Superintendent is the chief administrative officer of the School District. The Business Administrator/Board Secretary oversees the business functions of the Board and reports through the Superintendent to the Board. The School District employs the following staff (Including part-time employees):

Description

Teaching Staff (Instruction)	236
Administration and Administrative Services	32
Student Services	25
Custodial/Maintenance/Transportation	23
Total	316

Labor Relations²

The Board’s contract with the Verona Educational Association which includes teachers, secretaries, aides and custodial workers, expires on June 30, 2021.

¹ Source: Business Administrator/Board Secretary; Board records

² Source: Business Administrator/Board Secretary; Board records

Comparison of General Fund Revenues and Appropriations

	(Budget) Fiscal Year <u>2019-2020</u>	(Actual) Fiscal Year <u>2018-2019</u>	(Actual) Fiscal Year <u>2017-2018</u>	(Actual) Fiscal Year <u>2016-2017</u>
GENERAL FUND				
REVENUES				
Budgeted Fund Balance	\$ 119,785			
Withdrawal from Capital Reserve	114,000			
Local Sources:				
Local Tax Levy	34,250,431	\$ 33,336,868	\$ 31,810,340	\$ 30,966,400
Tuition	80,000	100,020	149,745	182,230
Interest		54,962		
Miscellaneous	200,000	323,089	328,411	180,670
State Sources	<u>1,692,837</u>	<u>1,748,333</u>	<u>1,406,207</u>	<u>1,285,664</u>
TOTAL REVENUES	<u>\$ 36,457,053</u>	<u>\$ 35,563,272</u>	<u>\$ 33,694,703</u>	<u>\$ 32,614,964</u>
APPROPRIATIONS				
Instruction:				
Regular Programs	\$ 12,661,157	\$ 11,657,797	\$ 11,822,376	\$ 11,685,188
Special Education	3,340,823	3,093,533	2,721,766	2,530,185
Basic Skills/Remedial			140,836	143,270
Bilingual Education	49,322	48,109	46,650	75,658
School-Sponsored Co-Curricular Activities	264,992	230,565	238,482	212,907
School-Sponsored Athletic Activities	645,971	557,369	581,912	533,716
Other Instructional Programs	2,000	8,377	1,830	
Undistributed Expenditures:				
Tuition	2,920,458	2,890,777	2,775,591	2,345,858
Health	460,540	443,153	432,650	454,246
Speech, OT, PT, Related Services	1,265,817	1,099,501	798,690	807,782
Guidance	794,333	741,100	646,757	617,907
Child Study Teams	1,031,783	915,749	789,181	771,539
Improvement of Instructional Services	663,429	611,872	631,717	607,869
Educational Media Services - School Library	357,610	338,165	328,953	326,411
General Administration	670,401	750,856	581,707	565,065
School Administration	1,827,233	1,778,866	1,861,335	1,878,394
Central Services	294,683	295,525	341,685	323,481
Administration Info Tech.	330,888	325,882	295,180	299,742
Operation and Maintenance of Plant Services	2,600,072	2,838,672	3,219,883	3,136,439
Student Transportation	776,064	824,404	813,887	767,525
Personnel Services - Employee Benefits	<u>5,384,115</u>	<u>5,058,342</u>	<u>4,854,606</u>	<u>4,677,478</u>
	36,341,691	34,508,614	33,925,674	32,760,660
Capital Outlay	<u>115,362</u>	<u>39,658</u>	<u>26,666</u>	<u>17,904</u>
TOTAL APPROPRIATIONS/EXPENDITURES	<u>\$ 36,457,053</u>	<u>34,548,272</u>	<u>33,952,340</u>	<u>32,778,564</u>
Other Financing Sources		-	-	73,164
Excess (Deficiency) of Revenues Over/(Under) Expenditures and Other Financing Uses		1,015,000	(257,637)	(90,436)
Fund Balance, Beginning of Year		<u>1,197,108</u>	<u>1,454,745</u>	<u>1,545,181</u>
Fund Balance, End of Year		<u>\$ 2,212,108</u>	<u>\$ 1,197,108</u>	<u>\$ 1,454,745</u>

* All years exclude TPAF Pension and Social Security on behalf payments.

School District Debt Limit and Borrowing Margin³

The debt limitation of the School District is established pursuant to N.J.S.A. 18A:24-19. The School District is permitted to incur debt up to four percent (4.0%) of the average equalized valuation of taxable property in the School District before requiring an extension of credit from the Township and the Local Finance Board. The total equalized valuation of real property, including improvements, in the Township for the last three (3) years and the School District's available borrowing margin as of December 31, 2019 (Unaudited) are summarized below:

<u>Year</u>	<u>Amount</u>
2016	\$ 2,374,337,757
2017	2,484,078,077
2018	<u>2,544,137,957</u>
	<u>\$ 7,402,553,791</u>
Average for the Three (3) Year Period	2,467,517,930
School District Borrowing Margin (4.0% of \$2,370,675,399)	98,700,717
School Debt as of December 31, 2019 (Unaudited)	<u>59,261,503</u>
Available School District Borrowing Margin	<u>\$ 39,439,214</u>

COMPUTATION OF SCHOOL AND OVERLAPPING DEBT AS OF DECEMBER 31, 2019 (UNAUDITED)⁴

Debt of School District as of December 31, 2019 (Unaudited)	\$ 59,261,503
Overlapping Debt of School District:	
Township of Verona	31,677,482
County of Essex	13,915,184
Essex County Utilities Authority	<u>899,465</u>
Total School and Overlapping Bonded Debt	<u>\$ 105,753,634</u>

³ Source: The Township of Verona 2019 Annual Debt Statement

⁴ Source: The Township of Verona 2019 Annual Debt Statement

**GENERAL INFORMATION OF THE TOWNSHIP OF VERONA,
IN THE COUNTY OF ESSEX, STATE OF NEW JERSEY**

Size and Geographical Location

Verona, a suburban community, occupies an area of 2.98 square miles and is located in the County, west of the Township of Montclair. It lies largely in a valley located between the first and second mountains of the Watchung range, rising to 600 feet above sea level at each of its four corners and dropping to 348 feet at its center.

The Civic Center lies at nearly the geographic center of the Township, off the north side of Bloomfield Avenue. Around a central green area are found the Middle School, the Verona Library and the Municipal Building. Verona Park, a County Park of 54 acres including a lake, is located east of the center and south of Bloomfield Avenue. A large tract, at the northwest corner of the Township, is County property and is the site for several County facilities.

The Township is located approximately one-half hour from the Newark International Airport and the City of New York.

Governmental Structure

The Township is governed by five Councilmen at Large who are elected by voters for four-year staggered terms. The Council elects one of its members as Mayor and appoints a full-time professional Manager, who functions as Chief Executive Officer and manages the day-to-day operations of the Township.

Transportation

Verona is readily accessible to Route Nos. 3, 23, 46, 80, 280 as well as the Garden State Parkway and the New Jersey Turnpike. The center of New York City is only 30 minutes away and the mountains and lakes of northern New Jersey as well as the shore areas to the south and east are within easy reach. Public transportation is provided by New Jersey Transit and DeCamp Bus Lines.

Utilities

Electrical power and gas services are supplied by the Public Service Electric and Gas Company and telephone service by the Verizon Telephone Co., both under supervision of the State Board of Public Utilities.

The Township owns and operates its own water distribution system and supplies all residents and industries. Purchases of water are made from the Passaic Valley Water Commission, and the Township maintains connections with Essex Fells, West Orange and Cedar Grove to insure supplies for emergency purposes. The Township is currently drilling two wells to supply approximately half of its water needs.

The Township also maintains and operates its own sewer system including a Wastewater Treatment Plant. Located topographically at the lowest point in Verona, the plant has the potential for expansion and accommodates sewage service for adjoining community areas.

Garbage and trash removal are provided twice each week under contract and under the supervision of the Department of Public Works. Recycling is provided by the Township once each week.

Protection

The Police Department consists of approximately 30 police officers and 28 school crossing guards.

Verona is served by a Volunteer Fire Department consisting of 2 companies. The Verona Volunteer Fire Department, when called for action by a coded fire horn and tone activated pager radio system, operates as one unit. This unit has at its disposal the resources of all the surrounding town's fire units when and if needed at a moment's notice. This organization is goal-orientated to serve our community.

Recreation and Park Facilities

A comprehensive recreation program is administered by the Township. It is integrated with the educational program and makes use of all the indoor and athletic field facilities of the school district and the Verona Public Library and several churches in the community. In addition, the Township has a lighted multi-sports complex located at Linn Drive, and maintains a multi-purpose field located at Elmwood and Bloomfield Avenues.

Verona has attractive County parks within and adjoining its borders. At its midway point is the 54 acre landscaped Verona Lake Park which provides tennis courts, children's playgrounds and facilities for boating, fishing and winter ice-skating. On the southeast border is the large Eagle Rock Essex County Reservation. The Township has built a Community Center consisting of a gymnasium, a banquet room, and several meeting rooms as well as some Township offices and a new Fire Station.

This building provides services to Senior Citizens, a clinic for the Health Department and various youth programs. It also houses a state of the art Fire Station and a back-up command center. In the event of an emergency, communication between Fire, Rescue and Police can be utilized from this facility.

Senior Citizens

The Township conducts a comprehensive program of Senior Citizens' services. The program employs a director, a part-time secretary and bus drivers. The center operates a daily mini-bus service for necessary shopping and for Senior Citizen recreational trips. The center provides a varied program of recreational activities, crafts, dancing, aerobics, parties, trips and other activities.

Staff is on hand to provide information to Senior Citizens for all categories of services and assistance available from local merchants, the County, State and federal governments. Senior Citizens are now located at our Community Center providing additional recreation activities.

Population Trends⁵

Population trends for the Township, the County and the State since 1970 are shown below:

	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2018</u>
Township of Verona	14,166	13,597	13,533	13,332	13,420
County of Essex	851,304	778,206	793,633	783,969	799,767
State of New Jersey	7,365,011	7,730,188	8,414,350	8,791,894	8,908,520

⁵ Source: State of New Jersey, Data Center, Census Data and population estimates

Money Income as of 2017⁶

	Median Household Income	Median Family Income	Per Capita Income
Township of Verona	\$ 113,423	\$ 149,394	\$ 55,636
County of Essex	57,365	74,434	35,133
State of New Jersey	73,702	90,757	37,538

Employment and Unemployment Data⁷

The New Jersey Department of Labor reported the following annual average employment information for The Township of Verona, the County of Essex and the State of New Jersey:

	Total Labor Force	Employed Labor Force	Total Unemployed	Unemployment Rate
<u>Township of Verona</u>				
2018	6,951	6,744	207	3.0%
2017	7,007	6,766	241	3.4%
2016	7,056	6,804	252	3.6%
2015	7,126	6,818	308	4.3%
2014	7,219	6,860	359	5.0%
<u>County of Essex</u>				
2018	364,346	345,495	18,851	5.2%
2017	367,390	346,604	20,786	5.7%
2016	367,908	345,779	22,129	6.0%
2015	375,600	350,400	25,200	6.7%
2014	375,900	345,900	30,000	8.0%
<u>State of New Jersey</u>				
2018	4,422,900	4,239,600	183,300	4.1%
2017	4,518,800	4,309,700	209,100	4.6%
2016	4,524,300	4,299,900	224,400	5.0%
2015	4,530,500	4,267,900	262,600	5.8%
2014	4,518,700	4,218,400	300,300	6.6%

⁶ Source: U.S. Census Bureau, 2013 - 2017 American Community Survey 5 Year Estimates

⁷ Source: State of New Jersey Data Center

**STATEMENT OF STATUTORY NET DEBT
FOR THE TOWNSHIP OF VERONA⁸
AS OF DECEMBER 31, 2019 (UNAUDITED)**

GENERAL PURPOSES

Bonds, Loans and Notes Issued and Outstanding	\$ 29,561,082	
Bonds and Notes Authorized but Not Issued	2,116,400	
		\$ 31,677,482

LOCAL SCHOOL

Bonds and Notes Issued and Outstanding	31,490,000	
Bonds and Notes Authorized but Not Issued	27,771,503	
		59,261,503

WATER AND SEWER UTILITY

Bonds and Notes Issued, Outstanding and Authorized		8,134,268
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SWIMMING POOL UTILITY

Bonds Issued and Outstanding		1,867,700
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TOTAL GROSS DEBT 100,940,953

STATUTORY DEDUCTIONS

School Debt	59,261,503	
Water Utility	8,134,268	
Swimming Pool Utility	1,867,700	
		69,263,471

TOTAL NET DEBT \$ 31,677,482

OVERLAPPING DEBT

County of Essex (Note 1)	\$ 13,915,184	
Essex County Utilities Authority (Note 2)	899,465	

TOTAL OVERLAPPING DEBT \$ 14,814,649

GROSS DEBT

Per Capita (2018 - 13420)		\$ 7,522
Percent of Net Valuation Taxable (2019 - \$2,397,145,100)		4.21%
Percent of Estimated True Value of Real Property (2019 - \$2,502,146,702)		4.03%

NET MUNICIPAL DEBT

Per Capita (2018 - 13420)		\$ 2,360
Percent of Net Valuation Taxable (2019 - \$2,397,145,100)		1.32%
Percent of Estimated True Value of Real Property (2019 - \$2,502,146,702)		1.27%

OVERALL DEBT (Gross and Overlapping Debt)

Per Capita (2018 - 13420)		\$ 8,626
Percent of Net Valuation Taxable (2019 - \$2,397,145,100)		4.83%
Percent of Estimated True Value of Real Property (2019 - \$2,502,146,702)		4.63%

Note 1: Overlapping debt was computed based upon the real property ratio of equalized valuations of the Township to all municipalities within the County, as provided in the 2019 Abstract of Ratables published by the Essex County Board of Taxation.
 Note 2: Overlapping debt was computed based upon usage.

⁸ Source: The Township of Verona's 2019 Annual Debt Statement

Largest Taxpayers⁹

The largest taxpayers in the Township and their 2020 assessed valuations are listed below:

<u>Taxpayer</u>	<u>Assessment</u>
Claridge House Two	\$ 113,613,700
Claridge House One	65,860,400
Ardleigh Mews Condominiums	29,097,400
CAM GAR	27,844,800
Diener Family Partnership	27,522,200
Beacon Hill Assoc.	23,467,400
Wedgewood Gardens Condominiums	23,085,300
Hilltop/Cenrose	11,343,500
GAHC3 Verona Mob, LLC	9,896,400
EVI Realty	8,579,700
	<u>\$ 340,310,800</u>

Total as of a % of 2020 Assessed Value **14.21%**

Assessed Valuations/Land and Improvements by Class¹⁰

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartment</u>	<u>Total</u>
2020	\$ 28,663,600	\$ 2,095,427,800	\$ 214,572,800	\$ 6,140,200	\$ 49,048,300	\$ 2,393,852,700
2019 (1)	29,170,800	2,093,324,300	217,876,700	6,140,200	49,048,300	2,395,560,300
2018	27,646,500	1,769,307,600	181,633,100	5,356,600	36,356,900	2,020,300,700
2017	28,968,000	1,765,295,400	185,439,700	5,356,600	36,688,900	2,021,748,600
2016	22,082,000	1,762,365,900	189,831,400	8,367,700	33,738,900	2,016,385,900

Assessed Valuations/Net Valuation Taxable¹¹

<u>Year</u>	<u>Real Property</u>	<u>Business Personal Property</u>	<u>Net Valuation Taxable</u>	<u>Ratio of Assessed Value to True Value of Real Property</u>	<u>Total True Value of Assessed Property</u>
2020	\$ 2,393,852,700	\$ 1,495,000	\$ 2,395,347,700	N/A	N/A
2019 (1)	2,395,560,300	1,584,800	2,397,145,100	96.05%	2,502,146,702
2018	2,020,300,700	1,335,400	2,021,636,100	85.15%	2,506,672,943
2017	2,021,748,600	1,336,300	2,023,084,900	85.01%	2,386,114,382
2016	2,016,385,900	1,366,500	2,017,752,400	87.22%	2,319,650,956

⁹ Township of Verona Tax Assessor

¹⁰ Township of Verona Tax Duplicates

¹¹ Essex County Abstract of Ratables

Components of Real Estate Tax Rate (per \$100 of Assessment)¹²

<u>Year</u>	<u>Total</u>	<u>Municipal</u>	<u>Local School</u>	<u>County</u>
2019 (1)	\$2.77	\$0.70	\$1.56	\$0.51
2018	3.16	0.81	1.76	0.59
2017	3.12	0.79	1.72	0.61
2016	3.07	0.79	1.68	0.60
2015	3.00	0.79	1.64	0.57

(1) - Includes Open Space tax and Garbage District tax

Board Current Tax Collections¹³

<u>Fiscal Year</u> <u>Ending</u> <u>June 30,</u>	<u>Total Levy</u>	<u>Collection During</u> <u>Year of Levy</u>		<u>Collections in</u> <u>Subsequent</u> <u>Years</u>
		<u>Amount</u>	<u>Percentage</u>	
2019	\$36,298,689	\$35,533,689	97.89%	\$765,000
2018	34,694,545	34,694,545	100.00%	N/A
2017	33,837,415	33,837,415	100.00%	N/A
2016	32,855,808	32,855,808	100.00%	N/A
2015	31,859,449	31,859,449	100.00%	N/A

¹² Township of Verona Tax Collector

¹³ Verona Board of Education Comprehensive Annual Financial Report

APPENDIX B

**EXCERPTS FROM FINANCIAL STATEMENTS OF THE BOARD FOR THE
FISCAL YEAR ENDING JUNE 30, 2019**



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
MARK SACO, CPA
SHERYL M. NICOLosi, CPA
ROBERT LERCH, CPA
CHRIS SOHN, 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, 2019 and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements.

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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, 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 Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 4, 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.

By/s/

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

Fair Lawn, New Jersey
December 4, 2019

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, 2019. 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 2018-2019 fiscal year include the following:

- The net position of the Verona Board of Education at the close of the fiscal year was \$1,325,822.
- Overall revenues were \$50,168,290. General revenues accounted for \$37,389,926 or 75% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$12,778,364 or 25% of total revenues.
- The school district had \$48,200,479 in expenses for governmental activities; only \$12,300,767 of the expenses were offset by program specific charges, grants or contributions. General revenues (predominantly property taxes) of \$37,389,926 were adequate to provide funding for these programs.
- As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$1,590,449.
- The General Fund fund balance at June 30, 2019 was \$1,635,531, an increase of \$925,146 when compared with the beginning balance at July 1, 2018.

VERONA BOARD OF EDUCATION

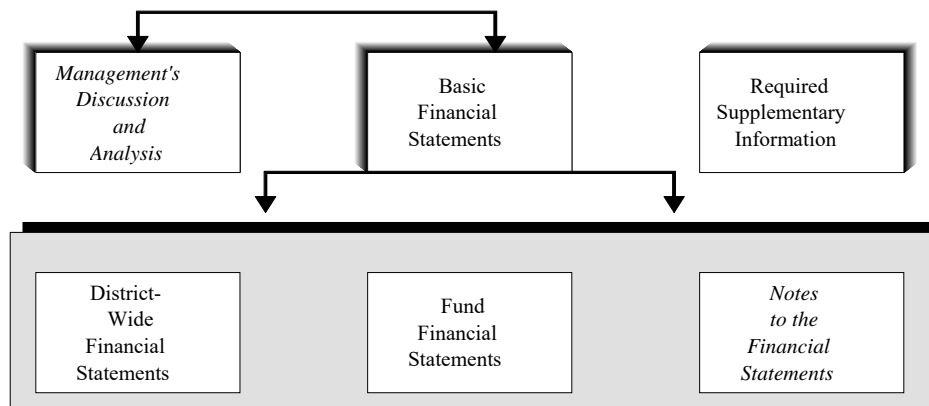
Management's Discussion and Analysis

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, assets and deferred outflows were more than liabilities and deferred inflows by \$1,325,822 as of June 30, 2019. The following schedule summarizes this analysis as of June 30, 2019 and 2018.

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.

VERONA BOARD OF EDUCATION

Management's Discussion and Analysis

Statement of Net Position As of June 30, 2019 and 2018

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Assets						
Current Assets	\$ 2,453,860	\$ 1,962,369	\$ 102,173	\$ 99,486	\$ 2,556,033	\$ 2,061,855
Capital Assets	45,807,985	47,947,971	21,481	21,118	45,829,466	47,969,089
Total Assets	<u>48,261,845</u>	<u>49,910,340</u>	<u>123,654</u>	<u>120,604</u>	<u>48,385,499</u>	<u>50,030,944</u>
Deferred Outflows of Resources						
Deferred Amount on Refunding of Debt	626,940	740,693	-	-	626,940	740,693
Deferred Amounts on Net Pension Liability	1,748,947	2,296,105	-	-	1,748,947	2,296,105
Total Deferred Outflows of Resources	<u>2,375,887</u>	<u>3,036,798</u>	<u>-</u>	<u>-</u>	<u>2,375,887</u>	<u>3,036,798</u>
Total Assets and Deferred Outflows of Resources	<u>50,637,732</u>	<u>52,947,138</u>	<u>123,654</u>	<u>120,604</u>	<u>50,761,386</u>	<u>53,067,742</u>
Liabilities						
Other Liabilities	1,219,057	1,598,445	75,020	83,183	1,294,077	1,681,628
Long-Term Liabilities	45,179,639	49,277,074	-	-	45,179,639	49,277,074
Total Liabilities	<u>46,398,696</u>	<u>50,875,519</u>	<u>75,020</u>	<u>83,183</u>	<u>46,473,716</u>	<u>50,958,702</u>
Deferred Inflows of Resources						
Deferred Amounts on Net Pension Liability	2,961,848	2,284,645	-	-	2,961,848	2,284,645
Total Deferred Inflows of Resources	<u>2,961,848</u>	<u>2,284,645</u>	<u>-</u>	<u>-</u>	<u>2,961,848</u>	<u>2,284,645</u>
Total Liabilities and Deferred Inflows of Resources	<u>49,360,544</u>	<u>53,160,164</u>	<u>75,020</u>	<u>83,183</u>	<u>49,435,564</u>	<u>53,243,347</u>
Net Position:						
Net Investment in Capital Assets	10,804,944	9,954,673	21,481	21,118	10,826,425	9,975,791
Restricted	1,009,444	379,376	-	-	1,009,444	379,376
Unrestricted	(10,537,200)	(10,547,075)	27,153	16,303	(10,510,047)	(10,530,772)
Total Net Position	<u>\$ 1,277,188</u>	<u>\$ (213,026)</u>	<u>\$ 48,634</u>	<u>\$ 37,421</u>	<u>\$ 1,325,822</u>	<u>\$ (175,605)</u>

VERONA BOARD OF EDUCATION

Management's Discussion and Analysis

Changes in Net Position For the Fiscal Years Ended June 30, 2019 and 2018

	Governmental		Business-Type		Total	
	Activities		Activities			
	2019	2018	2019	2018	2019	2018
Revenues						
Program Revenues						
Charges for Services	\$ 100,020	\$ 149,745	\$ 473,351	\$ 402,325	\$ 573,371	\$ 552,070
Operating Grants and Contributions	12,200,747	15,011,500	4,246	4,837	12,204,993	15,016,337
Capital Grants and Contributions					-	-
General Revenues						
Property Taxes	36,298,689	34,694,545			36,298,689	34,694,545
State Aid	664,785	665,025			664,785	665,025
Other	426,452	378,902	-	-	426,452	378,902
Total Revenues	49,690,693	50,899,717	477,597	407,162	50,168,290	51,306,879
Expenses						
Instruction						
Regular	20,050,940	22,664,402			20,050,940	22,664,402
Special Education	8,408,758	8,069,439			8,408,758	8,069,439
Other Instruction	287,218	410,662			287,218	410,662
School Sponsored Activities and Ath.	1,198,893	1,357,579			1,198,893	1,357,579
Support Services						
Student and Instruction Related Serv.	6,029,430	5,770,401			6,029,430	5,770,401
General Administrative Services	1,332,307	805,213			1,332,307	805,213
School Administrative Services	3,038,800	3,425,021			3,038,800	3,425,021
Plant Operations and Maintenance	4,984,804	5,291,293			4,984,804	5,291,293
Pupil Transportation	903,057	901,393			903,057	901,393
Business and Other Support Services	847,372	925,767			847,372	925,767
Food Services			405,585	52,810	405,585	52,810
VSEA			60,799	354,475	60,799	354,475
Interest on Long-Term Debt and Other Chgs	1,118,900	1,176,502	-	-	1,118,900	1,176,502
Total Expenses	48,200,479	50,797,672	466,384	407,285	48,666,863	51,204,957
Change in Net Position	1,490,214	102,045	11,213	(123)	1,501,427	101,922
Net Position Beginning of Year	(213,026)	(315,071)	37,421	37,544	(175,605)	(277,527)
Net Position, End of Year	\$ 1,277,188	\$ (213,026)	\$ 48,634	\$ 37,421	\$ 1,325,822	\$ (175,605)

VERONA BOARD OF EDUCATION

Management's Discussion and Analysis

Governmental Activities. The District's total governmental activities' revenues, which includes State and Federal grants, were \$49,690,693, for the fiscal year ended June 30, 2019. Property taxes of \$36,298,689 represented 73% percent of revenues. Another significant portion of revenues came from State aid; total State, Federal and formula aid was \$12,865,532. Other sources of miscellaneous income includes items such as tuition from other LEAs, interest, rentals, prior year refunds, etc.

The total cost of all governmental activities programs and services was \$48,200,479. The District's expenses are predominantly related to educating and caring for students. Instruction totaled \$29,945,809 (62%) of total expenditures. Student and instruction related support services, total \$6,029,430 or (12%) of total expenditures.

Total governmental activities revenues surpassed expenses and transfers out increasing net position \$1,490,214 from the previous year.

Total and Net Cost of Governmental Activities. The District's total cost of services was \$48,200,479. After applying program revenues, derived from charges for services of \$100,020 and operating grants and contributions of \$12,200,747 the net cost of services of the District is \$35,899,712.

Total and Net Cost of Governmental Activities

	<u>Total Cost of</u> <u>Services</u>		<u>Net Cost</u> <u>of Services</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Instruction				
Regular	\$ 20,050,940	\$ 22,664,402	\$ 13,794,424	\$ 14,073,398
Special Education	8,408,758	8,069,439	5,273,601	4,804,015
Other Instruction	287,218	410,662	65,094	230,929
School Sponsored Activities and Athletics	1,198,893	1,357,579	976,595	1,023,590
Support Services				
Student and Instruction Related Svcs.	6,029,430	5,770,401	5,141,219	4,599,656
General Administrative Services	1,332,307	805,213	911,120	643,829
School Administrative Services	3,038,800	3,425,021	2,353,388	2,416,839
Plant Operations and Maintenance	4,984,804	5,291,293	4,749,166	5,052,225
Pupil Transportation	903,057	901,393	778,340	842,764
Business and Other Support Services	847,372	925,767	737,865	772,680
Interest on Long-Term Debt	1,118,900	1,176,502	1,118,900	1,176,502
	<u>1,118,900</u>	<u>1,176,502</u>	<u>1,118,900</u>	<u>1,176,502</u>
Total	<u>\$ 48,200,479</u>	<u>\$ 50,797,672</u>	<u>\$ 35,899,712</u>	<u>\$ 35,636,427</u>

VERONA BOARD OF EDUCATION

Management’s Discussion and Analysis

Business-Type Activities – The District’s total business-type activities revenues were \$477,597 for the fiscal year ended June 30, 2019. 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 \$466,384. 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 \$11,213 from the previous year.

FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

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

Governmental Funds

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,704,383. At June 30, 2018 the fund balance was \$739,838.

Revenues for the District’s governmental funds were \$45,877,154 while total expenditures were \$44,912,639.

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, 2019</u>	Fiscal Year Ended <u>June 30, 2018</u>	Amount of Increase <u>(Decrease)</u>	Percent Increase <u>(Decrease)</u>
Local Sources:				
Property Taxes	\$ 33,336,868	\$ 31,810,340	\$ 1,526,528	4.80%
Tuition	100,020	149,745	(49,725)	-33.21%
Miscellaneous	378,051	328,411	49,640	15.12%
State Sources	<u>7,392,391</u>	<u>6,358,303</u>	<u>1,034,088</u>	16.26%
 Total General Fund Revenues	 <u>\$ 41,207,330</u>	 <u>\$ 38,646,799</u>	 <u>\$ 2,560,531</u>	 <u>6.63%</u>

Local property taxes increased 4.8% over the previous year. This includes the District’s additional spending proposals approved at the November 2018 election that increased the tax levy \$765,000. State aid revenues increased in excess of \$1,034,088. This increase is attributed primarily to an increased TPAF pension contribution and additional state aid awarded to the District.

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, 2019</u>	Fiscal Year Ended <u>June 30, 2018</u>	Amount of Increase <u>(Decrease)</u>	Percent Increase <u>(Decrease)</u>
Instruction	\$ 25,935,505	\$ 25,222,906	\$ 712,599	2.83%
Support Services	13,928,796	13,093,132	835,664	6.38%
Debt Service	386,739	600,973	(214,234)	-35.65%
Capital Outlay	<u>31,144</u>	<u>25,304</u>	<u>5,840</u>	0.00%
 Total Expenditures	 <u>\$ 40,282,184</u>	 <u>\$ 38,942,315</u>	 <u>\$ 1,339,869</u>	 <u>3.44%</u>

Total General Fund expenditures increased \$1,339,869 or more than 3% from the previous year.

In 2018-2019 General Fund expenditures and other financing uses exceeded revenues and other financing sources by \$925,146. As a result, total fund balance increased to \$1,635,531 at June 30, 2019. After deducting statutory transfers and reserves, the unassigned fund balance decreased from \$339,755 at June 30, 2018 to \$323,440 at June 30, 2019.

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 \$994,817 for the fiscal year ended June 30, 2019. Federal sources accounted for the majority of Special Revenue Fund's revenue which represented 74% of the total revenue for the year.

Total Special Revenue Fund revenues increased \$60,681 from the previous year.

Expenditures of the Special Revenue Fund were \$994,817. Instructional expenditures were \$857,422 or 86% of total expended for the fiscal year ended June 30, 2019.

Capital Projects Fund – The capital project expenditures and other financing uses exceeded revenues by \$69,248 decreasing fund balance to a deficit of \$51,868 at June 30, 2019. The cancellation of a prior year SDA accounts receivable accounted for the majority of the decrease.

Proprietary Funds

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

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

VERONA BOARD OF EDUCATION

Management's Discussion and Analysis

GENERAL FUND BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS

The District's investment in capital assets for its governmental and business type activities as of June 30, 2019 amounts to \$45,829,466 (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 2018-2019 amounted to \$2,171,130 for governmental activities and \$6,226 for business-type activities.

Capital Assets at June 30, 2019 and 2018 (Net of Accumulated Depreciation)

	Governmental		Business-Type		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land	\$ 1,679,937	\$ 1,679,937			\$ 1,679,937	\$ 1,679,937
Improvements Other Than Buildings	5,929,394	6,270,294			5,929,394	6,270,294
Buildings	37,874,932	39,604,092			37,874,932	39,604,092
Machinery and Equipment	<u>323,722</u>	<u>393,648</u>	<u>\$ 21,481</u>	<u>\$ 21,118</u>	<u>345,203</u>	<u>414,766</u>
Total Capital Assets	<u>\$ 45,807,985</u>	<u>\$ 47,947,971</u>	<u>\$ 21,481</u>	<u>\$ 21,118</u>	<u>\$ 45,829,466</u>	<u>\$ 47,969,089</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 \$1,623,544, bonds payable net of unamortized premium of \$33,452,375, capital leases/lease purchase agreements payable of \$2,284,684, net pension liability - Public Employees Retirement System of \$7,682,251 and net pension liability – Essex County of \$136,785 for a total of \$45,179,639.

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, 2019 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 2019/2020 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 2019-2020. Budgeted expenditures in the General Fund increased \$2,057,666 to \$36,457,053 in fiscal year 2019-2020.

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.

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BASIC FINANCIAL STATEMENTS

**VERONA BOARD OF EDUCATION
STATEMENT OF NET POSITION
AS OF JUNE 30, 2019**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 1,416,604	\$ 94,687	\$ 1,511,291
Restricted Cash with Fiscal Agents	4		4
Investments	110,449		110,449
Receivables, net			
Receivables from Other Governments	931,563	212	931,775
Internal Balance	(4,760)	4,760	-
Inventory		2,514	2,514
Capital Assets			
Not Being Depreciated	1,679,937		1,679,937
Being Depreciated, net	<u>44,128,048</u>	<u>21,481</u>	<u>44,149,529</u>
Total Assets	<u>48,261,845</u>	<u>123,654</u>	<u>48,385,499</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amount on Refunding of Debt	626,940		626,940
Deferred Amounts on Net Pension Liability	<u>1,748,947</u>	<u>-</u>	<u>1,748,947</u>
Total Deferred Outflows of Resources	<u>2,375,887</u>	<u>-</u>	<u>2,375,887</u>
Total Assets and Deferred Outflows of Resources	<u>50,637,732</u>	<u>123,654</u>	<u>50,761,386</u>
LIABILITIES			
Accounts Payable and Other Liabilities	97,943	2,468	100,411
Intergovernmental Payable	52,267		52,267
Accrued Interest Payable	355,646		355,646
Unearned Revenue	213,201	72,552	285,753
Grant Anticipation Note Payable	500,000		500,000
Noncurrent Liabilities			
Due Within One Year	2,714,137		2,714,137
Due Beyond One Year	<u>42,465,502</u>	<u>-</u>	<u>42,465,502</u>
Total Liabilities	<u>46,398,696</u>	<u>75,020</u>	<u>46,473,716</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Amounts on Net Pension Liability	<u>2,961,848</u>	<u>-</u>	<u>2,961,848</u>
Total Liabilities and Deferred Inflows of Resources	<u>49,360,544</u>	<u>75,020</u>	<u>49,435,564</u>
NET POSITION			
Net Investment in Capital Assets	10,804,944	21,481	10,826,425
Restricted for:			
Capital Projects	570,381		570,381
Debt Service	8,083		8,083
Other Purposes	430,980		430,980
Unrestricted	<u>(10,537,200)</u>	<u>27,153</u>	<u>(10,510,047)</u>
Total Net Position	<u>\$ 1,277,188</u>	<u>\$ 48,634</u>	<u>\$ 1,325,822</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, 2019**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		<u>Total</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
Governmental Activities:							
Instruction							
Regular	\$ 20,050,940	\$ 100,020	\$ 6,156,496		\$ (13,794,424)		\$ (13,794,424)
Special Education	8,408,758		3,135,157		(5,273,601)		(5,273,601)
Other Instruction	287,218		222,124		(65,094)		(65,094)
School Sponsored Activities and Athletics	1,198,893		222,298		(976,595)		(976,595)
Support Services							
Student and Instruction Related Services	6,029,430		888,211		(5,141,219)		(5,141,219)
General Administrative Services	1,332,307		421,187		(911,120)		(911,120)
School Administrative Services	3,038,800		685,412		(2,353,388)		(2,353,388)
Plant Operations and Maintenance	4,984,804		235,638		(4,749,166)		(4,749,166)
Pupil Transportation	903,057		124,717		(778,340)		(778,340)
Business and Other Support Services	847,372		109,507		(737,865)		(737,865)
Interest on Long-Term Debt and Other Charges	<u>1,118,900</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,118,900)</u>	<u>-</u>	<u>(1,118,900)</u>
 Total Governmental Activities	<u>48,200,479</u>	<u>100,020</u>	<u>12,200,747</u>	<u>-</u>	<u>(35,899,712)</u>	<u>-</u>	<u>(35,899,712)</u>
Business-Type Activities:							
VSEA	60,799	67,087				\$ 6,288	6,288
Food Service	<u>405,585</u>	<u>406,264</u>	<u>4,246</u>	<u>-</u>	<u>-</u>	<u>4,925</u>	<u>4,925</u>
 Total Business-Type Activities	<u>466,384</u>	<u>473,351</u>	<u>4,246</u>	<u>-</u>	<u>-</u>	<u>11,213</u>	<u>11,213</u>
 Total Primary Government	<u>\$ 48,666,863</u>	<u>\$ 573,371</u>	<u>\$ 12,204,993</u>	<u>\$ -</u>	<u>(35,899,712)</u>	<u>11,213</u>	<u>(35,888,499)</u>

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

EXHIBIT A-2

**VERONA BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Total Primary Government (Carried Forward)	\$ (35,899,712)	\$ 11,213	\$ (35,888,499)
General Revenues and Transfers			
Taxes:			
Property Taxes, Levied for General Purposes	33,336,868		33,336,868
Taxes Levied for Debt Service	2,961,821		2,961,821
State Aid Restricted for Debt Service	664,785		664,785
Investment Earnings	58,678		58,678
Miscellaneous Income	<u>367,774</u>	<u>-</u>	<u>367,774</u>
Total General Revenues and Transfers	<u>37,389,926</u>	<u>-</u>	<u>37,389,926</u>
Change in Net Position	1,490,214	11,213	1,501,427
Net Position Beginning of Year	<u>(213,026)</u>	<u>37,421</u>	<u>(175,605)</u>
Net Position End of Year	<u>\$ 1,277,188</u>	<u>\$ 48,634</u>	<u>\$ 1,325,822</u>

FUND FINANCIAL STATEMENTS

VERONA BOARD OF EDUCATION
 GOVERNMENTAL FUNDS
 BALANCE SHEET
 AS OF JUNE 30, 2019

	<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	\$ 812,959	\$ 211,258	\$ 392,387		\$ 1,416,604
Restricted Cash with Fiscal Agents			4		4
Investments			110,449		110,449
Receivables, Net					
Receivables From Other Governments	831,664	99,899			931,563
Due from Other Funds	<u>47,922</u>	<u>-</u>	<u>-</u>	\$ 53,489	<u>101,411</u>
 Total Assets	 <u>\$ 1,692,545</u>	 <u>\$ 311,157</u>	 <u>\$ 502,840</u>	 <u>\$ 53,489</u>	 <u>\$ 2,560,031</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 51,754	\$ 46,189			\$ 97,943
Due to Other Funds	4,760		\$ 54,708	\$ 46,703	106,171
Payable to State Governments		52,267			52,267
Grant Anticipation Notes Payable			500,000		500,000
Unearned Revenue	<u>500</u>	<u>212,701</u>	<u>-</u>	<u>-</u>	<u>213,201</u>
 Total Liabilities	 <u>57,014</u>	 <u>311,157</u>	 <u>554,708</u>	 <u>46,703</u>	 <u>969,582</u>
Fund Balances					
Restricted					
Capital Reserve	456,381				456,381
Capital Reserve Designated for Subsequent Years Budget	114,000				114,000
Maintenance Reserve	150,000				150,000
Legally Restricted - Unexpended Additional Spending Proposal	280,980				280,980
Excess Surplus	120,000				120,000
Capital Projects			(53,165)		(53,165)
Debt Service			1,297	6,786	8,083
Committed					
Encumbrances	70,945				70,945
Assigned					
Designated for Subsequent Year's Budget	119,785				119,785
Unassigned	<u>323,440</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>323,440</u>
 Total Fund Balances	 <u>1,635,531</u>	 <u>-</u>	 <u>(51,868)</u>	 <u>6,786</u>	 <u>1,590,449</u>
 Total Liabilities and Fund Balances	 <u>\$ 1,692,545</u>	 <u>\$ 311,157</u>	 <u>\$ 502,840</u>	 <u>\$ 53,489</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 \$69,702,478 and the accumulated depreciation is \$23,894,493.					
					45,807,985
The District has financed capital assets through the issuance of serial bonds. The interest accrual at year end is:					
					(355,646)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 2A)					
					(45,179,639)
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.					
					626,940
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			\$ 4,863		
Deferred Outflows of Resources- Public Employees' Retirement System			1,744,084		
Deferred Inflows of Resources - Public Employees' Retirement System			<u>(2,961,848)</u>		
					<u>(1,212,901)</u>
Net Position of Governmental Activities (Exhibit A-1)					<u>\$ 1,277,188</u>

VERONA BOARD OF EDUCATION
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total
REVENUES					
Local Sources					
Property Tax Levy	\$ 33,336,868			\$ 2,961,821	\$ 36,298,689
Tuition	100,020				100,020
Interest	54,961		\$ 3,717		58,678
Miscellaneous	<u>323,090</u>	<u>\$ 91,502</u>	<u>44,684</u>	<u>-</u>	<u>459,276</u>
Total - Local Sources	33,814,939	91,502	48,401	2,961,821	36,916,663
State Sources	7,392,391	164,690		664,785	8,221,866
Federal Sources	<u>-</u>	<u>738,625</u>	<u>-</u>	<u>-</u>	<u>738,625</u>
Total Revenues	<u>41,207,330</u>	<u>994,817</u>	<u>48,401</u>	<u>3,626,606</u>	<u>45,877,154</u>
EXPENDITURES					
Current					
Regular Instruction	17,430,344	152,366			17,582,710
Special Education Instruction	7,383,015	509,100			7,892,115
Other Instruction	81,311	195,956			277,267
School Sponsored Activities and Athletics	1,040,835				1,040,835
Support Services					
Student and Instruction Related Services	5,478,238	116,919			5,595,157
General Administrative Services	1,150,435				1,150,435
School Administrative Services	2,618,591				2,618,591
Plant Operations and Maintenance	3,017,648		113,934		3,131,582
Pupil Transportation	871,547	20,476			892,023
Business and Other Support Services	792,337				792,337
Debt Service					
Principal	325,875			2,315,000	2,640,875
Interest	60,864			1,320,638	1,381,502
Capital Outlay	<u>31,144</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,144</u>
Total Expenditures	<u>40,282,184</u>	<u>994,817</u>	<u>113,934</u>	<u>3,635,638</u>	<u>45,026,573</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>925,146</u>	<u>-</u>	<u>(65,533)</u>	<u>(9,032)</u>	<u>850,581</u>
OTHER FINANCING SOURCES (USES)					
Transfers In			-	3,715	3,715
Transfers Out	<u>-</u>	<u>-</u>	<u>(3,715)</u>	<u>-</u>	<u>(3,715)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(3,715)</u>	<u>3,715</u>	<u>-</u>
Net Change in Fund Balances	925,146	-	(69,248)	(5,317)	850,581
Fund Balance, Beginning of Year	<u>710,385</u>	<u>-</u>	<u>17,380</u>	<u>12,103</u>	<u>739,868</u>
Fund Balance, End of Year	<u>\$ 1,635,531</u>	<u>\$ -</u>	<u>\$ (51,868)</u>	<u>\$ 6,786</u>	<u>\$ 1,590,449</u>

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, 2019**

Total Net Change in Fund Balances - Governmental Funds (Exhibit B-2) \$ 850,581

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	\$ (2,171,130)	
Capital Outlay	<u>31,144</u>	(2,139,986)

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)

2,640,875

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	(31,834)
------------------------------------	----------

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	356,057
Amortization of Deferred Amount on Refunding of Debt	(113,753)

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	(53,065)
Increase in Pension Expense- Essex County	(38,959)

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>20,298</u>
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Change in Net Position of Governmental Activities (Exhibit A-2) **\$ 1,490,214**

**VERONA BOARD OF EDUCATION
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
AS OF JUNE 30, 2019**

	Business-Type Activities		
	Enterprise Fund		
	Food Services	Other Non-Major (VSEA)	Total
ASSETS			
Current Assets			
Cash	\$ 12,749	\$ 81,938	\$ 94,687
Intergovernmental Receivable			
Federal	212		212
Due from Other Funds	4,760		4,760
Inventories	<u>2,514</u>	<u>-</u>	<u>2,514</u>
Total Current Assets	<u>20,235</u>	<u>81,938</u>	<u>102,173</u>
Capital Assets			
Machinery and Equipment	329,291		329,291
Less: Accumulated Depreciation	<u>(307,810)</u>	<u>-</u>	<u>(307,810)</u>
Total Capital Assets, Net	<u>21,481</u>	<u>-</u>	<u>21,481</u>
Total Assets	<u>41,716</u>	<u>81,938</u>	<u>123,654</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	2,468		2,468
Unearned Revenue	<u>12,907</u>	<u>59,645</u>	<u>72,552</u>
Total Current Liabilities	<u>15,375</u>	<u>59,645</u>	<u>75,020</u>
NET POSITION			
Investment in Capital Assets	21,481		21,481
Unrestricted	<u>4,860</u>	<u>22,293</u>	<u>27,153</u>
Total Net Position	<u>\$ 26,341</u>	<u>\$ 22,293</u>	<u>\$ 48,634</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, 2019**

	Business-Type Activities		
	Enterprise Fund		
	Food Services	Other Non-Major (VSEA)	Total
OPERATING REVENUES			
Charges for Services			
Daily Sales	\$ 406,264		\$ 406,264
Program Fees	-	\$ 67,087	67,087
	<u>406,264</u>	<u>67,087</u>	<u>473,351</u>
Total Operating Revenues			
	<u>406,264</u>	<u>67,087</u>	<u>473,351</u>
OPERATING EXPENSES			
Salaries and Wages	154,874	54,580	209,454
Food Costs	166,788		166,788
Other Expenses	29,386	6,219	35,605
Insurance	20,687		20,687
Miscellaneous	310		310
Depreciation Expense	6,226		6,226
Administrative and Management Fees	27,314	-	27,314
	<u>405,585</u>	<u>60,799</u>	<u>466,384</u>
Total Operating Expenses			
	<u>405,585</u>	<u>60,799</u>	<u>466,384</u>
Operating Income (Loss)	<u>679</u>	<u>6,288</u>	<u>6,967</u>
NONOPERATING REVENUES			
Federal Sources			
Special Milk Program	4,246	-	4,246
	<u>4,246</u>	<u>-</u>	<u>4,246</u>
Total Nonoperating Revenues			
	<u>4,246</u>	<u>-</u>	<u>4,246</u>
Income (Loss) Before Transfers	4,925	6,288	11,213
Transfer In	-	-	-
Change in Net Position	4,925	6,288	11,213
Net Position, Beginning of Year	<u>21,416</u>	<u>16,005</u>	<u>37,421</u>
Net Position, End of Year	<u>\$ 26,341</u>	<u>\$ 22,293</u>	<u>\$ 48,634</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, 2019**

	Business-Type Activities		
	Enterprise Fund		
	Food Services	Other Non-Major (VSEA)	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers	\$ 403,459	\$ 59,261	\$ 462,720
Cash Payments for Employees' Salaries and Benefits	(154,874)	(54,580)	(209,454)
Cash Payments to Suppliers for Goods and Services	<u>(238,626)</u>	<u>(6,219)</u>	<u>(244,845)</u>
Net Cash Provided (Used) By Operating Activities	<u>9,959</u>	<u>(1,538)</u>	<u>8,421</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of Capital Assets	<u>(6,589)</u>	<u>-</u>	<u>(6,589)</u>
Net Cash (Used) by Capital and Financing Related Activities	<u>(6,589)</u>	<u>-</u>	<u>(6,589)</u>
Net Change in Cash and Cash Equivalents	3,370	(1,538)	1,832
Cash and Cash Equivalents, Beginning of Year	<u>9,379</u>	<u>83,476</u>	<u>92,855</u>
Cash and Cash Equivalents, End of Year	<u>\$ 12,749</u>	<u>\$ 81,938</u>	<u>\$ 94,687</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) FOR OPERATING ACTIVITIES			
Operating Income (Loss)	<u>\$ 679</u>	<u>\$ 6,288</u>	<u>\$ 6,967</u>
Adjustments to Reconcile Operating Income to Net Cash Used for Operating Activities			
Depreciation	6,226		6,226
Change in Assets and Liabilities			
(Increase)/Decrease in Inventory	1,888		1,888
(Increase)/Decrease in Other Accounts Receivable	1,503		1,503
Increase/(Decrease) in Accounts Payable	2,468		2,468
Increase/(Decrease) in Unearned Revenue	<u>(2,805)</u>	<u>(7,826)</u>	<u>(10,631)</u>
Total Adjustments	<u>9,280</u>	<u>(7,826)</u>	<u>1,454</u>
Net Cash Provided (Used) By Operating Activities	<u>\$ 9,959</u>	<u>\$ (1,538)</u>	<u>\$ 8,421</u>

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

**VERONA BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2019**

	<u>Private Purpose Trust Fund</u>	<u>Unemployment Insurance Trust Fund</u>	<u>Agency Fund</u>
ASSETS			
Cash and Cash Equivalents	\$ 10,000	\$ 22,078	\$ 225,664
Due from Other Funds	<u>-</u>	<u>-</u>	<u>41,435</u>
Total Assets	<u>10,000</u>	<u>22,078</u>	<u>\$ 267,099</u>
LIABILITIES			
Accrued Salaries and Wages			\$ 1,918
Payroll Deductions and Withholdings			79,446
Reserve for Flexible Spending			44,189
Due to Student Groups			141,546
Due to Other Funds	<u>-</u>	<u>22,078</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>22,078</u>	<u>\$ 267,099</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, 2019**

	<u>Private Purpose Trust Fund</u>	<u>Unemployment Insurance Trust Fund</u>
ADDITIONS		
Contributions		
Donations		
Employee	-	\$ 56,775
	<hr/>	<hr/>
Total Additions	-	56,775
	<hr/>	<hr/>
DEDUCTIONS		
Unemployment Claims	-	56,775
	<hr/>	<hr/>
Total Deductions	-	56,775
	<hr/>	<hr/>
Change in Net Position	-	-
Net Position Beginning of Year	\$ 10,000	-
	<hr/>	<hr/>
Net Position, End of Year	\$ 10,000	\$ -
	<hr/> <hr/>	<hr/> <hr/>

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

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NOTES TO THE FINANCIAL STATEMENTS

**VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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 2019, the District adopted the following GASB statements:

- GASB No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. 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.

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.

**VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards (Continued)

- 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. 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.

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.

**VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

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.

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 District's 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.

**VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

Fund Financial Statements (Continued)

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.

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.

**VERONA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

**VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 arises only under the accrual basis of accounting that qualifies for reporting in this category. The item that qualifies for reporting in this category is the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the district-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; and (4) changes in proportion and differences between employer contributions and proportionate share of contributions. These amounts are deferred and amortized over future years.

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 accumulated vacation 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 and proprietary fund types in the fund 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.

VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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.

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).

Capital Reserve - Designated for Subsequent Year's Budget – This designation was created to dedicate the portion of capital reserve fund balance appropriated in the adopted 2019/2020 District budget certified for taxes.

VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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)

Restricted Fund Balance (Continued)

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).

Legally Restricted – Unexpended Additional Spending Proposal – This restriction was created in accordance with NJAC 6A:23A-12.13(a)11 to represent the unexpended proceeds of separate spending proposals approved by the voters in November 2018.

Excess Surplus – This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2019 audited excess surplus that is required to be appropriated in the 2020/2021 original budget certified for taxes.

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.

Committed Fund Balance – Amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

Encumbrances – Represents outstanding purchase orders at year end for contracts awarded by formal action of the Board of Trustee's for specific purposes from available resources of the current year for which the goods and materials have not yet been received or the services have not yet been rendered at June 30.

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

Designated for Subsequent Year's Budget – This designation was created to dedicate the portion of fund balance appropriated in the adopted 2019/2020 District budget certified for taxes.

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

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.

**VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 of Education 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 school district 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.

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 2017-2018 and 2018-2019 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.

**VERONA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Revenues and Expenditures/Expenses (Continued)

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

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

NOTE 2 RECONCILIATION OF DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

Bonds Payable	\$ (31,490,000)
Issuance Premium (to be amortized over life of debt)	(1,962,375)
Capital Leases/Lease Purchase Agreements	(2,284,684)
Compensated Absences Payable	(1,623,544)
Net Pension Liability	
Public Employees' Retirement System	(7,682,251)
Employees Pension Fund of Essex County	<u>(136,785)</u>
Net Adjustment to Reduce Fund Balance - Total Governmental Funds to Arrive at Net Position - Governmental Activities	<u>\$ (45,179,639)</u>

**VERONA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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:

Principal Repayments:	
General Obligation Bonds	\$ 2,315,000
Capital Lease/Lease Purchase Agreements	<u>325,875</u>
Net Adjustment to Increase Net Changes in Fund Balances - Total	
Governmental Funds to Arrive at Changes in Net Position of	
Governmental Activities	<u>\$ 2,640,875</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. Districts that have their school board members elected in November do not have to submit their budgets that meet levy cap requirements for voter approval. Only a school board decision to exceed the tax levy cap would require voter approval for the additional amount on the November ballot. On November 6, 2018 the voters of the Township of Verona approved two ballot questions for the expansion of the existing Kindergarten program (\$215,000) and for the expansion of the District’s Mental Health Program (\$550,000). The property tax levy will be increased by \$765,000 for these program costs.

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 2018/2019. Also, during 2018/2019 the Board increased the original General Fund budget by \$1,022,946, and the Special Revenue budget by \$104,616. The increase was funded by additional property taxes, state aid, grant awards and the appropriation of maintenance reserve funds. On August 28, 2018, the Board authorized and approved the withdrawal of \$81,097 from the maintenance reserve.

**VERONA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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			
Capital Outlay			
Facilities Acquisition			
Land and Improvements	<u>\$-0-</u>	<u>\$ 26,221</u>	<u>\$26,221</u>
Special Revenue Fund			
Instruction			
Salaries of Teachers	<u>\$149,000</u>	<u>\$170,031</u>	<u>\$21,031</u>

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, 2019**

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Capital Reserve (Continued)

The activity of the capital reserve for the fiscal year ended June 30, 2019 is as follows:

Balance, July 1, 2018	\$ 268,796
Increases:	
Deposits Approved by Board Resolution	<u>301,585</u>
Balance, June 30, 2019	<u>\$ 570,381</u>

\$114,000 of the capital reserve balance at June 30, 2019 was designated and appropriated for use in the 2019/2020 original budget certified for taxes.

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, 2019 is as follows:

Balance, July 1, 2018	\$ 81,097
Increased by:	
Deposits Approved by Board Resolution	<u>150,000</u>
	231,097
Decreased by:	
Withdrawal Approved by Board Resolution	<u>81,097</u>
Balance, June 30, 2019	<u>\$ 150,000</u>

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, 2019**

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, 2019 is \$120,000. This amount will be appropriated in the 2020/2021 original budget certified for taxes.

F. Deficit Fund Equity

The District has an accumulated deficit in fund balance of \$51,868 in the Capital Projects Fund as of June 30, 2019. This deficit is the result of the School Development Authority's (SDA) cancellation of grants relating to certain projects authorized by the 2014 referendum. The Board has budgeted a withdrawal from Capital Reserve in the 2019/20 budget to eliminate this deficit.

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, 2019, the book value of the Board's deposits were \$1,769,037 and bank and brokerage firm balances of the Board's deposits amounted to \$2,464,415. 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>2,464,415</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, 2019 none of the Board's bank balances were exposed to custodial credit risk.

**VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

A. Cash Deposits and Investments (Continued)

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.

As of June 30, 2019, the Board had the following investments:

<u>Investment Type:</u>	<u>Fair Value</u>
U.S. Government Securities	\$ <u>110,449</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, 2019, \$110,449 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.

**VERONA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables

Receivables as of June 30, 2019 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:					
Intergovernmental					
Federal		\$ 99,899		\$ 212	\$ 100,111
State	\$ 66,664	-	\$ 113,934	-	180,598
Other	<u>765,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>765,000</u>
Gross Receivables	831,664	99,899	113,934	212	1,045,709
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>	<u>113,934</u>	<u>-</u>	<u>113,934</u>
Net Total Receivables	<u>\$ 831,664</u>	<u>\$ 99,899</u>	<u>\$ -</u>	<u>\$ 212</u>	<u>\$ 931,775</u>

C. Unearned Revenue

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

General Fund	
Prepaid Fees	\$ 500
Special Revenue Fund	
Unencumbered Local Donations	<u>212,701</u>
 Total Unearned Revenue for Governmental Funds	 <u>\$ 213,201</u>

**VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2019 was as follows:

	Balance, <u>July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	Balance, <u>June 30, 2019</u>
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	57,540,671			57,540,671
Improvements Other than Buildings	8,441,311	\$ 26,221		8,467,532
Machinery and Equipment	2,009,415	4,923	-	2,014,338
Total Capital Assets Being Depreciated	<u>67,991,397</u>	<u>31,144</u>	<u>-</u>	<u>68,022,541</u>
Less Accumulated Depreciation for				
Buildings and Building Improvements	(17,936,579)	(1,729,160)		(19,665,739)
Improvements Other than Buildings	(2,171,017)	(367,121)		(2,538,138)
Machinery and Equipment	(1,615,767)	(74,849)	-	(1,690,616)
Total Accumulated Depreciation	<u>(21,723,363)</u>	<u>(2,171,130)</u>	<u>-</u>	<u>(23,894,493)</u>
Total Capital Assets, Being Depreciated, Net	<u>46,268,034</u>	<u>(2,139,986)</u>	<u>-</u>	<u>44,128,048</u>
Governmental Activities Capital Assets, Net	<u>\$ 47,947,971</u>	<u>\$ (2,139,986)</u>	<u>\$ -</u>	<u>\$ 45,807,985</u>
Business-Type Activities				
Capital Assets, Being Depreciated:				
Machinery and Equipment	\$ 322,702	\$ 6,589	-	\$ 329,291
Total Capital Assets Being Depreciated	<u>322,702</u>	<u>6,589</u>	<u>-</u>	<u>329,291</u>
Less Accumulated Depreciation for:				
Machinery and Equipment	(301,584)	(6,226)	-	(307,810)
Total Accumulated Depreciation	<u>(301,584)</u>	<u>(6,226)</u>	<u>-</u>	<u>(307,810)</u>
Total Capital Assets, Being Depreciated, Net	<u>21,118</u>	<u>363</u>	<u>-</u>	<u>21,481</u>
Business-Type Activities Capital Assets, Net	<u>\$ 21,118</u>	<u>\$ 363</u>	<u>\$ -</u>	<u>\$ 21,481</u>

**VERONA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

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

Governmental Activities:

Instruction	
Regular	\$ 173,690
School-Sponsored Activities and Athletics/Other Instruction	65,134
Total Instruction	<u>238,824</u>
Support Services	
Student and Instruction Related Services	21,711
General Administrative Service	21,711
School Administrative Services	130,268
Plant Operations and Maintenance	1,758,616
Total Support Services	<u>1,932,306</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 2,171,130</u>

Business-Type Activities:

Food Service Operations	\$ 6,226
Total Depreciation Expense-Business-Type Activities	<u>\$ 6,226</u>

E. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2019, 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	46,703
Food Service Fund	General Fund	4,760
Debt Service Fund	Capital Projects Fund	<u>53,489</u>
Total		<u>\$ 106,171</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.

**VERONA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

E. Interfund Receivables, Payables, and Transfers (Continued)

Interfund Transfers

	<u>Transfer In:</u>
	Debt Service
	<u>Fund</u>
Transfer Out:	
Capital Projects Fund	\$ 3,715
	<u>\$ 3,715</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 is leasing energy initiative programs, Chromebooks, a bus and a maintenance vehicle under capital leases. The leases are for terms of 5 to 15 years.

The unexpended capital lease proceeds of \$4 at June 30, 2019 are held with the Fiscal Agent.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2019 were as follows:

<u>Fiscal Year Ending June 30</u>	<u>Governmental Activities</u>
2020	\$ 291,762
2021	248,114
2022	197,396
2023	202,400
2024	207,520
2025-2029	1,118,566
2030-2031	<u>349,581</u>
Total Minimum Lease Payments	2,615,339
Less: Amount Representing Interest	<u>(330,655)</u>
Present Value of Minimum Lease Payments	<u>\$ 2,284,684</u>

**VERONA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

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 and other purposes permitted by statute. 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, 2019 are comprised of the following issues:

\$13,845,000, 2014 School Bonds, due in annual installments of \$725,000 to \$800,000 through May 1, 2034, interest at 2.500% to 3.500%	\$11,670,000
\$24,635,000, 2015 School Refunding Bonds, due in annual installments of \$1,620,000 to \$1,685,000 through March 1, 2031, interest at 2.00% to 5.00%	<u>19,820,000</u>
Total	<u>\$31,490,000</u>

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

Governmental Activities:

Fiscal Year Ending June 30,	<u>Serial Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
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	2,395,000	895,450	3,290,450
2025-2029	12,135,000	2,972,113	15,107,113
2030-2034	<u>7,365,000</u>	<u>638,700</u>	<u>8,003,700</u>
	<u>\$ 31,490,000</u>	<u>\$ 8,945,802</u>	<u>\$ 40,435,802</u>

Statutory Borrowing Power

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2019 was as follows:

4% of Equalized Valuation Basis (Municipal)	\$ 96,404,740
Less: Net Debt	<u>31,490,000</u>
Remaining Borrowing Power	<u>\$ 64,914,740</u>

**VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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, 2019, was as follows:

	<u>Balance, July 1, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, June 30, 2019</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable	\$ 33,805,000		\$ 2,315,000	\$ 31,490,000	\$ 2,405,000
Add:					
Unamortized Premium	<u>2,318,432</u>	<u>-</u>	<u>356,057</u>	<u>1,962,375</u>	<u>-</u>
	36,123,432	-	2,671,057	33,452,375	2,405,000
Capital Leases/Lease Purchase Agmts	2,610,559		325,875	2,284,684	239,137
Compensated Absences	1,591,710	\$ 98,987	67,153	1,623,544	70,000
Net Pension Liability					
PERS	8,849,099		1,166,848	7,682,251	
Essex County	<u>102,274</u>	<u>51,587</u>	<u>17,076</u>	<u>136,785</u>	<u>-</u>
Governmental Activity Long-Term Liabilities	<u>\$ 49,277,074</u>	<u>\$ 150,574</u>	<u>\$ 4,248,009</u>	<u>\$ 45,179,639</u>	<u>\$ 2,714,137</u>

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

I. Short-Term Debt

The Board's short-term activity for the fiscal year ended June 30, 2019 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, 2019 was as follows:

<u>Purpose</u>	<u>Rate %</u>	<u>Maturity Date</u>	<u>Balance, July 1, 2018</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance, June 30, 2019</u>
Grant Anticipation Note	2.8998%	7/9/2019	<u>\$ 780,218</u>	<u>\$ 500,000</u>	<u>\$ 780,218</u>	<u>\$ 500,000</u>

**VERONA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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 Essex Insurance Group (MEIG 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.

MEIG 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 the 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>
2019	\$ 56,775	\$ 56,775	
2018	55,792	55,875	
2017	58,342	60,424	

**VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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, 2019, 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, 2019, 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 Board employees who are eligible for pension coverage:

Public Employees' Retirement System (PERS) – Established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage 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. For additional information about PERS, please refer to the State Division of Pension and Benefits (Division's) Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions.

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, 2019**

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 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, which the State is responsible to fund 100% of local employer contributions, excluding any local employer early retirement incentive (ERI) contributions. For additional information about TPAF, please refer to the State Division of Pension and Benefits (Division's) Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions.

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, 2019**

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 and certain appointed officials, effective July 1, 2007 and employees enrolled in PERS on or after July 1, 2007 who earn in excess of established annual maximum compensation limits (equivalent to annual maximum wage for social security deductions). This provision was extended by Chapter 1, P.L. 2010, effective May 21, 2010, to new employees (Tier 2) of the PERS and new employees who would otherwise be eligible to participate in PERS and do not earn the minimum salary required or do not work the minimum required hours but earn a base salary of at least \$5,000 are eligible for participation in the DCRP. 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, 2019**

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. Prudential retirement is the third-party administrator for the DCRP and provides record keeping, administrative services and investment options. Investment transactions are accounted for on a trade or investment date basis. Interest and dividend income is recorded on the accrual basis, with dividends accruing on the ex-dividend date. The net increase or decrease in the fair value of investments includes the net realized and unrealized gains or losses on investments.

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

Collective Net Pension Liability

The collective net pension liability of the participating employers for local PERS at June 30, 2018 is \$19.7 billion and the plan fiduciary net position as a percentage of the total pension liability is 53.60%. The collective net pension liability of the State funded TPAF at June 30, 2018 is \$63.81 billion and the plan fiduciary net position as a percentage of total pension liability is 26.49%.

The total pension liabilities were determined based on actuarial valuations as of July 1, 2017 which were rolled forward to June 30, 2018.

**VERONA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Actuarial Methods and Assumptions

In the July 1, 2017 PERS and TPAF actuarial valuation, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary’s report and are included here in this note to the financial statements. The pension systems selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 68. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience

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 members 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 7.50% for PERS, 7.50% for TPAF and 5.50% for DCRP of the employee’s annual compensation for fiscal year 2019.

PERS employers’ and TPAF State’s nonemployer contributions are based on actuarially determined amounts, which include the normal cost and unfunded accrued liability. For the fiscal year ended June 30, 2019 for TPAF, which is a cost sharing multiple employer defined benefit pension plan with a special funding situation, the State’s annual pension contribution was less than this actuarial determined amount. For PERS, which is a cost sharing multiple employer defined benefit pension plan, the annual pension contributions were equal to the actuarial determined amounts. TPAF nonemployer 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. All PERS and DCRP contributions made by the Board for fiscal years 2019, 2018 and 2017 were equal to the required contributions.

During the fiscal years ended June 30, 2019, 2018 and 2017 the Board was required to contribute for PERS and DCRP and the State of New Jersey, as a nonemployer contributing entity, contributed 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>
2019	\$ 388,093	\$ 3,108,878	\$ 7,676
2018	352,161	2,318,631	8,865
2017	362,079	1,735,381	7,642

**VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Employer and Employee Pension Contributions (Continued)

In addition for fiscal years 2019, 2018 and 2017 the District contributed \$1,799, \$4,829 and \$1,140, respectively for PERS and the State contributed \$2,726, \$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 \$1,212,126 during the fiscal year ended June 30, 2019 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. 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 measurement period July 1, 2017 through June 30, 2018. 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 (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense are determined separately for each individual employer of the State and local groups of the plan.

To facilitate the separate (sub) 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, 2018 are based on the ratio of each employer's contribution to total employer contributions of the group for the fiscal year ended June 30, 2018.

At June 30, 2019, the District reported in the statement of net position (accrual basis) a liability of \$7,682,251 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2018 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 the District's share of contributions to the pension plan relative to the contributions of all participating governmental entities, actuarially determined. At June 30, 2018, the District's proportionate share was .03902 percent, which was an increase of .00101 percent from its proportionate share measured as of June 30, 2017 of .03801 percent.

**VERONA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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)

For the fiscal year ended June 30, 2019, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$441,158 for PERS. The pension contribution made by the District during the current 2018/2019 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, 2019 with a measurement date of the prior fiscal year end of June 30, 2018. 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, 2019 for contributions made subsequent to the measurement date. At June 30, 2019, 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	\$ 146,502	\$ 39,612
Changes of Assumptions	1,265,908	2,456,375
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		72,060
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	<u>331,674</u>	<u>393,801</u>
Total	<u>\$ 1,744,084</u>	<u>\$ 2,961,848</u>

At June 30, 2019, 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:

Year Ending <u>June 30,</u>	<u>Total</u>
2020	\$ 78,842
2021	(83,991)
2022	(614,585)
2023	(478,083)
2024	(119,947)
Thereafter	<u>-</u>
	<u>\$ (1,217,764)</u>

**VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

The District's total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

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, 2017 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
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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

In accordance with State statute, the long-term expected rate of return on plan investments (7% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and actuaries. 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, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	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%
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>
2019	June 30, 2018	5.66%
2018	June 30, 2017	5.00%

**VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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. The non-employer allocation percentages presented are based on the ratio of the State's contributions made as an employee and non-employer adjusted for unpaid early retirement incentives to total contributions to TPAF during the fiscal year ended June 30, 2018. 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, 2018, 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, 2019, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$5,700,868 for TPAF. This amount has been included in the district-wide statement of activities (accrual basis) as both a revenue and expense in accordance with GASB No. 85.

At June 30, 2019 the State's proportionate share of the net pension liability attributable to the District is \$97,790,910. The nonemployer allocation percentages are based on the ratio of the State's contributions made as an employer and nonemployer adjusted for unpaid early retirement incentives to total contributions to TPAF during the year ended June 30, 2018. At June 30, 2018, the State's share of the net pension liability attributable to the District was .15372 percent, which was a decrease of .00056 percent from its proportionate share measured as of June 30, 2017 of .15428 percent.

**VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
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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, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.25%
Salary Increases:	
2011-2026	1.55-4.55%
Thereafter	2.00-5.45%
Investment Rate of Return	7.00%
Mortality Rate Table	RP-2006

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, 2017 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, 2019**

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

In accordance with State statute, the long-term expected rate of return on plan investments (7% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and actuaries. 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, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
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, 2019**

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
2019	June 30, 2018	4.86%
2018	June 30, 2017	4.25%

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, 2040
Municipal Bond Rate *	From July 1, 2040 and Thereafter

* The municipal bond return rate used is 3.87% as of the measurement date of June 30, 2018. 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 4.86%, 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 (3.86 percent) or 1-percentage-point higher (5.86 percent) than the current rate:

	1% Decrease (3.86%)	Current Discount Rate (4.86%)	1% Increase (5.86%)
State's Proportionate Share of the TPAF Net Pension Liability Attributable to the District	<u>\$ 115,586,999</u>	<u>\$ 97,790,910</u>	<u>\$ 83,038,386</u>

The sensitivity analysis was based on the State's proportionate share of the net pension liability attributable to the District at June 30, 2018. A sensitivity analysis specific to the State's proportionate share of the net pension liability attributable to the District at June 30, 2018 was not provided by the pension system.

**VERONA BOARD OF EDUCATION
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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 2019.

**VERONA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
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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, 2019, the District reported in the statement of net position (accrual basis) a liability of \$136,785 for its proportionate share of the ECPF 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 school districts, actuarially determined. At June 30, 2018, the District's proportionate share was 0.43525 percent, which was an increase of .0774 percent from its proportionate share measured as of June 30, 2017 of 0.35785.

For the fiscal year ended June 30, 2019, the District recognized in the district wide statement of activities (accrual basis) a pension expense of \$56,035 for ECPF. At June 30, 2019, the District reported deferred outflows of resources related to ECPF from the following sources:

	<u>Deferred Outflows of Resources</u>
Net Difference Between Projected and Actual On Pension Plan Investments	<u>\$ 4,863</u>

At June 30, 2019, the amounts reported as deferred outflows of resources related to ECPF pension will be recognized as pension expense of \$973 per year for the fiscal years ended June 30, 2020 through June 30, 2024.

Actuarial Assumptions

The District's total pension liability was determined by an actuarial valuation as of June 30, 2018, 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, 2019**

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, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Cash Equivalents	0-5.00%	
Domestic Fixed Income	30.00-50.00%	1.75%
U.S. Large Cap Growth Equity	15.00-30.00%	6.40%
U.S. Large Cap Value Equity	15.00-30.00%	
U.S. Small Cap Equity	5.00-15.00%	6.40%
Foreign Equity	0-10.00%	
	<u>100.00%</u>	

* Net of 2.0% inflation assumption.

Discount Rate

The discount rate used to measure the total pension liability of the ECPF was 6.0% (measurement date June 30, 2018).

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 (5.0%)	Discount Rate (6.0%)	Increase (7.0%)
District's Proportionate Share of the Net Pension Liability	<u>\$ 186,655</u>	<u>\$ 136,785</u>	<u>\$ 93,412</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, 2019**

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 for the fiscal year ended June 30, 2018. 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 Employees Plan (including Prescription Drug Program Fund) – N.J.S.A. 52:14-17.32f provides medical coverage, prescription drug benefits and Medicare Part B reimbursement to qualified retired education employees and their covered dependents. 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	217,131
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	145,050
Inactive Plan Members Entitled to but not yet Receiving Benefits	<u> -</u>
Total	<u>362,181</u>

**VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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.

Collective Net OPEB Liability

The collective net OPEB liability of the State, as the non-employer contributing entity, of the plan at June 30, 2018 is \$46.1 billion, and the plan fiduciary net position as a percentage of the total OPEB liability is zero percent.

The total OPEB liabilities were determined based on actuarial valuations as of June 30, 2017 which were rolled forward to June 30, 2018.

Actuarial Methods and Assumptions

In the June 30, 2017 OPEB actuarial valuation, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The Plan selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 75. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

Post-Retirement Medical Benefits Contributions

The funding policy of the OPEB plan is pay as you go basis; therefore, there is no prefunding of the liability. Contributions to pay for the health benefit premiums of participating employees in the OPEB plan are made by the State, as a non-employer contributing entity, under a special funding situation in accordance with State statutes as previously disclosed. The State as a non-employer contributing entity made contributions of \$1.23 billion to the OPEB plan in fiscal year 2018.

**VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 5 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

Post-Retirement Medical Benefits Contributions (Continued)

The State sets the contribution rate based on a pay as you go basis rather than the actuarial determined contribution, an amount actuarially determined in accordance with the parameters of GASB Statement 75. The actuarial determined contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and any unfunded actuarial liabilities (or funding excess) of the plan using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the Plan. The State's contributions, as a nonemployer contributing entity, to the State Health Benefits Program Fund – Local Education Retired Employees Plan for retirees' post-retirement benefits on behalf of the School District for the fiscal years ended June 30, 2019, 2018 and 2017 were \$1,410,182, \$1,497,554 and \$1,445,967, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund – Local Education Retired Employees Plan 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 Employees Plan to recognize their proportionate share of the collective OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources and collective OPEB expense. 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 measurement period July 1, 2017 through June 30, 2018. 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.

For the fiscal year ended June 30, 2019, the District recognized in the district-wide statement of activities (accrual basis) OPEB expense of \$2,631,731. 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, 2019 the State's proportionate share of the OPEB liability attributable to the District is \$62,973,465. 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, 2018 to the total OPEB liability of the State Health Benefit Program Fund – Local Education Retired Employees Plan at June 30, 2018. At June 30, 2018, the state's share of the OPEB liability attributable to the District was .14 percent, which was no change from its proportionate share measured as of June 30, 2017 of .14 percent.

**VERONA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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)

Actuarial Assumptions

The OPEB liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. 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 Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Disable Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

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 or his or her age for PERS.

The actuarial assumptions used in the June 30, 2017 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.

Healthcare cost trend rates for pre-Medicare Preferred Provider Organization (PPO) medical benefits, this amount initially is 5.8 percent and decreases to a 5.0 percent long-term trend rate after eight 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 5.8 percent and decreases to a 5.0 percent long-term trend rate after eight years. For prescription drug benefits, the initial trend rate is 8.0 percent and decreases to a 5.0 percent long-term trend rate after seven 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.

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, 2018.

**VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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)

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>
2019	June 30, 2018	3.87%
2018	June 30, 2017	3.58%

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, 2019 (measurement date June 30, 2018) is as follows:

	<u>Total OPEB Liability (State Share 100%)</u>
Balance, June 30, 2017 Measurement Date	\$ <u>73,758,239</u>
Changes Recognized for the Fiscal Year:	
Service Cost	2,519,437
Interest on the Total OPEB Liability	2,701,897
Differences Between Expected and Actual Experience	(7,153,898)
Changes of Assumptions	(7,226,520)
Gross Benefit Payments	(1,683,888)
Member Contributions	58,198
Net Changes	<u>\$ (10,784,774)</u>
Balance, June 30, 2018 Measurement Date	<u>\$ 62,973,465</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.58 percent in 2017 to 3.87 percent in 2018.

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, 2018. 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, 2018 was not provided by the pension system.

**VERONA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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 3.87%, 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 (2.87 percent) or 1-percentage-point higher (4.87 percent) than the current rate:

	1% Decrease <u>(2.87%)</u>	Current Discount Rate <u>(3.87%)</u>	1% Increase <u>(4.87%)</u>
State's Proportionate Share of the OPEB Liability Attributable to the District	\$ <u>74,447,455</u>	\$ <u>62,973,465</u>	\$ <u>53,852,828</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>52,051,237</u>	\$ <u>62,973,465</u>	\$ <u>77,418,530</u>

The sensitivity analyses were based on the State's proportionate share of the OPEB liability attributable to the District at June 30, 2018. Sensitivity analyses specific to the State's proportionate share of the OPEB liability attributable to the District at June 30, 2018 were not provided by the pension system.

**VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 5 OTHER INFORMATION (Continued)

F. Subsequent Events

On November 5, 2019 the voters approved two referendum questions as follows:

(a) To undertake renovations, alterations and improvements at Verona High School, H.B. Whitehorne Middle School, Forest Avenue Elementary School, F.N. Brown Elementary School, Brookdale Avenue Elementary School and Laning Avenue Elementary School, including fixtures, furnishings, equipment, site work and related work; (b) to appropriate \$22,273,701 for such purposes; and (c) to issue bonds of the school district for such purposes in the principal amount of \$22,273,701.

(b) To undertake additional renovations, alterations and improvements to provide air conditioning upgrades at Verona High School, H.B. Whitehorne Middle School, Forest Avenue Elementary School, F.N. Brown Elementary School, Brookdale Avenue Elementary School and Laning Avenue Elementary School, including acquisition and installation of HVAC equipment, fixtures, furnishings, site work and related work; (b) to appropriate \$5,497,802 for such purposes; and (c) to issue bonds of the school district for such purposes in the principal amount of \$5,497,802.

G. Tax Abatements

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

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

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BUDGETARY COMPARISON SCHEDULES

**VERONA BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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	\$ 32,571,868	\$ 765,000	\$ 33,336,868	\$ 33,336,868	
Tuition-Individuals	154,332		154,332	31,895	\$ (122,437)
Tuition-Intergovernmental	31,562		31,562	8,125	(23,437)
Tuition-Preschool				60,000	60,000
Interest				54,962	54,962
Miscellaneous	260,000	-	260,000	323,089	63,089
Total Local Sources	<u>33,017,762</u>	<u>765,000</u>	<u>33,782,762</u>	<u>33,814,939</u>	<u>32,177</u>
State Sources					
Special Education Aid	880,894	127,713	1,008,607	1,008,607	
Security Aid	126,494	49,136	175,630	175,630	
Transportation Aid	103,500		103,500	103,500	
Extraordinary Aid	250,000		250,000	459,052	209,052
Extraordinary Aid- PY Additional				1,544	1,544
TPAF Pension Contribution (On-Behalf)					
Normal Pension Contribution				3,045,135	3,045,135
NCGI Contributions				63,743	63,743
Long Term Disability Insurance				2,726	2,726
Post Retirement				1,410,182	1,410,182
TPAF Social Security Contribution (On-Behalf)	-	-	-	1,212,126	1,212,126
Total State Sources	<u>1,360,888</u>	<u>176,849</u>	<u>1,537,737</u>	<u>7,482,245</u>	<u>5,944,508</u>
Total Revenues	<u>34,378,650</u>	<u>941,849</u>	<u>35,320,499</u>	<u>41,297,184</u>	<u>5,976,685</u>
EXPENDITURES					
CURRENT					
Instruction - Regular Programs					
Salaries of Teachers					
Preschool/Kindergarten	426,394	164,862	591,256	477,825	113,431
Grades 1-5	4,359,400	94,747	4,454,147	4,405,828	48,319
Grades 6-8	2,355,480	22,451	2,377,931	2,320,270	57,661
Grades 9-12	3,347,964	87,426	3,435,390	3,430,230	5,160
Home Instruction	15,000	22,184	37,184	32,879	4,305
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction	385,455	(112,723)	272,732	272,732	-
Other Purchased Services	154,639	64,577	219,216	218,690	526
General Supplies	458,601	27,878	486,479	436,473	50,006
Textbooks	69,315	(6,536)	62,779	59,158	3,621
Other Objects	3,900	3,100	7,000	3,712	3,288
Total Regular Programs	<u>11,576,148</u>	<u>367,966</u>	<u>11,944,114</u>	<u>11,657,797</u>	<u>286,317</u>
Special Education					
Learning and/or Language Disabilities					
Salaries of Teachers	319,961	929	320,890	317,766	3,124
Other Salaries for Instruction	233,047	6,779	239,826	239,826	-
General Supplies	4,600	-	4,600	4,356	244
Total Learning and/or Language Disabilities	<u>557,608</u>	<u>7,708</u>	<u>565,316</u>	<u>561,948</u>	<u>3,368</u>
Behavioral Disabilities					
Salaries of Teachers	199,956	(7,000)	192,956	186,814	6,142
Other Salaries for Instruction	295,748	(17,627)	278,121	274,031	4,090
General Supplies	4,500	-	4,500	3,860	640
Total Behavioral Disabilities	<u>500,204</u>	<u>(24,627)</u>	<u>475,577</u>	<u>464,705</u>	<u>10,872</u>
Resource Room/Resource Center					
Salaries of Teachers	1,265,343	54,542	1,319,885	1,303,802	16,083
Other Salaries for Instruction	267,464	(22,464)	245,000	237,504	7,496
General Supplies	5,700	178	5,878	5,124	754
Total Resource Room	<u>1,538,507</u>	<u>32,256</u>	<u>1,570,763</u>	<u>1,546,430</u>	<u>24,333</u>

**VERONA BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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)					
Autistic Program					
Other Salaries of Instruction	\$ 26,036	-	\$ 26,036	\$ 19,517	\$ 6,519
Total Autistic Program	<u>26,036</u>	<u>-</u>	<u>26,036</u>	<u>19,517</u>	<u>6,519</u>
Preschool Disabilities - Part-Time					
Salaries of Teachers	164,800	\$ (63,879)	100,921	100,921	-
Other Salaries for Instruction	110,973	3,330	114,303	113,376	927
General Supplies	8,500	-	8,500	8,086	414
Total Preschool Disabilities - Part-Time	<u>284,273</u>	<u>(60,549)</u>	<u>223,724</u>	<u>222,383</u>	<u>1,341</u>
Preschool Disabilities - Full-Time					
Salaries of Teachers	122,689	53,392	176,081	171,166	4,915
Other Salaries for Instruction	106,157	(24,522)	81,635	79,475	2,160
General Supplies	5,100	-	5,100	4,737	363
Total Preschool Disabilities - Full-Time	<u>233,946</u>	<u>28,870</u>	<u>262,816</u>	<u>255,378</u>	<u>7,438</u>
Home Instruction					
Salaries of Teachers	20,000	16,189	36,189	23,172	13,017
Total Home Instruction	<u>20,000</u>	<u>16,189</u>	<u>36,189</u>	<u>23,172</u>	<u>13,017</u>
Total Special Education	<u>3,160,574</u>	<u>(153)</u>	<u>3,160,421</u>	<u>3,093,533</u>	<u>66,888</u>
Bilingual Education					
Salaries of Teachers	47,066	-	47,066	46,650	416
General Supplies	2,000	-	2,000	1,459	541
Total Bilingual Education	<u>49,066</u>	<u>-</u>	<u>49,066</u>	<u>48,109</u>	<u>957</u>
School Sponsored Co-Curricular Activities					
Salaries	179,573	9,964	189,537	168,156	21,381
Other Objects	54,157	9,290	63,447	62,409	1,038
Total School Sponsored Co-Curricular Activities	<u>233,730</u>	<u>19,254</u>	<u>252,984</u>	<u>230,565</u>	<u>22,419</u>
School Sponsored Athletics - Instruction					
Salaries	464,027	(2,803)	461,224	380,075	81,149
Supplies & Materials	169,494	8,250	177,744	155,781	21,963
Other Objects	22,418	-	22,418	21,513	905
Total School Sponsored Athletics - Instruction	<u>655,939</u>	<u>5,447</u>	<u>661,386</u>	<u>557,369</u>	<u>104,017</u>
Other Instructional Programs - Instruction					
Supplies and Materials	-	16,978	16,978	8,377	8,601
Total Other Instructional Programs - Instruction	<u>-</u>	<u>16,978</u>	<u>16,978</u>	<u>8,377</u>	<u>8,601</u>
Summer School					
Salaries	-	450	450	-	450
Total Summer School	<u>-</u>	<u>450</u>	<u>450</u>	<u>-</u>	<u>450</u>
Total - Instruction	<u>15,675,457</u>	<u>409,942</u>	<u>16,085,399</u>	<u>15,595,750</u>	<u>489,649</u>
Undistributed Expenditures					
Instruction					
Tuition to Other LEAs within the State-Reg.	30,000	(19,003)	10,997	10,997	-
Tuition to Co. Voc School District - Special	15,600	(1,944)	13,656	13,656	-
Tuition to County Special Services - School Districts & Regional Day Schools	102,700	1,885	104,585	103,590	995
Tuition to Private Schools - Disabled w/i State	2,768,311	(5,776)	2,762,535	2,762,534	1
Tuition to Private Schools - Disabled - Other LEA's, Out of State	180,000	(180,000)	-	-	-
Total Undistributed Expenditures - Instruction	<u>3,096,611</u>	<u>(204,838)</u>	<u>2,891,773</u>	<u>2,890,777</u>	<u>996</u>

**VERONA BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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)					
Health Services					
Salaries	\$ 431,752	\$ (5,795)	\$ 425,957	\$ 425,312	\$ 645
Purchased Professional & Technical Services	7,000	(592)	6,408	5,160	1,248
Supplies and Materials	9,400	1,279	10,679	9,660	1,019
Other Objects	2,000	1,021	3,021	3,021	-
Total Health Services	450,152	(4,087)	446,065	443,153	2,912
Speech, OT, PT & Related Services					
Salaries	805,293	(15,520)	789,773	789,772	1
Purchased Professional/Educational Services	92,380	218,400	310,780	306,729	4,051
Supplies and Materials	3,000	-	3,000	3,000	-
Total Speech, OT, PT & Related Services	900,673	202,880	1,103,553	1,099,501	4,052
Guidance					
Salaries of Other Professional Staff	528,138	95,558	623,696	621,090	2,606
Salaries of Secretarial and Clerical Assistants	55,825	-	55,825	55,819	6
Purchased Professional- Educational Services	35,100	1,926	37,026	37,025	1
Supplies and Materials	26,480	-	26,480	24,298	2,182
Other Objects	6,760	-	6,760	2,868	3,892
Total Guidance	652,303	97,484	749,787	741,100	8,687
Child Study Teams					
Salaries of Other Professional Staff	693,651	38,467	732,118	726,848	5,270
Salaries of Secretarial and Clerical Assistants	64,899	-	64,899	64,672	227
Purchased Prof-Educational Services	22,000	59,460	81,460	74,770	6,690
Other Purchased Services	6,200	2,438	8,638	7,434	1,204
Misc. Purchased Services	6,585	(700)	5,885	4,177	1,708
Supplies and Materials	31,963	9,372	41,335	37,848	3,487
Total Child Study Teams	825,298	109,037	934,335	915,749	18,586
Improvement of Instruction Services/ Other Support Services-Instructional Staff					
Salaries of Supervisor of Instruction	366,480	(11,423)	355,057	354,712	345
Salaries of Other Professional Staff	147,737	-	147,737	147,687	50
Salaries of Secr and Clerical Assist.	43,352	-	43,352	43,056	296
Other Purchased Prof. And Tech. Services	46,200	(3,424)	42,776	38,341	4,435
Supplies and Materials	20,658	4,095	24,753	24,284	469
Other Objects	5,085	-	5,085	3,792	1,293
Total Improvement of Instruction Services/ Other Support Services-Instructional Staff	629,512	(10,752)	618,760	611,872	6,888
Educational Media Services/School Library					
Salaries	290,783	14,449	305,232	305,230	2
Supplies and Materials	38,512	(734)	37,778	32,935	4,843
Total Educational Media Services/School Library	329,295	13,715	343,010	338,165	4,845
Support Services General Administration					
Salaries	276,168	749	276,917	274,615	2,302
Legal Services	148,000	47,396	195,396	172,676	22,720
Audit Fees	35,000	850	35,850	35,618	232
Architectural Fees		84,000	84,000	84,000	-
Other Purchased Professional Services	10,250	(850)	9,400	6,107	3,293
Purchased Technical Services	13,925	339	14,264	14,264	-
Communications/Telephone	63,995	(3,319)	60,676	54,269	6,407
BOE Other Purchased Services	700	-	700	421	279
Miscellaneous Purchased Services	77,564	1,014	78,578	75,603	2,975
General Supplies	9,600	2	9,602	8,602	1,000
Judgments against the School District		3,000	3,000	3,000	-
Miscellaneous Expenditures	20,600	1,399	21,999	21,681	318
Total Support Services General Administration	655,802	134,580	790,382	750,856	39,526

**VERONA BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Exhibit C-1

EXPENDITURES	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final to Actual
CURRENT (Continued)					
Support Services School Administration					
Salaries of Principals/Asst. Principals	\$ 1,273,882	\$ (108,554)	\$ 1,165,328	\$ 1,165,259	\$ 69
Salaries of Other Professional Staff	139,740	-	139,740	139,740	-
Salaries of Secretarial and Clerical Assistants	456,408	(8,900)	447,508	447,424	84
Other Purchased Services	6,600	(587)	6,013	5,218	795
Supplies and Materials	10,266	237	10,503	8,715	1,788
Other Objects	15,000	(1,165)	13,835	12,510	1,325
Total Support Services School Administration	1,901,896	(118,969)	1,782,927	1,778,866	4,061
Central Services					
Salaries	272,668	1,027	273,695	273,695	-
Supplies and Materials	6,000	1,001	7,001	6,811	190
Interest on Current Loans	13,254	-	13,254	13,254	-
Other Objects	2,000	(235)	1,765	1,765	-
Total Central Services	293,922	1,793	295,715	295,525	190
Administration - Information Technology Services					
Salaries	147,418	16,588	164,006	164,005	1
Purchased Technical Services	157,570	(339)	157,231	156,763	468
Other Purchased Services	6,000	-	6,000	5,114	886
Total Administration Information Technology Svcs.	310,988	16,249	327,237	325,882	1,355
Required Maintenance for School Facilities					
Salaries	336,428	(97,863)	238,565	224,824	13,741
Cleaning, Repair and Maintenance Services	170,185	90,876	261,061	183,681	77,380
General Supplies	65,280	14,438	79,718	76,856	2,862
Total Required Maint. For School Facilities	571,893	7,451	579,344	485,361	93,983
Custodial Services					
Salaries	1,119,918	22,344	1,142,262	1,117,383	24,879
Cleaning, Repair and Maintenance Services	60,000	144,498	204,498	191,083	13,415
Lease Purchase- ESIP- Principal	178,281	-	178,281	178,281	-
Lease Purchase- ESIP- Interest	54,091	-	54,091	54,091	-
Other Purchased Property Services	65,545	-	65,545	40,000	25,545
Insurance	141,862	6,146	148,008	148,008	-
General Supplies	98,500	47,260	145,760	133,231	12,529
Energy (Natural Gas)	170,000	51,620	221,620	183,610	38,010
Energy (Electricity)	225,000	11,107	236,107	236,107	-
Other Objects	4,000	-	4,000	3,959	41
Total Custodial Services	2,117,197	282,975	2,400,172	2,285,753	114,419
Care and Upkeep of Grounds					
Cleaning, Repair and Maintenance Svc.	11,730	33,097	44,827	36,511	8,316
General Supplies	17,000	16,145	33,145	31,047	2,098
Total Care and Upkeep of Grounds	28,730	49,242	77,972	67,558	10,414
Student Transportation Services					
Salaries for Pupil Trans (Bet. Home & Sch)-Sp. Ed.	95,000	(13,677)	81,323	81,322	1
Salaries for Pupil Trans (Other than Bet. Home & Sch)	66,782	19,198	85,980	75,224	10,756
Contracted Services (Btw Home & School)- Vendors	23,100	1,635	24,735	23,585	1,150
Contracted Services (Special Education Students)- Joint Agreements	516,000	81,058	597,058	594,527	2,531
Transportation Supplies	24,000	26,896	50,896	49,746	1,150
Total Student Transportation Services	724,882	115,110	839,992	824,404	15,588

**VERONA BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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)					
Unallocated Benefits - Employee Benefits					
Group Insurance	\$ 82,000	\$ 8,950	\$ 90,950	\$ 90,949	\$ 1
Social Security Contributions	400,000	(30,155)	369,845	369,845	-
Other Retirement Contribution-Regular		18,000	18,000	17,177	823
Other Retirement Contribution-PERS	381,000	8,892	389,892	389,892	-
Unemployment Compensation	100,000	(14,519)	85,481	85,481	-
Worker's Compensation	202,025	-	202,025	202,025	-
Health Benefits	3,895,875	(108,204)	3,787,671	3,704,365	83,306
Tuition Reimbursement	96,194	35,262	131,456	131,455	1
Other Employee Benefits	76,320	(76,320)			
Unused Sick Payment to Terminated/Retired Staff	-	67,153	67,153	67,153	-
	<u>5,233,414</u>	<u>(90,941)</u>	<u>5,142,473</u>	<u>5,058,342</u>	<u>84,131</u>
TPAF Pension Contribution (Non Budgeted)					
Normal Pension Contribution				3,045,135	(3,045,135)
NCGI Contributions				63,743	(63,743)
Long Term Disability Insurance				2,726	(2,726)
Post Retirement				1,410,182	(1,410,182)
TPAF Social Security Contribution (Non Budgeted)	-	-	-	1,212,126	(1,212,126)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,733,912</u>	<u>(5,733,912)</u>
Total Undistributed Expenditures	<u>18,722,568</u>	<u>600,929</u>	<u>19,323,497</u>	<u>24,646,776</u>	<u>(5,323,279)</u>
Total Current Expenditures	<u>34,398,025</u>	<u>1,010,871</u>	<u>35,408,896</u>	<u>40,242,526</u>	<u>(4,833,630)</u>
CAPITAL OUTLAY					
Equipment					
Undistributed Expenditures					
School Sponsored and Other Instruction Programs	-	12,075	12,075	12,075	-
Total Equipment	<u>-</u>	<u>12,075</u>	<u>12,075</u>	<u>12,075</u>	<u>-</u>
Facilities and Acquisitions					
Land and Improvements				26,221	(26,221)
Assessment for Debt Service on SDA Funding	1,362	-	1,362	1,362	-
Total Facilities and Acquisitions	<u>1,362</u>	<u>-</u>	<u>1,362</u>	<u>27,583</u>	<u>(26,221)</u>
Total Capital Outlay	<u>1,362</u>	<u>12,075</u>	<u>13,437</u>	<u>39,658</u>	<u>(26,221)</u>
Total Expenditures - General Fund	<u>34,399,387</u>	<u>1,022,946</u>	<u>35,422,333</u>	<u>40,282,184</u>	<u>(4,859,851)</u>
CAPITAL OUTLAY (Continued)					
Excess (Deficiency) of Revenues Over (Under)					
Expenditures	\$ (20,737)	\$ (81,097)	\$ (101,834)	\$ 1,015,000	\$ 1,116,834
Fund Balances, Beginning of Year	<u>1,197,108</u>	<u>-</u>	<u>1,197,108</u>	<u>1,197,108</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 1,176,371</u>	<u>\$ (81,097)</u>	<u>\$ 1,095,274</u>	<u>\$ 2,212,108</u>	<u>\$ 1,116,834</u>
Recapitulation of Fund Balance					
Restricted					
Capital Reserve			\$ 456,381		
Capital Reserve - Designated for Subsequent Years' Budget			114,000		
Maintenance Reserve			150,000		
Excess Surplus			120,000		
Legally Restricted - Unexpended Additional Spending Proposal			280,980		
Committed					
Encumbrances			70,945		
Assigned					
Designated for Subsequent Year's Budget			119,785		
Unassigned Fund Balance			<u>900,017</u>		
			2,212,108		
Less State Aid not Recognized on a GAAP Basis			<u>(576,577)</u>		
Fund Balance per Governmental Funds (GAAP)			<u>\$ 1,635,531</u>		

**VERONA BOARD OF EDUCATION
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final to Actual
REVENUES					
Local Sources	\$ 275,990	\$ 13,320	\$ 289,310	\$ 91,502	\$ (197,808)
State Sources	158,115	58,842	216,957	164,690	(52,267)
Federal Sources	774,599	32,454	807,053	738,625	(68,428)
 Total Revenues	 1,208,704	 104,616	 1,313,320	 994,817	 (318,503)
EXPENDITURES					
Instruction					
Salaries of Teachers	197,407	(48,407)	149,000	170,031	(21,031)
Other Salaries for Instruction		18,800	18,800	18,800	-
Purchased Prof. Tech. Svc.	105,623	28,288	133,911	89,380	44,531
Purchased Professional-Educational Services	58,188	(58,188)	-	-	-
Tuition	500,238	(59,334)	440,904	440,904	-
General Supplies	296,675	37,614	334,289	82,333	251,956
Textbooks	10,901	(969)	9,932	8,346	1,586
 Total Instruction	 1,169,032	 (82,196)	 1,086,836	 809,794	 277,042
Support Services					
Employee Benefits		52,018	52,018	47,628	4,390
Purchased Prof. and Tech. Svc.	34,228	107,424	141,652	111,161	30,491
Purchased Professional-Education Services	5,444	20,674	26,118	19,538	6,580
Supplies	-	6,696	6,696	6,696	-
 Total Support Services	 39,672	 186,812	 226,484	 185,023	 41,461
 Total Expenditures	 1,208,704	 104,616	 1,313,320	 994,817	 318,503
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-	-
Fund Balances, Beginning of Year	-	-	-	-	-
Fund Balances, End of Year	\$ -	\$ -	\$ -	\$ -	\$ -

**VERONA BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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.

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources		
Actual revenue amounts (budgetary basis) (Exhibits C-1 and C-2)	\$ 41,297,184	\$ 994,817
State Aid payment recognized for GAAP purposes, not recognized for budgetary statements.	486,723	
State Aid payment recognized for budgetary purposes, not recognized for GAAP statements.	<u>(576,577)</u>	<u>-</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (Exhibit B-2)	<u>\$ 41,207,330</u>	<u>\$ 994,817</u>
Uses/Outflows of Resources		
Actual expenditure amounts (budgetary basis) (Exhibits C-1 and C-2)	<u>\$ 40,282,184</u>	<u>\$ 994,817</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (Exhibit B-2)	<u>\$ 40,282,184</u>	<u>\$ 994,817</u>

**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 Six Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	0.03902%	0.03801%	.04076%	0.04091%	.03916%	.03812%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 7,682,251	\$ 8,849,099	\$ 12,071,042	\$ 9,183,572	\$ 7,331,860	\$ 7,285,885
District's Covered-Employee Payroll	\$ 2,679,024	\$ 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	287%	322%	469%	352%	285%	275%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	53.60%	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 Six Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 388,093	\$ 352,161	\$ 362,079	\$ 351,720	\$ 322,831	\$ 287,242
Contributions in Relation to the Contractually Required Contribution	<u>388,093</u>	<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>	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 2,401,892	\$ 2,749,941	\$ 2,572,880	\$ 2,612,297	\$ 2,574,194	\$ 2,649,102
Contributions as a Percentage of Covered-Employee Payroll	16%	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 Six Fiscal Years*

	<u>2019</u>	<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%	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>\$ 97,790,910</u>	<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>\$ 97,790,910</u>	<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	16,319,268	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%	0%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	26.49%	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 Five Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 17,076	\$ 14,754	\$ 17,076	\$ 25,413	\$ 26,314
Contributions in Relation to the Contractually Required Contribution	<u>(17,076)</u>	<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>	<u>\$ -</u>
District's Covered Employee Payroll	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a Percentage of Covered Employee Payroll	0%	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, 2019**

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 5D.

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

Postemployment Health Benefit Plan

Last Two Fiscal Years*

	<u>2019</u>	<u>2018</u>
Service Cost	\$ 2,519,437	\$ 3,005,167
Interest on Total OPEB Liability	2,701,897	2,345,315
Difference Between Expected and Actual Experiences	(7,153,898)	
Changes of Assumptions	(7,226,520)	(9,744,530)
Gross Benefit Payments	(1,683,888)	(1,721,873)
Member Contributions	<u>58,198</u>	<u>63,404</u>
Net Change in Total OPEB Liability	(10,784,774)	(6,052,517)
Total OPEB Liability - Beginning of Year	<u>73,758,239</u>	<u>79,810,756</u>
Total OPEB Liability - End of Year	<u>\$ 62,973,465</u>	<u>\$ 73,758,239</u>
District's Proportionate Share of OPEB Liability	-	-
State's Proportionate Share of OPEB Liability	<u>\$ 62,973,465</u>	<u>\$ 73,758,239</u>
Total OPEB Liability - Ending	<u>\$ 62,973,465</u>	<u>\$ 73,758,239</u>
District's Covered-Employee Payroll	<u>\$ 18,998,292</u>	<u>\$ 18,892,210</u>
District's Proportionate Share of the Total OPEB Liability as a Percentage of its Covered-Employee Payroll	0%	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, 2019**

Changes in Benefit Terms:

None.

Changes of Assumptions

Assumptions used in calculating the OPEB liability are presented in Note 5E.

APPENDIX C

FORM OF APPROVING LEGAL OPINION

_____, 2020

The Board of Education of the
Township of Verona in the
County of Essex, New Jersey

Dear Board Members:

We have acted as bond counsel to The Board of Education of the Township of Verona in the County of Essex, New Jersey (the “Board of Education”) in connection with the issuance by the Board of Education of \$27,771,000 School Bonds dated the date hereof (the “Bonds”). In order to render the opinions herein, we have examined laws, documents and records of proceedings, or copies thereof, certified or otherwise identified to us, as we have deemed necessary.

The Bonds are issued pursuant to (i) Title 18A, Education, Chapter 24 of the New Jersey Statutes, (ii) a proposal adopted by the Board of Education on August 27, 2019 and approved by the affirmative vote of a majority of the legal voters present and voting at the school district election held on November 5, 2019, and (iii) a resolution duly adopted by the Board of Education on January 28, 2020. The Bonds are secured under the provisions of the New Jersey School Bond Reserve Act, N.J.S.A. 18A:56-17 et seq. (P.L. 1980, c.72 , approved July 16, 1980, as amended by P.L. 2003, c. 118, approved July 1, 2003).

In our opinion, except insofar as the enforcement thereof may be limited by any applicable bankruptcy, moratorium or similar laws or application by a court of competent jurisdiction of legal or equitable principles relating to the enforcement of creditors' rights, the Bonds are valid and legally binding general obligations of the Board of Education, and the Board of Education has the power and is obligated to levy *ad valorem* taxes upon all the taxable real property within the school district for the payment of the Bonds and the interest thereon without limitation as to rate or amount.

On the date hereof, the Board of Education has covenanted in its Arbitrage and Tax Certificate (the “Certificate”) to comply with certain continuing requirements that must be satisfied subsequent to the issuance of the Bonds in order to preserve the tax-exempt status of the Bonds pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Pursuant to Section 103 of the Code, failure to comply with these requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. In the event that the Board of Education continuously

complies with its covenants and in reliance on representations, certifications of fact and statements of reasonable expectations made by the Board of Education in the Certificate, it is our opinion that, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code. Interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax. We express no opinion regarding other federal tax consequences arising with respect to the Bonds. Further, in our opinion, based upon existing law, interest on the Bonds and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act. These opinions are based on existing statutes, regulations, administrative pronouncements and judicial decisions.

This opinion is issued as of the date hereof. We assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may come to our attention or any changes in law or interpretations thereof that may occur after the date of this opinion or for any reason whatsoever.

Very truly yours,