

VERONA BOARD OF EDUCATION
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Verona, New Jersey

COMPREHENSIVE ANNUAL

FINANCIAL REPORT

of the

Verona Board of Education

Verona, New Jersey

For The Fiscal Year Ended June 30, 2013

Prepared by

Business Office

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INTRODUCTORY SECTION

JOHN QUATTROCCHI,
BOARD PRESIDENT

MICHAEL UNIS,
BOARD VICE PRESIDENT

JOSEPH T. BELLINO
GLENN ELLIOTT

VERONA BOARD OF EDUCATION

121 FAIRVIEW AVENUE
VERONA, NEW JERSEY 07044

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STEVEN FORTE,
SUPERINTENDENT OF SCHOOLS

CHERYL A. NARDINO, CPA
BUSINESS ADMINISTRATOR/
BOARD SECRETARY

DOROTHY M. TRIMMER,
TREASURER OF SCHOOL MONIES

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

Dear Board Members:

The comprehensive annual financial report of the Verona Public Schools for the fiscal year ended June 30, 2013, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rest with the management of the Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

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

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, and a list of principal officials. The financial section includes the independent auditor's report, management's discussion and analysis (MD&A), the basic financial statements including the district-wide financial statements presented in conformity with Governmental Accounting Standards Board Statement No. 34. The basic financial statements also include individual fund financial statements, notes to the financial statements and required supplemental information (RSI). The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act as amended and the U.S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments" and the state Treasury Circular Letter 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments". Information related to this single audit, including the auditors' report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES: Verona School District is an independent reporting entity within the criteria adopted by the GASB as established by GASB Statement No. 14. All funds of the District are included in this report. The Verona Board of Education and all its schools constitute the District's reporting entity.

1) REPORTING ENTITY AND ITS SERVICES (Continued)

The District provides a full range of educational services appropriate to grade levels K through 12. These include regular, vocational, as well as special education programs for handicapped youngsters. The District completed the 2012-2013 fiscal year with an enrollment of 2,184 students, which is 34 students more than the previous year's enrollment. The following details the changes in the student enrollment of the District for the last five years.

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2008-2009	2,080	+1.8%
2009-2010	2,152	+3.46%
2010-2011	2,169	+1%
2011-2012	2,218	+2%
2012-2013	2,184	-1.5%

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

3) MAJOR INITIATIVES:

District Goals 2012-2013

1. Plan for the implementation a new system of teacher evaluation.
2. Create a system of internships for VHS students.
3. Improve District Technology Department
4. Reduce Administrative spending
5. Increase outside revenues
6. Plan a referendum for improvements of buildings and grounds, technology and security
7. Increase revenue from outside sources
8. Increase 21st century opportunities for all students
9. Professional development and implementation of the new teacher evaluation system, common assessments and student growth objectives
10. Conduct a culture and climate survey of all stakeholders

Other Initiatives Underway

5th year: Strategic Plan

- Align, modify K-12 Curriculum
- Curricular and Co-Curricular focus on programs of character
- Expanded community partnerships
- Curricular initiative training
- Expansion of Professional Development Sharing with Caldwell, Glen Ridge and Montclair Public Schools
- Improve HIB reporting to the BOE
- Update Code of Conduct and 24/7 policy
- Create uniform non-union staff contracts

Other Initiatives Underway (Continued)

- Understanding by Design training
- Marzano Teacher & Leadership Training for 2013-14 implementation
- Researching and Developing Student Growth Objectives
- Scope & Sequence Development

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

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

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2013.

6) ACCOUNTING SYSTEM AND REPORTS: The District's accounting records reflect accounting principles generally accepted in the United States of America, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds, which are explained in "Notes to the Basic Financial Statements", Note 1.

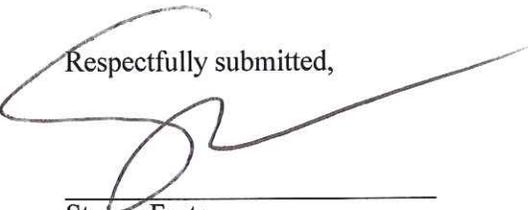
7) CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Basic Financial Statements", Note 4. The District has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

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

9) OTHER INFORMATION: Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Lerch, Vinci & Higgins, LLP, CPAs, was selected by the Board of Trustees. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of a single audit in accordance with OMB Circular A-133 and New Jersey OMB Circular 04-04. The auditors' report on the basic financial statements and individual fund financial statements and schedules are included in the financial section of this report. The auditors' report related specifically to the single audit is included in the single audit section of this report.

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

Respectfully submitted,

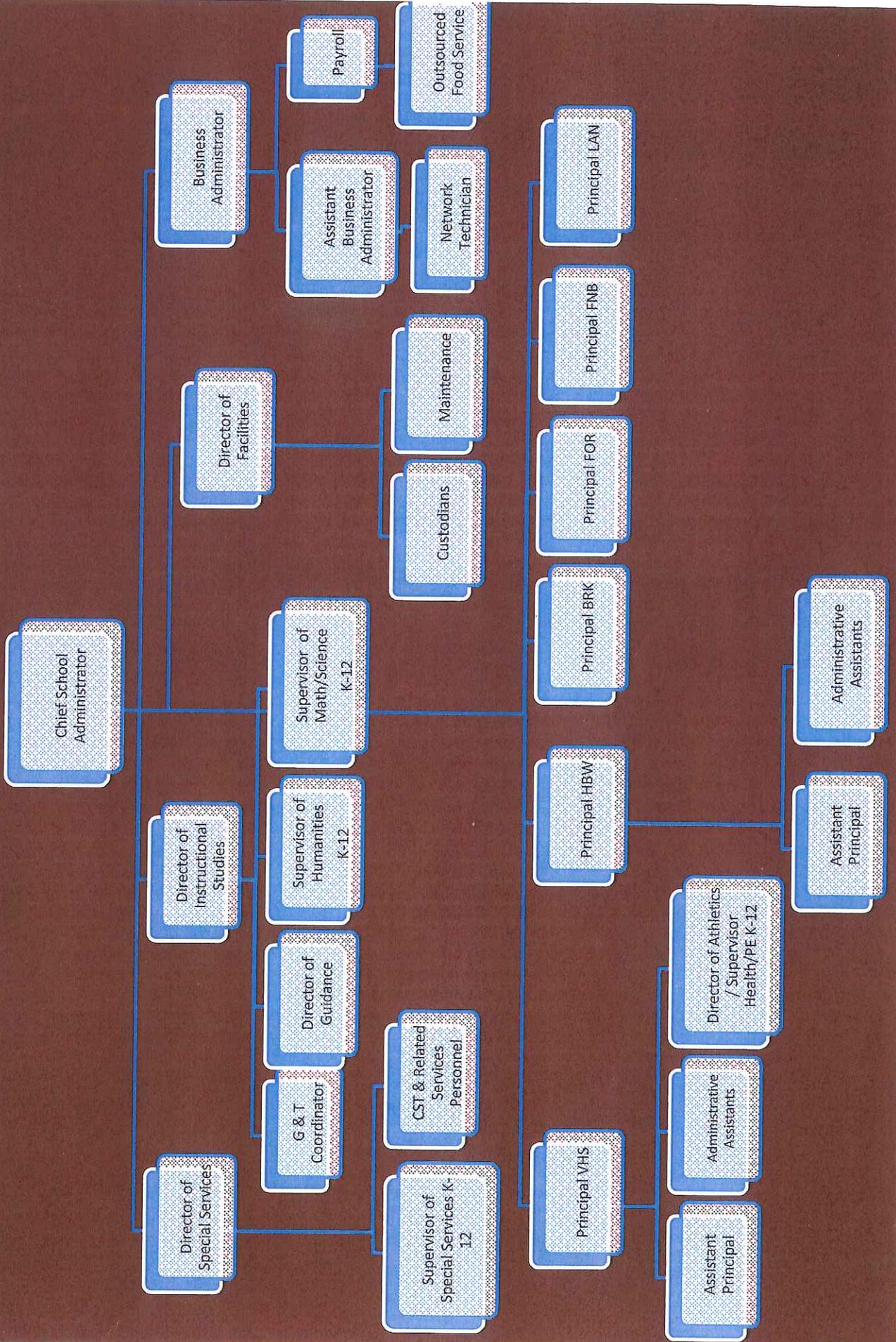


Steven Forte
Superintendent



Cheryl A. Nardino, CPA
Business Administrator/Board Secretary

Verona Public Schools



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

**ROSTER OF OFFICIALS
JUNE 30, 2013**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
John A. Quattrocchi , President	2016
Michael Unis, Vice President	2013
Joseph T. Bellino	2016
Dawn DuBois	2014
Glenn Elliott	2013

Other Officials

Steven Forte, Superintendent of Schools

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

Dorothy Trimmer, Treasurer of School Monies

Michael J. Gross, Board Attorney

**VERONA BOARD OF EDUCATION
Consultants and Advisors**

Architect of Record

Lan Associates
Midland Park, New Jersey 07432

Independent Auditor

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

Attorney

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

Official Depository

Wells Fargo

NJ ARM

FINANCIAL SECTION



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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

ELIZABETH A. SHICK, CPA, RMA, PSA
ANDREW PARENTE, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
EDWARD N. KERE, CPA
LORI T. MANUKIAN, CPA, PSA
MARK SACO, 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, 2013 and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 previously 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, 2013, 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 and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Verona Board of Education's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, financial schedules, statistical section, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Verona Board of Education.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated November 26, 2013 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Verona Board of Education's internal control over financial reporting and compliance.


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


Gary J. Vinci
Public School Accountant
PSA Number CS00829

Fair Lawn, New Jersey
November 26, 2013

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, 2013. 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 2012-2013 fiscal year include the following:

- The net position of the Verona Board of Education at the close of the fiscal year was \$9,120,698.
- Overall revenues were \$36,063,829. General revenues accounted for \$30,646,146 or 85% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5,417,683 or 15% of total revenues.
- The school district had \$35,772,452 in expenses for governmental activities; only \$5,014,533 of these expenses were offset by program specific charges, grants or contributions. General revenues (predominantly property taxes) of \$30,646,146 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 \$1,038,954.
- The General Fund fund balance at June 30, 2013 was \$1,033,477, an increase of \$58,786 when compared with the beginning balance at July 1, 2012.

VERONA BOARD OF EDUCATION

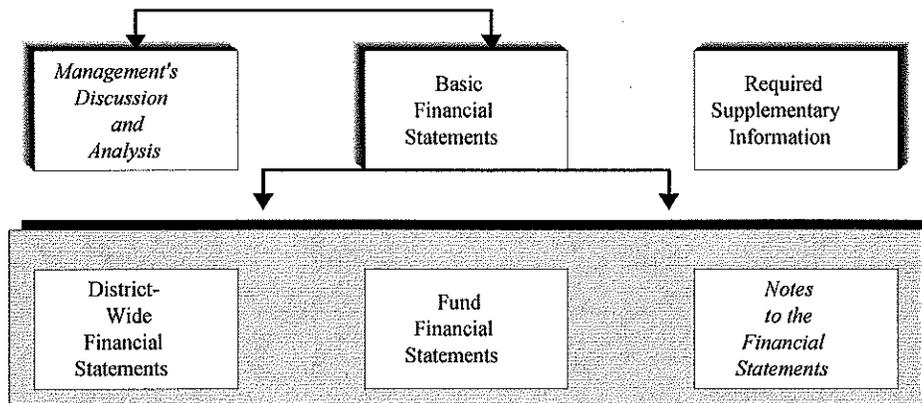
Management's Discussion and Analysis

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	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/inflow, liabilities, both financial and capital, short-term and long-term	Generally assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and deferred outflows of resources and liabilities, both financial and capital, and short-term and long-term	All assets, deferred outflows/inflows of resources 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 and liabilities. 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 and liabilities – 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 assets 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 of resources were more than liabilities by \$9,120,698 as of June 30, 2013. The following schedule summarizes this analysis as of June 30, 2013 and 2012.

VERONA BOARD OF EDUCATION

Management's Discussion and Analysis

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

Statement of Net Position As of June 30, 2013 and 2012

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current Assets	\$ 1,580,059	\$ 1,087,223	\$ 84,296	\$ 88,399	\$ 1,664,355	\$ 1,175,622
Capital Assets	<u>41,658,306</u>	<u>39,854,309</u>	<u>60,040</u>	<u>19,226</u>	<u>41,718,346</u>	<u>39,873,535</u>
Total Assets	<u>43,238,365</u>	<u>40,941,532</u>	<u>144,336</u>	<u>107,625</u>	<u>43,382,701</u>	<u>41,049,157</u>
Deferred Outflow of Resources						
Deferred Charge on Refunding	<u>37,571</u>	<u>63,239</u>	<u>-</u>	<u>-</u>	<u>37,571</u>	<u>63,239</u>
Total Deferred Outflow of Resources	<u>37,571</u>	<u>63,239</u>	<u>-</u>	<u>-</u>	<u>37,571</u>	<u>63,239</u>
Total Assets and Deferred Outflow of Resources	<u>43,275,936</u>	<u>41,004,771</u>	<u>144,336</u>	<u>107,625</u>	<u>43,420,272</u>	<u>41,112,396</u>
Other Liabilities	1,000,786	565,818	87,335	75,012	1,088,121	640,830
Long-Term Liabilities	<u>33,211,453</u>	<u>34,427,384</u>	<u>-</u>	<u>-</u>	<u>33,211,453</u>	<u>34,427,384</u>
Total Liabilities	<u>34,212,239</u>	<u>34,993,202</u>	<u>87,335</u>	<u>75,012</u>	<u>34,299,574</u>	<u>35,068,214</u>
Net Position:						
Net Investment in Capital Assets	10,024,595	6,951,017	60,040	19,226	10,084,635	6,970,243
Restricted	90,008	164,783			90,008	164,783
Unrestricted	<u>(1,050,906)</u>	<u>(1,183,105)</u>	<u>(3,039)</u>	<u>13,387</u>	<u>(1,053,945)</u>	<u>(1,169,718)</u>
Total Net Assets	<u>\$ 9,063,697</u>	<u>\$ 5,932,695</u>	<u>\$ 57,001</u>	<u>\$ 32,613</u>	<u>\$ 9,120,698</u>	<u>\$ 5,965,308</u>

VERONA BOARD OF EDUCATION

Management's Discussion and Analysis

Changes in Net Position For the Fiscal Years Ended June 30, 2013 and 2012

	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues						
Program Revenues						
Charges for Services	\$ 243,171	\$ 257,108	\$ 398,213	\$ 387,011	\$ 641,384	\$ 644,119
Operating Grants and Contributions	4,771,362	3,985,678	4,937	5,317	4,776,299	3,990,995
General Revenues						
Property Taxes	30,044,021	29,396,707			30,044,021	29,396,707
State Aid	435,288	429,506			435,288	429,506
Other	166,837	160,669	-	-	166,837	160,669
Total Revenues	<u>35,660,679</u>	<u>34,229,668</u>	<u>403,150</u>	<u>392,328</u>	<u>36,063,829</u>	<u>34,621,996</u>
Expenses						
Instruction						
Regular	14,984,681	14,274,188			14,984,681	14,274,188
Special Education	4,593,223	4,658,751			4,593,223	4,658,751
Other Instruction	399,407	402,188			399,407	402,188
School Sponsored Activities and Ath.	964,506	919,157			964,506	919,157
Community Services		6,450			-	6,450
Support Services						
Student and Instruction Related Serv.	4,945,625	4,607,480			4,945,625	4,607,480
School Administrative Services	2,434,204	2,367,908			2,434,204	2,367,908
General Administrative Services	658,156	627,781			658,156	627,781
Plant Operations and Maintenance	4,200,948	3,778,372			4,200,948	3,778,372
Pupil Transportation	499,926	478,843			499,926	478,843
Business and Other Support Services	658,644	502,522			658,644	502,522
Food Services			380,441	342,468	380,441	342,468
VSEA			60,478	46,815	60,478	46,815
Interest on Long-Term Debt and Other Chg	1,433,132	1,501,988	-	-	-	1,501,988
Total Expenses	<u>35,772,452</u>	<u>34,125,628</u>	<u>440,919</u>	<u>389,283</u>	<u>36,213,371</u>	<u>34,514,911</u>
Increase/(Decrease) in Net Position	(111,773)	104,040	(37,769)	3,045	(149,542)	107,085
Transfers	(8,931)	-	8,931			
Net Position Beginning of Year	5,932,695	5,828,655	32,613	29,568	5,965,308	5,858,223
Prior Period Adjustment	3,251,706	-	53,226	-	3,304,932	-
Net Position, End of Year	<u>\$ 9,063,697</u>	<u>\$ 5,932,695</u>	<u>\$ 57,001</u>	<u>\$ 32,613</u>	<u>\$ 9,120,698</u>	<u>\$ 5,965,308</u>

VERONA BOARD OF EDUCATION

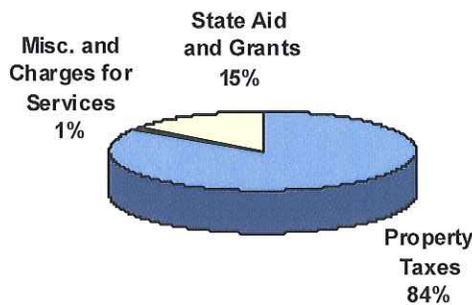
Management's Discussion and Analysis

Governmental Activities. The District's total governmental activities' revenues, which includes State and Federal grants, were \$35,660,679 for the fiscal year ended June 30, 2013. Property taxes of \$30,044,021 represented 84% percent of revenues. Another significant portion of revenues came from State aid; total State, Federal and formula aid was \$5,206,650. Another source of revenue is miscellaneous income which includes items such as tuition from other LEAs, interest, rentals, prior year refunds, etc.

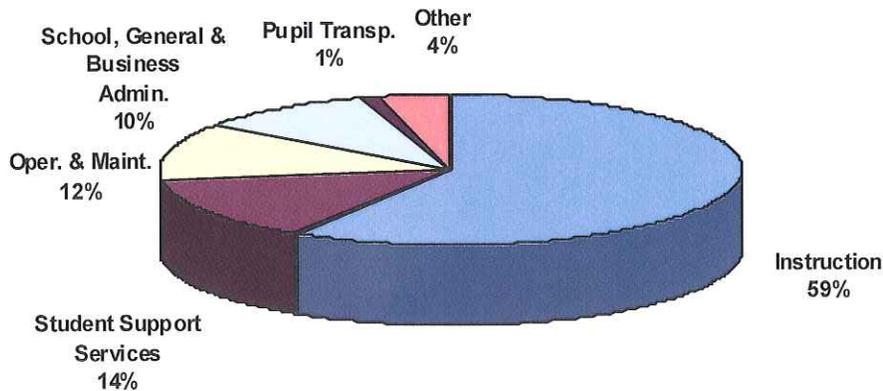
The total cost of all governmental activities programs and services was \$35,772,452. The District's expenses are predominantly related to educating and caring for students. Instruction totaled \$20,941,817 (59%) of total expenditures. Student and instruction related support services, total \$4,945,625 or (14%) of total expenditures.

Total governmental activities expenditures and transfers out surpassed revenues decreasing net position \$120,704 from the previous year.

Revenues by Source- Governmental Activities
For Fiscal Year 2013



Expenditures by Type- Governmental Activities
For Fiscal Year 2013



VERONA BOARD OF EDUCATION

Management's Discussion and Analysis

Total and Net Cost of Governmental Activities. The District's total cost of services was \$35,772,452. After applying program revenues, derived from charges for services of \$243,171 and operating grants and contributions of \$4,771,362; the net cost of services of the District is \$30,757,919.

Total and Net Cost of Governmental Activities

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Instruction				
Regular	\$ 14,984,681	\$ 14,274,188	\$ 12,483,847	\$ 12,085,195
Special Education	4,593,223	4,658,751	2,997,056	3,353,285
Other Instruction	399,407	402,188	337,678	352,713
School Sponsored Activities and Athletics	964,506	919,157	882,029	851,153
Community Services		6,450		6,450
Support Services				
Student and Instruction Related Svcs.	4,945,625	4,607,480	4,534,995	4,240,450
School Administrative Services	2,434,204	2,367,908	2,209,833	2,181,066
General Administrative Services	658,156	612,146	618,409	583,444
Plant Operations and Maintenance	4,200,948	3,778,372	4,169,977	3,778,372
Pupil Transportation	499,926	478,843	465,753	457,511
Business and Other Support Services	658,644	502,522	625,210	475,580
Interest on Long-Term Debt	<u>1,433,132</u>	<u>1,501,988</u>	<u>1,433,132</u>	<u>1,501,988</u>
Total	<u>\$ 35,772,452</u>	<u>\$ 34,109,993</u>	<u>\$ 30,757,919</u>	<u>\$ 29,867,207</u>

Business-Type Activities – The District's total business-type activities revenues were \$403,150 for the fiscal year ended June 30, 2013. 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 \$440,919. 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 \$28,838 over the previous year.

VERONA BOARD OF EDUCATION

Management's Discussion and Analysis

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 \$1,038,954. At June 30, 2012 the fund balance was \$982,618.

Revenues for the District's governmental funds were \$35,660,079, while total expenses were \$35,631,038.

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, 2013</u>	Fiscal Year Ended <u>June 30, 2012</u>	Amount of Increase <u>(Decrease)</u>	Percent Increase <u>(Decrease)</u>
Local Sources:				
Property Taxes	\$ 27,801,223	\$ 27,158,547	\$ 642,676	2.37%
Tuition	243,171	257,108	(13,937)	-5.42%
Miscellaneous	166,829	160,660	6,169	3.84%
State Sources	4,190,435	3,230,241	960,194	29.73%
Federal Sources	-	49,389	(49,389)	
Total General Fund Revenues	<u>\$ 32,401,658</u>	<u>\$ 30,855,945</u>	<u>\$ 1,545,713</u>	<u>5.01%</u>

Local property taxes increased approximately 2% over the previous year. State aid revenues increased \$960,194. This increase is attributed primarily to additional state aid awarded. Tuition revenues decreased slightly, or \$13,937.

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, 2013</u>	Fiscal Year Ended <u>June 30, 2012</u>	Amount of Increase <u>(Decrease)</u>	Percent Increase <u>(Decrease)</u>
Instruction	\$ 20,341,756	\$ 19,620,756	\$ 721,000	3.67%
Support Services	11,787,250	11,195,245	592,005	5.29%
Debt Service	74,962	132,712	(57,750)	-43.52%
Capital Outlay	<u>165,599</u>	<u>-</u>	<u>165,599</u>	0.00%
 Total Expenditures	 <u>\$ 32,369,567</u>	 <u>\$ 30,948,713</u>	 <u>\$ 1,420,854</u>	 <u>4.59%</u>

Total General Fund expenditures increased \$1,420,854 or slightly more than 5% from the previous year.

In 2012-2013 General Fund revenues and other financing services exceeded expenditures by \$58,786. As a result, total fund balance increased to \$1,033,477 at June 30, 2013. After deducting statutory transfers and reserves, the unassigned fund balance decreased from \$344,544 at June 30, 2012 to \$313,521 at June 30, 2013.

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 \$580,927 for the fiscal year ended June 30, 2013. Federal sources accounted for the majority of Special Revenue Fund's revenue which represented 79% of the total revenue for the year.

Total Special Revenue Fund revenues decreased \$125,121 from the previous year.

Expenditures of the Special Revenue Fund were \$580,927. Instructional expenditures were \$404,653 or 70% of total expended for the fiscal year ended June 30, 2013.

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, 2013 amounts to \$41,718,346 (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 2012-2013 amounted to \$1,613,308 for governmental activities and \$12,412 for business-type activities.

Capital Assets at June 30, 2013 and 2012 (Net of Accumulated Depreciation)

	Governmental		Business-Type		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	\$ 1,679,937	\$ 1,679,937			\$ 1,679,937	\$ 1,679,937
Improvements Other Than Buildings	385,393	206,579			385,393	206,579
Buildings	38,971,605	36,738,642			38,971,605	36,738,642
Machinery and Equipment	<u>621,371</u>	<u>1,229,151</u>	\$ 60,040	\$ 19,226	<u>681,411</u>	<u>1,248,377</u>
Total Capital Assets	<u>\$ 41,658,306</u>	<u>\$ 39,854,309</u>	<u>\$ 60,040</u>	<u>\$ 19,226</u>	<u>\$ 41,718,346</u>	<u>\$ 39,873,535</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 \$1,534,711, and bonds payable of \$31,521,000 and capital leases payable of \$142,881 for a total of \$33,198,592.

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, 2013 the District has in excess of \$1.3 million of general fund surplus (Budgetary Basis). Everyone associated with Verona School District is grateful for the community support, as evidenced by the successful passage of the District's annual budget for the past seven consecutive years.

Many factors were considered by the District's administration during the process of developing the fiscal year 2013/2014 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 2013-2014. Budgeted expenditures in the General Fund increased \$559,164 to \$30,158,641 in fiscal year 2013-2014.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information contact the School Business Administrator, Verona Board of Education, 121 Fairview Avenue, Verona, NJ 07044.

BASIC FINANCIAL STATEMENTS

**VERONA BOARD OF EDUCATION
STATEMENT OF NET POSITION
AS OF JUNE 30, 2013**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 1,003,435	\$ 74,968	\$ 1,078,403
Cash and Cash Equivalents - Restricted with Fiscal Agent	35,646		35,646
Receivables, net			
Receivables from Other Governments	484,358	61	484,419
Accounts Receivable	57,234		57,234
Prepaid Items		454	454
Internal Balance	(614)	614	-
Inventory		8,199	8,199
Capital Assets			
Not Being Depreciated	1,679,937		1,679,937
Being Depreciated, net	39,978,369	60,040	40,038,409
Total Assets	<u>43,238,365</u>	<u>144,336</u>	<u>43,382,701</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred Charge on Refunding	37,571	-	37,571
Total Deferred Outflow of Resources	<u>37,571</u>	<u>-</u>	<u>37,571</u>
Total Assets and Deferred Outflow of Resources	<u>43,275,936</u>	<u>144,336</u>	<u>43,420,272</u>
LIABILITIES			
Accounts Payable and Other Liabilities	521,798	24,689	546,487
Intergovernmental Payable	17,211		17,211
Accrued Interest Payable	459,681		459,681
Unearned Revenue	2,096	62,646	64,742
Noncurrent Liabilities			
Due Within One Year	677,783		677,783
Due Beyond One Year	32,533,670	-	32,533,670
Total Liabilities	<u>34,212,239</u>	<u>87,335</u>	<u>34,299,574</u>
NET ASSETS			
Net Investment in Capital Assets	10,024,595	60,040	10,084,635
Restricted for:			
Capital Projects	89,991		89,991
Debt Service	17		17
Unrestricted	(1,050,906)	(3,039)	(1,053,945)
Total Net Position	<u>\$ 9,063,697</u>	<u>\$ 57,001</u>	<u>\$ 9,120,698</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, 2013**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Governmental Activities:							
Instruction							
Regular	\$ 14,984,681	\$ 243,171	\$ 2,257,663	\$ (12,483,847)		\$ (12,483,847)	
Special Education	4,593,223		1,596,167	(2,997,056)		(2,997,056)	
Other Instruction	399,407		61,729	(337,678)		(337,678)	
School Sponsored Activities and Athletics	964,506		82,477	(882,029)		(882,029)	
Support Services							
Student and Instruction Related Services	4,945,625		410,630	(4,534,995)		(4,534,995)	
School Administrative Services	2,434,204		224,371	(2,209,833)		(2,209,833)	
General Administrative Services	658,156		39,747	(618,409)		(618,409)	
Plant Operations and Maintenance	4,200,948		30,971	(4,169,977)		(4,169,977)	
Pupil Transportation	499,926		34,173	(465,753)		(465,753)	
Business and Other Support Services	658,644		33,434	(625,210)		(625,210)	
Interest on Long-Term Debt and Other Charges	1,433,132	-	-	(1,433,132)	-	(1,433,132)	
Total Governmental Activities	35,772,452	243,171	4,771,362	(30,757,919)	-	(30,757,919)	
Business-Type Activities:							
VSEA	60,478	56,720			\$ (3,758)	(3,758)	
Food Service	380,441	341,493	4,937		(34,011)	(34,011)	
Total Business-Type Activities	440,919	398,213	4,937	-	(37,769)	(37,769)	
Total Primary Government	\$ 36,213,371	\$ 641,384	\$ 4,776,299	(30,757,919)	(37,769)	(30,795,688)	

Continued

VERONA BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Total Primary Government (Carried Forward)	\$ (30,757,919)	\$ (37,769)	\$ (30,795,688)
General Revenues and Transfers			
Taxes:			
Property Taxes, Levied for General Purposes	27,801,223		27,801,223
Taxes Levied for Debt Service	2,242,798		2,242,798
State Aid Restricted for Debt Service	435,288		435,288
Investment Earnings	8		8
Miscellaneous Income	166,829	-	166,829
Transfers	(8,931)	8,931	-
Total General Revenues and Transfers	30,637,215	8,931	30,646,146
Change in Net Position	(120,704)	(28,838)	(149,542)
Net Position Beginning of Year	5,932,695	32,613	5,965,308
Prior Period Adjustment	3,251,706	53,226	3,304,932
Net Position End of Year	\$ 9,063,697	\$ 57,001	\$ 9,120,698

FUND FINANCIAL STATEMENTS

**VERONA BOARD OF EDUCATION
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2013**

	<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	\$ 1,003,435				\$ 1,003,435
Cash and Cash Equivalents - Restricted with Fiscal Agent			\$ 35,646		35,646
Receivables, Net					
Receivables From Other Governments	108,059	\$ 376,299			484,358
Accounts	57,234				57,234
Due from Other Funds	<u>387,161</u>	<u>-</u>	<u>-</u>	<u>\$ 4,001</u>	<u>391,162</u>
Total Assets	<u>\$ 1,555,889</u>	<u>\$ 376,299</u>	<u>\$ 35,646</u>	<u>\$ 4,001</u>	<u>\$ 1,971,835</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 98,755				\$ 98,755
Accrued Salaries and Wages	423,043				423,043
Due to Other Funds	614	\$ 356,992	\$ 30,186	\$ 3,984	391,776
Payable to State Governments		17,211			17,211
Unearned Revenue	<u>-</u>	<u>2,096</u>	<u>-</u>	<u>-</u>	<u>2,096</u>
Total Liabilities	<u>522,412</u>	<u>376,299</u>	<u>30,186</u>	<u>3,984</u>	<u>932,881</u>
Fund Balances					
Restricted					
Excess Surplus-Designated for Subsequent Year's Budget	204,982				204,982
Excess Surplus	274,983				274,983
Capital Reserve	89,991				89,991
Maintenance Reserve	150,000				150,000
Capital Projects			5,460		5,460
Debt Service				17	17
Unassigned	<u>313,521</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>313,521</u>
Total Fund Balances	<u>1,033,477</u>	<u>-</u>	<u>5,460</u>	<u>17</u>	<u>1,038,954</u>
Total Liabilities and Fund Balances	<u>\$ 1,555,889</u>	<u>\$ 376,299</u>	<u>\$ 35,646</u>	<u>\$ 4,001</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 \$54,741,222 and the accumulated depreciation is \$13,082,916. 41,658,306

The District has financed capital assets through the issuance of serial bonds. The interest accrual at year end is: (459,681)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 2) (33,173,882)

Net position of governmental activities (Exhibit A-1) \$ 9,063,697

**VERONA BOARD OF EDUCATION
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
REVENUES					
Local Sources					
Property Tax Levy	\$ 27,801,223			\$ 2,242,798	\$ 30,044,021
Tuition	243,171				243,171
Interest	-		\$ 8		8
Miscellaneous	<u>166,829</u>	<u>\$ 18,791</u>	<u>-</u>	<u>-</u>	<u>185,620</u>
Total - Local Sources	28,211,223	18,791	8	2,242,798	30,472,820
State Sources	4,190,435	101,609		435,288	4,727,332
Federal Sources	<u>-</u>	<u>460,527</u>	<u>-</u>	<u>-</u>	<u>460,527</u>
Total Revenues	<u>32,401,658</u>	<u>580,927</u>	<u>8</u>	<u>2,678,086</u>	<u>35,660,679</u>
EXPENDITURES					
Current					
Regular Instruction	14,742,323	91,635			14,833,958
Special Education Instruction	4,284,726	313,018			4,597,744
Other Instruction	399,407				399,407
School Sponsored Activities and Athletics	915,300				915,300
Support Services					
Student and Instruction Related Services	4,776,865	154,121			4,930,986
General Administrative Services	644,203				644,203
School Administrative Services	2,317,069				2,317,069
Plant Operations and Maintenance	2,912,696				2,912,696
Pupil Transportation	477,773	22,153			499,926
Business and Other Support Services	658,644				658,644
Debt Service					
Principal	68,011			1,250,000	1,318,011
Interest	6,951			1,430,544	1,437,495
Capital Outlay	<u>165,599</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>165,599</u>
Total Expenditures	<u>32,369,567</u>	<u>580,927</u>	<u>-</u>	<u>2,680,544</u>	<u>35,631,038</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>32,091</u>	<u>-</u>	<u>8</u>	<u>(2,458)</u>	<u>29,641</u>
OTHER FINANCING SOURCES (USES)					
Assets Acquired by Capital Leases	35,626				35,626
Transfers In				8	8
Transfers Out	<u>(8,931)</u>	<u>-</u>	<u>(8)</u>	<u>-</u>	<u>(8,939)</u>
Total Other Financing Sources (Uses)	<u>26,695</u>	<u>-</u>	<u>(8)</u>	<u>8</u>	<u>26,695</u>
Net Change in Fund Balances	58,786	-	-	(2,450)	56,336
Fund Balance, Beginning of Year	<u>974,691</u>	<u>-</u>	<u>5,460</u>	<u>2,467</u>	<u>982,618</u>
Fund Balance, End of Year	<u>\$ 1,033,477</u>	<u>\$ -</u>	<u>\$ 5,460</u>	<u>\$ 17</u>	<u>\$ 1,038,954</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, 2013**

Total Net Change in Fund Balances - Governmental Funds (Exhibit B-2)	\$	56,336
 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. This is the amount by which depreciation exceeded capital outlay in the period.		
Depreciation Expense	\$ (1,613,308)	
Capital Outlays	<u>165,599</u>	(1,447,709)
 The issuance of long term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of principal of long term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount represents the net effect of these activities		
General Obligation Bonds	1,250,000	
Capital Leases	<u>32,385</u>	1,282,385
 In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. The accrued interest is an addition in the reconciliation. (+)		
Decrease in Accrued Interest		17,167
 In the statement of activities, some expenses do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This amount represents the net effect of these activities (See Note 2)		
		<u>(28,883)</u>
Change in Net Position of Governmental Activities (Exhibit A-2)	\$	<u>(120,704)</u>

**VERONA BOARD OF EDUCATION
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
AS OF JUNE 30, 2013**

	Business-Type Activities Enterprise Fund		
	Other Non-Major		
	<u>Food Services</u>	<u>(VSEA)</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash	\$ 9,694	\$ 65,274	\$ 74,968
Intergovernmental Receivable			
Federal	61		61
Prepaid Items		454	454
Due from Other Funds	614		614
Inventories	8,199	-	8,199
	<u>18,568</u>	<u>65,728</u>	<u>84,296</u>
Total Current Assets			
Capital Assets			
Furniture, Machinery and Equipment	317,900		317,900
Less: Accumulated Depreciation	(257,860)	-	(257,860)
	<u>60,040</u>	<u>-</u>	<u>60,040</u>
Total Capital Assets			
Total Assets	<u>78,608</u>	<u>65,728</u>	<u>144,336</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	24,689		24,689
Due to Other Funds			-
Unearned Revenue	3,252	59,394	62,646
	<u>27,941</u>	<u>59,394</u>	<u>87,335</u>
Total Current Liabilities			
NET POSITION			
Investment in Capital Assets	60,040		60,040
Unrestricted	(9,373)	6,334	(3,039)
	<u>\$ 50,667</u>	<u>\$ 6,334</u>	<u>\$ 57,001</u>
Total Net Position			

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, 2013**

	Business-Type Activities		
	Enterprise Fund		
	Food Services	Other Non-Major (VSEA)	Total
OPERATING REVENUES			
Charges for Services			
Daily Sales	\$ 341,493		\$ 341,493
Program Fees	-	\$ 56,720	56,720
	<u>341,493</u>	<u>56,720</u>	<u>398,213</u>
Total Operating Revenues			
OPERATING EXPENSES			
Salaries and Wages	130,823	52,919	183,742
Food Costs	158,931		158,931
Purchased Professional Services	9,596		9,596
Other Expenses	24,615		24,615
Insurance	19,130		19,130
Miscellaneous	4,322	7,559	11,881
Depreciation Expense	12,412		12,412
Administrative and Management Fees	20,612	-	20,612
	<u>380,441</u>	<u>60,478</u>	<u>440,919</u>
Total Operating Expenses			
Operating Income (Loss)	<u>(38,948)</u>	<u>(3,758)</u>	<u>(42,706)</u>
NONOPERATING REVENUES			
Federal Sources			
Special Milk Program	4,937	-	4,937
Transfer In	8,931	-	8,931
	<u>13,868</u>	<u>-</u>	<u>13,868</u>
Total Nonoperating Revenues			
Change in Net Position	(25,080)	(3,758)	(28,838)
Net Position, Beginning of Year	22,521	10,092	32,613
Prior Period Adjustment	<u>53,226</u>	<u>-</u>	<u>53,226</u>
Net Position, End of Year	<u>\$ 50,667</u>	<u>\$ 6,334</u>	<u>\$ 57,001</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, 2013**

	Business-Type Activities		
	Enterprise Fund		
	<u>Food Services</u>	<u>Other Non-Major (VSEA)</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers	\$ 342,307	\$ 60,281	\$ 402,588
Cash Payments to General Fund		(1,995)	(1,995)
Cash Payments for Employees' Salaries and Benefits	(130,823)	(52,919)	(183,742)
Cash Payments to Suppliers for Goods and Services	(230,201)	(6,143)	(236,344)
Net Cash Provided (Used) By Operating Activities	(18,717)	(776)	(19,493)
CASH FLOWS FROM NONCAPITAL AND RELATED ACTIVITIES			
Transfers from Other Funds	13,936	-	13,936
Net Cash Provided by Noncapital and Related Activities	13,936	-	13,936
Net Increase (Decrease) in Cash and Cash Equivalents	(4,781)	(776)	(5,557)
Cash and Cash Equivalents, Beginning of Year	14,475	66,050	80,525
Cash and Cash Equivalents, End of Year	<u>\$ 9,694</u>	<u>\$ 65,274</u>	<u>\$ 74,968</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) FOR OPERATING ACTIVITIES			
Operating Income (Loss)	\$ (38,948)	\$ (3,758)	\$ (42,706)
Adjustments to Reconcile Operating Income to Net Cash Used for Operating Activities			
Depreciation	12,412		12,412
Change in Assets and Liabilities			
(Increase)/Decrease in Accounts Receivable	233		233
(Increase)/Decrease in Inventory	(1,157)		(1,157)
(Increase)/Decrease in Prepaid Expense		1,376	1,376
Increase/(Decrease) in Due from Other Funds	(19)	(1,955)	(1,974)
Increase/(Decrease) in Accounts Payable	8,180		8,180
Increase/(Decrease) in Deferred Revenue	582	3,561	4,143
Total Adjustments	20,231	2,982	23,213
Net Cash Provided (Used) By Operating Activities	<u>\$ (18,717)</u>	<u>\$ (776)</u>	<u>\$ (19,493)</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, 2013**

	<u>Private Purpose Trust Fund</u>	<u>Unemployment Compensation Trust Fund</u>	<u>Agency Fund</u>
ASSETS			
Cash and Cash Equivalents	\$ 19,011	\$ 11,041	\$ 211,125
Due from Other Funds	<u>-</u>	<u>-</u>	<u>-</u>
 Total Assets	 <u>19,011</u>	 <u>11,041</u>	 <u>\$ 211,125</u>
LIABILITIES			
Payroll Deductions and Withholdings			\$ 22,490
Reserve for Flexible Spending			35,512
Intergovernmental Payable		11,038	
Due to Student Groups	<u>-</u>	<u>-</u>	<u>153,123</u>
 Total Liabilities	 <u>-</u>	 <u>11,038</u>	 <u>\$ 211,125</u>
NET ASSETS			
Held In Trust For Unemployment Claims and Other Purposes	<u>\$ 19,011</u>	<u>\$ 3</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, 2013**

	<u>Private Purpose Trust Fund</u>	<u>Unemployment Compensation Trust Fund</u>	
ADDITIONS			
Contributions			
District		\$ 43,006	
Employee		6,720	
Investment Earnings			
Interest	\$ 4	-	
	4	49,726	
DEDUCTIONS			
Unemployment Claims		49,723	
Scholarship Awards	800	-	
	800	49,723	
Change in Net Position	(796)	3	
Net Position Beginning of Year	19,807	-	
Net Position, End of Year	\$ 19,011	\$ 3	

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

NOTES TO THE FINANCIAL STATEMENTS

**VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

B. New Accounting Standards

During the 2012/13 fiscal year, the District adopted the following GASB statements:

- GASB 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements.
- GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of this Statement is to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effect on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed.
- GASB 65, *Items Previously Reported as Assets and Liabilities*, although not required to be implemented until next year, the District elected to apply the statement to the current year financial statements. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards (Continued)

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

- GASB 66, *Technical Corrections – 2012, an Amendment of GASB Statements 10 and 62*, will be effective beginning with the fiscal year ending June 30, 2014. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
- GASB 67, *Financial Reporting for Pension Plans, an Amendment of GASB 25*, will be effective beginning with the fiscal year ending June 30, 2014. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. The District does not expect this Statement to impact its financial statements.
- GASB 68, *Accounting and Financial Reporting for Pensions*, will be effective beginning with the fiscal year ending June 30, 2015. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The District does not expect this Statement to impact its financial statements.

C. Basis of Presentation - Financial Statements

The basic 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.

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.

VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

District-Wide Financial Statements (Continued)

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

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

Fund Financial Statements

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

**VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

Fund Financial Statements (continued)

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

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

Additionally, the government reports the following fund type:

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

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

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.

VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the district-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Board has elected not to follow private-sector guidance issued subsequent to December 1, 1989.

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

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

1. Cash, Cash Equivalents and Investments

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

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

2. Receivables

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

3. Inventories

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

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

**VERONA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

4. Prepaid Items

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

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 estimated fair market 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	40
Building Improvements	20
Heavy Equipment	10
Office Equipment and Furniture	10
Computer Equipment	5

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding which results from the loss on a debt refunding reported in the district-wide statement of net position. A deferred charge on debt refunding results from the loss on the transaction when the debt's reacquisition price is greater than the carrying value of the refunded debt. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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 (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

7. Compensated Absences

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

8. 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 or 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 net of the applicable 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.

9. Restricted Assets

Certain assets are classified as restricted on the balance sheet because they are maintained in separate bank accounts and/or their use is limited by state or county regulations for capital projects.

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.

VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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)

District-Wide Statements (Continued)

- **Restricted Net Position** – reports net position when constraints placed on the residual amount of noncapital assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** – any portion of net position not already classified as either net investment in capital assets or net position – restricted is classified as net position – unrestricted.

Governmental Fund Statements

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

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

Excess Surplus – Designated for Subsequent Year's Budget - This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2012 audited excess surplus that was appropriated in the 2013/2014 original budget certified for taxes.

Excess Surplus – This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2013 audited excess surplus that is required to be appropriated in the 2014/2015 original budget certified for taxes.

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

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.

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.

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

11. Reclassifications

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

VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 revenue is 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 2011-2012 and 2012-2013 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been certified by the State Department of Education.

4. Proprietary Funds, Operating and Non-Operating 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.

**VERONA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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	\$ 31,521,000
Less: Deferred charge on refunding (to be amortized as interest expense)	(37,571)
Add: Issuance premium (to be amortized over life of debt)	12,861
Capital Leases Payable	142,881
Compensated Absences Payable	<u>1,534,711</u>
 Net Adjustment to Reduce Fund Balance - Total Governmental Funds to Arrive at Net Position - Governmental Activities	 <u>\$ 33,173,882</u>

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 “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds”. The details are as follows:

Compensated Absences	\$ (16,079)
Amortization of Deferred Charge on Refunding	(25,668)
Amortization of Bond Premiums	<u>12,864</u>
 Net Adjustment to Decrease Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities	 <u>\$ (28,883)</u>

**VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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.

Prior to the 2012/2013 budget year, the annual budget was required to be voted upon at the annual school election held on the third Tuesday in April. On January 17, 2012, Chapter 202 of the Laws of P.L. 2011 was approved which established procedures for moving the date of a school district’s annual school election from April to the general election in November. Under the new law, districts that have their school board members elected in November no longer have to submit their budgets that meet levy cap requirements for voter approval beginning with the 2012/2013 budget year. Only a school board decision to exceed the tax levy cap would require voter approval for the additional amount on the November ballot. On February 14, 2012, the Board adopted a resolution to move its annual election to the date of the general elections in accordance with the law; therefore voter approval of the annual budget is not required.

Budget adoptions and amendments are recorded in the District's board minutes. The budget is amended by the Board of Trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. The Board approved several budget transfers during 2012/2013. During 2012/2013 the Board increased the original budget by \$177,705. The increase was funded by additional grant awards.

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. Deficit Fund Equity

The District has an accumulated deficit in unrestricted fund balance of \$9,373 in the Food Service Enterprise Fund. The District expects to eliminate this deficit through normal operations in the 2013/2014 fiscal year.

**VERONA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Capital Reserve

A capital reserve account was established by the District on October 10, 2000. 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.

The activity of the capital reserve for the fiscal year ended June 30, 2013 is as follows:

Balance, July 1, 2012	\$ 162,316
Increases:	
Return of Unexpended Funds	<u>2,675</u>
	164,991
Decreased:	
Budgeted Withdrawal	<u>75,000</u>
Balance, June 30, 2013	<u>\$ 89,991</u>

Analysis of Balance, June 30, 2013

Restricted	
Capital Reserve	<u>\$ 89,991</u>

**VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

D. 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, 2013 is \$479,965. Of this amount, \$204,982 was designated and appropriated in the 2013/2014 original budget certified for taxes and the remaining amount of \$274,983 will be appropriated in the 2014/2015 original budget certified for taxes.

NOTE 4 DETAILED NOTES ON ALL FUNDS

A. Cash Deposits and Investments

Cash Deposits

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

Bank balances for interest bearing accounts are insured up to \$250,000 in the aggregate by the FDIC for each bank. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, temporary unlimited deposit insurance coverage was provided for non-interest bearing accounts from December 31, 2010 through December 31, 2012. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At June 30, 2013, the book value of the Board's deposits were \$1,319,580 and bank and brokerage firm balances of the Board's deposits amounted to \$2,039,700. The Board's deposits which are displayed on the statement of net position and the various fund balance sheets as "cash and cash equivalents" are categorized as:

Depository Account

Insured	<u>\$ 2,039,700</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, 2013 none of the Board's bank balance was exposed to custodial credit risk.

**VERONA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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, bonds or other obligations of the school district or bonds or other obligations of the local unit or units within which the school district is located, Local Government investment pools, and agreements or the repurchase of fully collateralized securities, if transacted in accordance with the above statute.

As of June 30, 2013, the Board had the following investments:

<u>Investment Type:</u>	<u>Fair Value</u>
U.S. Government Securities	\$ <u>35,646</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, 2013, \$35,646 of the Board’s investments was exposed to custodial credit risk as uninsured and uncollateralized investments.

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

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

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

B. Receivables

Receivables as of June 30, 2013 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>Food Service</u>	<u>Total</u>
Receivables:				
Accounts	\$ 57,234			\$ 57,234
Intergovernmental	<u>108,059</u>	\$ 376,299	\$ 61	<u>484,419</u>
Gross Receivables	165,293	376,299	61	541,653
Less: Allowance for Uncollectibles	-	-	-	-
Net Total Receivables	<u>\$ 165,293</u>	<u>\$ 376,299</u>	<u>\$ 61</u>	<u>\$ 541,653</u>

**VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

C. Unearned Revenue

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

	<u>Unearned</u>
Special Revenue Fund	
Unencumbered Grant Draw Downs	\$ 2,096
Total Unearned Revenue for Governmental Funds	<u>\$ 2,096</u>

D. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2013 was as follows:

	<u>Balance, July 1, 2012</u>	<u>Increases</u>	<u>Adjustment</u>	<u>Balance, June 30, 2013</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	47,307,659	\$ 72,325	\$ 1,967,630	49,347,614
Improvements Other than Buildings	930,209		1,043,908	1,974,117
Machinery and Equipment	5,147,013	93,274	(3,500,733)	1,739,554
Total Capital Assets Being Depreciated	<u>53,384,881</u>	<u>165,599</u>	<u>(489,195)</u>	<u>53,061,285</u>
Less Accumulated Depreciation for				
Buildings	(10,569,017)	(1,419,362)	1,612,370	(10,376,009)
Improvements Other than Buildings	(723,630)	(60,804)	(804,290)	(1,588,724)
Machinery and Equipment	(3,917,862)	(133,142)	2,932,821	(1,118,183)
Total Accumulated Depreciation	<u>(15,210,509)</u>	<u>(1,613,308)</u>	<u>3,740,901</u>	<u>(13,082,916)</u>
Total Capital Assets, Being Depreciated, Net	<u>38,174,372</u>	<u>(1,447,709)</u>	<u>3,251,706</u>	<u>39,978,369</u>
Governmental Activities Capital Assets, Net	<u>\$ 39,854,309</u>	<u>\$ (1,447,709)</u>	<u>\$ 3,251,706</u>	<u>\$ 41,658,306</u>

**VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

	<u>Balance, July 1, 2012</u>	<u>Increases</u>	<u>Adjustment</u>	<u>Balance, June 30, 2013</u>
Business-Type Activities				
Capital Assets, Being Depreciated:				
Machinery and Equipment	\$ 49,999	-	\$ 267,901	\$ 317,900
Total Capital Assets Being Depreciated	<u>49,999</u>	<u>-</u>	<u>267,901</u>	<u>317,900</u>
Less Accumulated Depreciation for:				
Machinery and Equipment	<u>(30,773)</u>	\$ (12,412)	(214,675)	<u>171,490</u>
Total Accumulated Depreciation	<u>(30,773)</u>	<u>(12,412)</u>	<u>(214,675)</u>	<u>171,490</u>
Total Capital Assets, Being Depreciated, Net	<u>19,226</u>	<u>(12,412)</u>	<u>53,226</u>	<u>489,390</u>
Business-Type Activities Capital Assets, Net	<u>\$ 19,226</u>	<u>\$ (12,412)</u>	<u>\$ 53,226</u>	<u>\$ 489,390</u>

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

Governmental Activities:

Instruction

Regular	\$ 129,065
School-Sponsored/Other Instructional	<u>48,399</u>
Total Instruction	<u>177,464</u>

Support Services

Student and Instruction Services	16,133
General Administration	16,133
School Administration	96,798
Operations and Maintenance of Plant	<u>1,306,780</u>
Total Support Services	<u>1,435,844</u>

Total Depreciation Expense - Governmental Activities \$ 1,613,308

Business-Type Activities:

Food Service Operations	<u>\$ 12,412</u>
Total Depreciation Expense-Business-Type Activities	<u>\$ 12,412</u>

**VERONA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

E. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2013, is as follows:

Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Projects Fund	\$ 26,185
General Fund	Special Revenue Fund	356,992
General Fund	Debt Service Fund	3,984
Food Service Fund	General Fund	614
Debt Service Fund	Capital Projects Fund	<u>4,001</u>
 Total		 <u>\$ 391,776</u>

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

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

Interfund Transfers

	<u>Transfer In:</u>		
	<u>Debt Service</u>	<u>Food Service</u>	
	<u>Fund</u>	<u>Fund</u>	<u>Total</u>
Transfer Out:			
Capital Projects Fund	\$ 8		\$ 8
General Fund	<u>-</u>	<u>\$ 8,931</u>	<u>8,931</u>
	<u>\$ 8</u>	<u>\$ 8,931</u>	<u>\$ 8,939</u>

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

**VERONA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

F. Leases

Capital Leases

The District has financed the acquisition of buses, computer equipment and a maintenance vehicle by a capital lease.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2013 were as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2014	\$ 82,447
2015	45,393
2016	7,485
2017	7,485
2018-19	<u>7,485</u>
Total Minimum Lease Payments	150,295
Less: Amount Representing Interest	<u>(7,414)</u>
Present Value of Minimum Lease Payments	<u>\$ 142,881</u>

G. Long-Term Debt

General Obligation Bonds

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

Bonds payable at June 30, 2013 are comprised of the following issues:

\$33,971,000, 2006 School Bonds, due in annual installments of \$1,500,000 to \$1,871,000 through March 1, 2031, interest at 4.375%	<u>\$31,521,000</u>
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**VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-Term Debt (Continued)

General Obligation Bonds (Continued)

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

Governmental Activities:

Fiscal Year Ending <u>June 30,</u>	<u>Serial Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2014	\$ 1,500,000	\$ 1,379,044	\$ 2,879,044
2015	1,550,000	1,313,419	2,863,419
2016	1,600,000	1,245,606	2,845,606
2017	1,650,000	1,175,606	2,825,606
2018	1,700,000	1,103,419	2,803,419
2019-2023	8,950,000	4,366,469	13,316,469
2024-2028	9,000,000	2,399,906	11,399,906
2029-2031	<u>5,571,000</u>	<u>488,380</u>	<u>6,059,380</u>
	<u>\$ 31,521,000</u>	<u>\$ 13,471,849</u>	<u>\$ 44,992,849</u>

Statutory Borrowing Power

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2013 was as follows:

4% of Equalized Valuation Basis (Municipal)	\$ 92,038,325
Less: Net Debt	<u>31,521,000</u>
Remaining Borrowing Power	<u>\$ 60,517,325</u>

**VERONA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-Term Debt (Continued)

Changes in Long-Term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2013, was as follows:

	<u>Balance, July 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, June 30, 2013</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable	\$ 32,771,000		\$ 1,250,000	\$ 31,521,000	\$ 600,000
Add:					
Unamortized Premium	<u>25,725</u>	<u>-</u>	<u>12,864</u>	<u>12,861</u>	<u>-</u>
	32,796,725	-	1,262,864	31,533,861	600,000
Capital Leases	175,266	\$ 35,626	68,011	142,881	77,783
Compensated Absences	<u>1,518,632</u>	<u>16,079</u>	<u>-</u>	<u>1,534,711</u>	<u>-</u>
Governmental Activity Long-Term Liabilities	<u>\$ 34,490,623</u>	<u>\$ 51,705</u>	<u>\$ 1,330,875</u>	<u>\$ 33,211,453</u>	<u>\$ 677,783</u>

For the governmental activities, the liabilities for compensated absences are generally liquidated by the general fund.

NOTE 5 OTHER INFORMATION

A. Risk Management

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

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

The relationship between the Board and the insurance fund is governed by a contract and by-laws that have been adopted by resolution of each unit's governing body. The Board is contractually obligated to make all annual and supplementary contributions to the 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.

**VERONA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 5 OTHER INFORMATION (Continued)

A. Risk Management (Continued)

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

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

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan the District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The District is billed quarterly for amounts due to the State. The following is a summary of District contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the District's fiduciary trust fund for the current and previous two years:

Fiscal Year Ended June 30,	District <u>Contributions</u>	Employee <u>Contributions</u>	Amount <u>Reimbursed</u>	Ending <u>Balance</u>
2013	\$ 43,006	\$ 6,720	\$ 49,723	\$ 3
2012	18,566	46,155	72,593	-
2011		44,783	107,157	7,872

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. The Commissioner of Education has ruled in favor of a Petition of Appeal filed by a former school district employee. The Verona Board of Education has filed an appeal with the Appellate Division of the Superior Court of New Jersey. The Board will be seeking a reversal of the Commissioner's decision. There are potential back-pay issues that the District will need to pay in the event that the appeal is unsuccessful. However, limitation of those damages will also be mitigated by any employment the former employee has received outside 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, 2013, 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, 2013, the District had no estimated arbitrage earnings due to the IRS.

**VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans

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

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

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

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. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership.

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 and are considered in the annual actuarial calculation of the required State contribution for the system.

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

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

Basis of Accounting

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

**VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Significant Legislation

P.L. 2011, c.78, effective June 28, 2011, made various changes to the manner in which TPAF and PERS operate and to the benefit provisions of those systems.

The legislation's provisions impacting employee pension and health benefits include:

- For new members of TPAF and PERS hired on or after June 28, 2011 (Tier 5 members), the years of creditable service needed for early retirement benefits increased from 25 to 30 years and the early retirement age increased from 55 to 65.
- The eligibility age to qualify for a service retirement in the TPAF and PERS increased from age 62 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members) decreased from 65 percent of final compensation to 60 percent of final compensation after 25 years of service and from 70 percent of final compensation to 65 percent of final compensation after 30 or more years of service.
- It increased the TPAF and PERS active member rates from 5.5 percent of annual compensation to 6.5 percent plus an additional 1 percent phased-in over 7 years for members hired or reappointed on or after June 28, 2011. For Fiscal Year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contributions for TPAF and PERS members takes place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries was suspended. COLA increases may be reactivated at a future date as permitted by this law.
- It changed the method for amortizing the pension system's unfunded accrued liability (from a level percent of pay method to a level dollar of pay method).

Investment Valuation

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

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund, Common Pension Fund A, Common Pension Fund B, Common Pension Fund D and Common Pension Fund E. 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.

Funding Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems including TPAF and PERS, is 67.5 percent with an unfunded actuarial accrued liability of \$41.7 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 60.8 percent and \$30.1 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and Police and Firemen's Retirement System ("PFRS") is 77.5 percent and \$11.6 billion.

**VERONA BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Funding Status and Funding Progress (Continued)

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

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

Actuarial Methods and Assumptions

In the July 1, 2011 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (a) a revised investment rate of return for all retirement systems from 8.25 percent to 7.95 percent and (b) revised projected salary increases of 4.52 percent for the PERS and 3.90 percent for TPAF.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan member and employer contributions may be amended by State of New Jersey legislation with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 6.5% for PERS, 6.5% for TPAF and 5.50% for DCRP of the employee's annual compensation.

Annual Pension Costs (APC)

Per the requirements of GASB Statement No. 27 for the fiscal year ended June 30, 2013 for TPAF, which is a cost sharing plan with special funding situations, the annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board. PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the fiscal years ended June 30, 2013, 2012 and 2011 the Board was required to contribute for PERS and DCRP and the State of New Jersey was required to contribute for TPAF 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>
2013	\$ 310,742	\$ 993,857	\$ 5,608
2012	352,637	466,687	215
2011	325,155	43,871	

**VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Annual Pension Costs (APC) (Continued)

The State contributed \$993,857 and \$466,687 during 2012/2013 and 2011/2012, respectively for normal cost pension, accrued liability and the NCGI premium. For fiscal year 2010/2011, the State did not contribute to the TPAF for normal cost and accrued liability; however, the State contributed \$43,871 for the NCGI premium only.

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$1,076,895 during the fiscal year ended June 30, 2013 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount, along with the on-behalf TPAF pension contribution, has been included in the district-wide financial statements and the fund financial statements as a revenue and expenditure in accordance with GASB No. 24.

E. Post-Retirement Medical Benefits

The State of New Jersey sponsors and administers the post-retirement health benefit program plans for school districts. The Plans are cost sharing multiple employer defined benefit plans.

As a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* (OPEB), effective for Fiscal Year 2007, the State Health Benefits Program (SHBP), and the Prescription Drug Program (PDP), and Post-Retirement Medical (PRM) of the PERS and TPAF are combined and reported as Pension and Other employee Benefit Trust Funds in the State's Comprehensive Annual Financial Report (CAFR). Specifically, SHBP-State, PDP-State, and the PRM of the PERS are combined and reported as a Health Benefits Program Fund – State classified as a single employer plan. The SHBP-Local, PDP-Local, and the PRM of the TPAF are combined and reported as Health Benefits Program Fund –Local Government classified as a cost-sharing multiple-employer plan in the State's CAFR. The post-retirement benefit programs had a total of 566 state and local participating employers and contributing entities for Fiscal Year 2012.

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

Health Benefits Program Fund (HBPF) – Local Education (including Prescription Drug Program Fund) – The State of New Jersey provides free coverage to members of the Teachers' Pension and Annuity Fund who retire from a board of education or county college with 25 years of service or on a disability retirement. Under the provisions of P.L. 1992, c.126, the State also provides free coverage to members of the Public Employees' Retirement System and Alternate Benefits Program who retire from a board of education or county college with 25 years of service or on a disability retirement if the member's employer does not provide this coverage. Certain local participating employers also provide post-retirement medical coverage to their employees. Retirees who are not eligible for 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. Also, education employees are eligible for the PDP coverage after 60 days of employment.

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

**VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 5 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

Basis of Accounting

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

Significant Legislation

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

Investment Valuation

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

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the State had a \$48.9 billion unfunded actuarial accrued liability for other post-employment benefits (OPEB) which is made up to \$18.0 billion for state active and retired members and \$30.9 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

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

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

Actuarial Methods and Assumptions

In the July 1, 2011, actuarial valuation, the projected unit credit was used as the actuarial cost method. The actuarial assumptions included an assumed investment rate of return of 4.50 percent.

Post-Retirement Medical Benefits Contributions

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Teachers' Pension and Annuity Fund (TPAF) and Public Employees' Retirement System (PERS), respectively to fund post-retirement medical benefits for those State employees and education employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2012, there were 97,661, retirees receiving post-retirement medical benefits and the State contributed \$958.9 million on their behalf. The cost of these benefits is funded through contributions by the State and in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

**VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 5 OTHER INFORMATION (Continued)

F. Post-Retirement Medical Benefits Contributions (Continued)

Post-Retirement Medical Benefits Contributions (Continued)

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education with 25 years of service. The State paid \$146.6 million toward Chapter 126 benefits for 16,618 eligible retired members in Fiscal Year 2012.

The State sets the contribution rate based on a pay as you go basis and not on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the State Health Benefits Program Fund for TPAF retirees' post-retirement benefits on behalf of the School District for the fiscal years ended June 30, 2013, 2012 and 2011 were \$1,123,801, \$938,161 and \$931,826, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey.

NOTE 6 RESTATEMENT

On July 1, 2012, the Verona Board of Education implemented GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position" and GASB Statement No. 65, "Items Previously Reported in Assets and Liabilities". The Verona Board of Education has determined that the effect of implementing these accounting changes on the financial statements previously reported as of and for the year ended June 30, 2012 was to eliminate in the District-wide statement of net position the deferred charge related to debt issuance costs in the amount of \$15,635 with a corresponding reduction in the net investment in capital assets component of net position. The result of this restatement is to reduce total net position of Governmental Activities at June 30, 2012 from \$5,948,330 as originally reported to \$5,932,695 as adjusted for the effects of the change in accounting principle.

NOTE 7 PRIOR PERIOD ADJUSTMENT

The District hired an independent appraisal company to update the value of the Board's capital assets during the 2012/2013 school year. The District recorded a prior period adjustment to its July 1, 2012 capital asset values, including accumulated depreciation amounts, to reflect the amounts reported in the capital asset appraisal report. The net effect of this adjustment was an increase to governmental activities net position of \$3,251,706 and an increase to business-type activities net position of \$53,226.

BUDGETARY COMPARISON SCHEDULES

**VERONA BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Exhibit C-1

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final to Actual
REVENUES					
Local Sources					
Local Tax Levy	\$ 27,801,223		\$ 27,801,223	\$ 27,801,223	
Tuition-Intergovernmental	53,907		53,907	59,537	\$ 5,630
Tuition-Individuals	30,000		30,000	64,344	34,344
Tuition-Preschool	117,801		117,801	119,290	1,489
Miscellaneous	211,971	-	211,971	166,829	(45,142)
Total Local Sources	28,214,902	-	28,214,902	28,211,223	(3,679)
State Sources					
Special Education Aid	796,553		796,553	796,553	
Security Aid	32,291		32,291	32,291	
Transportation Aid	14,883		14,883	14,883	
Extraordinary Aid	200,000		200,000	194,458	(5,542)
TPAF Pension Contribution (On-Behalf)					
Normal Pension Contribution				944,180	944,180
NCGI Contributions				49,677	49,677
Post Retirement				1,123,801	1,123,801
TPAF Social Security Contribution (On-Behalf)	-	-	-	1,076,895	1,076,895
Total State Sources	1,043,727	-	1,043,727	4,232,738	3,189,011
Total Revenues	29,258,629	-	29,258,629	32,443,961	3,185,332
EXPENDITURES					
CURRENT EXPENDITURES					
Instruction - Regular Programs					
Salaries of Teachers					
Preschool/Kindergarten	397,839	\$ 42,855	440,694	420,241	20,453
Grades 1-5	4,106,770	(173,623)	3,933,147	3,926,372	6,775
Grades 6-8	2,201,861	103,041	2,304,902	2,293,317	11,585
Grades 9-12	3,328,507	(248,168)	3,080,339	3,077,752	2,587
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction	32,200	142,310	174,510	174,509	1
Other Purchased Services	127,014	(2,274)	124,740	117,654	7,086
General Supplies	414,356	52,044	466,400	430,345	36,055
Textbooks	72,295	30,905	103,200	97,307	5,893
Other Objects	74,400	(13,750)	60,650	58,208	2,442
Total Regular Programs	10,755,242	(66,660)	10,688,582	10,595,705	92,877
Special Education					
Learning and/or Language Disabilities					
Salaries of Teachers	120,541	520	121,061	118,470	2,591
Other Salaries for Instruction	113,000	(67,117)	45,883	45,882	1
General Supplies	1,154	2,992	4,146	4,146	-
Total Learning and/or Language Disabilities	234,695	(63,605)	171,090	168,498	2,592
Behavioral Disabilities					
Salaries of Teachers	160,265	(85,175)	75,090	2,310	72,780
Total Behavioral Disabilities	160,265	(85,175)	75,090	2,310	72,780
Multiple Disabilities					
Other Salaries for Instruction	11,000	(11,000)	-	-	-
Total Multiple Disabilities	11,000	(11,000)	-	-	-

**VERONA BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Exhibit C-1

EXPENDITURES	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final to Actual
CURRENT EXPENDITURES (Continued)					
Resource Room/Resource Center					
Salaries of Teachers	\$ 887,149	\$ 122,674	\$ 1,009,823	\$ 1,009,823	-
Other Salaries for Instruction	64,575	(12,739)	51,836	51,836	-
General Supplies	5,277	-	5,277	4,474	\$ 803
Total Resource Room	957,001	109,935	1,066,936	1,066,133	803
Autistic Program					
Salaries of Teachers	72,867	323	73,190	73,190	-
Other Salaries of Instruction	-	97,755	97,755	89,301	8,454
Total Autistic Program	72,867	98,078	170,945	162,491	8,454
Preschool Disabilities - Part-Time					
Salaries of Teachers	187,323	828	188,151	188,150	1
Other Salaries for Instruction	73,000	3,586	76,586	76,585	1
General Supplies	3,618	1,983	5,601	4,265	1,336
Total Preschool Disabilities - Part-Time	263,941	6,397	270,338	269,000	1,338
Preschool Disabilities - Full-Time					
Salaries of Teachers	72,868	282	73,150	64,152	8,998
Other Salaries for Instruction	172,000	(57,000)	115,000	114,955	45
General Supplies	2,500	720	3,220	2,079	1,141
Total Preschool Disabilities - Full-Time	247,368	(55,998)	191,370	181,186	10,184
Home Instruction					
Salaries of Teachers	15,000	10,579	25,579	25,579	-
Total Home Instruction	15,000	10,579	25,579	25,579	-
Total Special Education	1,962,137	9,211	1,971,348	1,875,197	96,151
Basic Skills/Remedial					
Salaries of Teachers	144,164	637	144,801	144,800	1
Total Basic Skills/Remedial	144,164	637	144,801	144,800	1
Bilingual Education					
Salaries of Teachers	72,513	320	72,833	72,833	-
General Supplies	1,000	-	1,000	743	257
Total Bilingual Education	73,513	320	73,833	73,576	257
School Sponsored Co-Curricular Activities					
Salaries	164,300	(831)	163,469	158,367	5,102
Other Objects	45,342	3,157	48,499	44,032	4,467
Total School Sponsored Co-Curricular Activities	209,642	2,326	211,968	202,399	9,569
School Sponsored Athletics - Instruction					
Salaries	357,764	23,827	381,591	370,026	11,565
Supplies & Materials	136,226	(360)	135,866	116,583	19,283
Other Objects	25,798	6,813	32,611	30,615	1,996
Total School Sponsored Athletics - Instruction	519,788	30,280	550,068	517,224	32,844

**VERONA BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Exhibit C-1

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final to Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Other Instructional Programs - Instruction					
Salaries	\$ 55,608	\$ 3,701	\$ 59,309	\$ 59,308	\$ 1
Purchased Services	-				
Supplies and Materials	2,322	1,995	4,317	3,863	454
Other Objects	2,000	4,469	6,469	4,392	2,077
Total Other Instructional Programs - Instruction	59,930	10,165	70,095	67,563	2,532
Summer School					
Salaries		550	550	-	550
Supplies & Materials	-	230	230	-	230
Total Summer School	-	780	780	-	780
Total - Instruction	13,724,416	(12,941)	13,711,475	13,476,464	235,011
Undistributed Expenditures					
Instruction					
Tuition to County Vocational School District-Reg.	15,000	(15,000)			
Tuition to County Special Services - School Districts & Regional Day Schools	400,000	(99,386)	300,614	300,614	-
Tuition to Private Schools - Disabled w/i State	1,313,000	83,499	1,396,499	1,396,499	-
Total Undistributed Expenditures - Instruction	1,728,000	(30,887)	1,697,113	1,697,113	-
Health Services					
Salaries	407,746	(7,923)	399,823	393,799	6,024
Purchased Professional & Technical Services	10,000	(3,250)	6,750	6,100	650
Supplies and Materials	10,000	3,875	13,875	6,167	7,708
Other Objects	2,949	-	2,949	729	2,220
Total Health Services	430,695	(7,298)	423,397	406,795	16,602
Speech, OT, PT & Related Services					
Salaries	310,032	285,860	595,892	595,892	
Purchased Professional/Educational Services	55,117	(53,267)	1,850	1,850	-
Supplies and Materials	1,000	359	1,359	1,127	232
Total Speech, OT, PT & Related Services	366,149	232,952	599,101	598,869	232
Guidance					
Salaries of Other Professional Staff	450,612	11,378	461,990	461,990	-
Salaries of Secretarial and Clerical Assistants	49,228	217	49,445	49,445	-
Other Purchased Services	2,500	-	2,500	629	1,871
Supplies and Materials	7,483	(2,610)	4,873	4,001	872
Other Objects	2,840	-	2,840	2,790	50
Total Guidance	512,663	8,985	521,648	518,855	2,793

**VERONA BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Exhibit C-1

	<u>Original Budget</u>	<u>Budget Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Child Study Teams					
Salaries of Other Professional Staff	\$ 874,622	\$ (311,454)	\$ 563,168	\$ 554,986	\$ 8,182
Salaries of Secretarial and Clerical Assistants	85,812	(1,214)	84,598	84,598	-
Purchased Prof-Educational Services		65,500	65,500	65,500	-
Misc. Purchased Services	5,245	1,289	6,534	6,475	59
Supplies and Materials	4,354	514	4,868	4,860	8
Other Objects	30,000	(30,000)	-	-	-
Total Child Study Teams	<u>1,000,033</u>	<u>(275,365)</u>	<u>724,668</u>	<u>716,419</u>	<u>8,249</u>
Improvement of Instruction Services/ Other Support Services-Instructional Staff					
Salaries of Supervisor of Instruction	542,930	11,982	554,912	554,911	1
Salaries of Other Professional Staff	136,755	3,501	140,256	140,255	1
Other Purchased Prof. And Tech. Services	46,740	40,726	87,466	84,939	2,527
Other Purchased Services	1,090	-	1,090	-	1,090
Supplies and Materials	18,450	2,685	21,135	12,331	8,804
Other Objects	900	-	900	-	900
Total Improvement of Instruction Services/ Other Support Services-Instructional Staff	<u>746,865</u>	<u>58,894</u>	<u>805,759</u>	<u>792,436</u>	<u>13,323</u>
Educational Media Services/School Library					
Salaries	387,934	(79,764)	308,170	308,170	-
Supplies and Materials	46,535	-	46,535	45,119	1,416
Total Educational Media Services/School Library	<u>434,469</u>	<u>(79,764)</u>	<u>354,705</u>	<u>353,289</u>	<u>1,416</u>
Support Services General Administration					
Salaries	228,039	(47,988)	180,051	178,317	1,734
Legal Services	100,000	(19)	99,981	83,184	16,797
Audit Fees	38,325	(9,205)	29,120	29,120	-
Other Purchased Professional Services		49,350	49,350	49,350	-
Communications/Telephone	67,674	6,867	74,541	72,416	2,125
Misc. Purchased Services	67,223	(2,906)	64,317	64,294	23
Supplies and Materials	6,000	208	6,208	5,479	729
Judgments against the School District	-	50,107	50,107	50,107	-
Miscellaneous Expenditures	20,700	16,814	37,514	37,514	-
Total Support Services General Administration	<u>527,961</u>	<u>63,228</u>	<u>591,189</u>	<u>569,781</u>	<u>21,408</u>
Support Services School Administration					
Salaries of Principals/Asst. Principals	991,566	16,189	1,007,755	1,006,622	1,133
Salaries of Other Professional Staff	138,324	2,717	141,041	141,041	-
Salaries of Secretarial and Clerical Assistants	494,714	38,983	533,697	524,917	8,780
Other Purchased Services	10,600	(1,167)	9,433	8,003	1,430
Supplies and Materials	26,055	(647)	25,408	20,735	4,673
Other Objects	15,469	2,554	18,023	17,998	25
Total Support Services School Administration	<u>1,676,728</u>	<u>58,629</u>	<u>1,735,357</u>	<u>1,719,316</u>	<u>16,041</u>
Central Services					
Salaries	309,781	(16,115)	293,666	293,665	1
Misc. Purchased Services	3,770	(3,770)	-	-	-
Supplies and Materials	7,000	-	7,000	6,018	982
Other Objects	1,065	-	1,065	1,065	-
Total Central Services	<u>321,616</u>	<u>(19,885)</u>	<u>301,731</u>	<u>300,748</u>	<u>983</u>

**VERONA BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Exhibit C-1

	Original <u>Budget</u>	Budget <u>Adjustments</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Final to <u>Actual</u>
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Administration - Information Technology Services					
Salaries	\$ 49,369	\$ 67,819	\$ 117,188	\$ 117,187	\$ 1
Purchased Technical Services	48,175	54,810	102,985	101,429	1,556
Other Purchased Services	5,100	133	5,233	5,233	-
Total Administration Information Technology Svcs.	<u>102,644</u>	<u>122,762</u>	<u>225,406</u>	<u>223,849</u>	<u>1,557</u>
Required Maintenance for School Facilities					
Salaries	246,299	44,175	290,474	280,541	9,933
Cleaning, Repair and Maintenance Services	125,000	32,142	157,142	152,572	4,570
General Supplies	64,000	1,000	65,000	64,951	49
Total Required Maint. For School Facilities	<u>435,299</u>	<u>77,317</u>	<u>512,616</u>	<u>498,064</u>	<u>14,552</u>
Custodial Services					
Salaries	1,129,109	16,091	1,145,200	1,135,909	9,291
Cleaning, Repair and Maintenance Services	38,500	6,000	44,500	41,732	2,768
Other Purchased Property Services	63,000	1,353	64,353	64,353	-
Insurance	99,605	2,546	102,151	102,150	1
General Supplies	86,500	5,743	92,243	89,983	2,260
Energy (Natural Gas)	326,400	(134,936)	191,464	183,930	7,534
Energy (Electricity)	387,600	11,000	398,600	374,471	24,129
Other Objects	16,000	(10,200)	5,800	3,785	2,015
Total Custodial Services	<u>2,146,714</u>	<u>(102,403)</u>	<u>2,044,311</u>	<u>1,996,313</u>	<u>47,998</u>
Care and Upkeep of Grounds					
Cleaning, Repair and Maintenance Svc.	11,500	5,000	16,500	14,464	2,036
General Supplies	8,500	1,400	9,900	9,691	209
Total Care and Upkeep of Grounds	<u>20,000</u>	<u>6,400</u>	<u>26,400</u>	<u>24,155</u>	<u>2,245</u>
Student Transportation Services					
Salaries for Pupil Trans (Bet. Home & Sch)-Sp. Ed.	59,000	11,136	70,136	70,136	-
Salaries for Pupil Trans (Other than Bet. Home & Sch)	55,198	8,176	63,374	60,700	2,674
Contracted Services (Special Education Students)- Joint Agreements	360,000	(28,249)	331,751	322,384	9,367
Transportation Supplies	7,000	18,199	25,199	25,199	-
Total Student Transportation Services	<u>481,198</u>	<u>9,262</u>	<u>490,460</u>	<u>478,419</u>	<u>12,041</u>
Unallocated Benefits - Employee Benefits					
Group Insurance	57,000	10,000	67,000	62,905	4,095
Social Security Contributions	707,000	(369,141)	337,859	329,021	8,838
Other Retirement Contribution-Regular	15,500	316,742	332,242	332,147	95
Unemployment Compensation	46,309	2,473	48,782	43,006	5,776
Worker's Compensation	164,267	114	164,381	164,380	1
Health Benefits	3,705,535	(102,425)	3,603,110	3,589,184	13,926
Tuition Reimbursement	80,000	2,825	82,825	61,525	21,300
Other Employee Benefits	55,000	-	55,000	55,000	-
Total Unallocated Benefits - Employee Benefits	<u>4,830,611</u>	<u>(139,412)</u>	<u>4,691,199</u>	<u>4,637,168</u>	<u>54,031</u>

**VERONA BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Exhibit C-1

	Original <u>Budget</u>	Budget <u>Adjustments</u>	Final <u>Budget</u>	Actual	Variance Final to <u>Actual</u>
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
TPAF Pension Contribution (Non Budgeted)					
Normal Pension Contribution				\$ 944,180	\$ (944,180)
NCGI Contributions				49,677	(49,677)
Post Retirement				1,123,801	(1,123,801)
TPAF Social Security Contribution (Non Budgeted)	-	-	-	1,076,895	(1,076,895)
	-	-	-	3,194,553	(3,194,553)
Total Undistributed Expenditures	\$ 15,761,645	\$ (16,585)	\$ 15,745,060	18,726,142	(2,981,082)
Total Current Expenditures	29,486,061	(29,526)	29,456,535	32,202,606	(2,746,071)
CAPITAL OUTLAY					
Equipment					
Grades 9-12		10,636	10,636	10,635	1
Undistributed Expenditures					
School Buses-Regular	37,054	-	37,054	37,054	-
Non-Instructiona	-	9,959	9,959	9,959	-
Total Equipment	37,054	20,595	57,649	57,648	1
Facilities and Acquisitions					
Legal Services	5,000	(5,000)			
Construction Services	70,000	5,000	75,000	72,325	2,675
Other Objects	1,362	-	1,362	1,362	-
Total Facilities and Acquisitions	76,362	-	76,362	73,687	2,675
Assets Acquired under Capital Leases	-	-	-	35,626	(35,626)
Total Capital Outlay	113,416	20,595	134,011	166,961	(32,950)
Total Expenditures - General Fund	29,599,477	(8,931)	29,590,546	32,369,567	(2,779,021)
Excess (Deficiency) of Revenues Over (Under)					
Expenditures	(340,848)	8,931	(331,917)	74,394	406,311
Other Financing Sources (Uses)					
Capital Leases (Non-Budget)				35,626	35,626
Transfers Out	-	(8,931)	(8,931)	(8,931)	-
Total Other Financing Sources (Uses)	-	(8,931)	(8,931)	26,695	35,626
Excess (Deficiency) of Revenues Over (Under) Expenditures and Financing Sources	(340,848)	-	(340,848)	101,089	441,937
Fund Balances, Beginning of Year	1,201,655	-	1,201,655	1,201,655	-
Fund Balances, End of Year	\$ 860,807	\$ -	\$ 860,807	\$ 1,302,744	\$ 441,937
<u>Recapitulation of Fund Balance</u>					
Restricted					
Capital Reserve				\$ 89,991	
Maintenance Reserve				150,000	
Excess Surplus - Designated in Subsequent Year's Budget				204,982	
Excess Surplus				274,983	
Unassigned Fund Balance				582,788	
				1,302,744	
Receivables not Recognized on a GAAP Basis					
State Aid				(74,809)	
Extraordinary Aid				(194,458)	
Fund Balance per Governmental Funds (GAAP)				\$ 1,033,477	

VERONA BOARD OF EDUCATION
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final to Actual
REVENUES					
Local Sources		\$ 18,791	\$ 18,791	\$ 18,791	\$ -
State Sources	\$ 97,320	20,015	117,335	101,609	(15,726)
Federal Sources	488,008	138,899	626,907	460,527	(166,380)
Total Revenues	<u>585,328</u>	<u>177,705</u>	<u>763,033</u>	<u>580,927</u>	<u>(182,106)</u>
EXPENDITURES					
Instruction					
Salaries of Teachers		14,636	14,636	14,636	-
Purchased Prof. Tech. Svc.		46,048	46,048	23,229	22,819
Purchased Professional-Educational Services	76,428	13,858	90,286	58,996	31,290
Other Purchased Services	24,010	(18,327)	5,683	5,683	-
Tuition	463,998	(182,435)	281,563	281,059	504
General Supplies		31,332	31,332	13,177	18,155
Textbooks	8,163	(290)	7,873	7,873	-
Total Instruction	<u>572,599</u>	<u>(95,178)</u>	<u>477,421</u>	<u>404,653</u>	<u>72,768</u>
Support Services					
Salaries of Other Professional Staff	12,729	164,582	177,311	125,792	51,519
Employee Benefits		1,954	1,954		1,954
Purchased Prof. Tech. Svc.		60,273	60,273	14,989	45,284
Purchased Professional-Education Services	-	2,906	2,906	2,906	-
Purchased Property Services		7,755	7,755	3,715	4,040
Other Purchased Services		6,960	6,960	5,766	1,194
Contracted Services -Transportation		22,153	22,153	22,153	-
General Supplies	-	3,500	3,500	953	2,547
Other Objects	-	2,800	2,800	-	2,800
Total Support Services	<u>12,729</u>	<u>272,883</u>	<u>285,612</u>	<u>176,274</u>	<u>109,338</u>
Total Expenditures	<u>585,328</u>	<u>177,705</u>	<u>763,033</u>	<u>580,927</u>	<u>182,106</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**VERONA BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Actual amounts (budgetary basis) revenue from the budgetary comparison schedule (Exhibits C-1 and C-2)	\$ 32,443,961	\$ 580,927
State Aid payment not recognized for GAAP purposes, not recognized for budgetary statements.	226,964	
State Aid payment recognized for budgetary purposes, not recognized for GAAP statements.	<u>(269,267)</u>	<u>-</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (Exhibit B-2)	<u>\$ 32,401,658</u>	<u>\$ 580,927</u>
Uses/Outflows of Resources		
Actual amounts (budgetary basis) total outflows from the budgetary comparison schedule (Exhibits C-1 and C-2)	\$ 32,369,567	\$ 580,927
Differences-Budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	<u>-</u>	<u>-</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (Exhibit B-2)	<u>\$ 32,369,567</u>	<u>\$ 580,927</u>

SPECIAL REVENUE FUND

VERONA BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	IDEA Carryover	IDEA Preschool Carryover	IDEA Basic	IDEA Preschool	Title II-A	Title IV Carryover	ARRA Preschool	Title IA Carryover	Total Page 2	Total
REVENUES										
Local										
State										
Federal										
Total Revenues	\$ 46,076	\$ 5,630	\$ 381,668	\$ 19,925	\$ 2,914	\$ 236	\$ 6	\$ 4,072	\$ 18,791	\$ 18,791
	\$ 46,076	\$ 5,630	\$ 381,668	\$ 19,925	\$ 2,914	\$ 236	\$ 6	\$ 4,072	\$ 120,400	\$ 580,927
EXPENDITURES										
Instruction										
Salaries of Teachers			\$ 23,229						\$ 14,636	\$ 14,636
Purchased Prof. and Technical Services					\$ 1,303				57,693	23,229
Purchased Professional-Educational Services									7,873	58,996
Textbooks										7,873
Other Purchased Services					1,611			\$ 4,072		5,683
Tuition			281,059						4,211	281,059
Supplies		\$ 2,423	6,301							13,177
Total Instruction		2,423	310,589		2,914	236	6	4,072	84,413	404,653
Support Services										
Salaries of Other Professional Staff	\$ 32,028	1,307	61,940	19,589					10,928	125,792
Employee Benefits										
Purchased Prof. and Technical Services	10,333	1,900	2,756						2,906	14,989
Purchase Professional-Educational Services										2,906
Purchased Property Services	3,715		5,766							3,715
Other Purchased Services										5,766
Contracted Services -Transportation				336						22,153
Supplies			617							953
Total Support Services	46,076	3,207	71,079	19,925					35,987	176,274
Total Expenditures	\$ 46,076	\$ 5,630	\$ 381,668	\$ 19,925	\$ 2,914	\$ 236	\$ 6	\$ 4,072	\$ 120,400	\$ 580,927

Continued

VERONA BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Antibullying	Chapter 192				Chapter 193			Local Grants	Total Page 2	
		Nonpublic Technology	Nonpublic Textbooks	Nonpublic Nursing	Compens. Education	Transportation	Exam. And Class	Corrective Speech			Supplm. Instruction
REVENUES											
Local	\$ 56	\$ 2,906	\$ 7,873	\$ 10,928	\$ 19,230	\$ 22,153	\$ 19,583	\$ 9,374	\$ 9,506	\$ 18,791	\$ 18,791
State	-	-	-	-	-	-	-	-	-	-	-
Federal	-	-	-	-	-	-	-	-	-	-	-
Total Revenues	\$ 56	\$ 2,906	\$ 7,873	\$ 10,928	\$ 19,230	\$ 22,153	\$ 19,583	\$ 9,374	\$ 9,506	\$ 18,791	\$ 120,400
EXPENDITURES											
Instruction											
Salaries of Teachers										\$ 14,636	\$ 14,636
Purchased Prof. and Technical Services					\$ 19,230			\$ 9,374	\$ 9,506		\$ 57,693
Purchased Professional-Educational Services											
Other Purchased Services											7,873
Textbooks			\$ 7,873							4,155	4,211
Supplies	\$ 56										
Total Instruction	\$ 56		\$ 7,873		\$ 19,230		\$ 19,583	\$ 9,374	\$ 9,506	\$ 18,791	\$ 84,413
Support Services											
Salaries of Other Professional Staff				\$ 10,928							10,928
Purchased Professional Services		\$ 2,906									2,906
Purchase Professional-Educational Services											
Other Professional Services											22,153
Other Purchased Services						\$ 22,153					
Contracted Services -Transportation											
Supplies											
Travel											
Total Support Services		\$ 2,906		\$ 10,928		\$ 22,153					\$ 35,987
Total Expenditures	\$ 56	\$ 2,906	\$ 7,873	\$ 10,928	\$ 19,230	\$ 22,153	\$ 19,583	\$ 9,374	\$ 9,506	\$ 18,791	\$ 120,400

**VERONA BOARD OF EDUCATION
SPECIAL REVENUE FUND
PRESCHOOL EDUCATION PROGRAM AID
SCHEDULE OF EXPENDITURES - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2013**

THIS SCHEDULE IS NOT APPLICABLE

CAPITAL PROJECTS FUND

**VERONA BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

<u>Issue/Project Title</u>	<u>Appropriations</u>	<u>Expenditures to Date</u>		<u>Balance,</u>
		<u>Prior Year</u>	<u>Current Year</u>	<u>June 30, 2013</u>
Various Equipment Purchases	\$ 650,000	\$ 644,540	\$ -	\$ 5,460
				Project Balances, June 30, 2013
				\$ 5,460
				Fund Balance, June 30, 2013
				\$ 5,460
				<u>Recapitulation of Fund Balance</u>
				Restricted:
				Available for Capital Projects
				\$ 5,460

**VERONA BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

REVENUES AND OTHER FINANCING SOURCES

Revenues

Interest Income	\$ <u>8</u>
-----------------	-------------

Total Revenues	<u>8</u>
----------------	----------

EXPENDITURES AND OTHER FINANCING USES

Transfers Out	<u>8</u>
---------------	----------

Total Expenditures and Other Financing Uses	<u>8</u>
---	----------

Excess (Deficiency) of Revenues Over (Under) Expenditures	-
---	---

Fund Balance, July 1, 2012	<u>5,460</u>
----------------------------	--------------

Fund Balance, June 30, 2013	<u><u>\$ 5,460</u></u>
-----------------------------	------------------------

**VERONA BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS
RENOVATIONS TO ALL SCHOOLS
TECHNOLOGY UPGRADES AND VARIOUS EQUIPMENT PURCHASES
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
Lease Proceeds	\$ 650,000	-	\$ 650,000	\$ 650,000
Total Revenues	<u>650,000</u>	<u>-</u>	<u>650,000</u>	<u>650,000</u>
Expenditures and Other Financing Uses				
Equipment Purchases	<u>644,540</u>	<u>-</u>	<u>644,540</u>	<u>650,000</u>
Total Expenditures	<u>644,540</u>	<u>-</u>	<u>644,540</u>	<u>650,000</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 5,460</u>	<u>\$ -</u>	<u>\$ 5,460</u>	<u>\$ -</u>

Additional Project Information:

Project Number	N/A
Grant Date	N/A
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 650,000
Additional Authorized Cost	\$ -
Revised Authorized Cost	\$ 650,000
Percentage Increase Over Original Authorized Cost	0%
Percentage Completion	100%
Original Target Completion Date	Jun-06
Revised Target Completion Date	Jun-06

ENTERPRISE FUNDS

**VERONA BOARD OF EDUCATION
ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
AS OF JUNE 30, 2013**

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

**COMBINING STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

**COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

FIDUCIARY FUNDS

**VERONA BOARD OF EDUCATION
FIDUCIARY FUNDS
COMBINING STATEMENT OF AGENCY NET POSITION
AS OF JUNE 30, 2013**

	<u>Student Activity</u>	<u>Agency Payroll</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 153,123	\$ 58,002	\$ 211,125
Total Assets	<u>\$ 153,123</u>	<u>\$ 58,002</u>	<u>\$ 211,125</u>
LIABILITIES			
Due to Student Groups	\$ 153,123		\$ 153,123
Reserve for Flexible Spending		\$ 35,512	\$ 35,512
Payroll Deductions and Withholdings	<u>-</u>	<u>22,490</u>	<u>22,490</u>
Total Liabilities	<u>\$ 153,123</u>	<u>\$ 58,002</u>	<u>\$ 211,125</u>

**FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

THIS STATEMENT IS NOT APPLICABLE

FINANCIAL STATEMENT IS PRESENTED ON EXHIBIT B-8

**VERONA BOARD OF EDUCATION
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Balance July 1, 2012</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance, June 30, 2013</u>
JUNIOR HIGH SCHOOL				
H.B. Whitehorne Middle School	\$ 49,418	\$ 83,740	\$ 74,170	\$ 58,988
SENIOR HIGH SCHOOL				
Verona Senior High School	88,512	133,638	128,616	93,534
Athletic Fund	<u>(137)</u>	<u>37,455</u>	<u>36,717</u>	<u>601</u>
	<u>\$ 137,793</u>	<u>\$ 254,833</u>	<u>\$ 239,503</u>	<u>\$ 153,123</u>

**PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Balance, July 1, 2012</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance, June 30, 2013</u>
Payroll Deductions and Withholdings	\$ 6,333	\$ 21,434,177	\$ 21,418,020	\$ 22,490
Accrued Salaries and Wages		12,412,872	12,412,872	
Reserve for Flexible Spending		70,910	35,398	35,512
Due to Other Funds	<u>273</u>	<u>-</u>	<u>273</u>	<u>-</u>
	<u>\$ 6,606</u>	<u>\$ 33,917,959</u>	<u>\$ 33,866,563</u>	<u>\$ 58,002</u>

LONG-TERM DEBT

VERONA BOARD OF EDUCATION
LONG TERM DEBT
SCHEDULE OF SERIAL BONDS PAYABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities Date</u>	<u>Interest Rate</u>	<u>Balance, July 1, 2012</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance, June 30, 2013</u>
2005 Refunding Bonds	3/1/2005	\$ 3,860,000			\$ 650,000		\$ 650,000	-
2006 School Bonds	3/1/2006	33,971,000	3/1/2014	4.375 %				
			3/1/2015	4.375				
			3/1/2016	4.375				
			3/1/2017	4.375				
			3/1/2018	4.375				
			3/1/2019	4.375				
			3/1/2020-28	4.375				
			3/1/2029-30	4.375				
			3/1/2031	4.375				
					32,121,000	-	600,000	\$ 31,521,000
					\$ 32,771,000	\$ -	\$ 1,250,000	\$ 31,521,000

**VERONA BOARD OF EDUCATION
LONG TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASE AGREEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

<u>Series</u>	Amount of <u>Original Issue</u>	Balance, <u>July 1, 2012</u>	<u>Issued</u>	<u>Retired</u>	Balance, <u>June 30, 2013</u>
2010-Bus	77,925	\$ 31,907		\$ 15,544	\$ 16,363
2010-Computer Lease	170,000	105,720		33,954	71,766
2011- Bus	61,479	37,639	-	18,513	19,126
2013-Maintenance Vehicle	35,626	-	\$ 35,626	-	35,626
		<u>\$ 175,266</u>	<u>\$ 35,626</u>	<u>\$ 68,011</u>	<u>\$ 142,881</u>

EXHIBIT I-3

**DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Original Budget</u>	<u>Budget Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	Variance <u>Final to Actual</u>
REVENUES					
Local Sources					
Local Tax Levy	\$ 2,242,798		\$ 2,242,798	\$ 2,242,798	
State Sources					
Debt Service Aid	435,288	-	435,288	435,288	-
Total Revenues	<u>2,678,086</u>	<u>-</u>	<u>2,678,086</u>	<u>2,678,086</u>	<u>-</u>
EXPENDITURES					
Regular Debt Service					
Principal	1,250,000		1,250,000	1,250,000	
Interest	1,430,544	-	1,430,544	1,430,544	-
Total Expenditures	<u>2,680,544</u>	<u>-</u>	<u>2,680,544</u>	<u>2,680,544</u>	<u>-</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(2,458)	-	(2,458)	(2,458)	-
Other Financing Sources					
Transfers In	-	-	-	8	\$ 8
Excess(Deficiency) of Revenues and Other Financing Sources Over(Under) Expenditures	(2,458)	-	(2,458)	(2,450)	8
Fund Balance, Beginning of Year	2,467	-	2,467	2,467	-
Fund Balance, End of Year	<u>\$ 9</u>	<u>\$ -</u>	<u>\$ 9</u>	<u>\$ 17</u>	<u>\$ 8</u>

STATISTICAL SECTION

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

Contents

Exhibits

Financial Trends

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

J-1 to J-5

Revenue Capacity

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

J-6 to J-9

Debt Capacity

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

J-10 to J-13

Demographic and Economic Information

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

J-14 and J-15

Operating Information

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

J-16 to J-20

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

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

	Fiscal Year Ended June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental Activities										
Net Investment in Capital Assets	\$ 4,480,331	\$ 4,806,982	\$ 4,421,295	\$ 6,387,137	\$ 6,655,294	\$ 6,461,850	\$ 6,542,788	\$ 6,705,998	\$ 6,966,552	\$ 10,024,595
Restricted	6,815	35,776	568,036	1,545,342	1,491,295	954,017	501,958	171,777	164,783	90,008
Unrestricted	(1,299,417)	(1,990,212)	(1,634,674)	(1,674,049)	(1,988,673)	(1,662,598)	(1,407,245)	(1,049,120)	(1,183,105)	(1,050,906)
Total Governmental Activities Net Position	\$ 3,187,729	\$ 2,852,546	\$ 3,354,657	\$ 6,258,430	\$ 6,157,916	\$ 5,753,269	\$ 5,637,501	\$ 5,828,655	\$ 5,948,230	\$ 9,063,697
Business-Type Activities										
Net Investment in Capital Assets	\$ 28,651	\$ 26,276	\$ 23,901	\$ 21,526	\$ 32,554	\$ 29,222	\$ 25,890	\$ 22,558	\$ 19,226	\$ 60,040
Unrestricted	77,200	92,553	87,765	124,828	49,278	26,039	19,404	7,010	13,387	(3,039)
Total Business-Type Activities Net Position	\$ 105,851	\$ 118,829	\$ 111,664	\$ 146,354	\$ 81,832	\$ 55,261	\$ 45,294	\$ 29,568	\$ 32,613	\$ 57,001
District-Wide										
Net Investment in Capital Assets	\$ 4,508,982	\$ 4,833,258	\$ 4,445,196	\$ 6,408,663	\$ 6,687,848	\$ 6,491,072	\$ 6,568,678	\$ 6,728,556	\$ 6,985,778	\$ 10,084,635
Restricted	6,815	35,776	568,036	1,545,342	1,491,295	954,017	501,958	171,777	164,783	90,008
Unrestricted	(1,222,217)	(1,897,659)	(1,546,911)	(1,549,221)	(1,939,395)	(1,636,559)	(1,387,841)	(1,042,110)	(1,169,718)	(1,053,945)
Total District Net Position	\$ 3,293,580	\$ 2,971,375	\$ 3,466,321	\$ 6,404,784	\$ 6,239,748	\$ 5,808,530	\$ 5,682,795	\$ 5,858,223	\$ 5,980,843	\$ 9,120,698

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

	Fiscal Year Ended June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental Activities										
Instruction										
Regular	\$ 10,859,764	\$ 10,923,318	\$ 11,660,244	\$ 12,649,075	\$ 13,830,118	\$ 13,113,794	\$ 13,979,982	\$ 13,559,950	\$ 14,274,188	\$ 14,984,681
Special Education	3,528,025	4,439,477	4,533,069	4,823,502	4,488,595	4,280,896	4,264,879	4,503,628	4,658,751	4,593,223
Other Instruction	170,671	272,858	276,487	291,603	331,490	291,800	326,495	352,996	402,188	399,407
School Sponsored Activities And Athletics	609,170	653,143	717,118	803,228	789,408	832,929	884,332	851,004	919,157	964,506
Community Services	45,762	78,255	75,073	78,763	67,183	21,577	20,963	6,450	6,450	6,450
Support Services:										
Student and Instruction Related Services	2,443,191	2,757,872	3,063,801	3,338,855	3,315,148	3,529,633	3,625,237	3,812,349	4,607,480	4,945,625
School Administrative Services	1,743,206	1,768,355	1,689,564	1,842,137	2,373,467	2,635,737	2,627,792	2,932,971	2,367,908	2,434,204
General Administration	598,038	591,653	731,382	683,442	682,398	571,229	597,791	626,250	612,146	638,156
Plant Operations And Maintenance	2,593,867	3,114,273	2,661,300	2,808,710	3,119,774	3,678,194	3,768,008	3,727,693	3,778,372	4,200,948
Pupil Transportation	424,510	473,636	479,775	561,478	526,813	546,041	459,971	466,844	478,843	499,926
Business and Other Support Services	404,781	525,293	506,346	540,606	543,963	518,043	493,452	540,371	502,522	638,644
Interest On Long-Term Debt and Other Chgs	322,680	213,207	755,829	2,067,506	1,700,160	1,556,890	1,569,642	1,552,194	1,501,988	1,433,132
Total Governmental Activities Expenses	23,745,685	25,811,740	27,149,988	30,892,705	31,768,517	31,576,765	32,618,564	32,926,250	34,109,993	35,772,452
Business-Type Activities										
VSEA	357,705	373,820	384,049	355,727	17,555	21,634	40,416	49,526	46,815	60,478
Food Service					350,136	305,234	301,924	288,527	342,468	380,441
Total Business-Type Activities Expense	357,705	373,820	384,049	355,727	367,691	326,868	342,340	338,053	389,283	440,919
Total District Expenses	\$ 24,103,390	\$ 26,185,560	\$ 27,534,037	\$ 30,848,432	\$ 32,136,208	\$ 31,903,633	\$ 32,960,904	\$ 33,264,303	\$ 34,499,276	\$ 36,213,371
Program Revenues										
Governmental Activities										
Charges For Services	\$ 209,277	\$ 235,288	\$ 323,016	\$ 80,866	\$ 147,070	\$ 177,274	\$ 114,476	\$ 208,284	\$ 257,108	\$ 243,171
Regular Instruction				108,069						
Special Education				5,130,796	5,103,714	4,096,835	4,346,750	3,449,371	3,985,678	4,771,262
Operating Grants And Contributions	3,635,750	3,802,436	4,108,470							
Total Governmental Activities Program Revenues	3,845,027	4,037,724	4,431,486	5,219,731	5,250,784	4,274,109	4,461,226	3,657,655	4,242,786	5,014,533
Business-Type Activities										
Charges For Services	360,824	378,011	368,284	361,356	291,619	244,358	228,491	260,396	331,902	341,493
Food Service					3,640	32,870	33,594	40,153	55,109	56,720
VSEA				7,986	7,658	8,194	6,200	5,000	5,317	4,937
Operating Grants And Contributions	6,184	8,612	8,222							
Total Business-Type Activities Program Revenues	367,008	386,623	376,506	369,342	302,917	285,422	268,285	305,549	392,328	403,150
Total District Program Revenues	\$ 4,212,035	\$ 4,424,347	\$ 4,807,992	\$ 5,689,073	\$ 5,553,701	\$ 4,559,531	\$ 4,729,511	\$ 3,963,204	\$ 4,635,114	\$ 5,417,683
Net (Expense)/Revenue										
Governmental Activities	\$ (19,898,638)	\$ (21,774,016)	\$ (22,718,502)	\$ (25,172,974)	\$ (26,517,733)	\$ (27,302,656)	\$ (28,157,338)	\$ (29,268,595)	\$ (29,867,207)	\$ (30,757,919)
Business-Type Activities	9,303	12,803	(7,543)	13,615	(64,774)	(41,446)	(74,055)	(32,504)	3,045	(37,769)
Total District-Wide Net Expenses	\$ (19,889,335)	\$ (21,761,213)	\$ (22,726,045)	\$ (25,159,359)	\$ (26,582,507)	\$ (27,344,102)	\$ (28,231,393)	\$ (29,301,099)	\$ (29,864,162)	\$ (30,795,688)

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

	Fiscal Year Ended June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Revenues and Other Changes in Net Assets										
Governmental Activities										
Property Taxes Levied For General Purposes, Net	\$ 18,897,184	\$ 19,835,727	\$ 21,240,289	\$ 22,389,852	\$ 23,437,661	\$ 24,689,393	\$ 25,601,948	\$ 26,626,026	\$ 27,158,547	\$ 27,801,223
Taxes Levied For Debt Service	1,242,702	1,254,840	1,003,569	1,754,896	1,648,182	1,498,905	1,725,142	2,218,556	2,238,160	2,242,798
Federal and State Aid - Unrestricted	123,586	167,763	217,385	170,600	212,528	402,091	503,226	423,263	429,306	435,288
State Aid Restricted for Debt Service	-	2,255	-	404,199	403,146	-	-	-	-	-
Restricted Grants/Donations	-	-	90,577	-	-	-	-	-	-	-
Accrued Interest on Bond Sale	-	-	-	-	-	-	-	-	-	-
Investment Earnings	11,647	1,840	504,137	1,505,342	534,523	8,185	1,895	940	9	8
Miscellaneous Income	228,995	216,845	164,656	165,664	181,169	314,182	273,419	207,738	160,660	166,829
Transfers	-	-	-	-	181,169	(14,747)	(64,060)	(16,774)	-	(8,931)
Total Governmental Activities	20,504,114	21,479,270	23,220,613	26,390,553	26,417,219	26,898,009	28,041,570	29,459,749	29,986,882	30,637,215
Business-Type Activities										
Investment Earnings	69	175	378	407	252	128	28	4	-	8,931
Transfers	-	-	-	-	-	14,747	64,060	16,774	-	-
Total Business-Type Activities	69	175	378	407	252	14,875	64,088	16,778	-	8,931
Total District-Wide	\$ 20,504,183	\$ 21,479,445	\$ 23,220,991	\$ 26,390,960	\$ 26,417,471	\$ 26,912,884	\$ 28,105,658	\$ 29,476,527	\$ 29,986,882	\$ 30,646,146
Change in Net Position										
Governmental Activities	\$ 605,456	\$ (294,746)	\$ 502,111	\$ 1,217,579	\$ (100,514)	\$ (404,647)	\$ (115,768)	\$ 191,154	\$ 119,675	\$ (120,704)
Business-Type Activities	9,372	12,978	(7,165)	14,022	(64,522)	(26,571)	(9,967)	(15,726)	3,045	(28,838)
Total District	\$ 614,828	\$ (281,768)	\$ 494,946	\$ 1,231,601	\$ (165,036)	\$ (431,218)	\$ (125,735)	\$ 175,428	\$ 122,720	\$ (149,542)

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

	Fiscal Year Ended June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Reserved	\$ 143,461	\$ 95,180	\$ 34,178	\$ 50,502	\$ 62,278	\$ 490,164	\$ 724,666			
Unreserved	639,996	236,186	445,320	558,111	547,351	224,191	213,425			
Restricted								\$ 652,903	\$ 633,147	\$ 719,956
Unassigned								414,056	341,544	313,521
Total General Fund	\$ 783,457	\$ 331,366	\$ 479,498	\$ 608,613	\$ 609,629	\$ 714,355	\$ 938,091	\$ 1,066,959	\$ 974,691	\$ 1,033,477
All Other Governmental Funds										
Reserved	\$ 50,485	\$ 1,386	\$ 12,703,903	\$ 14,920,188	\$ 1,963,902	\$ 334,599	\$ 318,639			
Unreserved	7,199	122,327	20,161,446	2,848,706	1,398,464	618,093	223,296			
Restricted								\$ 15,421	\$ 7,918	\$ 5,477
Total All Other Governmental Funds	\$ 57,684	\$ 123,713	\$ 32,865,349	\$ 17,768,894	\$ 3,362,366	\$ 952,692	\$ 541,935	\$ 15,421	\$ 7,927	\$ 5,477

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

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

	Fiscal Year Ended June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Tax Levy	\$ 20,139,886	\$ 21,090,567	\$ 22,243,858	\$ 24,144,748	\$ 25,085,853	\$ 26,188,298	\$ 27,327,090	\$ 28,844,582	\$ 29,396,707	\$ 30,044,021
Tuition Charges	209,277	235,288	323,016	188,935	147,070	171,274	114,476	208,284	257,108	243,171
Miscellaneous	280,519	237,458	198,072	197,075	193,038	314,182	299,357	238,482	261,516	183,620
Interest			504,137	1,505,342	534,523	8,185	1,895	940	9	8
State Sources	3,316,683	3,511,252	3,859,292	5,148,389	5,300,331	3,990,890	4,195,378	2,996,240	3,744,188	4,727,332
Federal Sources	402,776	440,174	433,147	525,791	407,188	508,036	628,660	823,279	570,340	460,527
Total Revenues	24,349,141	25,514,739	27,561,522	31,710,284	31,668,003	31,186,865	32,566,856	33,131,807	34,229,668	35,660,679
Expenditures										
Instruction										
Regular Instruction	10,622,951	10,838,284	11,588,235	12,570,010	13,447,633	13,074,136	13,869,191	13,439,810	14,133,388	14,833,958
Special Education Instruction	3,678,601	4,453,249	4,533,626	4,817,590	4,460,943	4,270,481	4,273,598	4,503,754	4,661,814	4,597,744
Other Instruction	170,671		276,487	331,490	331,490	291,800	326,495	352,996	402,188	399,407
School Sponsored Activities and Athletics	585,751	632,805	697,913	786,593	782,630	798,882	850,043	816,957	885,191	915,300
Community Services	45,762	78,255	75,073	78,763	67,183	21,577	20,963		6,450	
Support Services										
Student and Inst. Related Services	2,437,080	2,768,049	3,059,286	3,333,789	3,296,125	3,450,254	3,623,506	3,782,776	4,605,615	4,930,986
General Administration	594,704	582,404	728,100	681,695	681,780	582,248	590,725	624,997	603,465	644,203
School Administrative Services	1,715,568	1,723,045	1,645,620	1,806,382	2,263,736	2,562,936	2,381,689	2,819,910	2,289,114	2,317,069
Plant Operations and Maintenance	2,189,777	2,651,336	2,187,753	2,335,798	2,575,115	2,898,786	2,887,096	2,849,971	2,906,584	2,912,696
Pupil Transportation	424,510	473,636	479,775	561,478	526,813	534,133	459,971	466,844	478,843	499,926
Business and Other Support Services	404,781	525,293	506,346	540,606	543,963	518,043	493,452	540,371	502,522	658,644
Capital Outlay	402,006	275,999	1,766,345	16,108,936	14,508,215	1,772,368	207,113	300,398	46,875	165,599
Debt Service										
Principal	903,792	1,169,171	943,173	1,075,619	1,142,319	1,181,199	1,181,031	1,219,767	1,313,922	1,318,011
Interest and Other Charges	347,527	245,436	245,598	1,688,762	1,643,090	1,610,223	1,572,869	1,539,339	1,493,459	1,437,495
Bond Issuance Costs										
Advance Refunding Escrow										
Claims and Judgments										
Total Expenditures	24,523,481	26,732,725	28,733,330	46,677,624	46,271,035	33,477,066	32,937,742	33,574,158	34,329,430	35,631,038
Excess (Deficiency) of Revenues Over (Under) Expenditures	(174,340)	(1,217,986)	(1,171,808)	(14,967,340)	(14,603,032)	(2,290,201)	(370,886)	(442,351)	(99,762)	29,641
Other Financing Sources (Uses)										
Lease Purchase Proceeds		650,000								
Capital Lease Proceeds		139,009			197,520		170,000	61,479		35,626
Refunding Bond Proceeds		3,860,000	33,971,000				77,925			
Accrued Interest on Bonds			90,577							
Premium on Issuance of Refunding Bonds		115,773								
Payment to Refunded Bond Escrow Agent		(3,660,000)								
Refunding of Unfunded Pension Liabilities										
Refunding of Unfunded Pension Liabilities-COI										
Transfers In	1,386	1,789	533,590	1,407,528	479,489	36,054	1,895	322,168	509	8
Transfers Out	(1,386)	(1,789)	(533,590)	(1,407,528)	(479,489)	(50,801)	(65,955)	(338,942)	(509)	(8,939)
Total Other Financing Sources (Uses)	-	1,104,782	34,051,577	-	197,520	(14,747)	183,865	44,705	-	26,695
Net Change in Fund Balances	\$(174,340)	\$(113,204)	\$ 32,889,769	\$(14,967,340)	\$(14,405,512)	\$(2,304,948)	\$(187,021)	\$(397,646)	\$(99,762)	\$ 56,336
Debt Service as a Percentage of Noncapital Expenditures	5.19%	6.54%	4.41%	9.04%	8.77%	8.80%	8.41%	8.29%	8.19%	7.77%

* Noncapital expenditures are total expenditures less capital outlay.

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

<u>Fiscal Year Ended June 30,</u>	<u>Tuition</u>	<u>Interest on Investments</u>	<u>Donations/ Local Grants</u>	<u>Rentals</u>	<u>Miscellaneous</u>	<u>Total</u>
2004	\$ 209,277	\$ 10,261	\$ 39,877	\$ 41,139	\$ 187,856	\$ 488,410
2005	235,288	29,853	18,773	64,803	122,240	470,957
2006	323,016	61,124	33,416	65,006	99,650	582,212
2007	188,935	97,814	31,415	61,759	103,905	483,828
2008	147,070	55,034	-	60,199	120,970	383,273
2009	177,274	44,239	28,082	59,532	190,514	499,641
2010	114,476	1,895	25,938	51,982	221,437	415,728
2011	208,284	573	53,115	52,098	143,269	457,339
2012	257,108	9	100,656	47,557	113,103	518,433
2013	243,171	8	18,791	52,276	114,553	428,799

* Includes General, Special Revenue and Debt Service Funds

Source: School District's Records

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

Fiscal Year Ended June 30,	Vacant Land	Residential	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate ^a
2004	\$ 2,959,200	\$ 437,521,800	\$ 48,570,000	\$ 2,175,200	\$ 9,577,100	\$ 500,803,300	\$ 408,600	\$ 501,211,900	\$ 1,696,488,144	\$ 4.21
2005	3,012,500	438,881,300	48,144,300	2,193,100	9,522,800	501,754,000	360,400	502,114,400	2,116,572,969	4.43
2006	3,457,700	440,206,300	47,875,300	2,098,100	9,522,800	503,160,200	299,200	503,459,400	2,130,415,782	4.80
2007	3,488,700	441,332,500	47,992,900	2,098,100	7,621,600	502,533,800	265,100	502,798,900	2,408,529,800	4.99
2008	4,462,900	442,316,900	47,898,700	2,098,100	7,613,600	504,390,200	258,700	504,648,900	2,843,460,004	5.19
2009	4,769,800	443,567,200	47,873,700	2,098,100	7,613,600	505,922,400	365,200	506,287,600	2,578,721,037	5.40
2010 *	25,655,800	1,908,230,400	211,856,400	9,039,100	34,583,100	2,189,364,800	1,557,600	2,190,922,400	2,190,922,400	1.32
2011	24,871,600	997,464,850	87,736,600	3,843,000	15,545,800	1,129,461,850	1,443,500	1,130,905,350	2,141,243,800	1.37
2012	24,547,300	1,791,644,700	202,890,500	8,674,900	34,772,200	2,062,529,600	1,691,900	2,064,221,500	2,064,221,500	1.46
2013	23,468,100	1,738,805,300	200,503,600	8,674,900	34,727,200	2,006,181,100	1,660,800	2,007,841,900	2,007,841,900	1.52

*- Township had a Revaluation completed in 2009.

^a Tax rates are per \$100

Source: County Abstract of Ratables

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

<u>Year</u>	<u>School District</u>	<u>Municipal</u>	<u>Essex County</u>	<u>Total</u>
2004	\$4.21	\$1.96	\$1.79	\$7.96
2005	4.43	2.05	1.83	8.31
2006	4.80	2.12	1.85	8.77
2007	4.99	2.23	1.87	9.09
2008	5.19	2.419	1.999	9.61
2009	5.40	2.514	2.003	9.92
2010	* 1.32	0.642	0.457	2.42
2011	1.37	0.694	0.483	2.55
2012	1.46	0.72	0.502	2.68
2013	1.52	0.74	0.529	2.79

*- Township had a Revaluation completed in 2009.

Source: Tax Duplicate, Township of Verona

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

Taxpayer	2013		2004	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
Claridge II	\$ 54,042,000	10.67%		
Claridge I	83,950,200	16.58%		
Hilltop/Cenrose	8,617,000	1.70%		
Ardleigh Mews Condominiums	22,444,300	4.43%		
Wedgewood Gardens Condominiums	18,270,200	3.61%		
Diener Family Partnership	21,565,700	4.26%		
Beacon Hill Assoc.	2,215,300	0.44%		
Cam Gar	15,897,100	3.14%		
Kadima Medical Properties Investment	8,410,500	1.66%		
Montclair Golf Club	7,200,000	1.42%		
EVI Realty	6,912,300	1.37%		
J. Webster Realty LLC	6,586,300	1.30%		
Nordan Realty	5,617,800	1.11%		
	\$ 261,728,700	49.29%	NOT AVAILABLE	\$ - 0.00%

Source: Municipal Tax Assessor

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2004	\$ 20,139,886	\$ 20,139,886	100.00%	N/A
2005	21,090,567	21,079,767	99.95%	None
2006	22,243,858	22,243,858	100.00%	N/A
2007	24,144,748	24,144,748	100.00%	N/A
2008	25,085,853	25,085,853	100.00%	N/A
2009	26,188,298	26,188,298	100.00%	N/A
2010	27,337,892	27,337,892 *	100.00%	N/A
2011	28,844,582	28,844,582	100.00%	N/A
2012	29,396,707	29,396,707	100.00%	N/A
2013	30,044,021	30,044,021	100.00%	N/A

* Does not include cancellation of Debt Service Property Tax Levy Receivable of \$10,802, Originally levied in Year 2005.

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

Fiscal Year Ended June 30,	Governmental Activities				Total District	Population	Per Capita
	General Obligation Bonds	Capital Leases	Loans Payable				
2004	\$ 6,465,000	\$ 24,558	\$ 215,976	\$ 6,705,534	13,181	\$ 509	
2005	5,870,000	655,372		6,525,372	12,992	502	
2006	39,056,000	497,199		39,553,199	12,803	3,089	
2007	38,136,000	341,580		38,477,580	12,651	3,041	
2008	37,181,000	351,781		37,532,781	12,651	2,967	
2009	36,206,000	145,582		36,351,582	12,493	2,910	
2010	35,091,000	327,476		35,418,476	12,643	2,801	
2011	33,961,000	299,188		34,260,188	13,334	2,569	
2012	32,771,000	175,266		32,946,266	13,352	2,468	
2013	31,521,000	142,881		31,663,881	13,391	2,365	

Source: District records

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding		Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Deductions			
2004	\$ 6,465,000		\$ 6,465,000	1.29%	\$ 490
2005	5,870,000		5,870,000	1.17%	452
2006	39,056,000		39,056,000	7.76%	3,051
2007	38,136,000		38,136,000	7.58%	3,014
2008	37,181,000		37,181,000	7.37%	2,939
2009	36,206,000		36,206,000	7.15%	2,898
2010	35,091,000		35,091,000	1.60%	2,776
2011	33,961,000		33,961,000	3.00%	2,547
2012	32,771,000		32,771,000	1.59%	2,454
2013	31,521,000		31,521,000	1.57%	2,354

Source: District records

**VERONA BOARD OF EDUCATION
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2012
(Unaudited)**

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Municipal Debt: (1)			
Verona Board of Education	\$ 32,771,000	\$ 32,771,000	
Township of Verona	<u>29,069,913</u>	<u>1,132</u>	<u>\$ 29,068,781</u>
	<u>\$ 61,840,913</u>	<u>\$ 32,772,132</u>	<u>29,068,781</u>
Overlapping Debt Apportioned to the Municipality:			
Essex County			
County of Essex (A)			8,282,869
Essex County Utilities Authority (B)			<u>1,896,815</u>
			<u>10,179,684</u>
Total Direct and Overlapping Debt			<u>\$ 39,248,465</u>

Source:

(1) Township of Verona's 2012 Annual Debt Statement

(A) The debt for this entity was apportioned to Verona by dividing the municipality's 2012 equalized value by the total 2012 equalized value for Essex County.

(B) The debt was computed based upon usage.

VERONA BOARD OF EDUCATION
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt Limit	\$ 49,956,369	\$ 68,054,833	\$ 76,148,603	\$ 85,614,724	\$ 94,370,732	\$ 100,327,342	\$ 100,860,695	\$ 98,668,593	\$ 95,210,285	\$ 92,038,325
Total Net Debt Applicable to Limit	6,680,976	5,870,000	39,056,450	37,596,000	36,906,450	36,906,450	35,091,450	33,961,170	32,771,170	31,521,000
Legal Debt Margin	\$ 43,275,393	\$ 62,184,833	\$ 37,092,153	\$ 48,018,724	\$ 57,464,282	\$ 63,420,892	\$ 65,769,245	\$ 64,707,423	\$ 62,439,115	\$ 60,517,325
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	13.37%	8.63%	51.29%	43.91%	39.11%	36.79%	34.79%	34.42%	34.42%	34.25%

Legal Debt Margin Calculation for Fiscal Year 2013

Equalized Valuation Basis	
2012	\$ 2,204,970,708
2011	2,303,585,208
2010	2,394,318,460
	<u>\$ 6,902,874,376</u>
3 Year Average	\$ 2,300,958,125
4% of Avg. Equalized Valuation	\$ 92,038,325
Less Net Debt	<u>31,521,000</u>
Remaining Borrowing Power	\$ 60,517,325

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

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

<u>Year Ended December 31,</u>	<u>Unemployment Rate (1)</u>	<u>Per Capita Income(2)</u>	<u>Population</u>
2003	2.1%	\$ 38,800	13,347
2004	1.7%	41,692	13,181
2005	2.3%	43,549	12,992
2006	2.4%	46,895	12,803
2007	2.2%	50,156	12,651
2008	2.7%	51,617	12,651
2009	5.4%	50,349	12,493
2010	5.4%	50,791	12,643
2011	5.1%	52,956	13,334
2012	5.3%	N/A	13,391

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

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

<u>Employer</u>	<u>2013</u>		<u>2004</u>	
	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>

INFORMATION NOT AVAILABLE

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

<u>Function/Program</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Instruction								
Regular	128.0	129.0	131.0	148.0	152.0	138.0	131.4	138.0
Special Education	27.3	28.3	29.3	21.0	21.0	21.0	22.4	21.0
Other Instruction	3.3	3.3	3.3			2.0	2.0	2.0
Support Services:								
Student and Instruction Related Services	31.2	31.2	31.2	26.0	26.0	38.0	39.0	39.0
General Administration	2.0	2.0	2.0	3.0	2.0	1.0	1.0	1.0
School Administrative Services	18.0	18.0	18.0	19.0	19.0	18.0	21.6	21.0
Other Administrative Services	3.8	3.8	3.8	2.0	2.0			
Central Services	0.8	0.8	0.8	4.0	5.0	5.0	4.0	4.0
Administrative Information Technology	23.2	23.2	23.2	1.0	1.0	1.0	1.0	2.0
Plant Operations And Maintenance	35.3	35.3	36.3	19.0	20.0	20.0	20.0	20.0
Pupil Transportation	1.4	2.4	2.4	-	-	-	-	-
Total	<u>274.3</u>	<u>277.3</u>	<u>281.3</u>	<u>243.0</u>	<u>248.0</u>	<u>244.0</u>	<u>242.4</u>	<u>248.0</u>

Source: District Personnel Records

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

Pupil/Teacher Ratio

Fiscal Year	Enrollment ^a	Operating Expenditures ^b	Cost Per Pupil ^c	Percentage Change	Teaching Staff	Pupil/Teacher Ratio				Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School	Senior High School	School				
2004	1,984	\$ 22,334,036	\$ 11,257	10.50%	192	11,36:1	14,3:1	10,8:1	1,990	1,907	-0.90%	95.83%	
2005	2,062	24,106,649	11,691	3.85%	195	11,36:1	14,3:1	10,8:1	2,053	1,968	3.17%	95.86%	
2006	2,049	25,192,758	12,295	5.17%	196	13,3:1	19,9:1	13,8:1	2,040	1,955	-0.63%	95.83%	
2007	2,048	27,804,307	13,576	10.42%	196	13,2:1	20,8:1	13,6:1	2,032	1,920	-0.39%	94.49%	
2008	2,043	28,977,411	14,184	4.47%	196	13,7:1	20,4:1	13,1:1	2,023	1,920	-0.46%	94.95%	
2009	2,080	28,913,276	13,901	-2.00%	189	14,2:1	20,6:1	13,2:1	2,068	1,968	2.25%	95.16%	
2010	2,152	29,976,729	13,930	0.21%	189	14,1:1	20,7:1	13,7:1	2,089	1,980	1.02%	94.78%	
2011	2,169	30,198,386	13,923	-0.05%	189	14,8:1	21,1:1	14,3:1	2,159	2,073	3.35%	96.02%	
2012	2,218	31,475,174	14,191	1.93%	195	15,3:1	22,1:1	14:1	2,210	2,098	2.36%	94.93%	
2013	2,184	32,709,933	14,977	5.54%	161	14,2:1	23:1	14:1	2,183	2,100	-1.22%	96.20%	

Sources: District records

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

**VERONA BOARD OF EDUCATION
SCHOOL BUILDING INFORMATION
LAST EIGHT FISCAL YEARS**

	2006	2007	2008	2009	2010	2011	2012	2013
District Building								
Elementary								
Brookdale Avenue School (1927)								
Square Feet	30,667	30,667	37,972	37,972	37,972	37,972	37,972	37,972
Capacity (students)	220	220	270	270	270	270	270	270
Enrollment	139	138	138	138	138	137	145	132
Laning Avenue School (1918)								
Square Feet	42,066	42,066	46,477	46,477	46,477	46,477	46,477	46,477
Capacity (students)	297	297	377	377	377	377	377	377
Enrollment	229	230	254	280	259	311	329	321
F.N. Brown (1931)								
Square Feet	38,985	38,985	38,985	38,985	38,985	38,985	38,985	38,985
Capacity (students)	303	303	303	303	303	303	303	303
Enrollment	252	263	224	230	249	249	240	214
Forest Avenue School (1927)								
Square Feet	27,750	27,750	27,750	27,750	27,750	27,750	27,750	27,750
Capacity (students)	303	303	303	303	303	303	303	303
Enrollment	216	215	244	246	239	224	231	230
Middle School								
H.B. Whitehorn (1920)								
Square Feet	96,389	96,389	118,224	118,224	118,224	118,224	118,224	118,224
Capacity (students)	596	596	721	721	721	721	721	721
Enrollment	622	623	619	619	622	635	664	691
High School								
Verona High School (1955)								
Square Feet	106,768	106,768	120,245	120,245	120,245	120,245	120,245	120,245
Capacity (students)	687	687	687	687	687	687	687	687
Enrollment	595	584	564	567	591	613	609	602

Number of Schools at June 30, 2013

Elementary = 4

Middle School = 1

Senior High School = 1

Source: District Facilities Office

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

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<u>School Facilities</u>										
Verona High School	\$ 187,700	\$ 211,894	\$ 187,870	\$ 165,833	\$ 176,651	\$ 202,517	\$ 213,232	\$ 132,129	\$ 158,314	\$ 154,400
Brookdale Avenue School	31,949	36,067	31,978	28,227	30,068	34,471	36,295	41,725	49,994	49,806
F.N. Brown School	47,923	54,100	47,967	42,340	45,102	51,706	54,442	42,838	51,328	49,807
Forest Avenue School	35,942	40,575	35,975	31,755	33,827	38,780	40,832	30,493	36,536	34,864
Henry B. Whitehome Middle School	63,898	72,133	63,956	56,454	60,137	68,943	72,590	129,909	155,654	149,419
Laning Avenue School	<u>31,949</u>	<u>36,067</u>	<u>31,978</u>	<u>28,227</u>	<u>30,068</u>	<u>34,471</u>	<u>36,295</u>	<u>51,070</u>	<u>61,191</u>	<u>59,768</u>
Grand Total	<u>\$ 399,361</u>	<u>\$ 450,836</u>	<u>\$ 399,724</u>	<u>\$ 352,836</u>	<u>\$ 375,853</u>	<u>\$ 430,888</u>	<u>\$ 453,686</u>	<u>\$ 428,164</u>	<u>\$ 513,017</u>	<u>\$ 498,064</u>

**VERONA BOARD OF EDUCATION
INSURANCE SCHEDULE
JUNE 30, 2013
(Unaudited)**

<u>TYPE OF POLICY</u>	<u>POLICY LIMITS</u>	<u>DEDUCTIBLE</u>
MORRIS ESSEX INSURANCE FUND		
ZURICH INS. CO.		
PROPERTY SECTION		
Property - Blanket Bldgs & Contents		
School Limit Per Statement of Values	\$92,884,122	\$5,000
Flood:		
Outside zones A,V,or B	\$5,000,000	\$50,000
Zone B	\$2,000,000	\$100,000
Zones A or V	\$1,000,000	\$500,000
Earthquake	\$5,000,000	5%
Business Income and & Extra Expense	\$5,000,000	72 Hours
Contractors Equipment (\$10,000 per item limit)	\$250,000	\$1,000
Musical Instruments, Athletic Equipment, Band Uniforms and Theatrical Equip.	\$250,000	\$1,000
Valuable Papers	\$5,000,000	\$1,000
Electronic Data Process.Equip	\$2,500,000	\$5,000
Accounts Receivable	\$100,000	\$1,000
BOILER & MACHINERY		
Property Damage (Blanket)	\$50,000,000	\$5,000
GENERAL LIABILITY		
General Aggregate	\$2,000,000	
Each Occurrence	\$1,000,000	
COMMERCIAL AUTOMOBILE LIABILITY		
Combined Single Limit	\$1,000,000	
Comprehensive		\$1,000
Collision		\$1,000
COMMERCIAL UMBRELLA	\$10,000,000	\$10,000
WORKERS COMPENSATION		
Per Occurrence	\$1,000,000	
Policy Limit	\$1,000,000	
Aggregate	\$1,000,000	
CRIME		
Employee Theft	\$500,000	\$5,000
Forgery and Alterations	\$50,000	\$1,000
EDUCATORS LEGAL LIABILITY	\$1,000,000	\$10,000
Selective Insurance Co.		
INDIVIDUAL BONDS		
Business Administrator/Bd Secy	\$100,000	
Treasurer of School Monies	\$250,000	

SINGLE AUDIT SECTION



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
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MARK SACO, CPA

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Verona Board of Education as of and for the fiscal year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the Verona Board of Education's basic financial statements and have issued our report thereon dated November 26, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Verona Board of Education's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

We noted certain matters that we reported to management of the Verona Board of Education in a separate report entitled, "Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance" dated November 26, 2013

Purpose of this Report

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


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


Gary J. Vinci
Public School Accountant
PSA Number CS00829

Fair Lawn, New Jersey
November 26, 2013



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**REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT
ON THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL
ASSISTANCE AS REQUIRED BY NEW JERSEY OMB CIRCULAR 04-04**

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major State Program

We have audited the Verona Board of Education's compliance with the types of compliance requirements described in the New Jersey OMB Circular 04-04 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of the Verona Board of Education's major state programs for the fiscal year ended June 30, 2013. The Verona Board of Education's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Verona Board of Education's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; and New Jersey OMB Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards and Circulars require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Verona Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

In our opinion, the Verona Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the Verona Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Verona Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with New Jersey OMB Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Verona Board of Education's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of New Jersey OMB Circular 04-04. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of State Financial Assistance Required by New Jersey OMB Circular 04-04

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Verona Board of Education, as of and for the fiscal year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements. We issued our report thereon dated November 26, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 04-04 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain

additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, schedule of expenditures of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.


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


Gary J. Vinci
Public School Accountant
PSA Number CS00829

Fair Lawn, New Jersey
November 26, 2013

**VERONA BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Federal/Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant Period	Award Amount	Balance July 1, 2012	Carryover Amount	Cash Received	Budgetary Expenditures	Adjustments	Adjust Receivable	Refund of Prior Years' Balances	Accounts Receivable	Unearned Revenue	June 30, 2013		
													Due to Grantor		
U.S. Department of Education Passed-through State Department of Education															
Special Milk Program	10.556	7/1/12-6/30/13	\$ 4,937			\$ 4,876	\$ 4,937				\$ (61)				
Special Milk Program	10.556	7/1/11-6/30/12	5,317	(91)		91									
Total U.S. Department of Agriculture				(91)		4,967	4,937				(61)				
U.S. Department of Education Passed-through State Department of Education															
General Fund Education Jobs Fund	84.410A	7/1/11-6/30/12	49,389	(11,593)		11,593									
Total General Fund				(11,593)		11,593									
Special Revenue Fund															
N.C.L.B. Title II-A	84.281A	9/1/12-8/31/13	21,572		2,827	2,827	2,914		(2,827)		(21,572)	18,614			
N.C.L.B. Title II-A	84.281A	9/01/11-8/31/12	37,797	(3,670)	(2,827)	20,705	4,072	(10,961)	827						
N.C.L.B. Title IV - Carryover	84.340A	9/01/09-8/31/10	1,255	236			236								
I.D.E.I.A. Part B, Basic	84.027	9/1/12-8/31/13	469,216		23,214		381,668		(23,214)		(492,430)	110,762			
I.D.E.I.A. Part B, Basic	84.027	9/01/11-8/31/12	463,998	(16,527)	(23,214)	62,387	46,076		34,964			11,534			
I.D.E.I.A. Part B, Basic	84.027	9/01/10-8/31/11	436,898	(5,392)		5,392									
I.D.E.A. Part B, Preschool-ARRA	84.392	9/01/09-8/31/11	16,463	6			6								
I.D.E.A. Part B, Preschool	84.173	9/1/12-8/31/12	24,468		2,871		3,207		(2,871)		(27,339)	24,132			
I.D.E.A. Part B, Preschool	84.173	9/01/11-8/31/12	24,400	(250)	(2,871)	20,175	19,925								
I.D.E.A. Part B, Preschool	84.173	9/01/08-8/31/09	24,418	2,376		47	2,423								
Total U.S. Department of Education				(23,221)		111,531	460,527	(10,961)	6,879		(541,341)	165,042			
Total Federal Financial Awards				\$ (34,905)		\$ 128,091	\$ 465,464	\$ (10,961)	\$ 6,879		\$ (541,402)	\$ 165,042			

VERONA BOARD OF EDUCATION
SCHEDULE OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

State Grants/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance, July 1, 2012		Cash Received	Budgetary Expenditures	Refund of Prior Years' Balances	Balance, June 30, 2013		GAAP Receivable	Memo Cumulative Total Expenditures
				(Accounts Receivable)	Due to Grantor				(Accounts Receivable)	Unearned Revenue		
State Department of Education												
<i>General Fund</i>												
Special Education Aid	13-495-034-5120-088	7/1/12-6/30/13	\$ 620,161	\$ (46,302)	\$ 725,927	\$ 796,553	\$ (70,626)				\$ 796,553	
Special Education Aid	12-495-034-5120-089	7/1/11-6/30/12			46,302							
Security Aid	13-495-034-5120-084	7/1/12-6/30/13			29,428							
Transportation Aid	13-495-034-5120-014	7/1/12-6/30/13			13,563							
Extraordinary Aid	13-100-034-5120-073	7/1/12-6/30/13			180,662							
Extraordinary Aid	12-100-034-5120-473	7/1/11-6/30/12			180,662							
Reimbursed TPAF Pension Contribution												
Normal	13-495-034-5095-006	7/1/12-6/30/13	944,180		944,180						944,180	
NCGI	13-495-034-5095-007	7/1/12-6/30/13	49,677		49,677						49,677	
Post Retirement	13-495-034-5095-001	7/1/12-6/30/13	1,123,801		1,123,801						1,123,801	
Reimbursed TPAF Social Security Contributions												
Reimbursed TPAF Social Security Contributions	13-495-034-5095-002	7/1/12-6/30/13	1,076,895		968,836	1,076,895	(108,059)			\$ (108,059)	1,076,895	
	12-495-034-5095-002	7/1/11-6/30/12	1,118,456	(56,010)	56,010							
Total General Fund				(282,974)	4,138,356	4,232,738	(377,326)			(108,059)	4,232,738	
<i>Special Revenue Fund</i>												
Special Education Assessment Grant			4,200	674								
Anti-Bullying Bill of Rights Act	N/A	7/1/10-6/30/11	1,478	1,478		56			\$ 674		56	
New Jersey Nonpublic Aid:												
Textbook												
Technology Aid	13-100-034-5120-064	7/1/12-6/30/13	7,873		7,873	7,873					7,873	
Auxiliary Services	13-100-034-5120-070	7/1/12-6/30/13	10,928		10,928	10,928					10,928	
Compensatory Education	13-100-034-5120-067	7/1/12-6/30/13	2,906		2,906	2,906					2,906	
Transportation	13-100-034-5120-067	7/1/11-6/30/12	26,755		26,755	19,230		\$ 1,860			19,230	
Handicapped Services	13-100-034-5120-068	7/1/12-6/30/13	17,921		22,153	22,153					22,153	
Supplementary Instruction	13-100-034-5120-066	7/1/12-6/30/13	9,714		9,714	9,506					9,506	
Examination and Classification	12-100-034-5120-066	7/1/11-6/30/12	12,768		12,768	3,999			208		19,583	
Examination and Classification	13-100-034-5120-066	7/1/12-6/30/13	25,309		25,309	19,583			5,726		19,583	
Examination and Classification	12-100-034-5120-066	7/1/11-6/30/12	17,225		9,492	9,492					9,492	
Examination and Classification	11-100-034-5120-066	7/1/10-6/30/11	18,658		18,658						18,658	
Corrective Speech	13-100-034-5120-666	7/1/12-6/30/13	13,125		13,125	9,374					9,374	
Corrective Speech	12-100-034-5120-666	7/1/11-6/30/12	15,797		5,924	5,924					5,924	
Total Special Revenue Fund				2,152	21,275	101,609		21,275	2,096		17,210	
Debt Service Fund												
Debt Service Aid	13-495-034-5120-075	7/1/12-6/30/13	435,288		435,288	435,288					435,288	
Total			\$ (280,822)	\$ 21,275	4,692,437	4,769,635	(377,326)	21,275	2,096	\$ (108,059)	\$ 4,769,635	
Less On-Behalf TPAF Pension and Annuity Aid												
Normal Pension Cases	13-495-034-5095-006	7/1/12-6/30/13	421,459		944,180	944,180					944,180	
Non-Contributory Insurance	13-495-034-5095-007	7/1/12-6/30/13	45,228		49,677	49,677					49,677	
Post Retirement	13-495-034-5095-001	7/1/12-6/30/13	938,161		1,123,801	1,123,801					1,123,801	
Total for State Financial Assistance Determination			\$ 2,574,779		\$ 2,117,658	\$ 2,117,658					\$ 2,117,658	
			\$ 2,574,779		\$ 2,651,977	\$ 2,651,977					\$ 2,651,977	

The Notes to the Schedules of Federal Awards and State Financial Assistance are an Integral Part of the Statement

**VERONA BOARD OF EDUCATION
 NOTES TO THE SCHEDULES OF EXPENDITURES OF
 FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 1 GENERAL

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

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedules are prepared and presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Notes 1(C) to the Board's basic financial statements. The information in these schedules is presented in accordance with requirements of U.S. OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations" and New Jersey OMB Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid". Therefore, some amounts presented in these schedules may differ from the amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3 RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is a decrease of \$42,303 for the general fund. See the Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 4,190,435	\$ 4,190,435
Special Revenue Fund	\$ 460,527	101,609	562,136
Debt Service Fund		435,288	435,288
Food Service Fund	<u>4,937</u>	<u>-</u>	<u>4,937</u>
 Total Financial Assistance	 <u>\$ 465,464</u>	 <u>\$ 4,727,332</u>	 <u>\$ 5,192,796</u>

**VERONA BOARD OF EDUCATION
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5 OTHER INFORMATION

TPAF Social Security contributions in the amount of \$1,076,895 represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2013. The amount reported as TPAF Pension System Contributions in the amount of \$993,857 and TPAF Post-Retirement Medical Benefits Contributions in the amount of \$1,123,801 represents the amount paid by the State on behalf of the District for the fiscal year ended June 30, 2013.

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

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

**VERONA BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Part I – Summary of Auditor's Results

Financial Statement Section

Type of auditors' report issued on financial statements Unmodified

Internal control over financial reporting:

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

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

Noncompliance material to basic financial statements noted? yes X no

Federal Awards Section

Not Applicable

**VERONA BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND RESPONSES (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Part 2 – Schedule of Financial Statement Findings

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

There are none.

**VERONA BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB's Circular 04-04, as amended.

CURRENT YEAR FEDERAL AWARDS

There are none.

VERONA BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB's Circular 04-04, as amended.

CURRENT YEAR STATE AWARDS

There are none.

VERONA BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. OMB Circular A-133 (section .315(a)(b) and New Jersey OMB's Circular 04-04.

STATUS OF PRIOR YEAR FINDINGS

There are none.