

**ANDOVER REGIONAL SCHOOL DISTRICT**

**Andover Regional Board of Education  
Andover Township, New Jersey**

**Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2011**

**Comprehensive Annual  
Financial Report**

**of the**

**ANDOVER REGIONAL SCHOOL DISTRICT**

**Andover, New Jersey**

**For the Fiscal Year Ended June 30, 2011**

**Prepared by**

**Andover Regional Board of Education  
Business Office**

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INTRODUCTORY SECTION



## Andover Regional School District Board of Education

707 Limecrest Road, Newton, New Jersey 07860  
Telephone (973) 383-8454 Fax (973) 383-8348  
rvanauken@andoverregional.org

Terry-Lee VanAuken  
School Business Administrator  
Board Secretary

The Honorable President and Members  
Of the Board of Education  
Andover Regional School District  
County of Sussex, State of New Jersey

Dear Board Members:

The comprehensive annual financial report of the Andover Regional School District for the fiscal year ended June 30, 2011, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Andover Regional 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.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the general-purpose financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information generally presented on a multi-year basis. The District is subject to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Nonprofit Organizations", and New Jersey's OMB Circular NJOMB 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid". Information related to this single audit, including the auditor's 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:** Andover Regional School District is an independent reporting entity within the criteria adopted by the Government Accounting Standards Board ("GASB) in codification section 2100. All funds of the District are included in this report. The Andover Regional Board of Education and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels K through 8. These include regular, as well as special education for handicapped students preschool disabled through grade 8. Additionally, the District provides for the education of regular and special education high school level students through a sending-receiving relationship with the Newton Board of Education, as well as transportation services or aid in lieu of transportation for all resident public and nonpublic students. The District completed the 2010-2011 fiscal year with an enrollment of 653 students compared to ending 2009-2010 ending enrollment of 651. We anticipate that this trend will stabilize. The following details the changes in the student enrollment of the District over the last five years.

**"Our Students Catch the Learning Spirit"**

The Honorable President and Members  
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Fiscal Year	Average Daily Enrollment	
	Student Enrollment	Percentage Change
2010-2011	916	-2.03 %
2009-2010	935	-1.27 %
2008-2009	947	-3.86 %
2007-2008	985	-3.34 %
2006-2007	1019	3.35 %

- 2) **ECONOMIC CONDITION AND OUTLOOK:** The Andover Regional School District experienced a budget defeat for the 2010-2011 school budget. Subsequent budget session with the local governing officials from the Borough of Andover and the Township of Andover saw a reduction of \$225,000 in the general fund budget bringing the general fund budget to a level not seen since the 2005-2006 school year. The District relied heavily on grants and additional funding such as Special Education Extraordinary Aid and Non-Public Transportation Aid. Many consumable lines, including heat, energy and custodial supplies were decimated.

During the past few years, these mainly suburban bedroom communities have experienced no growth in housing. There has been no significant development of commercial property in either municipality. Over the past five years, the District’s enrollment has declined approximately 10% across all grade levels. Given the current economic condition of the State of New Jersey, no significant changes are anticipated for the next three to five years.

3) **MAJOR INITIATIVES:**

- A. Students continued to demonstrate excellent progress on national and state assessment measures.
  - 1. 57.5% of students in Grades 4 scored above the state’s minimum level of proficiency in reading and language arts, 79.8% scored above the minimum level of proficiency in mathematics, and 92.9% of students scored at or above the minimum science proficiency.
  - 2. 93.2% of students in Grade 8 scored above the state’s minimum level of proficiency in reading and language arts, 85.4% scored above the minimum level of proficiency in mathematics, and 93.3% of students scored at or above the minimum science proficiency.
- B. The District’s three-year average daily student attendance rate is 96%.

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 Of the Board of Education  
 Andover Regional School District  
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- C. The District, working with the Tri-District Consortium, developed professional level communities for curriculum in grades 3 to 5. The Tri-District Consortium includes the Andover Regional School District, as well as the Green Township and Newton School Districts. Collaboration continues for the 2011-2012 school year in the areas of mathematics, science and technology.

To address concerns in the area of language arts, professional development opportunities were provided in administering reading assessments for targeted students in grades K-8. Professional development training was also provided in *Six Traits Plus One Writing Program*. No Child Left Behind Title II funds were utilized for assessment gathering tools for teachers. No Child Left Behind funds were also utilized to provide an online supplemental resource in language arts and mathematics to all students in grades K-2 and students receiving basic skills instruction and special education services. These funds allowed the District to create the Whole Child Integrated Summer Education Program or W.I.S.E. to expand the extended school year program to include qualifying students as well as students with special education needs. This is a continuing initiative.

The Andover Regional School District continues to maintain its relationship with the Newton School District via a sending/receiving agreement for Andover Regional high school students. Approximately 270 students residing in the Andover Regional community in grades 9-12 attend Newton High School through this sending/receiving arrangement.

- D. The District continues to provide a host of cultural activities, which enriched the social experiences of all students. Award winning authors and storytellers shared many myths, legends, folk tales and a variety of genre with the students.
- E. The District completed its first year of a shared services agreement with the Sussex County Educational Services Commission for child study team services. The shared service agreement netted a savings to the District in excess of \$90,000. The Andover Regional Board of Education renewed its shared services agreement for the 2011-2012 school year with some minor enhancements which included, but is not limited to 12-month staffing. Overall, the arrangement was positively received by students, parents, faculty, staff and administration.
- F. Collection of outstanding school construction grant funds was completed in the spring of 2011 with much assistance from the Andover Regional Board of Education's attorney. The collection of these outstanding grant funds has a positive impact on the District's cash flow for the 2010-2011 school year as these funds were able to be returned to the general fund.
4. INTERNAL ACCOUNTING CONTROLS: Management of the District is the responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

The Honorable President and Members  
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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's management.

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

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 municipalities. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the debt service fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

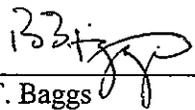
An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as fund balance restrictions, commitments and assignments at June 30, 2011.

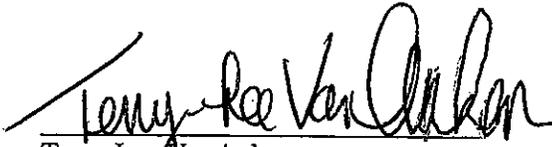
6. **ACCOUNTING SYSTEM AND REPORTS:** The District's account records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds. These funds are explained in "Notes to the Basic Financial Statements", 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 3. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit. Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.
8. **DEBT ADMINISTRATION:** As of June 30, 2011, the District's outstanding bonded debt of \$11,634,000.
9. **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. The School Alliance Insurance Fund oversees risk management for the District. A schedule of insurance coverage is found on Exhibit J-20.

The Honorable President and Members  
of the Board of Education  
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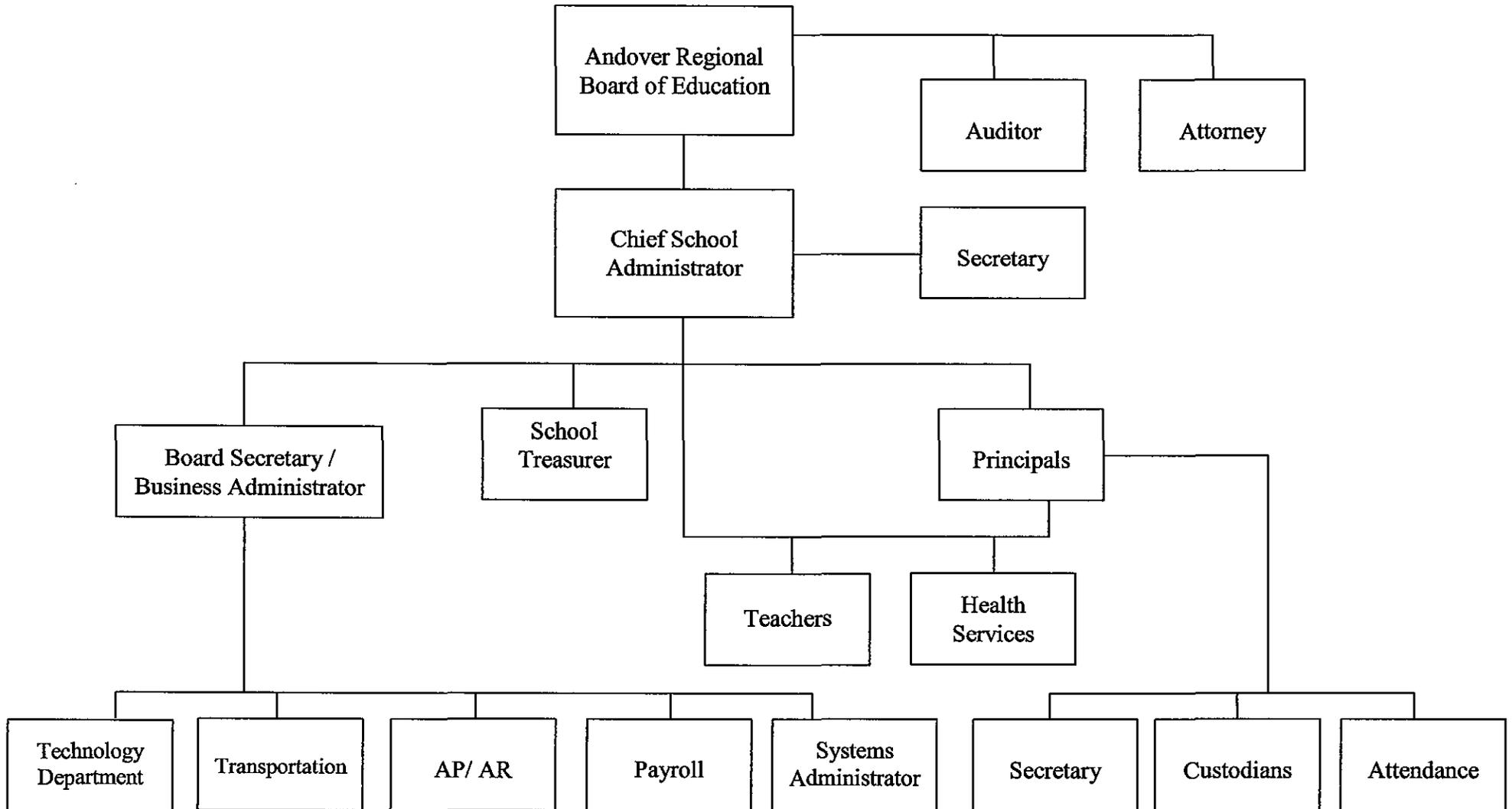
10. OTHER INFORMATION: Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP, was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the related OMB Circular A-133 and New Jersey’s OMB Circular NJOMB 04-04. The auditor’s report on the general-purpose financial statements and combining and individual fund statements and schedules are included in the financial section of this report. The auditor’s reports related specifically to the single audit are included in the single audit section of this report.
11. ACKNOWLEDGEMENTS: We would like to express our appreciation to the members of the Andover Regional School District for their concern in providing fiscal accountability to the citizens and taxpayers of the 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,

  
\_\_\_\_\_  
Bernard T. Baggs  
Superintendent

  
\_\_\_\_\_  
Terry-Lee VanAuken  
School Business Administrator/  
Board Secretary

## Organization Chart of the Andover Regional School District



**ANDOVER REGIONAL SCHOOL DISTRICT  
ROSTER OF OFFICIALS  
JUNE 30, 2011**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Linda Gianni, President	2014
Ed Conrads, Vice President	2014
Cheryl Bailey	2013
Ida Machuca	2014
Sarah McGowan	2013
Ronald Marshall	2012
K. Chris Pierson	2012
Christine Weiss	2012
David Wilder	2013

<u>Other Officers</u>	<u>Title</u>
Bernard T. Baggs	Superintendent of Schools
Terry Lee VanAuken	Business Administrator/Board Secretary
Marie Goble	Treasurer of School Moneys
Allan P. Dzwilewski, Esq.	Attorney

**ANDOVER REGIONAL SCHOOL DISTRICT  
Consultants and Advisors**

**Audit Firm**

Nisivoccia LLP, CPAs  
200 Valley Road, Suite 300  
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and  
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Newton, New Jersey 07860

**Attorney**

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**Bond Counsel**

Anthony Pannella, Esq.  
90 Woodbridge Center Drive  
Suite 900 Box 10  
Woodbridge, New Jersey 07095

**Architect**

The Spiezle Architectural Group  
120 Sanhican Drive  
Trenton, New Jersey 08618

**Roofing Consultant**

ARMM Associates, Inc.  
725 Kenilworth Avenue  
Cherry Hill, New Jersey 08002-5255

**Official Depositories**

Lakeland Bank  
250 Oak Ridge Road  
Oak Ridge, New Jersey 07438

**First Hope Bank**

161 Newton-Sparta Road  
Newton, New Jersey 07860

New Jersey Cash Management  
CN 290  
Trenton, New Jersey 08625

**New Jersey ARM**

224 Strawbridge Drive Suite 104  
Moorestown, New Jersey 08057

FINANCIAL SECTION



Mount Arlington Corporate Center  
200 Valley Road, Suite 300  
Mt. Arlington, NJ 07858  
973-328-1825 | 973-328-0507 Fax  
Lawrence Business Center  
11 Lawrence Road  
Newton, NJ 07860  
973-383-6699 | 973-383-6555 Fax

### Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Board of Education of the Andover Regional School District in the County of Sussex as of and for the fiscal year ended June 30, 2011 which collectively comprise the Board of Education's basic financial statements, as listed in the foregoing table of contents. These financial statements are the responsibility of the Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Board of Education of the Andover Regional School District in the County of Sussex as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof, for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2011 on our consideration of the Board of Education of the Andover Regional School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

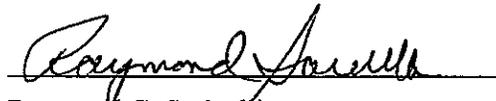
The Honorable President and Members  
of the Board of Education  
Andover Regional School District  
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The Management's Discussion and Analysis and the Budgetary Comparison Information on Schedules C-1 through C-3 and I-3 are not a required part of the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

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

September 20, 2011  
Mount Arlington, New Jersey

NISIVOCCIA LLP



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

**REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Unaudited)**

This section of Andover Regional School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2011. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

**Financial Highlights**

- ❖ The District experienced a budget defeat for the 2010-2011 school budget. Subsequent budget sessions with the local governing officials from the Borough of Andover and Township of Andover saw a reduction of \$225,000 in the general fund budget bringing the general fund budget to a level not seen since the 2005-2006 school year. The District relied heavily on grants and additional funding such as special education extraordinary aid and revised transportation aid as a result of non-public busing. Many consumable lines, including heat, energy, and custodial supplies were slashed.
- ❖ The 2010-2011 school year included child study team professional services being supplied through a shared services agreement between the Andover Regional Board of Education and the Sussex County Educational Services Commission. The shared service agreement netted a savings to the District in excess of \$90,000. The Andover Regional Board of Education renewed its shared services agreement for the 2011-2012 school year with some minor enhancements. Overall, the arrangement was positively received by students, parents, faculty, staff and administration.
- ❖ The Andover Regional Board of Education struggled with its courtesy/hazardous busing for all Andover Regional students. As a direct result of declining enrollment, Andover Regional eliminated one 54-passenger bus route and placed those affected students on five other routes saving the District approximately \$25,000. The Andover Regional Board of Education will continue to monitor transportation services, costs and the possibility of introducing subscription busing for courtesy/hazardous bused students.
- ❖ The Andover Regional Board of Education has been working actively on a solar project, together with a power purchasing agreement, for the Florence M. Burd Elementary School and the Long Pond Middle School. The original project included panels on the roof at the Long Pond School and Florence M. Burd School as well as ground arrays. The local utility company declared the size and scope of the project to be excessive and a smaller project was subsequently approved. A revised schedule currently includes complete installation and operation by March 2012.
- ❖ The Andover Regional Board of Education completed a small energy efficient gym lighting replacement project at the Florence M. Burd School and Long Pond School with the assistance of a R.O.D. grant. The program was completed in May 2011 and an immediate cost savings was recognized.
- ❖ Collection of outstanding school construction grant funds was completed in the spring of 2011 with much assistance from the Andover Regional Board of Education's attorney. The collection of these outstanding grant funds had a positive impact on the District's cash flow for the 2010-2011 school year as these funds were able to be returned to the general fund.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Unaudited)**

**Financial Highlights** (Cont'd)

- ❖ The Andover Regional Board of Education filed a claim with the American Arbitration Association regarding the warranty and repair of the Long Pond School roof. The continued leaking has further damaged the roof as well as interior furniture, textbooks and inventory. As of this date, the matter is still pending.
- ❖ After two years of trying to remediate the wastewater treatment plant at the Long Pong School, the Andover Regional Board of Education entered into a Consent Order with the New Jersey Department of Environmental Protection. The Consent Order included additional testing time and adjustments to testing protocol and allowed for the installation of ultraviolet lights and removal of manual chemical feeds. Upgrades have been completed and plant will transition back to standard testing protocols for the 2011-2012 school year.

**Overview of the Financial Statements**

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Unaudited)**

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

**Figure A-1  
Organization of Andover Regional School District's Financial Report**

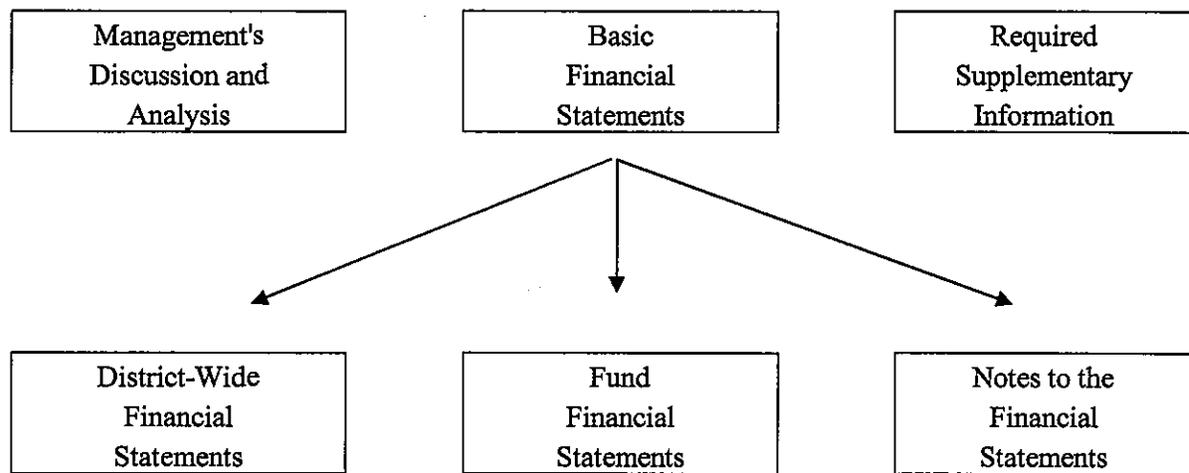


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Unaudited)**

Figure A-2

*Major Features of the District-Wide and Fund Financial Statements*

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Unaudited)**

***District-wide Statements***

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

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

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

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

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.
- *Business-type activities*: The District charges fees to help it cover the costs of certain services it provides. The District currently does not operate any business-type activities.

***Fund Financial Statements***

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

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

The District has three kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on {1} how cash and other financial assets that can readily be converted to cash flow in and out, and {2} the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or difference) between them.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Unaudited)**

- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The *internal service funds* (the other kind of proprietary fund) report activities that provide supplies and services for its other programs and activities. The District currently does not maintain any proprietary funds.
- *Fiduciary funds:* The District is the trustee, or *fiduciary*, for assets that belong to others, such as scholarship funds and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

*Notes to Financial Statements:* Provide additional information essential to a full understanding of the District-wide and fund financial statements.

**Financial Analysis of the District as a Whole**

*Net Assets.* The District's combined net assets increased \$150,896. Net assets invested in capital assets, net of related debt increased by \$208,662, restricted net assets decreased by \$113,197, and unrestricted net assets increased by \$55,431.

**Figure A-3  
Condensed Statement of Net Assets**

	Government Activities		Business-Type Activities		Total School District		Percentage
	2010/2011	2009/2010	2010/2011	2009/2010	2010/2011	2009/2010	Change
Current and Other Assets	\$ 497,245	\$ 663,132			\$ 497,245	\$ 663,132	-25.02%
Capital Assets	15,617,531	15,950,809			15,617,531	15,950,809	-2.09%
Total Assets	16,114,776	16,613,941			16,114,776	16,613,941	-3.00%
Long-Term Debt Outstanding	11,843,378	12,384,318			11,843,378	12,384,318	-4.37%
Other Liabilities	406,671	515,792			406,671	515,792	-21.16%
Total Liabilities	12,250,049	12,900,110			12,250,049	12,900,110	-5.04%
<b>Net Assets:</b>							
Invested in Capital Assets, Net of Related Debt	3,983,531	3,774,869			3,983,531	3,774,869	5.53%
Restricted	67,791	180,988			67,791	180,988	-62.54%
Unrestricted/(Deficit)	(186,595)	(242,026)			(186,595)	(242,026)	22.90%
Total Net Assets	\$ 3,864,727	\$ 3,713,831	\$ -0-	\$ -0-	\$ 3,864,727	\$ 3,713,831	4.06%

*Changes in Net Assets.* The District's combined net assets were \$3,864,727 on June 30, 2011, \$150,896 or 4.06% more than they were the year before. (See Figure A-3).

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Unaudited)**

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

	Governmental Activities		Business-Type Activities		Total School District		Percentage
	2010/2011	2009/2010	2010/2011	2009/2010	2010/2011	2009/2010	Change 2010/2011
<b>Revenue:</b>							
<b>Program Revenue:</b>							
Operating Grants & Contributions	\$ 2,246,452	\$ 2,058,339			\$ 2,246,452	\$ 2,058,339	9.14%
<b>General Revenue:</b>							
Property Taxes	12,076,222	12,010,548			12,076,222	12,010,548	0.55%
Federal and State Aid	1,429,996	1,810,595			1,429,996	1,810,595	-21.02%
Other	4,980	45,607			4,980	45,607	-89.08%
<b>Total Revenue</b>	<b>15,757,650</b>	<b>15,925,089</b>			<b>15,757,650</b>	<b>15,925,089</b>	<b>-1.05%</b>
<b>Expenses:</b>							
Instruction	6,609,334	6,950,909			6,609,334	6,950,909	-4.91%
Tuition	3,355,576	3,283,485			3,355,576	3,283,485	2.20%
Pupil and Instruction Services	1,428,132	1,593,454			1,428,132	1,593,454	-10.38%
Administrative and Business	1,195,119	1,175,676			1,195,119	1,175,676	1.65%
Maintenance and Operations	1,076,074	1,176,924			1,076,074	1,176,924	-8.57%
Transportation	906,194	885,978			906,194	885,978	2.28%
Other	1,036,325	960,745			1,036,325	960,745	7.87%
<b>Total Expenses</b>	<b>15,606,754</b>	<b>16,027,171</b>			<b>15,606,754</b>	<b>16,027,171</b>	<b>-2.62%</b>
<b>Increase/(Decrease) in Net Assets</b>	<b>\$ 150,896</b>	<b>\$ (102,082)</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ 150,896</b>	<b>\$ (102,082)</b>	<b>247.82%</b>

*Revenue Sources.* The District's total revenue for the 2010/2011 school year was \$15,757,650. (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$12,076,222 of the total, or 76.64 percent. (See Figure A-5). Another 13.76 percent came from state formula aid, 9.57 percent came from state and federal aid for specific programs and the remainder from miscellaneous sources. The Andover Regional School District basically conducts its operations from the revenues it receives from its local taxpayers and state funding.

**Figure A-5  
Sources of School District Revenue - Fiscal Year 2011**

	Amount	Percentage
<b>Sources of Income:</b>		
State Formula Aid	\$ 2,169,170	13.76 %
Property Taxes	12,076,222	76.64 %
Federal and State Categorical Grants	1,507,278	9.57 %
Other	4,980	0.03 %
	<b>\$ 15,757,650</b>	<b>100.00 %</b>

*Expenses.* The total cost of all programs and services was \$15,606,754. The District's expenses are predominantly related to instruction, tuition, transportation, and, caring for students (pupil services) (78.81 percent). (See Figure A-6). The District's administrative and business activities accounted for 7.66 percent of total costs. Also, the Andover Regional School District operates 2 schools which results in high maintenance costs (6.89 percent). It is important to note that depreciation is included in expenses for the year; expenses therefore include \$409,537 in depreciation.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Unaudited)**

**Figure A-6  
Sources of School District Expenses - Fiscal Year 2011**

Expense Category:	Amount	Percentage
Instruction	\$ 6,609,334	42.35%
Tuition	3,355,576	21.50%
Pupil and Instruction Services	1,428,132	9.15%
Administrative and Business	1,195,119	7.66%
Maintenance and Operations	1,076,074	6.89%
Transportation	906,194	5.81%
Other	1,036,325	6.64%
	<u>\$ 15,606,754</u>	<u>100.00%</u>

***Governmental Activities***

As discussed elsewhere in this commentary, the financial position of the District, as a direct result of the national and state economic crisis, has been shaken. Through tremendous effort and with the assistance of the Tri-District Consortium, Andover Regional modified several existing programs. Special programs are still being offered and will continue to be monitored and modified as pupil enrollment shifts. The District's preschool handicapped program was merged with the Town of Newton Board of Education and the Township of Green Board of Education and will be housed at Newton's Merriam Avenue School for the 2011-2012 school year. The preschool handicapped program has been expanded to include a general education component as required and public interest support has been overwhelming.

The District's carefully crafted 2010-2011 budget was defeated by the voters of Andover Borough and Andover Township. Joint budget sessions with the board of education and the two municipalities saw an additional reduction of \$225,000. The budget defeat and subsequent general fund budget reduction challenged the administration, board of education and teachers in all areas particularly school supplies and special education related services. Two grants, the Individuals with Disabilities Education Act Grant and the Ed Jobs Grant covered related services for special education needs. The Ed Jobs grant covered the full salary of one special education teacher and one part-time clerk. School supplies proved to be a difficult area and purchases were severely reduced and limited.

The shared services arrangement with Sussex County Educational Services Commission for child study team professional services also provided tremendous cost savings to the district. In addition to monitoring teacher staffing due to shifting enrollment, the administration and board of education have been reviewing and discussing support staff at all levels. The shared services arrangement played a key role in providing special education services with a defeated budget. This practice will continue for the 2011-2012 school year and thereafter.

Another area that the District reviewed and addressed was the replacement of original windows at its middle school. The window replacement project was completed in February 2011. No taxpayer dollars were used for this project as funding was covered 100% from the capital reserve account. A second smaller energy savings project was completed in the spring of 2011 which involved the replacement of existing gym lighting fixtures at both school buildings. The two projects were made possible by two small R.O.D. grants. The District anticipates saving on energy costs as a direct result of the installation and completion of the windows and lighting projects.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Unaudited)**

***Governmental Activities*** (Cont'd)

Careful management of expenses remains essential for the District to sustain its financial health. A Strategic Planning Committee has been established to help the District to be as pro-active as possible in dealing with the ever changing needs of the District. The Committee identifies and establishes goals and direction permitting the District to provide the best possible education for its students.

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

***General Fund Budgetary Highlights***

Over the course of the year, the District reviewed and revised the following practices and procedures:

- ❖ Development of professional level communities for curriculum in grades 3 to 5;
- ❖ Collaboration continues for the 2011-2012 school year in the areas of mathematics, science and technology;
- ❖ Professional development opportunities were provided in administering reading assessments for targeted students in grades K-8. Professional development training was also provided in Six Traits Plus One Writing Program funded by No Child Left Behind Title II;
- ❖ No Child Left Behind funds were also utilized to provide an on-line supplemental resource in language arts and mathematics to all students in grades K-2 and students receiving basic skills instruction and special education services. These funds allowed the District to create the Whole Child Integrated Summer Education Program or W.I.S.E. to expand the extended school year program to include qualifying students as well as students with special education needs. This is a continuing initiative;
- ❖ The Andover Regional School District continues to maintain its relationship with the Newton School District via a sending/receiving agreement for Andover Regional high school students. Approximately 270 students residing in the Andover Regional community in grades 9-12 attend Newton High School through this sending/receiving arrangement;
- ❖ Revisions and updates to the District's Purchasing Manual and Internal Control Manual;
- ❖ Membership in several consortiums to strengthen the District's purchasing power;
- ❖ Replacement of original windows at the middle school to improve heat retention and reduce energy costs;
- ❖ Replacement of gym lighting fixtures at the elementary and middle schools to reduce energy consumption;
- ❖ The Andover Regional School District completed its first year of a shared services agreement with the Sussex County Educational Services Commission for child study team services. The shared service agreement netted a savings to the District in excess of \$90,000. The Andover Regional Board of Education renewed its shared services agreement for the 2011-2012 school year with some minor enhancements which included, but not limited to 12-month staffing. Overall, the arrangement was positively received by students, parents, faculty, staff and administration.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Unaudited)**

***General Fund Budgetary Highlights (Cont'd)***

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

	Total Costs of Services		Net Cost of Services	
	2010/2011	2009/2010	2010/2011	2009/2010
Instruction	\$ 6,609,334	\$ 6,950,909	\$ 4,984,634	\$ 5,493,147
Tuition	3,355,576	3,283,485	3,355,576	3,283,485
Pupil and Instruction Services	1,428,132	1,593,454	1,387,984	1,554,367
Administrative and Business	1,195,119	1,175,676	1,152,749	1,135,400
Maintenance and Operations	1,076,074	1,176,924	1,076,074	1,176,924
Transportation	906,194	885,978	366,960	364,764
Other	1,036,325	960,745	1,036,325	960,745
	<u>\$ 15,606,754</u>	<u>\$ 16,027,171</u>	<u>\$ 13,360,302</u>	<u>\$ 13,968,832</u>

***Business-Type Activities***

The District does not operate any business-type activities.

**Financial Analysis of the District's Funds**

Despite significant changes in rural Sussex County and extremely difficult economic times in the State of New Jersey and throughout the nation and reduction in state aid, the District's financial position is fragile. The bulk of the general fund budget is expended on tuition to other schools via sending/receiving relationship, salaries for instruction, transportation expenses, health benefits and energy (electrical and heat). Other significant increases were seen in the areas of related services for those students with special needs. The District remains committed to reducing expenses in order to remain stable including shifting enrollment projections, special education needs and requirements, joint curriculum development, consortium purchasing and additional shared services agreements.

Student enrollment has steadily declined over the past five years with an overall enrollment reduction of greater than ten percent. The Andover Regional Board of Education, together with its administration, reviewed student enrollment in grades K-8 and special education and adjusted its faculty and staffing needs accordingly. While the District will continue to monitor enrollment figures, health benefit premiums and receipt of state aid remain a constant concern to the District.

The District was able to finish the 2010-2011 school year with a small positive fund balance, which is tied directly to the collection of the outstanding grant funds from the New Jersey School Development Authority and heavy reliance on cooperative purchasing.

The District will continue its practice of sound fiscal management which included but was not limited to substantial changes in its purchasing procedures, international controls, program reviewing, staffing assignments and Tri-District Consortium joint programs. These changes were enacted to ensure the financial and educational health for the children of Andover Borough and Andover Township.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Unaudited)**

**Capital Asset and Debt Administration**

The District purchased \$80,521 in capital assets, had disposals, net of accumulated depreciation, of \$4,262 and \$409,537 of depreciation expense recognized during the year.

**Figure A-8  
Capital Assets (Net of Depreciation)**

	Government Activities		Business-Type Activities		Total School District		Percentage
	2010/2011	2009/2010	2010/2011	2009/2010	2010/2011	2009/2010	Change 2010/2011
Land	\$ 265,016	\$ 265,016			\$ 265,016	\$ 265,016	0.00%
Buildings and Building Improvements	15,247,424	15,562,826			15,247,424	15,562,826	-2.03%
Machinery and Equipment	105,091	122,967			105,091	122,967	-14.54%
<b>Total Capital Assets (Net of Depreciation)</b>	<b>\$ 15,617,531</b>	<b>\$ 15,950,809</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ 15,617,531</b>	<b>\$ 15,950,809</b>	<b>-2.09%</b>

***Long-term Debt***

At year-end, the District had \$11,634,000 in general obligation bonds as shown in Figure A-9. (More detailed information about the District's long-term liabilities is presented in Note 8 to the financial statements.)

**Figure A-9  
Outstanding Long-Term Debt**

	Total School District		Percentage
	2010/2011	2009/2010	Change
General Obligation Bonds (Financed with Property Taxes)	\$ 11,634,000	\$ 12,174,000	-4.44%
Other Long-Term Liabilities	209,378	210,318	-0.45%
	<b>\$ 11,843,378</b>	<b>\$ 12,384,318</b>	<b>-4.37%</b>

- ❖ The District retired \$540,000 in bond principal during the year.
- ❖ The District retired \$1,940 in capital leases during the year.
- ❖ The District had a net increase of \$1,000 in compensated absences payable during the year.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Unaudited)**

**Factors Bearing on the District's Future Revenue/Expense Changes**

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

- ❖ The District recognizes that health benefits represents approximately ten percent of its annual budget and struggles with the management of the high cost of health benefits for all eligible employees. The Andover Regional Board of Education is committed to constant review and analysis of health care costs and seeks comparable health coverage in an effort to control health benefit costs. After seeking out other health care alternatives, the Andover Regional Board of Education will obtain its prescription drug coverage from Prescription Corporation of America leaving the State's plan.
- ❖ Future finances are not without challenges with the continued state and national economic crisis and the passage of legislation which impacts the financial operation of the school district. The delay in state aid payments, including grants, forced the Andover Regional Board of Education to borrow state aid for the second school year in a row.
- ❖ While the District wrestles on a daily basis with shrinking funds, it prides itself on delivering an excellent education to the students in the Andover Borough and Andover Township communities. The educational product is not only limited to academics, but also cutting edge technology. The District continues to experience overwhelming support by its parents, community members and taxpayers, which it hopes, will continue for decades to come.
- ❖ The District is actively working with the Newton Board of Education, the Green Township Board of Education and the Sussex County Educational Services Commission for a sending/receiving tuition arrangement for its high school students and preschool handicapped students, to develop and provide curriculum and curriculum-related services, to provide additional special education transportation services, and child study team services for all Andover Regional students. Expansion of programs will be researched through the Tri-District Consortium and implemented through Consortium whenever possible.

**Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board of Education Office, 707 Limecrest Road, Newton, New Jersey 07860.

BASIC FINANCIAL STATEMENTS

**DISTRICT-WIDE FINANCIAL STATEMENTS**

ANDOVER REGIONAL SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2011

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 103,217		\$ 103,217
Receivables From Federal Government	126,430		126,430
Receivables From State Government	102,853		102,853
Unamortized Bond Issuance Costs	114,745		114,745
Restricted Assets:			
Capital Reserve Account - Cash	50,000		50,000
Capital Assets:			
Site (Land)	265,016		265,016
Depreciable Building and Building Improvements and Machinery and Equipment	<u>15,352,515</u>		<u>15,352,515</u>
Total Assets	<u>16,114,776</u>		<u>16,114,776</u>
<b>LIABILITIES</b>			
Accrued Interest Payable	177,041		177,041
Accounts Payable - Vendors	1,349		1,349
Loan Payable - Due to State of New Jersey	205,523		205,523
Payable to Federal Government	15,875		15,875
Deferred Revenue	6,883		6,883
Noncurrent Liabilities:			
Due Within One Year	581,893		581,893
Due Beyond One Year	<u>11,261,485</u>		<u>11,261,485</u>
Total Liabilities	<u>12,250,049</u>		<u>12,250,049</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	3,983,531		3,983,531
Restricted for:			
Capital Projects	29,406		29,406
Debt Service	3,452		3,452
Other Purposes	34,933		34,933
Unrestricted/(Deficit)	<u>(186,595)</u>		<u>(186,595)</u>
Total Net Assets	<u>\$ 3,864,727</u>	<u>\$ -0-</u>	<u>\$ 3,864,727</u>

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

ANDOVER REGIONAL SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
<b>Governmental Activities:</b>						
<b>Instruction:</b>						
Regular	\$ 4,662,425		\$ 547,704	\$ (4,114,721)		\$ (4,114,721)
Special Education	1,620,569		1,052,526	(568,043)		(568,043)
Other Special Instruction	256,626		24,470	(232,156)		(232,156)
School-Sponsored Instruction	69,714			(69,714)		(69,714)
<b>Support Services:</b>						
Tuition	3,355,576			(3,355,576)		(3,355,576)
Student & Instruction Related Services	1,428,132		40,148	(1,387,984)		(1,387,984)
General Administrative Services	502,532			(502,532)		(502,532)
School Administrative Services	442,415		42,370	(400,045)		(400,045)
Central Services	220,900			(220,900)		(220,900)
Administration Information Technology	29,272			(29,272)		(29,272)
Plant Operations and Maintenance	1,076,074			(1,076,074)		(1,076,074)
Pupil Transportation	906,194		539,234	(366,960)		(366,960)
Unallocated Depreciation	385,055			(385,055)		(385,055)
Interest on Long-Term Debt	490,928			(490,928)		(490,928)
Capital Outlay	160,342			(160,342)		(160,342)
<b>Total Governmental Activities</b>	<b>15,606,754</b>		<b>2,246,452</b>	<b>(13,360,302)</b>		<b>(13,360,302)</b>

ANDOVER REGIONAL SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Total Primary Government	<u>\$ 15,606,754</u>	<u>\$ -0-</u>	<u>\$ 2,246,452</u>	<u>\$ (13,360,302)</u>		<u>\$ (13,360,302)</u>
General Revenue:						
				11,258,929		\$ 11,258,929
				817,293		817,293
				1,429,996		1,429,996
				4,980		4,980
				<u>13,511,198</u>		<u>13,511,198</u>
				150,896		150,896
				<u>3,713,831</u>		<u>3,713,831</u>
				<u>\$ 3,864,727</u>	<u>\$ -0-</u>	<u>\$ 3,864,727</u>

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

FUND FINANCIAL STATEMENTS

ANDOVER REGIONAL SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$ 101,759		\$ 1,458		\$ 103,217
Receivables From Federal Government	16,568	\$ 109,862			126,430
Receivables From State Government	102,853				102,853
Interfund Receivables	104,690			\$ 3,452	108,142
Restricted Cash and Cash Equivalents	50,000				50,000
<b>Total Assets</b>	<b>\$ 375,870</b>	<b>\$ 109,862</b>	<b>\$ 1,458</b>	<b>\$ 3,452</b>	<b>\$ 490,642</b>
<b>LIABILITIES AND FUND BALANCES:</b>					
<b>Liabilities:</b>					
Accounts Payable - Vendors	\$ 335	\$ 1,014			\$ 1,349
Interfund Payable		86,090	\$ 22,052		108,142
Loans Payable - Due to State of New Jersey	205,523				205,523
Payable to Federal Government		15,875			15,875
Deferred Revenue		6,883			6,883
<b>Total Liabilities</b>	<b>205,858</b>	<b>109,862</b>	<b>22,052</b>		<b>337,772</b>
<b>Fund Balances:</b>					
<b>Restricted:</b>					
Excess Surplus - Restricted for Subsequent Year's Expenditures	9,869				9,869
Capital Reserve Account	50,000				50,000
Debt Service Fund				\$ 3,452	3,452
<b>Assigned:</b>					
Year-End Encumbrances Designated for Subsequent Year's Expenditures	25,064				25,064
Unassigned:					
General Fund	49,870				49,870
Capital Projects Fund/(Deficit)			(20,594)		(20,594)
<b>Total Fund Balances</b>	<b>170,012</b>		<b>(20,594)</b>	<b>3,452</b>	<b>152,870</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 375,870</b>	<b>\$ 109,862</b>	<b>\$ 1,458</b>	<b>\$ 3,452</b>	<b>\$ 490,642</b>

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

Total Fund Balances From Above	\$ 152,870
Capital assets used in Governmental Activities are not financial resources and therefore are not reported in the Funds. The cost of the assets is \$20,436,797 and the accumulated depreciation is \$4,819,266.	15,617,531
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.	(11,843,378)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(177,041)
Bond issuance costs are reported as expenditures in the governmental funds in the year of the expenditure. The cost is \$178,495 and accumulated amortization is \$63,750.	114,745
<b>Net Assets of Governmental Activities</b>	<b>\$ 3,864,727</b>

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

ANDOVER REGIONAL SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUE:</b>					
<b>Local Sources:</b>					
Local Tax Levy	\$ 11,258,929			\$ 817,293	\$ 12,076,222
Miscellaneous	4,976	\$ 7,544	\$ 4		12,524
<b>Total - Local Sources</b>	<b>11,263,905</b>	<b>7,544</b>	<b>4</b>	<b>817,293</b>	<b>12,088,746</b>
State Sources	2,995,551			211,325	3,206,876
Federal Sources	37,696	424,332			462,028
<b>Total Revenue</b>	<b>14,297,152</b>	<b>431,876</b>	<b>4</b>	<b>1,028,618</b>	<b>15,757,650</b>
<b>EXPENDITURES:</b>					
<b>Current:</b>					
Regular Instruction	3,298,009	48,520			3,346,529
Special Education Instruction	990,767	383,356			1,374,123
Other Instruction	219,420				219,420
School-Sponsored Instruction	66,091				66,091
<b>Support Services and Undistributed Costs:</b>					
Tuition	3,355,576				3,355,576
Student & Instruction Related Services	1,164,002				1,164,002
General Administrative Services	451,109				451,109
School Administrative Services	321,704				321,704
Central Services	199,105				199,105
Administration Information Technology	28,344				28,344
Plant Operations and Maintenance	899,084				899,084
Pupil Transportation	883,652				883,652

ANDOVER REGIONAL SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>EXPENDITURES:</b>					
Support Services and Undistributed Costs:					
Allocated Benefits	\$ 1,212,168				\$ 1,212,168
Unallocated Benefits	1,035,216				1,035,216
Debt Service:					
Principal				\$ 540,000	540,000
Interest and Other Charges				488,618	488,618
Capital Outlay	169,579		\$ 57,786		227,365
Total Expenditures	<u>14,293,826</u>	<u>\$ 431,876</u>	<u>57,786</u>	<u>1,028,618</u>	<u>15,812,106</u>
<b>OTHER FINANCING SOURCES/(USES)</b>					
Transfers In			37,192	3,452	40,644
Transfers Out	(37,192)		(3,452)		(40,644)
Total Other Financing Sources/(Uses)	<u>(37,192)</u>		<u>33,740</u>	<u>3,452</u>	
Net Change in Fund Balances	(33,866)		(24,042)	3,452	(54,456)
Fund Balance—July 1	<u>203,878</u>		<u>3,448</u>		<u>207,326</u>
Fund Balance—June 30	<u>\$ 170,012</u>	<u>\$ -0-</u>	<u>\$ (20,594)</u>	<u>\$ 3,452</u>	<u>\$ 152,870</u>

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

ANDOVER REGIONAL SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ (54,456)

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 exceeds capital outlay in the period.

	Depreciation expense	\$ (407,919)	
	Capital outlays	<u>74,641</u>	
			(333,278)

In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation. (+) (1,000)

Repayment of a capital lease is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities. (+) 1,940

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities. (+) 540,000

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 decrease in accrued interest is an increase in the reconciliation. (+) 6,190

The governmental funds report the effect of issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. (-) (8,500)

\$ 150,896

ANDOVER REGIONAL SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2011

NOT APPLICABLE

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

ANDOVER REGIONAL SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOT APPLICABLE

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

ANDOVER REGIONAL SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOT APPLICABLE

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

ANDOVER REGIONAL SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2011

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>
<u>ASSETS:</u>		
Cash and Cash Equivalents	\$ 40,529	\$ 50,213
Total Assets	<u>40,529</u>	<u>50,213</u>
<u>LIABILITIES:</u>		
Payroll Deductions and Withholdings	12,870	
Due to Student Groups	<u>27,659</u>	
Total Liabilities	<u>40,529</u>	
<u>NET ASSETS:</u>		
Held in Trust for Unemployment Claims		<u>50,213</u>
Total Net Assets	<u>\$ -0-</u>	<u>\$ 50,213</u>

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

ANDOVER REGIONAL SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Unemployment Compensation Trust</u>
Additions:	
Contributions:	
Board Contribution	\$ 20,000
Employee State Unemployment Insurance Deductions	<u>13,541</u>
Total Contributions	<u>33,541</u>
Investment Earnings:	
Interest	<u>230</u>
Net Investment Earnings	<u>230</u>
Total Additions	<u>33,771</u>
Deductions:	
State of New Jersey Unemployment Claims	<u>69,915</u>
Total Deductions	<u>69,915</u>
Change in Net Assets	(36,144)
Net Assets—Beginning of the Year	<u>86,357</u>
Net Assets—End of the Year	<u>\$ 50,213</u>

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

ANDOVER REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

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

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

District-Wide Financial Statements:

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

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

ANDOVER REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

(Continued)

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

B. Basis of Presentation: (Cont'd)

Fund Financial Statements:

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

The District reports the following governmental funds:

General Fund: The General Fund is the general operating fund of the District and is used to account for and report all expendable financial resources not accounted for and reported in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the capital outlay subfund.

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

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

Capital Projects Fund: The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election, funds appropriated from the General Fund, and from aid provided by the state to offset the cost of approved capital projects.

Debt Service Fund: The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

The District does not report any Proprietary Funds.

Additionally, the District reports the following fund type:

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

ANDOVER REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)

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

C. Measurement Focus and Basis of Accounting

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

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

It is the District's policy, that when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, to apply restricted resources first followed by unrestricted resources. Similarly, within unrestricted fund balance, it is the District's policy to apply committed resources first followed by assigned resources and then unassigned resources when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

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

D. Budgets/Budgetary Control:

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

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

ANDOVER REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)

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

D. Budgets/Budgetary Control: (Cont'd)

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

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

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 14,223,990	\$ 421,402
Differences - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not.		10,474
Prior Year State Aid Payments, not Recognized for Budgetary Purposes, Recognized for GAAP Statements	278,685	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(205,523)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 14,297,152	\$ 431,876
	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 14,293,826	\$ 421,402
Differences - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue , whereas the GAAP Basis does not.		10,474
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 14,293,826	\$ 431,876

ANDOVER REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)

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

D. Budgets/Budgetary Control: (Cont'd)

Explanation of Differences between Budgetary Fund Balance and GAAP Fund Balance:

	Capital Projects Fund
Reconciliation of Capital Projects Fund:	
Fund Balance (Budgetary Basis)	\$ 2,490
SDA Grant Receivable not Recognized on GAAP Basis	(23,084)
Fund Balance/(Deficit) per Governmental Funds (GAAP)	\$ (20,594)

E. Cash and Cash Equivalents and Investments:

Cash and cash equivalents include petty cash and cash in banks. Certificates of deposit with maturities of one year or less when purchased are stated at cost.

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

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

F. Interfund Transactions:

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

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

G. Allowance for Uncollectible Accounts:

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

ANDOVER REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

(Continued)

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

H. Encumbrances:

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than the special revenue fund are reported as restricted, 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.

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

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

I. Short-term Interfund Receivables/Payables:

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

J. Inventories and Prepaid Expenses:

Inventories and prepaid expenses, which benefit future periods, other than those recorded in the enterprise fund, are recorded as an expenditure during the year of purchase.

K. Capital Assets:

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

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

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

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

ANDOVER REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)

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

L. Long Term Liabilities:

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

M. Accrued Salaries and Wages:

The District does not allow employees who provide services over the ten-month academic year the option to have their salaries evenly distributed during the entire twelve-month year. Therefore, there are no accrued salaries and wages as of June 30, 2011.

N. Compensated Absences:

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

District employees are granted varying amounts of vacation and sick leave in accordance with the District's personnel policy. In the event of termination, an employee is reimbursed for accumulated vacation. Sick leave benefits provide for ordinary sick pay and begin vesting with the employee after fifteen years of service.

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

O. Deferred Revenue:

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

P. Fund Balance Appropriated:

General Fund: Of the \$170,012 General Fund fund balance at June 30, 2011, \$25,064 is assigned for encumbrances; \$50,000 is restricted in the capital reserve account; \$9,869 is restricted as prior year excess surplus and has been appropriated and included as anticipated revenue for the year ending June 30, 2012; \$35,209 of assigned fund balance has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2012; and there is \$49,870 in unassigned fund balance which is \$205,523 less than the calculated maximum unrestricted fund balance, on a GAAP basis, due to the last two state aid payments, which are not recognized until the fiscal year ended June 30, 2012.

ANDOVER REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)

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

P. Fund Balance Appropriated:

Capital Projects Fund: The \$20,594 deficit in Capital Projects Fund fund balance at June 30, 2011, is unassigned.

Debt Service Fund: The \$3,452 in Debt Service Fund fund balance at June 30, 2011, is restricted.

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

Unassigned fund balance in the General Fund is less on a GAAP basis than budgetary basis in the amount of \$205,523 as of June 30, 2011 as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the related state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording these last two state aid payments in the subsequent fiscal year, the school district cannot recognize these last state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the final state aid payments and not the fund balance reported on the fund statement which excludes the last two state aid payments.

Q. Net Assets:

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

R. Deficit in Net Assets/Fund Balance:

The District had a \$186,595 deficit in unrestricted net assets from its governmental activities at June 30, 2011, primarily due to the accrual of \$114,745 of unamortized bond issuance costs, \$177,041 of accrued interest payable, and \$209,378 in compensated absences payable.

The District had a \$20,594 deficit in unassigned fund balance in the Capital Projects Fund primarily due to the Schools Development Authority grants receivable which is not recognized on a GAAP basis.

These deficits do not indicate that the District is having financial difficulties and is permitted practice under generally accepted accounting principles.

ANDOVER REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)

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

S. Fund Balance Restrictions, Commitments and Assignments:

The District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, during the current fiscal year. The objective of this standard is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions (as detailed in Note 1B). This Statement establishes 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.

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for the specific purposes determined for a formal action of the District's highest level of decision-making authority. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classifications should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts has been restricted, committed or assigned.

Fund balance restrictions have been established for excess surplus, a capital reserve, and debt service.

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has committed resources for year-end encumbrances at June 30, 2011.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources for year-end encumbrances and for amounts designated for subsequent year's expenditures in the General Fund at June 30, 2011.

T. Revenue - Exchange and Nonexchange Transactions:

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

ANDOVER REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)

T. Revenue - Exchange and Nonexchange Transactions: (Cont'd)

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

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

U. Operating Revenue and Expenses:

Operating revenue are those revenues that are generated directly from the primary activity of the Enterprise Fund. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Enterprise Fund.

The District does not have an Enterprise Fund.

V. Management Estimates:

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

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and district-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

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

ANDOVER REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)

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

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

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

Deposits:

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

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

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

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

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

Investments:

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund; or

ANDOVER REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)

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

Investments: (Cont'd)

- (7) Agreements for the repurchase of fully collateralized securities if:
- (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
  - (b) the custody of collateral is transferred to a third party;
  - (c) the maturity of the agreement is not more than 30 days;
  - (d) the underlying securities are purchased through a public depository as defined in statute; and
  - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

As of June 30, 2011, cash and cash equivalents and investments of the District consisted of the following:

	<u>Cash and Cash Equivalents</u>	<u>Capital Reserve Account</u>	<u>Total</u>
Checking and Savings Accounts	\$ 175,026	\$ 50,000	\$ 225,026
New Jersey Cash Management Fund	17,616		17,616
New Jersey ARM	1,317		1,317
	<u>\$ 193,959</u>	<u>\$ 50,000</u>	<u>\$ 243,959</u>

During the period ended June 30, 2011, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2011, was \$243,959 and the bank balance was \$488,802. The \$17,616 with the New Jersey Cash Management Fund and the \$1,317 with the New Jersey ARM are uninsured and unregistered.

ANDOVER REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the Andover Regional School District by inclusion of \$1 on July 1, 2000 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line item appropriation amounts, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-5.1(d)7, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

Beginning Balance, July 1, 2010	\$ 165,746
Less: 2010/2011 Budgeted Withdrawal	<u>115,746</u>
Ending Balance, June 30, 2011	<u><u>\$ 50,000</u></u>

The balance in the Capital Reserve at June 30, 2011 did not exceed the balance of local support costs of uncompleted projects in the District's LRFP. The withdrawal from the capital reserve was for use in a DOE approved facilities project, consistent with the District's LRFP.

NOTE 5. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2011 were as follows:

	<u>Beginning Balance</u>	<u>Adjustments/ Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital Assets not being Depreciated:				
Sites (Land)	\$ 265,016			\$ 265,016
Total Capital Assets not Being Depreciated	<u>265,016</u>			<u>265,016</u>
Capital Assets Being Depreciated:				
Buildings and Building Improvements	19,827,491	\$ 67,023		19,894,514
Machinery and Equipment	<u>269,649</u>	<u>13,498</u>	\$ (5,880)	<u>277,267</u>
Total Capital Assets Being Depreciated	<u>20,097,140</u>	<u>80,521</u>	<u>(5,880)</u>	<u>20,171,781</u>
Governmental Activities Capital Assets	<u>20,362,156</u>	<u>80,521</u>	<u>(5,880)</u>	<u>20,436,797</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(4,264,665)	(382,425)		(4,647,090)
Machinery and Equipment	<u>(146,682)</u>	<u>(27,112)</u>	1,618	<u>(172,176)</u>
Total Accumulated Depreciation	<u>(4,411,347)</u>	<u>(409,537)</u>	1,618	<u>(4,819,266)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 15,950,809</u>	<u>\$ (329,016)</u>	<u>\$ (4,262)</u>	<u>\$ 15,617,531</u>

ANDOVER REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)

NOTE 5. CAPITAL ASSETS (Cont'd)

Depreciation expense was charged to governmental functions as follows:

Unallocated	\$ 386,293
Instructional	20,641
Support/Administration	270
Maintenance / Custodial	<u>2,333</u>
	<u>\$ 409,537</u>

NOTE 6. TRANSFERS TO CAPITAL OUTLAY

During the fiscal year ended June 30, 2011, the school district had transfers of \$27,913 to the capital outlay accounts for equipment purchases which did not require County Superintendent approval.

NOTE 7. OPERATING LEASES

The District had no operating leases in effect during the year ended June 30, 2011.

NOTE 8. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2011, the following changes occurred in liabilities reported in the district-wide financial statements:

	<u>Balance</u> <u>June 30, 2010</u>	<u>Accrued</u>	<u>Retired</u>	<u>Balance</u> <u>June 30, 2011</u>
Compensated Absences Payable	\$ 208,378	\$ 9,315	\$ 8,315	\$ 209,378
Serial Bonds Payable	12,174,000		540,000	11,634,000
Capital Leases Payable	<u>1,940</u>		<u>1,940</u>	
	<u>\$ 12,384,318</u>	<u>\$ 9,315</u>	<u>\$ 550,255</u>	<u>\$ 11,843,378</u>

A. Bonds Payable:

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

ANDOVER REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)

NOTE 8. LONG-TERM LIABILITIES (Cont'd)

A. Bonds Payable:

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

Year	Bonds		Total
	Principal	Interest	
2012	\$ 555,000	\$ 472,108	\$ 1,027,108
2013	575,000	453,163	1,028,163
2014	595,000	432,783	1,027,783
2015	620,000	412,535	1,032,535
2016	645,000	389,911	1,034,911
2017-2021	3,590,000	1,555,106	5,145,106
2022-2026	3,725,000	743,495	4,468,495
2027-2030	1,329,000	151,122	1,480,122
	<u>\$ 11,634,000</u>	<u>\$ 4,610,223</u>	<u>\$ 16,244,223</u>

The Debt Service Fund will be used to liquidate serial bonds payable.

B. Bonds Authorized But Not Issued:

As of June 30, 2011, the Board has no bonds authorized but not issued.

C. Capital Leases Payable:

The District, in the 2006/2007 school year, entered into a lease for a 1 Ton Pickup Truck valued at \$33,800 of which the entire amount has been amortized by year end.

D. Compensated Absences Payable:

The liability for compensated absences of the governmental fund types is recorded as a long-term liability. The is current portion of the compensated absences balance of the governmental funds is \$26,893. The long-term liability balance of compensated absences is \$182,485.

The General Fund will be used to liquidate Compensated Absences Payable.

NOTE 9. PENSION PLANS

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

ANDOVER REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

NOTE 9. PENSION PLANS (Cont'd)

Employees who are members of TPAF or PERS and retire at a specified age according to the relevant tier category for that employee are entitled to a retirement benefit based upon a formula which takes "final average salary" during years of creditable service.

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

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

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

District contributions to PERS amounted to \$111,055, \$87,911 and \$74,890 for the fiscal years ended June 30, 2011, 2010 and 2009, respectively.

During the fiscal years ended June 30, 2011, 2010 and 2009 the State of New Jersey contributed \$-0-, \$-0- and \$-0-, respectively, to the TPAF for normal pension benefits on-behalf of the District.

NOTE 10. POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. Chapter 103 of Public Laws 2007 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2010, there were 87,288 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, of Public Laws 1994. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to Chapter 126 of Public Laws 1992, which provides free health benefits to members of PERS, TPAF and the Alternate Benefit Program who retired from a Board of Education or County College with 25 years of service. The State paid \$126.3 million toward Chapter 126 benefits for 14,050 eligible retired members in Fiscal Year 2010.

The State's on-behalf Post Retirement Medical Contributions to TPAF for the District amounted to \$349,477, \$338,155 and \$310,188 for 2011, 2010, and 2009, respectively.

ANDOVER REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)

NOTE 11. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. Health benefits are provided to the employees through the State of New Jersey Health Benefit Plan.

Property and Liability

The District maintains commercial insurance coverage for surety bonds. A complete schedule of insurance coverage can be found in the statistical section of this Comprehensive Annual Financial Report.

The Board is a member of the School Alliance Insurance Fund ("SAIF"). The SAIF provides its members with Workers' Compensation, Comprehensive General Liability and Automobile Liability, Property, Boiler and Machinery, and School Board Legal Liability Insurance. The SAIF is a risk-sharing fund that is both an insured and self-administered group of school districts established for the purpose of providing low-cost insurance coverage for their members in order to keep local property taxes at a minimum. Each member appoints an official to represent their respective district for the purpose of creating a governing body from which officers for the SAIF are elected.

As a member of the SAIF, the District could be subject to supplemental assessments in the event of deficiencies. If the assets of the SAIF were to be exhausted, members would become responsible for their respective shares of the SAIF's liabilities.

The SAIF can declare and distribute dividends to members upon approval of the State of New Jersey Department of Insurance. These distributions are divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body. In accordance with Statement No. 10 of the Government Accounting Standards Board, these distributions are used to reduce the amount recorded for membership expense in the year in which the distribution was declared.

The audit report for the fiscal year ended June 30, 2011 was not available as of the date of this report. Selected financial information for the SAIF as of June 30, 2010 is as follows:

	<u>School Alliance Insurance Fund</u>
Total Assets	\$ 34,204,943
Net Assets	\$ 12,737,759
Total Revenue	\$ 29,467,938
Total Expenses	\$ 29,997,505
Change in Net Assets	\$ (529,567)
Net Assets Distribution to Participating Members	\$ 1,150,000

Financial Statements for SAIF are available at SAIF's Executive Director's Office:

Public Entity Group Administrative Services  
51 Everett Drive  
Suite B-40  
West Windsor, NJ 08550  
(609) 275-1155

ANDOVER REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)

NOTE 11. RISK MANAGEMENT (Cont'd)New Jersey Unemployment Compensation Insurance

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The District is billed quarterly for amounts due to the State.

The following is a summary of the District's contributions, employee contributions and interest earnings, reimbursements to the State for benefits paid and the ending balance of the District's Unemployment Trust Fiduciary Fund for the current and previous two years:

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions and Interest</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2011	\$ 20,000	\$ 13,771	\$ 69,915	\$ 50,213
2010	50,000	15,208	25,110	86,357
2009	-0-	15,109	11,290	46,259

NOTE 12. INTERFUND RECEIVABLES AND PAYABLES

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 104,690	
Special Revenue Fund		\$ 86,090
Capital Projects Fund		22,052
Debt Service Fund	3,452	
	<u>\$ 108,142</u>	<u>\$ 108,142</u>

The interfund between the General Fund and the Capital Projects Fund represents a cash advance due to a delay in the collection of the state aid payment from the School Development Authority. The interfund between the Capital Projects Fund and the Debt Service Fund represents the interest earned on the Capital Projects Fund due to the Debt Service Fund and the transfer of funds from the project for the renovations of the District's schools. The interfund between the General Fund and the Special Revenue Fund represents the deficit in cash due to the grant receivable in Special Revenue Fund.

NOTE 13. ECONOMIC DEPENDENCY

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

ANDOVER REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

NOTE 14. DEFERRED COMPENSATION

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

Lincoln National Insurance  
T Rowe Price  
Putnam Investments  
TransAmerica

Washington National Insurance  
AXA Equitable  
TIAA Cref  
VALIC

NOTE 15. TAX CALENDAR

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

Taxes are collected by the constituent municipalities and are remitted to the local school district on a predetermined, agreed-upon schedule.

NOTE 16. COMMITMENTS AND CONTINGENCIES

Grant Programs

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

Litigation

The District is periodically involved in various lawsuits. The District estimates that the potential claims against it resulting from any such litigation and not covered by insurance would not materially affect the financial statements of the District.

ANDOVER REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)

NOTE 16. COMMITMENTS AND CONTINGENCIES (Cont'd)

Encumbrances

At June 30, 2011, there were encumbrances as detailed below in the governmental funds. All of the governmental funds are considered to be major funds:

General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
\$ 25,064	\$ -0-	\$ 2,490	\$ 27,554

The Capital Projects Fund encumbrances are offset on the Governmental Funds Balance Sheet by the Schools Development Authority grants receivable of \$23,084 as the grants receivable is not recognized on a GAAP basis.

NOTE 17. SHORT TERM LOAN PAYABLE – DUE TO THE STATE OF NEW JERSEY

Due to the deferral of a second state aid payment and state aid withholding, the District borrowed \$205,523 for cash flow purposes pursuant to N.J.S.A. 18A:22-44.2. The State remitted the two June state aid payments to the District in early July 2011. The State is responsible for any interest due on the short term loan.

BUDGETARY COMPARISON SCHEDULES

ANDOVER REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
<b>Local Sources:</b>					
Local Tax Levy	\$ 11,258,929		\$ 11,258,929	\$ 11,258,929	
Miscellaneous	20,000		20,000	4,976	\$ (15,024)
<b>Total - Local Sources</b>	<b>11,278,929</b>		<b>11,278,929</b>	<b>11,263,905</b>	<b>(15,024)</b>
<b>State Sources:</b>					
Categorical Transportation Aid	520,041		520,041	520,041	
Categorical Special Education Aid	427,461		427,461	427,461	
Categorical Security Aid	60,263		60,263	60,263	
Adjustment Aid	1,088,243		1,088,243	1,088,243	
Extraordinary Aid		\$ 65,691	65,691	65,691	
Nonpublic Transportation				18,456	18,456
On-Behalf TPAF Non-Contributory Insurance (non-budgeted)				16,454	16,454
On-Behalf TPAF Post Retirement Medical Benefits (non-budgeted)				349,477	349,477
Reimbursed TPAF Social Security Contributions (non-budgeted)				376,303	376,303
<b>Total State Sources</b>	<b>2,096,008</b>	<b>65,691</b>	<b>2,161,699</b>	<b>2,922,389</b>	<b>760,690</b>
<b>Federal Sources:</b>					
Education Jobs Grant		37,696	37,696	37,696	
<b>Total Federal Sources</b>		<b>37,696</b>	<b>37,696</b>	<b>37,696</b>	
<b>TOTAL REVENUES</b>	<b>13,374,937</b>	<b>103,387</b>	<b>13,478,324</b>	<b>14,223,990</b>	<b>745,666</b>

ANDOVER REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
<b>Regular Programs - Instruction:</b>					
Kindergarten - Salaries of Teachers	\$ 113,989	\$ (812)	\$ 113,177	\$ 113,177	
Grades 1-5 - Salaries of Teachers	1,469,592	(38,764)	1,430,828	1,430,828	
Grades 6-8 - Salaries of Teachers	1,354,331	89,949	1,444,280	1,444,280	
<b>Regular Programs - Undistributed Instruction:</b>					
Other Salaries for Instruction	57,536	24,842	82,378	82,378	
Other Purchased Services (400-500 series)	21,000	(2,750)	18,250	18,250	
General Supplies	252,642	(66,997)	185,645	183,181	\$ 2,464
Textbooks	64,000	(38,085)	25,915	25,915	
Other Objects	1,389	(1,389)			
<b>Total Regular Programs - Instruction</b>	<b>3,334,479</b>	<b>(34,006)</b>	<b>3,300,473</b>	<b>3,298,009</b>	<b>2,464</b>
<b>Special Education - Instruction:</b>					
<b>Learning and/or Language Disabilities:</b>					
Salaries of Teachers	366,042	(111,362)	254,680	254,680	
Other Salaries for Instruction	20,000	17,126	37,126	37,126	
General Supplies	13,035	(4,776)	8,259	8,259	
<b>Total Learning and/or Language Disabilities</b>	<b>399,077</b>	<b>(99,012)</b>	<b>300,065</b>	<b>300,065</b>	
<b>Resource Room/Resource Center:</b>					
Salaries of Teachers	355,323	199,006	554,329	554,329	
Other Salaries for Instruction	18,162	1,059	19,221	19,221	
General Supplies	11,078	(497)	10,581	10,581	
<b>Total Resource Room/Resource Center</b>	<b>384,563</b>	<b>199,568</b>	<b>584,131</b>	<b>584,131</b>	

ANDOVER REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
Special Education - Instruction:					
Preschool Disabilities - Part Time:					
Salaries of Teachers	\$ 60,911	\$ 20,593	\$ 81,504	\$ 81,504	
Other Salaries for Instruction	36,325	(13,401)	22,924	22,924	
General Supplies	4,340	(2,197)	2,143	2,143	
<b>Total Preschool Disabilities - Part Time</b>	<b>101,576</b>	<b>4,995</b>	<b>106,571</b>	<b>106,571</b>	
<b>Total Special Education Instruction</b>	<b>885,216</b>	<b>105,551</b>	<b>990,767</b>	<b>990,767</b>	
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	83,346	32,546	115,892	115,892	
Other Salaries for Instruction	34,928	35,380	70,308	70,308	
General Supplies	3,548	(1,856)	1,692	1,082	\$ 610
<b>Total Basic Skills/Remedial - Instruction</b>	<b>121,822</b>	<b>66,070</b>	<b>187,892</b>	<b>187,282</b>	<b>610</b>
Bilingual Education - Instruction					
Salaries of Teachers	30,588		30,588	30,588	
General Supplies	1,917	(367)	1,550	1,550	
<b>Total Bilingual Education - Instruction</b>	<b>32,505</b>	<b>(367)</b>	<b>32,138</b>	<b>32,138</b>	
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	30,000	4,540	34,540	34,540	
Supplies and Materials	5,695	(1,373)	4,322	4,322	
<b>Total School-Sponsored Cocurricular Activities - Instruction</b>	<b>35,695</b>	<b>3,167</b>	<b>38,862</b>	<b>38,862</b>	

ANDOVER REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	\$ 22,305	\$ 4,820	\$ 27,125	\$ 27,125	
Supplies and Materials		104	104	104	
<b>Total School-Sponsored Cocurricular Athletics - Instruction</b>	<b>22,305</b>	<b>4,924</b>	<b>27,229</b>	<b>27,229</b>	
<b>Total Instruction</b>	<b>4,432,022</b>	<b>145,339</b>	<b>4,577,361</b>	<b>4,574,287</b>	<b>\$ 3,074</b>
<b>Undistributed Expenditures:</b>					
Instuction:					
Tuition to Other LEAs Within the State - Regular	3,066,341		3,066,341	3,066,341	
Tuition to Other LEAs Within the State - Special	105,631		105,631	105,631	
Tuition to Private Schools for the Handicapped - Within State	183,672	(68)	183,604	183,604	
<b>Total Undistributed Expenditures - Instruction:</b>	<b>3,355,644</b>	<b>(68)</b>	<b>3,355,576</b>	<b>3,355,576</b>	
<b>Attendance &amp; Social Work:</b>					
Salaries	98,797	(7,481)	91,316	91,316	
Purchased Professional and Technical Services	2,500	(2,001)	499	499	
Other Purchased Services (400-500 series)	850	(850)			
<b>Total Attendance &amp; Social Work</b>	<b>102,147</b>	<b>(10,332)</b>	<b>91,815</b>	<b>91,815</b>	

ANDOVER REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
<b>Undistributed Expenditures:</b>					
<b>Health Services:</b>					
Salaries	\$ 157,540	\$ 14,872	\$ 172,412	\$ 172,376	\$ 36
Purchased Professional and Technical Services	9,000	(1,271)	7,729	7,729	
Other Purchased Services (400-500 series)	4,450	(4,150)	300	300	
Supplies and Materials	3,500	(787)	2,713	2,713	
Other Objects	400	(400)			
<b>Total Health Services</b>	<u>174,890</u>	<u>8,264</u>	<u>183,154</u>	<u>183,118</u>	<u>36</u>
<b>Speech, OT, PT &amp; Related Services:</b>					
Salaries	150,473	14,865	165,338	165,338	
Supplies and Materials	4,123	(2,577)	1,546	1,546	
<b>Total Speech, OT, PT &amp; Related Services</b>	<u>154,596</u>	<u>12,288</u>	<u>166,884</u>	<u>166,884</u>	
<b>Other Support Services - Students - Extraordinary Services:</b>					
Purchased Professional - Educational Services	110,000	52,446	162,446	158,490	3,956
<b>Total Other Support Services - Students - Extraordinary Services</b>	<u>110,000</u>	<u>52,446</u>	<u>162,446</u>	<u>158,490</u>	<u>3,956</u>
<b>Guidance:</b>					
Salaries of Other Professional Staff	139,871	(6,679)	133,192	133,192	
Salaries of Secretarial and Clerical Assistants	7,500	2,181	9,681	9,681	
Supplies and Materials	1,950	(621)	1,329	1,227	102
Other Objects	3,100	(1,349)	1,751	1,751	
<b>Total Guidance</b>	<u>152,421</u>	<u>(6,468)</u>	<u>145,953</u>	<u>145,851</u>	<u>102</u>

ANDOVER REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
<b>Undistributed Expenditures:</b>					
<b>Child Study Teams:</b>					
Salaries of Secretarial and Clerical Assistants	\$ 16,440	\$ 10,812	\$ 27,252	\$ 27,252	
Other Purchased Professional and Technical Services	175,000	(43,078)	131,922	131,922	
Miscellaneous Purchased Services (400-500 series)	9,000	(797)	8,203	8,203	
Supplies and Materials	4,000		4,000	4,000	
Other Objects	3,225	(19)	3,206	3,206	
<b>Total Child Study Teams</b>	<u>207,665</u>	<u>(33,082)</u>	<u>174,583</u>	<u>174,583</u>	
<b>Improvement of Instructional Services:</b>					
Salaries of Supervisor of Instruction	99,271	(9,461)	89,810	89,810	
Other Salaries	5,000	7,204	12,204	12,204	
Other Purchased Services (400-500)	20,500	(14,380)	6,120	5,933	\$ 187
Supplies and Materials	9,000	(3,648)	5,352	5,352	
<b>Total Improvement of Instructional Services</b>	<u>133,771</u>	<u>(20,285)</u>	<u>113,486</u>	<u>113,299</u>	<u>187</u>
<b>Educational Media Services/School Library:</b>					
Salaries	87,370	(12,841)	74,529	74,529	
Salaries of Technology Coordinators	40,000	(1,620)	38,380	38,380	
Purchased Professional and Technical Services	5,150		5,150	5,150	
Other Purchased Services (400-500 series)	1,000	(578)	422	422	
Supplies and Materials	51,850	(39,769)	12,081	11,481	600
Other Objects	2,850	(2,850)			
<b>Total Educational Media Services/School Library</b>	<u>188,220</u>	<u>(57,658)</u>	<u>130,562</u>	<u>129,962</u>	<u>600</u>

ANDOVER REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
<b>Undistributed Expenditures:</b>					
<b>Support Services - General Administration:</b>					
Salaries	\$ 210,927	\$ (484)	\$ 210,443	\$ 210,443	
Legal Services	10,000	60,686	70,686	68,239	\$ 2,447
Audit Fees	34,500	(1,950)	32,550	32,550	
Other Purchased Professional Services	2,000	1,000	3,000	3,000	
Purchased Technical Services	8,000	782	8,782	8,338	444
Communications/Telephone	69,012	(22,720)	46,292	46,292	
Miscellaneous Purchased Services (400-500)	69,300	(355)	68,945	58,470	10,475
General Supplies	3,000	930	3,930	3,930	
Miscellaneous Expenditures	8,680	3,281	11,961	11,961	
BOE Membership Dues and Fees	8,470	(584)	7,886	7,886	
<b>Total Support Services - General Administration</b>	<b>423,889</b>	<b>40,586</b>	<b>464,475</b>	<b>451,109</b>	<b>13,366</b>
<b>Support Services - School Administration:</b>					
Salaries of Principals/Assistant Principals	253,510	128	253,638	253,638	
Salaries of Secretarial and Clerical Assistants	32,234	780	33,014	33,014	
Purchased Professional and Technical Services	11,300	(7,881)	3,419	3,419	
Other Purchased Services (400-500 series)	23,000	(562)	22,438	22,438	
Supplies and Materials	4,670	(36)	4,634	4,625	9
Other Objects	6,500	(1,930)	4,570	4,570	
<b>Total Support Services - School Administration</b>	<b>331,214</b>	<b>(9,501)</b>	<b>321,713</b>	<b>321,704</b>	<b>9</b>

ANDOVER REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
<b>Undistributed Expenditures:</b>					
<b>Central Services:</b>					
Salaries	\$ 169,896	\$ 12,772	\$ 182,668	\$ 182,668	
Purchased Professional Services	5,075		5,075	5,075	
Miscellaneous Purchased Services (400-500 series)	15,150	(7,701)	7,449	7,449	
Supplies and Materials	2,000	(38)	1,962	1,962	
Miscellaneous Expenditures	2,350	(399)	1,951	1,951	
<b>Total Central Services</b>	<b>194,471</b>	<b>4,634</b>	<b>199,105</b>	<b>199,105</b>	
<b>Administration Information Technology:</b>					
Salaries	6,000	9,803	15,803	15,803	
Purchased Technical Services	9,500	(785)	8,715	8,715	
Supplies and Materials	6,350	(2,524)	3,826	3,826	
<b>Total Administration Information Technology</b>	<b>21,850</b>	<b>6,494</b>	<b>28,344</b>	<b>28,344</b>	
<b>Required Maintenance of School Facilities:</b>					
Salaries	73,698	(2,554)	71,144	71,144	
Cleaning, Repair and Maintenance Services	47,500	24,985	72,485	72,374	\$ 111
<b>Total Required Maintenance of School Facilities</b>	<b>121,198</b>	<b>22,431</b>	<b>143,629</b>	<b>143,518</b>	<b>111</b>
<b>Custodial Services:</b>					
Salaries	302,841	1,289	304,130	304,130	
Salaries of Non-Instructional Aides	14,100	34,204	48,304	48,304	
Purchased Professional and Technical Services	46,200	18,374	64,574	61,812	2,762
Cleaning, Repair and Maintenance Services	5,000	(1,630)	3,370	3,370	

ANDOVER REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
<b>Undistributed Expenditures:</b>					
<b>Custodial Services: (Cont'd)</b>					
Other Purchased Property Services	\$ 24,750	\$ (218)	\$ 24,532	\$ 24,532	
Insurance	21,500	(1,501)	19,999	19,999	
Miscellaneous Purchased Services	22,000	(554)	21,446	21,446	
General Supplies	40,000	(16,743)	23,257	23,257	
Energy (Electricity)	165,000	(25,485)	139,515	139,515	
Energy (Oil)	128,960	(24,468)	104,492	104,492	
Energy (Gasoline)	1,000	134	1,134	1,134	
Other Objects	2,780	795	3,575	3,575	
<b>Total Custodial Services</b>	<u>774,131</u>	<u>(15,803)</u>	<u>758,328</u>	<u>755,566</u>	<u>\$ 2,762</u>
<b>Student Transportation Services:</b>					
<b>Salaries for Pupil Transportation:</b>					
Between Home and School - Regular	10,000	5,638	15,638	15,638	
Between Home and School - Special	14,500	4,621	19,121	19,121	
Management Fee - ESC & CTSA Transportation Program	4,315		4,315	4,315	
Other Purchased Professional and Technical Services	1,250	(360)	890	890	
<b>Contracted Services:</b>					
Between Home and School - Vendors	685,433	(5,837)	679,596	677,896	1,700
Other Between Home and School - Vendors	5,000	5,886	10,886	10,886	
Between Home and School - Joint Agreements	10,500		10,500	10,500	
Special Education Students - Vendors	95,700	35,247	130,947	130,947	
Aid in Lieu Payments - Nonpublic School	19,448	(6,188)	13,260	13,260	
General Supplies	500	(301)	199	199	
<b>Total Student Transportation Services</b>	<u>846,646</u>	<u>38,706</u>	<u>885,352</u>	<u>883,652</u>	<u>1,700</u>

ANDOVER REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
<b>Undistributed Expenditures:</b>					
<b>Allocated Benefits - Regular Instruction:</b>					
Social Security Contributions	\$ 161,462	\$ (161,462)			
Other Retirement Contributions - PERS	115,000	(115,000)			
Workmen's Compensation	74,882	(74,882)			
Health Benefits	685,000	(1,274)	\$ 683,726	\$ 683,726	
Tuition Reimbursement	35,000	(14,247)	20,753	18,953	\$ 1,800
<b>Total Allocated Benefits - Regular Instruction</b>	<b>1,071,344</b>	<b>(366,865)</b>	<b>704,479</b>	<b>702,679</b>	<b>1,800</b>
<b>Allocated Health Benefits:</b>					
Special Education	41,000		41,000	40,713	287
Attendance & Social Work	29,850		29,850	29,850	
Health Services	36,000		36,000	36,000	
Speech, OT, PT & Related Services	41,000		41,000	41,000	
Guidance	20,500		20,500	20,500	
Child Study Teams	20,500		20,500	20,500	
Improvement of Instruction Services	20,500		20,500	20,500	
Educational Media Services/School Library	20,500		20,500	20,500	
Support Services - General Administration	36,000		36,000	36,000	
Support Services - School Administration	61,500		61,500	61,500	
Central Services	10,775		10,775	10,775	
Other Operations & Maintenance of Plant	156,500	(5,349)	151,151	151,151	
Student Transportation Services	20,500		20,500	20,500	
<b>Total Allocated Health Benefits</b>	<b>515,125</b>	<b>(5,349)</b>	<b>509,776</b>	<b>509,489</b>	<b>287</b>
<b>Total Allocated Benefits</b>	<b>1,586,469</b>	<b>(372,214)</b>	<b>1,214,255</b>	<b>1,212,168</b>	<b>2,087</b>

ANDOVER REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
<b>Undistributed Expenditures:</b>					
<b>Unallocated Benefits:</b>					
Social Security Contributions		\$ 106,817	\$ 106,817	\$ 106,817	
Other Retirement Contributions - PERS		111,055	111,055	111,055	
Workmen's Compensation		61,550	61,550	55,110	\$ 6,440
Unemployment Compensation	\$ 20,000		20,000	20,000	
<b>Total Unallocated Benefits</b>	<u>20,000</u>	<u>279,422</u>	<u>299,422</u>	<u>292,982</u>	<u>6,440</u>
<b>TPAF Contributions:</b>					
On-Behalf TPAF Non-Contributory Insurance (non-budgeted)				16,454	(16,454)
On-Behalf TPAF Post Retirement Medical Benefits (non-budgeted)				349,477	(349,477)
Reimbursed TPAF Social Security Contributions (non-budgeted)				376,303	(376,303)
<b>Total TPAF Contributions</b>				<u>742,234</u>	<u>(742,234)</u>
<b>Total Personal Services - Employee Benefits</b>	<u>1,606,469</u>	<u>(92,792)</u>	<u>1,513,677</u>	<u>2,247,384</u>	<u>(733,707)</u>
<b>Total Undistributed Expenses</b>	<u>8,899,222</u>	<u>(60,140)</u>	<u>8,839,082</u>	<u>9,549,960</u>	<u>(710,878)</u>
<b>TOTAL GENERAL CURRENT EXPENSE</b>	<u>13,331,244</u>	<u>85,199</u>	<u>13,416,443</u>	<u>14,124,247</u>	<u>(707,804)</u>

ANDOVER REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CAPITAL OUTLAY					
Equipment:					
Undistributed Expenditures:					
Required Maintenance for School Facilities	\$ 115,746	\$ 28,035	\$ 143,781	\$ 133,808	\$ 9,973
Non-Instructional Services	7,858	(122)	7,736	7,736	
Total Equipment	<u>123,604</u>	<u>27,913</u>	<u>151,517</u>	<u>141,544</u>	<u>9,973</u>
Facilities Acquisition and Construction Services:					
Other Objects	<u>28,035</u>		<u>28,035</u>	<u>28,035</u>	
Total Facilities Acquisition and Construction Services	<u>28,035</u>		<u>28,035</u>	<u>28,035</u>	
TOTAL CAPITAL OUTLAY	<u>151,639</u>	<u>27,913</u>	<u>179,552</u>	<u>169,579</u>	<u>9,973</u>
Transfer of Funds to Charter Schools	<u>9,725</u>	<u>(9,725)</u>			
TOTAL EXPENDITURES	<u>13,492,608</u>	<u>103,387</u>	<u>13,595,995</u>	<u>14,293,826</u>	<u>\$ (697,831)</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>(117,671)</u>		<u>(117,671)</u>	<u>(69,836)</u>	<u>47,835</u>

ANDOVER REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Other Financing Sources/(Uses):					
Operating Transfers Out:					
Transfer to Capital Projects Fund - From Capital Outlay		\$ (37,192)	\$ (37,192)	\$ (37,192)	
Total Other Financing Sources/(Uses)		(37,192)	(37,192)	(37,192)	
Excess/(Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	\$ (117,671)	(37,192)	(154,863)	(107,028)	\$ 47,835
Fund Balance, July 1	482,563		482,563	482,563	
Fund Balance, June 30	<u>\$ 364,892</u>	<u>\$ (37,192)</u>	<u>\$ 327,700</u>	<u>\$ 375,535</u>	<u>\$ 47,835</u>
 <u>Recapitulation:</u>					
Restricted Fund Balance:					
Excess Surplus - Designated for Subsequent Year's Expenditures				\$ 9,869	
Capital Reserve				50,000	
Assigned Fund Balance:					
Year-End Encumbrances				25,064	
Designated for Subsequent Year's Expenditures				35,209	
Unassigned Fund Balance				<u>255,393</u>	
				375,535	
Reconciliation to Governmental Funds Statements (GAAP):					
Last State Aid Payment not Recognized on GAAP Basis				<u>(205,523)</u>	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 170,012</u>	

ANDOVER REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenue:					
Federal Sources	\$ 205,000	\$ 255,220	\$ 460,220	\$ 406,975	\$ (53,245)
Local Sources		14,427	14,427	14,427	
Total Revenue	<u>205,000</u>	<u>269,647</u>	<u>474,647</u>	<u>421,402</u>	<u>(53,245)</u>
Expenditures:					
Instruction:					
Salaries of Teachers		5,000	5,000	5,000	
Purchased Professional and Technical Services	30,000	10,920	40,920	9,540	31,380
Other Purchased Services (400-500 series)		104,163	104,163	95,884	8,279
Tuition	175,000	(38,335)	136,665	136,664	1
General Supplies		17,636	17,636	14,051	3,585
Total Instruction	<u>205,000</u>	<u>99,384</u>	<u>304,384</u>	<u>261,139</u>	<u>43,245</u>
Support Services:					
Salaries		34,755	34,755	34,755	
Purchased Professional and Educational Services		28,581	28,581	28,581	
Other Purchased Professional and Technical Services		90,500	90,500	90,500	
Supplies and Materials		12,000	12,000	2,000	10,000
Total Support Services		<u>165,836</u>	<u>165,836</u>	<u>155,836</u>	<u>10,000</u>
Facilities Acquisition and Construction:					
Non-Instructional Equipment		4,427	4,427	4,427	
Total Facilities Acquisition and Construction		<u>4,427</u>	<u>4,427</u>	<u>4,427</u>	
Total Expenditures	<u>205,000</u>	<u>269,647</u>	<u>474,647</u>	<u>421,402</u>	<u>53,245</u>
Excess/(Deficiency) of Revenue Over/(Under) Expenditures	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

ANDOVER REGIONAL SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTE TO RSI  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Note A - Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 14,223,990	\$ 421,402
Differences - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not.		10,474
Prior Year State Aid Payments Not Recognized for Budgetary Purposes, Recognized for GAAP Statements	278,685	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(205,523)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	\$ 14,297,152	\$ 431,876
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 14,293,826	\$ 421,402
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.		10,474
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 14,293,826	\$ 431,876

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

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

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

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

SCHOOL LEVEL SCHEDULES  
(NOT APPLICABLE)

SPECIAL REVENUE FUND

ANDOVER REGIONAL SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Local Grants	No Child Left Behind		
		Title I	Title II Part A	Title II Part D
<b>REVENUE:</b>				
Local Sources	\$ 14,427			
Federal Sources		\$ 24,345	\$ 20,684	\$ 78
<b>Total Revenue</b>	<b>14,427</b>	<b>24,345</b>	<b>20,684</b>	<b>78</b>
<b>EXPENDITURES:</b>				
Instruction:				
Salaries of Teachers	5,000			
Purchased Professional and Technical Services				
Other Purchased Services (400-500 series)		4,975		
Tuition				
General Supplies	5,000	7,500	1,551	
<b>Total Instruction</b>	<b>10,000</b>	<b>12,475</b>	<b>1,551</b>	
Support Services:				
Salaries				
Purchased Professional and Educational Services		9,370	19,133	78
Other Purchased Professional and Technical Services		2,500		
Supplies and Materials				
<b>Total Support Services</b>		<b>11,870</b>	<b>19,133</b>	<b>78</b>
Facilities Acquisition and Construction:				
Non-Instructional Equipment	4,427			
<b>Total Facilities Acquisition and Construction</b>	<b>4,427</b>			
<b>Total Expenditures</b>	<b>\$ 14,427</b>	<b>\$ 24,345</b>	<b>\$ 20,684</b>	<b>\$ 78</b>

ANDOVER REGIONAL SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	IDEA Part B Basic	IDEA Part B Preschool	American Recovery and Reinvestment Act		Totals June 30, 2011
			IDEA Part B Basic	IDEA Part B Preschool	
<b>REVENUE:</b>					
Local Sources					\$ 14,427
Federal Sources	\$ 225,913	\$ 10,020	\$ 118,929	\$ 7,006	406,975
<b>Total Revenue</b>	<b>225,913</b>	<b>10,020</b>	<b>118,929</b>	<b>7,006</b>	<b>421,402</b>
<b>EXPENDITURES:</b>					
<b>Instruction:</b>					
Salaries of Teachers					5,000
Purchased Professional and Technical Services			9,540		9,540
Other Purchased Services (400-500 series)	3,960	2,315	84,634		95,884
Tuition	121,953	7,705		7,006	136,664
General Supplies					14,051
<b>Total Instruction</b>	<b>125,913</b>	<b>10,020</b>	<b>94,174</b>	<b>7,006</b>	<b>261,139</b>
<b>Support Services:</b>					
Salaries	10,000		24,755		34,755
Purchased Professional and Educational Services					28,581
Other Purchased Professional and Technical Services	88,000				90,500
Supplies and Materials	2,000				2,000
<b>Total Support Services</b>	<b>100,000</b>		<b>24,755</b>		<b>155,836</b>
<b>Facilities Acquisition and Construction:</b>					
Non-Instructional Equipment					4,427
<b>Total Facilities Acquisition and Construction</b>					<b>4,427</b>
<b>Total Expenditures</b>	<b>\$ 225,913</b>	<b>\$ 10,020</b>	<b>\$ 118,929</b>	<b>\$ 7,006</b>	<b>\$ 421,402</b>

CAPITAL PROJECTS FUND

ANDOVER REGIONAL SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011

Revenue and Other Financing Sources:	
State Sources - SDA Grants	\$ 23,084
Transfer from Capital Outlay	37,192
Interest Earned	4
Total Revenues and Other Financing Sources	<u>60,280</u>
Expenditures:	
Purchased Professional and Technical Services	10,475
Construction Services	47,311
Total Expenditures	<u>57,786</u>
Excess/(Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures	2,494
Other Financing Uses:	
Operating Transfers Out:	
Debt Service Fund	<u>(3,452)</u>
Total Other Financing Uses	<u>(3,452)</u>
Excess/(Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing (Uses)	(958)
Fund Balance - Beginning Balance	<u>3,448</u>
Fund Balance - Ending Balance	<u>\$ 2,490</u>
Recapitulation:	
Fund Balance (Budgetary Basis):	
Year-End Encumbrances	\$ 2,490
Reconciliation to Governmental Funds Statement (GAAP):	
SDA Grants not Recognized on GAAP Basis	<u>(23,084)</u>
Fund Balance per Governmental Funds (GAAP)	<u>\$ (20,594)</u>

ANDOVER REGIONAL SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS  
BUDGETARY BASIS  
RENOVATION OF FLORENCE M. BURD AND LONG POND SCHOOLS  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

	Prior Periods	Current Year	Total	Revised Authorized Cost
<b>Revenue and Other Financing Sources:</b>				
SDA Grant - Long Pond School	\$ 138,956		\$ 138,956	\$ 138,956
SDA Grant - Florence M. Burd School	2,562,265		2,562,265	2,562,265
Bond Proceeds	5,519,000		5,519,000	5,519,000
<b>Total Revenue and Other Financing Sources</b>	<u>8,220,221</u>		<u>8,220,221</u>	<u>8,220,221</u>
<b>Expenditures and Other Financing Uses:</b>				
Purchased Professional and Technical Services	1,054,214		1,054,214	1,054,214
Legal Services	26,956		26,956	26,956
Construction Services	6,236,746		6,236,746	6,236,746
Other Objects	897,731		897,731	897,731
Transfer to Debt Service Fund	1,126	\$ 3,448	4,574	4,574
<b>Total Expenditures and Other Financing Uses</b>	<u>8,216,773</u>	<u>3,448</u>	<u>8,220,221</u>	<u>8,220,221</u>
<b>Excess/(Deficiency) of Revenue and Other Financing Sources Over/ (Under)</b>				
<b>Expenditures and Other Financing Uses</b>	<u>\$ 3,448</u>	<u>\$ (3,448)</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

**Additional Project Information:**

Project Numbers	0090-010-01-1000 and 0090-040-04-1000
Grant Date	1/1/2005
Bond Authorization Date	2/1/2005
Bonds Authorized	\$ 5,519,000
Bonds Issued	5,519,000
Original Authorized Cost	8,220,221
Additional Authorized Cost	-0-
Revised Authorized Cost	8,220,221
Percentage Increase over Original Authorized Cost	0%
Percentage Completion	100%
Original Target Completion Date	07/01/07
Revised Target Completion Date	09/01/07

ANDOVER REGIONAL SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS  
BUDGETARY BASIS  
GYM LIGHTING REPLACEMENT AT FLORENCE M. BURD AND LONG POND SCHOOLS  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

	Prior Periods	Current Year	Total	Revised Authorized Cost
Revenue and Other Financing Sources:				
SDA Grant - Long Pond School		\$ 11,000	\$ 11,000	\$ 11,000
SDA Grant - Florence M. Burd School		12,084	12,084	12,084
Transfer from Capital Outlay		37,192	37,192	37,192
Total Revenue and Other Financing Sources		<u>60,276</u>	<u>60,276</u>	<u>60,276</u>
Expenditures and Other Financing Uses:				
Purchased Professional and Technical Services		10,475	10,475	10,475
Construction Services		47,311	47,311	49,801
Total Expenditures and Other Financing Uses		<u>57,786</u>	<u>57,786</u>	<u>60,276</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over/ (Under) Expenditures and Other Financing Uses	<u>\$ -0-</u>	<u>\$ 2,490</u>	<u>\$ 2,490</u>	<u>\$ -0-</u>

**Additional Project Information:**

Project Numbers	0090-010-09-1001 and 0090-040-09-1002
Grant Date	07/27/10
Original Authorized Cost	57,709
Additional Authorized Cost	2,567
Revised Authorized Cost	60,276
Percentage Increase over Original Authorized Cost	4.45 %
Percentage Completion	95.87 %
Original Target Completion Date	12/31/10
Revised Target Completion Date	05/31/11

PROPRIETARY FUNDS  
(NOT APPLICABLE)

FIDUCIARY FUNDS

ANDOVER REGIONAL SCHOOL DISTRICT  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF NET ASSETS  
JUNE 30, 2011

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Total</u>
<u>ASSETS:</u>			
Cash and Cash Equivalents	\$ 40,529	\$ 50,213	\$ 90,742
Total Assets	40,529	50,213	90,742
<u>LIABILITIES:</u>			
Liabilities:			
Payroll Deductions and Withholdings	12,870		12,870
Due to Student Groups	27,659		27,659
Total Liabilities	40,529		40,529
<u>NET ASSETS:</u>			
Held in Trust for Unemployment Claims		50,213	50,213
Total Net Assets	\$ -0-	\$ 50,213	\$ 50,213

ANDOVER REGIONAL SCHOOL DISTRICT  
FIDUCIARY FUNDS  
STATEMENT OF CHANGE IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Unemployment Compensation Trust	Totals
	<u>Trust</u>	<u>Totals</u>
<b>Additions:</b>		
<b>Contributions:</b>		
Board Contribution	\$ 20,000	\$ 20,000
Employee State Unemployment Insurance Deductions	13,541	13,541
	<u>33,541</u>	<u>33,541</u>
<b>Total Contributions</b>	<b>33,541</b>	<b>33,541</b>
<b>Investment Earnings:</b>		
Interest	230	230
	<u>230</u>	<u>230</u>
<b>Net Investment Earnings</b>	<b>230</b>	<b>230</b>
	<u>33,771</u>	<u>33,771</u>
<b>Total Additions</b>	<b>33,771</b>	<b>33,771</b>
<b>Deductions:</b>		
State of New Jersey Unemployment Claims	69,915	69,915
	<u>69,915</u>	<u>69,915</u>
<b>Total Deductions</b>	<b>69,915</b>	<b>69,915</b>
	(36,144)	(36,144)
<b>Change in Net Assets</b>	<b>(36,144)</b>	<b>(36,144)</b>
<b>Net Assets—Beginning of the Year</b>	<b>86,357</b>	<b>86,357</b>
	<u>86,357</u>	<u>86,357</u>
<b>Net Assets—End of the Year</b>	<b>\$ 50,213</b>	<b>\$ 50,213</b>
	<u>\$ 50,213</u>	<u>\$ 50,213</u>

ANDOVER REGIONAL SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
<b><u>ASSETS:</u></b>				
Cash and Cash Equivalents	\$ 30,782	\$ 148,867	\$ 151,990	\$ 27,659
Total Assets	<u>\$ 30,782</u>	<u>\$ 148,867</u>	<u>\$ 151,990</u>	<u>\$ 27,659</u>
 <b><u>LIABILITIES:</u></b>				
Due to Student Groups	\$ 30,782	\$ 148,867	\$ 151,990	\$ 27,659
Total Liabilities	<u>\$ 30,782</u>	<u>\$ 148,867</u>	<u>\$ 151,990</u>	<u>\$ 27,659</u>

ANDOVER REGIONAL SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
STATEMENT OF ACTIVITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Balance</u> <u>July 1, 2010</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2011</u>
Elementary Schools:				
Florence M. Burd	\$ 5,638	\$ 12,979	\$ 13,457	\$ 5,160
Middle Schools:				
Long Pond	<u>25,144</u>	<u>135,888</u>	<u>138,533</u>	<u>22,499</u>
Total All Schools	<u>\$ 30,782</u>	<u>\$ 148,867</u>	<u>\$ 151,990</u>	<u>\$ 27,659</u>

ANDOVER REGIONAL SCHOOL DISTRICT  
PAYROLL AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
<b><u>ASSETS:</u></b>				
Cash and Cash Equivalents	\$ 14,065	\$ 6,802,633	\$ 6,803,828	\$ 12,870
Total Assets	<u>\$ 14,065</u>	<u>\$ 6,802,633</u>	<u>\$ 6,803,828</u>	<u>\$ 12,870</u>
 <b><u>LIABILITIES:</u></b>				
Payroll Deduction and Withholdings	\$ 14,065	\$ 6,802,633	\$ 6,803,828	\$ 12,870
Total Liabilities	<u>\$ 14,065</u>	<u>\$ 6,802,633</u>	<u>\$ 6,803,828</u>	<u>\$ 12,870</u>

LONG-TERM DEBT

ANDOVER REGIONAL SCHOOL DISTRICT  
LONG-TERM DEBT  
SCHEDULE OF SERIAL BONDS

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance July 1, 2010	Retired or Matured	Balance June 30, 2011
			Date	Amount				
Refunding School Bonds	1/22/2004	\$ 8,410,000	2/15/2012	\$ 395,000	3.500%			
			2/15/2013	405,000	3.500%			
			2/15/2014	420,000	3.300%			
			2/15/2015	435,000	3.500%			
			2/15/2016	450,000	3.625%			
			2/15/2017	465,000	3.750%			
			2/15/2018	475,000	3.875%			
			2/15/2019	500,000	4.000%			
			2/15/2020	515,000	4.000%			
			2/15/2021	535,000	4.125%			
			2/15/2022	550,000	4.250%			
			2/15/2023	575,000	4.300%			
			2/15/2024	600,000	4.375%			
2/15/2025	630,000	4.400%	\$ 7,335,000	\$ 385,000	\$ 6,950,000			
School District Bonds	2/1/2005	5,519,000	2/15/2012	160,000	3.200%			
			2/15/2013	170,000	3.650%			
			2/15/2014	175,000	3.650%			
			2/15/2015	185,000	4.000%			
			2/15/2016	195,000	4.000%			
			2/15/2017	200,000	4.200%			
			2/15/2018	210,000	4.200%			
			2/15/2019	220,000	4.200%			
			2/15/2020	230,000	4.250%			
2/15/2021	240,000	4.250%						

ANDOVER REGIONAL SCHOOL DISTRICT  
LONG-TERM DEBT  
SCHEDULE OF SERIAL BONDS

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance July 1, 2010	Retired or Matured	Balance June 30, 2011
			Date	Amount				
School District Bonds	2/1/2005	\$ 5,519,000	2/15/2022	\$ 250,000	4.300%			
			2/15/2023	260,000	4.300%			
			2/15/2024	275,000	4.350%			
			2/15/2025	285,000	4.350%			
			2/15/2026	300,000	4.450%			
			2/15/2027	310,000	4.450%			
			2/15/2028	325,000	4.450%			
			2/15/2029	340,000	4.450%			
			2/15/2030	354,000	4.450%			
						\$ 4,839,000	\$ 155,000	\$ 4,684,000
						\$ 12,174,000	\$ 540,000	\$ 11,634,000

ANDOVER REGIONAL SCHOOL DISTRICT  
GENERAL LONG-TERM DEBT ACCOUNT GROUP  
STATEMENT OF OBLIGATIONS UNDER CAPITAL LEASES  
FISCAL YEAR ENDED JUNE 30, 2011

<u>Purpose</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Balance July 1, 2010</u>	<u>Matured</u>	<u>Balance June 30, 2011</u>
2006 Purchase of 1-Ton Pickup Truck	6.000%	\$ 33,800	\$ 1,940	\$ 1,940	\$ -0-
			<u>\$ 1,940</u>	<u>\$ 1,940</u>	<u>\$ -0-</u>

ANDOVER REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUE:					
Local Sources:					
Local Tax Levy	\$ 817,293		\$ 817,293	\$ 817,293	
State Sources:					
Debt Service Aid Type II	211,325		211,325	211,325	
Total Revenue	<u>1,028,618</u>		<u>1,028,618</u>	<u>1,028,618</u>	
EXPENDITURES:					
Regular Debt Service:					
Redemption of Principal	540,000		540,000	540,000	
Interest	488,618		488,618	488,618	
Total Regular Debt Service	<u>1,028,618</u>		<u>1,028,618</u>	<u>1,028,618</u>	
Total Expenditures	<u>1,028,618</u>		<u>1,028,618</u>	<u>1,028,618</u>	
Excess/(Deficiency) of Revenue Over/(Under) Expenditures					
Other Financing Sources:					
Operating Transfers In:					
Transfer from Capital Projects Fund				3,452	\$ 3,452
Total Other Financing Sources				<u>3,452</u>	<u>3,452</u>
Excess/(Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures				3,452	3,452
Fund Balance, July 1	<u>-0-</u>		<u>-0-</u>	<u>-0-</u>	
Fund Balance, June 30	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 3,452</u>	<u>\$ 3,452</u>

## STATISTICAL SECTION

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

### Contents

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

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

ANDOVER REGIONAL SCHOOL DISTRICT  
NET ASSETS BY COMPONENT  
LAST SEVEN FISCAL YEARS  
UNAUDITED  
*(accrual basis of accounting)*

	Fiscal Year Ending June 30,						
	2005	2006	2007	2008	2009	2010	2011
<b>Governmental Activities:</b>							
Invested in Capital Assets,							
Net of Related Debt	\$ (4,153,891)	\$ 504,325	\$ 3,381,001	\$ 3,426,915	\$ 3,648,725	\$ 3,774,869	\$ 3,983,531
Restricted	5,556,227	820,770	176,815	259,807	464,613	180,988	67,791
Unrestricted/(Deficit)	(88,042)	(95,620)	(107,539)	(131,331)	(297,425)	(242,026)	(186,595)
<b>Total Governmental Activities Net Assets</b>	<b>\$ 1,314,294</b>	<b>\$ 1,229,475</b>	<b>\$ 3,450,277</b>	<b>\$ 3,555,391</b>	<b>\$ 3,815,913</b>	<b>\$ 3,713,831</b>	<b>\$ 3,864,727</b>
<b>District-Wide:</b>							
Invested in Capital Assets,							
Net of Related Debt	\$ (4,153,891)	\$ 504,325	\$ 3,381,001	\$ 3,426,915	\$ 3,648,725	\$ 3,774,869	\$ 3,983,531
Restricted	5,556,227	820,770	176,815	259,807	464,613	180,988	67,791
Unrestricted/(Deficit)	(88,042)	(95,620)	(107,539)	(131,331)	(297,425)	(242,026)	(186,595)
<b>Total District Net Assets</b>	<b>\$ 1,314,294</b>	<b>\$ 1,229,475</b>	<b>\$ 3,450,277</b>	<b>\$ 3,555,391</b>	<b>\$ 3,815,913</b>	<b>\$ 3,713,831</b>	<b>\$ 3,864,727</b>

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

Source: School District Financial Reports

ANDOVER REGIONAL SCHOOL DISTRICT  
CHANGES IN NET ASSETS  
LAST SEVEN FISCAL YEARS  
UNAUDITED  
*(accrual basis of accounting)*

	Fiscal Year Ending June 30,						
	2005	2006	2007	2008	2009	2010	2011
<b>Expenses:</b>							
<b>Governmental Activities:</b>							
<b>Instruction:</b>							
Regular	\$ 4,292,691	\$ 4,349,238	\$ 4,984,965	\$ 4,990,504	\$ 4,673,864	\$ 4,949,245	\$ 4,662,425
Special Education	915,907	1,056,706	1,143,592	1,110,096	1,489,794	1,570,687	1,620,569
Other Special Education	181,812	227,972	258,345	253,562	301,600	355,444	256,626
School-Sponsored Instruction	50,941	45,730	55,196	49,549	86,439	75,533	69,714
<b>Support Services:</b>							
Tuition	3,503,198	3,530,722	3,473,191	3,306,613	3,001,669	3,283,485	3,355,576
Student & Instruction Related Services	1,073,599	1,207,612	1,323,934	1,419,631	1,503,440	1,593,454	1,428,132
General Administrative Services	472,191	399,024	452,511	448,001	494,226	448,732	502,532
School Administrative Services	442,993	459,875	500,857	516,630	411,014	440,301	442,415
Central Services	219,367	254,558	260,309	275,159	240,249	219,333	220,900
Administrative Information Technology	57,104	46,259	46,735	37,156	42,674	67,310	29,272
Plant Operations And Maintenance	852,232	835,826	935,854	1,112,292	1,200,693	1,176,924	1,076,074
Pupil Transportation	797,935	789,978	806,311	875,011	916,604	885,978	906,194
Food Service		949	2,814	1,687	1,500		
Capital Outlay		215		85,764	42,662	67,897	160,342
Unallocated Depreciation	269,345	259,518	242,886	460,328	286,084	385,699	385,055
Interest On Long-Term Debt	458,463	580,033	605,230	541,320	522,718	507,149	490,928
Charter Schools	8,744	25,914	17,903	17,028	17,842		
<b>Total Governmental Activities Expenses</b>	<b>\$ 13,596,522</b>	<b>\$ 14,070,129</b>	<b>\$ 15,110,633</b>	<b>\$ 15,500,331</b>	<b>\$ 15,233,072</b>	<b>\$ 16,027,171</b>	<b>\$ 15,606,754</b>

ANDOVER REGIONAL SCHOOL DISTRICT  
CHANGES IN NET ASSETS  
LAST SEVEN FISCAL YEARS  
UNAUDITED  
*(accrual basis of accounting)*

	Fiscal Year Ending June 30,						
	2005	2006	2007	2008	2009	2010	2011
<b>Program Revenues:</b>							
<b>Governmental Activities:</b>							
Charges For Services	\$ 31,545	\$ 27,744	\$ 20,219				
Operating Grants and Contributions	1,961,220	2,080,733	2,461,780	\$ 2,428,935	\$ 1,918,065	\$ 2,058,339	\$ 2,246,452
Capital Grants and Contributions	13,506		2,434,122	253,593			
<b>Total Governmental Activities Program Revenues</b>	<u>\$ 2,006,271</u>	<u>\$ 2,108,477</u>	<u>\$ 4,916,121</u>	<u>\$ 2,682,528</u>	<u>\$ 1,918,065</u>	<u>\$ 2,058,339</u>	<u>\$ 2,246,452</u>
<b>Total District-Wide Net Expense</b>	<u>\$ (11,590,251)</u>	<u>\$ (11,961,652)</u>	<u>\$ (10,194,512)</u>	<u>\$ (12,817,803)</u>	<u>\$ (13,315,007)</u>	<u>\$ (13,968,832)</u>	<u>\$ (13,360,302)</u>
<b>General Revenues and Other Changes in Net Assets:</b>							
<b>Governmental Activities:</b>							
Property Taxes Levied for General Purposes, Net	\$ 9,249,097	\$ 9,111,988	\$ 9,854,369	\$ 10,383,923	\$ 10,799,280	\$ 11,231,250	\$ 11,258,929
Taxes Levied for Debt Service	441,407	667,328	688,964	627,066	771,241	779,298	817,293
Federal and State Aid not Restricted	1,764,815	1,886,794	1,775,185	1,878,820	1,971,826	1,810,595	1,429,996
Miscellaneous Income	121,807	210,723	96,796	33,108	33,182	45,607	4,980
<b>Total Governmental Activities</b>	<u>11,577,126</u>	<u>11,876,833</u>	<u>12,415,314</u>	<u>12,922,917</u>	<u>13,575,529</u>	<u>13,866,750</u>	<u>13,511,198</u>
<b>Change in Net Assets:</b>							
Governmental Activities	<u>(13,125)</u>	<u>(84,819)</u>	<u>2,220,802</u>	<u>105,114</u>	<u>260,522</u>	<u>(102,082)</u>	<u>150,896</u>
<b>Total District</b>	<u>\$ (13,125)</u>	<u>\$ (84,819)</u>	<u>\$ 2,220,802</u>	<u>\$ 105,114</u>	<u>\$ 260,522</u>	<u>\$ (102,082)</u>	<u>\$ 150,896</u>

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

Source: School District Financial Reports

ANDOVER REGIONAL SCHOOL DISTRICT  
FUND BALANCES - GOVERNMENTAL FUNDS  
LAST SEVEN FISCAL YEARS  
UNAUDITED  
*(modified accrual basis of accounting)*

	Fiscal Year Ending June 30,						
	2005	2006	2007	2008	2009	2010	2011
General Fund:							
Reserved/Restricted	\$ 670,725	\$ 484,376	\$ 218,480	\$ 253,945	\$ 459,887	\$ 177,540	\$ 59,869
Assigned							60,273
Unassigned							49,870
Unreserved	<u>283,474</u>	<u>144,283</u>	<u>148,492</u>	<u>138,311</u>	<u>6,618</u>	<u>26,338</u>	
Total General Fund	<u>\$ 954,199</u>	<u>\$ 628,659</u>	<u>\$ 366,972</u>	<u>\$ 392,256</u>	<u>\$ 466,505</u>	<u>\$ 203,878</u>	<u>\$ 170,012</u>
All Other Governmental Funds:							
Reserved/Restricted	\$ 1,165,347	\$ 2,755,288	\$ 4,000				\$ 3,452
Unreserved, Reported In:							
Capital Projects Fund/(Deficit)	3,513,886	(2,608,695)	(216,377)	\$ 4,574	\$ 4,574	\$ 3,448	(20,594)
Debt Service Fund	<u>56,794</u>	<u>189,801</u>	<u>149,809</u>	<u>1,288</u>	<u>152</u>		
Total All Other Governmental Funds/(Deficit)	<u>\$ 4,736,027</u>	<u>\$ 336,394</u>	<u>\$ (62,568)</u>	<u>\$ 5,862</u>	<u>\$ 4,726</u>	<u>\$ 3,448</u>	<u>\$ (17,142)</u>

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

Source: School District Financial Reports

ANDOVER REGIONAL SCHOOL DISTRICT  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
LAST SEVEN FISCAL YEARS  
UNAUDITED  
*(modified accrual basis of accounting)*

	Fiscal Year Ending June 30,						
	2005	2006	2007	2008	2009	2010	2011
<b>Revenues:</b>							
Tax Levy	\$ 9,689,615	\$ 9,779,316	\$ 10,543,333	\$ 11,010,989	\$ 11,570,521	\$ 12,010,548	\$ 12,076,222
Tuition Charges	31,545	27,744	20,219				
Miscellaneous	122,159	211,473	96,796	33,108	33,182	45,607	12,524
State Sources	3,471,984	3,714,637	6,402,009	4,362,823	3,642,932	3,592,098	3,206,876
Federal Sources	268,096	252,141	269,078	198,525	246,959	276,836	462,027
<b>Total Revenue</b>	<b>13,583,399</b>	<b>13,985,311</b>	<b>17,331,435</b>	<b>15,605,445</b>	<b>15,493,594</b>	<b>15,925,089</b>	<b>15,757,649</b>
<b>Expenditures:</b>							
<b>Instruction:</b>							
Regular Instruction	3,022,954	3,015,960	3,247,136	3,245,476	3,493,429	3,584,026	3,346,529
Special Education Instruction	853,271	919,706	998,932	1,078,043	1,209,052	1,330,867	1,374,122
Other Instruction	181,812	227,972	258,345	253,562	223,561	256,571	219,420
School-Sponsored Instruction	50,941	45,730	55,196	49,549	72,996	60,873	66,091
<b>Support Services:</b>							
Tuition	3,503,198	3,530,722	3,473,191	3,306,613	3,001,669	3,283,485	3,355,576
Student & Instruction Related Services	900,205	994,699	1,091,952	1,120,576	1,267,711	1,271,618	1,164,002
General Administrative Services	405,964	347,643	396,916	411,867	424,826	428,379	451,109
School Administrative Services	311,555	295,138	295,893	306,888	311,773	345,497	321,704
Central Services	147,178	172,658	173,533	185,476	189,215	196,662	199,105
Administrative Information Technology	46,104	34,259	32,157	37,156	35,392	55,400	28,344
Plant Operations And Maintenance	724,572	720,475	798,384	869,795	957,289	983,248	899,084
Pupil Transportation	797,935	789,978	806,311	860,387	900,825	875,815	883,652

**ANDOVER REGIONAL SCHOOL DISTRICT**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**LAST SEVEN FISCAL YEARS**  
**UNAUDITED**  
*(modified accrual basis of accounting)*

	Fiscal Year Ending June 30,						
	2005	2006	2007	2008	2009	2010	2011
<b>Expenditures:</b>							
Benefits	\$ 1,790,205	\$ 2,066,976	\$ 2,533,834	\$ 2,619,974	\$ 2,219,150	\$ 2,410,438	\$ 2,247,384
Food Service		949	2,814	1,687	1,500		
Principal	245,000	380,000	395,000	485,000	500,000	525,000	540,000
Interest And Other Charges	363,995	584,507	603,518	540,543	519,948	504,668	488,618
Capital Outlay	856,773	4,590,998	2,811,069	122,111	74,303	76,447	227,365
Charter Schools	8,744	25,914	17,903	17,028	17,842		
<b>Total Expenditures</b>	<b>14,210,406</b>	<b>18,744,284</b>	<b>17,992,084</b>	<b>15,511,731</b>	<b>15,420,481</b>	<b>16,188,994</b>	<b>15,812,105</b>
<b>Excess/(Deficiency) Of Revenues</b>							
Over/(Under) Expenditures	<u>(627,007)</u>	<u>(4,758,973)</u>	<u>(660,649)</u>	<u>93,714</u>	<u>73,113</u>	<u>(263,905)</u>	<u>(54,456)</u>
<b>Other Financing Sources/(Uses):</b>							
Capital Leases (Non-Budgeted)		33,800					
Bond Proceeds	5,519,000						
Transfers In	41,175	148,625	46,058	105	47	1,136	40,644
Transfers Out	<u>(41,175)</u>	<u>(148,625)</u>	<u>(46,058)</u>	<u>(105)</u>	<u>(47)</u>	<u>(1,136)</u>	<u>(40,644)</u>
<b>Total Other Financing Sources/(Uses)</b>	<u>5,519,000</u>	<u>33,800</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<b>Net Change In Fund Balances</b>	<u><u>\$ 4,891,993</u></u>	<u><u>\$ (4,725,173)</u></u>	<u><u>\$ (660,649)</u></u>	<u><u>\$ 93,714</u></u>	<u><u>\$ 73,113</u></u>	<u><u>\$ (263,905)</u></u>	<u><u>\$ (54,456)</u></u>
<b>Debt Service As A Percentage</b>							
of Noncapital Expenditures	4.56%	6.81%	6.58%	6.66%	6.65%	6.39%	6.60%

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

Source: School District Financial Reports

ANDOVER REGIONAL SCHOOL DISTRICT  
GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE  
LAST TEN FISCAL YEARS  
UNAUDITED  
*(modified accrual basis of accounting)*

<u>Fiscal Year Ended June 30,</u>	<u>Interest on Investments</u>	<u>Prior Year Refunds</u>	<u>Other</u>	<u>Total</u>
2002	\$ 9,817		\$ 10,566	\$ 20,383
2003	8,115		7,424	32,239
2004	26,275		3,881	67,278
2005	69,165		52,994	153,704
2006	56,182		5,916	89,842
2007	50,418		320	70,957
2008	29,568		3,435	33,003
2009	7,332		13,043	33,135
2010	10,616	\$ 9,688	25,293	45,597
2011	3,773	610	592	4,975

Source: Andover Regional School District records

**ANDOVER REGIONAL SCHOOL DISTRICT  
 ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY  
 LAST SEVEN YEARS  
 UNAUDITED**

**BOROUGH OF ANDOVER**

Year Ended December 31,	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Industrial	Apartment	Total Assessed Value	Tax-Exempt Property	Public Utilities <sup>a</sup>	Net Valuation Taxable	Total Direct School Tax Rate <sup>b</sup>	Estimated Actual (County Equalized Value)
2004	\$ 1,602,600	\$ 28,741,500	\$ 751,700	\$ 113,400	\$ 12,645,600	\$ 150,200	\$ 968,100	\$ 44,973,100	\$ 3,056,600	\$ 460,544	\$ 45,433,644	1.95	\$ 60,428,339
2005	1,602,600	28,766,000	751,700	113,400	12,887,200	150,200	968,100	45,239,200	3,056,600	384,485	45,423,685	2.02	69,317,516
2006	1,523,200	29,024,000	751,700	113,400	12,707,700	150,200	968,100	45,238,300	3,056,600	417,464	45,655,764	2.14	76,499,863
2007	1,521,300	29,165,300	751,700	113,400	12,511,500	150,200	968,100	45,181,500	3,058,500	406,231	45,587,731	1.99	77,190,656
2008	1,587,500	29,130,500	751,700	113,400	12,518,900	150,200	968,100	45,220,300	3,058,500	467,014	45,687,314	2.18	77,509,143
2009	1,587,500	29,083,400	751,700	113,400	12,579,100	150,200	968,100	45,233,400	3,058,500	344,541	45,577,941	2.06	79,662,312
2010	1,587,500	29,287,600	751,700	113,400	12,579,100	150,200	968,100	45,437,600	3,058,500	304,352	45,741,952	2.25	86,718,562

**TOWNSHIP OF ANDOVER**

Year Ended December 31,	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Industrial	Apartment	Total Assessed Value	Tax-Exempt Property	Public Utilities <sup>a</sup>	Net Valuation Taxable	Total Direct School Tax Rate <sup>b</sup>	Estimated Actual (County Equalized Value)
2004	\$ 17,795,500	\$ 448,624,200	\$ 19,024,900	\$ 1,222,600	\$ 82,714,600	\$ 5,999,000	\$ 1,877,000	\$ 577,257,800	\$ 57,753,800	\$ 1,852,517	\$ 579,110,317	1.40	\$ 588,249,470
2005	20,822,300	456,099,400	20,911,900	1,223,370	84,388,200	5,999,000	1,700,000	591,144,170	57,555,500	1,630,366	592,774,536	1.47	680,600,334
2006	17,075,300	468,861,000	20,911,900	1,224,770	84,287,000	5,831,400	1,700,000	599,891,370	58,117,800	1,613,054	601,157,940	1.54	764,940,834
2007	14,274,900	486,203,200	20,997,500	1,226,770	84,839,600	6,829,200	1,700,000	616,071,170	59,812,400	1,088,695	617,159,865	1.60	876,787,696
2008	13,583,100	492,553,999	20,394,300	1,218,870	85,229,300	6,854,400	1,700,000	621,533,969	60,125,000	991,137	622,525,106	1.75	907,696,531
2009	13,773,800	491,014,199	23,252,600	1,221,670	82,169,700	6,854,400	1,700,000	619,986,369	60,084,100	808,750	620,795,119	1.75	900,544,085
2010	12,736,200	491,554,599	23,687,000	1,242,370	79,712,600	6,883,300	1,700,000	617,516,069	60,246,100	524,167	618,040,236	1.80	882,694,272

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

b Tax rates are per \$100

Reassessment occurs when ordered by the County Board of Taxation

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

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

Source: Municipal Tax Assessor

**ANDOVER REGIONAL SCHOOL DISTRICT**  
**DIRECT AND OVERLAPPING PROPERTY TAX RATES**  
**LAST TEN YEARS**  
**UNAUDITED**  
*(rate per \$100 of assessed value)*

**BOROUGH OF ANDOVER**

Year Ended December 31,	Andover Regional School District			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Direct Rate			Borough of Andover	Sussex County	
	Basic Rate <sup>a</sup>	General Obligation Debt Service <sup>b</sup>	Total Direct			
2001	\$ 1.33	\$ 0.05	\$ 1.38	\$ 0.25	\$ 0.60	\$ 2.23
2002	1.66	0.10	1.76	0.25	0.63	2.64
2003	1.85	0.09	1.94	0.28	0.65	2.87
2004	1.92	0.03	1.95	0.28	0.66	2.89
2005	1.90	0.12	2.02	0.29	0.71	3.02
2006	2.01	0.13	2.14	0.39	0.74	3.27
2007	1.88	0.11	1.99	0.41	0.69	3.09
2008	2.04	0.15	2.18	0.43	0.47	3.08
2009	1.93	0.13	2.06	0.57	0.66	3.29
2010	2.09	0.15	2.25	0.62	0.77	3.63

**TOWNSHIP OF ANDOVER**

Year Ended December 31,	Andover Regional School District			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Direct Rate			Township of Andover	Sussex County	
	Basic Rate <sup>a</sup>	General Obligation Debt Service <sup>b</sup>	Total Direct			
2001	\$ 1.63	\$ 0.06	\$ 1.74	\$ 0.71	\$ 0.61	\$ 3.06
2002	1.66	0.10	1.72	0.74	0.68	3.14
2003	1.86	0.04	1.96	0.79	0.72	3.47
2004	1.36	0.04	1.40	0.60	0.49	2.49
2005	1.43	0.09	1.47	0.60	0.51	2.58
2006	1.49	0.05	1.54	0.71	0.56	2.81
2007	1.51	0.09	1.60	0.72	0.58	2.90
2008	1.64	0.12	1.75	0.78	0.47	3.00
2009	1.64	0.11	1.75	0.82	0.55	3.12
2010	1.68	0.12	1.80	0.83	0.57	3.20

a The district's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net Valuation Taxable.

b Rates for debt service are based on each year's requirements.

Note: NJSA 18A:7F-5d limits the amount that the district can submit for a general fund tax levy. The levy when added to other components of the district's net budget may not exceed the prebudget year net budget by more than the spending growth limitation calculation

ANDOVER REGIONAL SCHOOL DISTRICT  
PRINCIPAL PROPERTY TAX PAYERS  
CURRENT YEAR AND NINE YEARS AGO  
UNAUDITED

BOROUGH OF ANDOVER

2010			2001		
Taxpayer	Taxable Assessed Value	% of Total District Net Assessed Value	Taxpayer	Taxable Assessed Value	% of Total District Net Assessed Value
Woodborn-Lane, Inc.	\$ 1,766,100	3.86%	Woodborne-Lane Enterprises	\$ 2,091,100	4.71%
Andover Estates	947,800	2.07%	Individual Taxpayer #1	495,400	1.12%
Sussex Properties, LTD	718,000	1.57%	Individual Taxpayer #2	472,700	1.07%
Cox Living Trust	620,200	1.36%	L. Gouger-Newton Trust	450,000	1.01%
Hanlan Midgette Scriven, LP	560,000	1.22%	R&M Realty	413,300	0.93%
Individual Taxpayer #1	495,400	1.08%	W. Morris-Exxon	407,400	0.92%
J.Nechamkin Family, LLC	440,000	0.96%	Borough of Andover Estate I	405,200	0.91%
2 Lenape Trail, LLC	431,400	0.94%	Individual Taxpayer #3	397,900	0.90%
Black River Holdings, LLC	414,500	0.91%	Andover Office Building	391,500	0.88%
R&M Realty Corporation	413,300	0.90%	J. Nechamikin Family Trust	360,000	0.81%
<b>Total</b>	<b>\$ 6,806,700</b>	<b>14.88%</b>		<b>\$ 5,884,500</b>	<b>13.26%</b>

Note: Individual Taxpayers listed may be different in 2010 and 2001

Source: Municipal Tax Assessor

ANDOVER REGIONAL SCHOOL DISTRICT  
PRINCIPAL PROPERTY TAX PAYERS  
CURRENT YEAR AND NINE YEARS AGO  
UNAUDITED

TOWNSHIP OF ANDOVER

2010			2001		
Taxpayer	Taxable Assessed Value	% of Total District Net Assessed Value	Taxpayer	Taxable Assessed Value	% of Total District Net Assessed Value
Andover Subacute & Rehab Center	\$ 11,517,200	1.86%	Andover Nursing Home, Mimi Holding	\$ 11,252,600	3.29%
Andover Nursing Home	5,233,200	0.85%	Andover Nursing Home	4,775,400	1.40%
Young Realty Assoc. C/O Phoebus	4,343,000	0.70%	Young Realty Assoc c/o B. Phoebus	2,854,200	0.84%
Perona Realty Corp	3,161,600	0.51%	Life Care Mews, Inc.	2,295,700	0.67%
Newton Country Club	3,149,000	0.51%	Newton Country Club	2,269,400	0.66%
St Pauls Abbey Inc	2,709,000	0.44%	Perona Realty Corp.	2,010,900	0.59%
Alex Cable, Inc	2,526,400	0.41%	St. Paul's Abbey	1,610,200	0.47%
Individual Taxpayer #1	1,901,500	0.31%	Individual Taxpayer #1	1,378,700	0.40%
First Hope Bank	1,812,200	0.29%	Martin & Faul LTD	1,212,500	0.35%
Martin & Faul LTD C/O Goldberg Realty	1,700,000	0.28%	Occhifinto, Robert DBA NVE Enterprises	1,109,900	0.32%
<b>Total</b>	<b>\$ 38,053,100</b>	<b>6.16%</b>		<b>\$ 30,769,500</b>	<b>8.99%</b>

Note: Individual Taxpayers listed may be different in 2010 and 2001

Source: Municipal Tax Assessor

ANDOVER REGIONAL SCHOOL DISTRICT  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS  
UNAUDITED

**BOROUGH OF ANDOVER**

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy <sup>a</sup>		Collections in Subsequent Years
		Amount	Percentage of Levy	
2002	\$ 653,953	\$ 653,953	100.00%	\$ -0-
2003	863,194	863,194	100.00%	-0-
2004	919,587	919,587	100.00%	-0-
2005	912,440	912,440	100.00%	-0-
2006	919,026	919,026	100.00%	-0-
2007	959,074	959,074	100.00%	-0-
2008	909,645	909,645	100.00%	-0-
2009	911,622	911,622	100.00%	-0-
2010	969,933	969,933	100.00%	-0-
2011	1,067,784	1,067,784	100.00%	-0-

**TOWNSHIP OF ANDOVER**

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy <sup>a</sup>		Collections in Subsequent Years
		Amount	Percentage of Levy	
2002	\$ 6,454,233	\$ 6,454,233	100.00%	\$ -0-
2003	7,826,093	7,826,093	100.00%	-0-
2004	8,523,939	8,523,939	100.00%	-0-
2005	8,777,175	8,777,175	100.00%	-0-
2006	8,860,290	8,860,290	100.00%	-0-
2007	9,584,259	9,584,259	100.00%	-0-
2008	10,101,344	10,101,344	100.00%	-0-
2009	10,658,899	10,658,899	100.00%	-0-
2010	11,040,615	11,040,615	100.00%	-0-
2011	11,008,438	11,008,438	100.00%	-0-

- a School taxes are collected by the Municipal Tax Collector. Under New Jersey State Statute, a municipality is required to remit to the school district the entire property tax balance, in the amount voted upon or certified prior to the end of the school year.

ANDOVER REGIONAL SCHOOL DISTRICT  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST SEVEN FISCAL YEARS  
UNAUDITED  
*(dollars in thousands, except per capita)*

Fiscal Year Ended June 30,	Governmental Activities			Total District	Percentage of Personal Income <sup>a</sup>	Per Capita <sup>a</sup>
	General Obligation Bonds	Capital Leases	Bond Anticipation Notes (BANs)			
2005	\$ 14,459,000			\$ 14,459,000	4.82%	\$ 2,047
2006	14,079,000	\$28,844	\$ 1,000,000	15,107,844	4.69%	2,131
2007	13,684,000	22,562		13,706,562	3.96%	1,921
2008	13,199,000	15,895		13,214,895	3.79%	1,848
2009	12,699,000	8,814		12,707,814	3.73%	1,773
2010	12,174,000	1,940		12,175,940	3.58%	1,699
2011	11,634,000			11,634,000	3.42%	1,623

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

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

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

Source: School District Financial Reports

ANDOVER REGIONAL SCHOOL DISTRICT  
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING  
LAST SEVEN FISCAL YEARS  
UNAUDITED  
*(dollars in thousands, except per capita)*

Fiscal Year Ended June 30,	General Bonded Debt Outstanding		Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value <sup>a</sup> of Property	Per Capita <sup>b</sup>
	General Obligation Bonds	Deductions			
2005	\$ 14,459,000	\$ -0-	\$ 14,459,000	4.63%	\$ 2,047
2006	14,079,000	-0-	14,079,000	4.41%	1,985
2007	13,684,000	-0-	13,684,000	4.23%	1,918
2008	13,199,000	-0-	13,199,000	3.98%	1,846
2009	12,699,000	-0-	12,699,000	3.80%	1,772
2010	12,174,000	-0-	12,174,000	3.65%	1,698
2011	11,634,000	-0-	11,634,000	3.51%	1,623

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

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

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

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

Source: School District Financial Reports

ANDOVER REGIONAL SCHOOL DISTRICT  
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF DECEMBER 31, 2010  
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>a</sup></u>	<u>Estimated Share of Overlapping Debt</u>
<b>Debt Repaid With Property Taxes</b>			
Borough of Andover	\$ 1,300,651	100.00%	\$ 1,300,651
Township of Andover	4,502,000	100.00%	4,502,000
Sussex County General Obligation Debt (Borough Share)	74,528,115	0.42% <sup>a</sup>	310,085
Sussex County General Obligation Debt (Township Share)	74,528,115	4.24% <sup>a</sup>	<u>3,156,310</u>
<b>Subtotal, Overlapping Debt</b>			<b>9,269,046</b>
<b>Andover Regional School District Direct Debt</b>			<u><b>11,634,000</b></u>
<b>Total Direct And Overlapping Debt</b>			<u><u><b>\$ 20,903,046</b></u></u>

<sup>a</sup> For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable equalized property values. Applicable percentages were estimated by determining the portion of Andover Borough and Andover Township's equalized property value that is within the Sussex County's boundaries and dividing it by Sussex County's total equalized property value.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the Borough and Township of Andover. This process recognizes that, when considering the District's ability to issue and repay long-term, the entire debt burden borne by the residents and businesses should be taken into account. However this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping unit.

Sources: Assessed value data used to estimate applicable percentages provided by the Sussex County Board of Taxation; debt outstanding data provided by each governmental unit.

**ANDOVER REGIONAL SCHOOL DISTRICT**  
**LEGAL DEBT MARGIN INFORMATION**  
**LAST TEN FISCAL YEARS**  
**UNAUDITED**

**Legal Debt Margin Calculation for Fiscal Year 2011**

Equalized Valuation Basis	Andover		Total
	Borough	Township	
2008	\$ 78,602,990	\$ 898,949,912	\$ 977,552,902
2009	85,362,144	882,794,203	968,156,347
2010	75,982,609	841,646,544	917,629,153
	<u>\$ 239,947,743</u>	<u>\$2,623,390,659</u>	<u>\$ 2,863,338,402</u>
Average Equalized Valuation of Taxable Property			\$ 954,446,134
Debt Limit (3% of Average Equalization Value) <sup>a</sup>			28,633,384
Net Bonded School Debt as of June 30, 2011			11,634,000
Legal Debt Margin			<u>\$ 16,999,384</u>

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt Limit	\$ 12,495,076	\$ 13,406,802	\$ 14,755,569	\$ 16,739,653	\$ 21,963,738	\$ 24,830,385	\$ 27,261,615	\$ 28,757,409	\$ 29,120,164	\$ 28,633,384
Total Net Debt Applicable to Limit	8,542,000	8,347,000	9,185,000	14,459,000	14,079,000	13,684,000	13,199,000	12,699,000	12,174,000	11,634,000
Legal Debt Margin	<u>\$ 3,953,076</u>	<u>\$ 5,059,802</u>	<u>\$ 5,570,569</u>	<u>\$ 2,280,653</u>	<u>\$ 7,884,738</u>	<u>\$ 11,146,385</u>	<u>\$ 14,062,615</u>	<u>\$ 16,058,409</u>	<u>\$ 16,946,164</u>	<u>\$ 16,999,384</u>
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	68.36%	62.26%	62.25%	86.38%	64.10%	55.11%	48.42%	44.16%	41.81%	40.63%

<sup>a</sup> Limit set by NJSA 18A:24-19 for a K through 12 district; other % limits would be applicable for other districts

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

ANDOVER REGIONAL SCHOOL DISTRICT  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS  
UNAUDITED

**BOROUGH OF ANDOVER**

Year	Population <sup>a</sup>	Personal Income <sup>b</sup>	Sussex County		Unemployment Rate <sup>d</sup>
			Per Capita Personal Income <sup>c</sup>		
2002	657	\$ 25,441,011	\$ 38,723		5.40%
2003	656	25,804,416	39,336		5.80%
2004	652	26,613,988	40,819		4.30%
2005	652	27,677,400	42,450		5.50%
2006	646	29,359,408	45,448		5.90%
2007	641	31,071,834	48,474		5.70%
2008	636	31,054,608	48,828		7.20%
2009	634	30,113,098	47,497		11.90%
2010	634 **	30,113,098	47,497 *		12.60%
2011	634 **	30,113,098	47,497 *		N/A

**TOWNSHIP OF ANDOVER**

Year	Population <sup>a</sup>	Personal Income <sup>b</sup>	Sussex County		Unemployment Rate <sup>d</sup>
			Per Capita Personal Income <sup>c</sup>		
2002	6,281	\$ 243,219,163	\$ 38,723		4.40%
2003	6,363	250,294,968	39,336		4.70%
2004	6,397	261,119,143	40,819		3.50%
2005	6,411	272,146,950	42,450		2.60%
2006	6,445	292,912,360	45,448		2.80%
2007	6,494	314,790,156	48,474		2.60%
2008	6,514	318,065,592	48,828		3.40%
2009	6,534	310,345,398	47,497		5.70%
2010	6,534 **	310,345,398	47,497 *		6.10%
2011	6,534 **	310,345,398	47,497 *		N/A

\* - Latest Sussex County per capita personal income available (2009) was used for calculation purposes.

\*\* - Latest population data available (2009) was used for calculation purposes.

N/A - Information Unavailable

Source:

<sup>a</sup> Population information provided by the NJ Dept of Labor and Workforce Development

<sup>b</sup> Personal income has been estimated based upon the municipal population and per capita personal income presented

<sup>c</sup> Per capita personal income by municipality estimated based upon the 2000 Census published by the US Bureau of Economic Analysis.

<sup>d</sup> Unemployment data provided by the NJ Dept of Labor and Workforce Development

ANDOVER REGIONAL SCHOOL DISTRICT  
PRINCIPAL EMPLOYERS - COUNTY OF SUSSEX  
CURRENT YEAR AND NINE YEARS AGO  
UNAUDITED

2011			2001		
Employer	Employees	Percentage of Total Employment	Employer	Employees	Percentage of Total Employment
Crystal Springs Golf and Spa Resort	2,000	5.05%	Selective Insurance	954	2.41%
Newton Memorial Hospital	1,490	3.76%	Andover Subacute & Rehab Center	906	2.29%
Selective Insurance Co.	900	2.27%	County of Sussex	815	2.06%
County of Sussex	830	2.10%	Mountain Creek Resort	800	2.02%
Mountain Creek Resort	800	2.02%	Newton Memorial Hospital	757	1.91%
Shop Rite (Ronetco)	697	1.76%	Ronetco Supermarkets, Inc.	711	1.80%
Ames Rubber Corp	445	1.12%	Vernon Township Board of Education	629	1.59%
Wal-Mart	412	1.04%	F.O. Phoenix, Inc.	600	1.52%
Andover Subacute & Rehab Center	300	0.76%	Hopatcong Board of Education	450	1.14%
Sussex County Community College	300	0.76%	Wal-Mart	380	0.96%
<b>Total</b>	<b>8,174</b>	<b>20.64%</b>		<b>7,002</b>	<b>16.74%</b>

Source: Sussex County Economic Development Partnership

ANDOVER REGIONAL SCHOOL DISTRICT  
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM  
LAST SEVEN FISCAL YEARS  
UNAUDITED

<u>Function/Program</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Instruction:</b>							
Regular	45.0	45.0	45.0	45.0	45.0	45.0	44.0
Special Education	14.0	16.5	17.0	18.0	18.0	18.0	15.5
Other Special Education	4.0	5.0	5.0	5.0	5.0	5.0	5.0
Other Instruction	32.5	32.5	34.0	35.0	35.0	35.0	33.0
<b>Support Services:</b>							
Student & Instruction Related Services	7.5	11.0	11.0	11.0	11.0	11.0	10.0
School Administrative Services	6.0	6.0	6.0	6.0	6.0	6.0	6.0
General Administrative Services	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Plant Operations and Maintenance	9.0	9.0	9.0	9.0	9.0	9.0	8.0
Pupil Transportation	0.5	1.0	1.0	1.0	1.0	1.0	1.0
Business and Other Support Services	2.0	2.0	2.0	2.0	2.0	2.5	2.5
<b>Total</b>	<u>124.0</u>	<u>131.5</u>	<u>133.5</u>	<u>135.5</u>	<u>135.5</u>	<u>136.0</u>	<u>128.5</u>

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

Source: District Personnel Records

ANDOVER REGIONAL SCHOOL DISTRICT  
OPERATING STATISTICS  
LAST SEVEN FISCAL YEARS  
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil <sup>d</sup>	Percentage Change	Teaching Staff <sup>b</sup>	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle				
2005	993	\$ 12,744,638	\$ 12,834	2.68%	67	12.8/ 1	11.6/ 1	739.0	738.0	-3.27%	99.86%
2006	986	13,188,779	13,376	4.22%	72	15.1/ 1	11.6/ 1	723.0	721.0	-2.17%	99.72%
2007	1,019	14,182,497	19,508	45.84%	73	15.1/1	10.8/1	721.6	691.9	-0.19%	95.88%
2008	985	14,364,077	20,433	4.74%	75	18.1/1	10.8/1	704.0	703.0	-2.44%	99.86%
2009	947	14,326,230	21,161	3.56%	75	18.1/1	10.8/1	689.0	662.2	-2.13%	96.11%
2010	935	15,082,879	23,027	8.82%	75	10.4/1	8.8/1	651.0	622.3	-5.52%	95.59%
2011	916	14,556,122	21,540	-6.46%	70	9.8/1	8.8/1	652.6	624.5	0.25%	95.69%

a Operating expenditures equal total expenditures less debt service and capital outlay.

b Teaching staff includes only full-time equivalents of certificated staff.

c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

d The cost per pupil calculated above is the sum of the operating expenditures divided by enrollment. This cost per pupil may be different from ther cost per pupil calculations.

Note: Enrollment based on annual October district count.

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

Source: Andover Regional School District records

ANDOVER REGIONAL SCHOOL DISTRICT  
SCHOOL BUILDING INFORMATION  
LAST SEVEN FISCAL YEARS

<u>District Building</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Long Pond School							
Square Feet	91,000	91,000	91,000	91,000	91,000	91,000	91,000
Capacity (students)	554	554	554	554	554	554	554
Enrollment	413	400	321	329	316	310	311
Florence M. Burd School							
Square Feet	38,915	38,915	46,419	46,419	46,419	46,419	46,419
Capacity (students)	299	299	500	500	500	500	500
Enrollment	326	323	402	374	361	345	342

Number of Schools at June 30, 2011

    Elementary = 1

    Middle School = 1

Note: Enrollment is based on the annual October district count.

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

Source: Andover Regional School District Facilities Office

ANDOVER REGIONAL SCHOOL DISTRICT  
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES  
LAST TEN FISCAL YEARS  
UNAUDITED

Undistributed Expenditures:  
 Required Maintenance for School Facilities  
 11-000-261-XXX

<u>School Facilities</u>	<u>Project #</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Long Pond School	N/A	\$ 22,497	\$ 32,883	\$ 50,697	\$ 67,943	\$ 55,780	\$ 29,067	\$ 52,898	\$ 61,289	\$ 78,434	\$ 52,183
Florence M. Burd School	N/A	30,701	32,884	50,698	67,943	55,752	87,201	52,898	61,289	78,434	91,335
<b>Total</b>		<u>\$ 53,198</u>	<u>\$ 65,767</u>	<u>\$ 101,395</u>	<u>\$ 135,886</u>	<u>\$ 111,531</u>	<u>\$ 116,268</u>	<u>\$ 105,796</u>	<u>\$ 122,578</u>	<u>\$ 156,868</u>	<u>\$ 143,518</u>

\* School facilities as defined under EFCFA.  
 (N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26A-1.3)

Source: Andover Regional School District records

ANDOVER REGIONAL SCHOOL DISTRICTINSURANCE SCHEDULEJUNE 30, 2011UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
School Alliance Insurance Fund:		
General Liability:		
General Aggregate	\$ 5,000,000	
Each Occurrence	5,000,000	
Production/Completed Operations	5,000,000	
Personal Injury	5,000,000	
Fire Damage	100,000	
Medical Expense	5,000	
Employee Benefits Liability	5,000,000	\$ 1,000
Aggregate	5,000,000	
Sexual Molestation Limit	3,000,000	
Commercial Property Coverage:		
Property Building & Contents Replacement		
Cost Values	12,334,146	1,000
Earthquake	25,000,000	
Flood (Zones A or V)	10,000,000	
Boiler and Machinery	100,000,000	1,000
Crime:		1,000
Employee Dishonesty with Faithful Performance	500,000	
Forgery & Alteration	50,000	
Theft - Inside & Outside	50,000	
Computer Fraud	50,000	
Automobile Coverage:		1,000
Automobile Coverage		
Combined Single Limit	5,000,000	
Hired/Non-Owned	5,000,000	
Uninsured/Underinsured	15/30/5,000	
Comprehensive	500	
Collision	500	
Per Occurrence	Included in Limit	
Excess Liability:		
Each Occurrence	5,000,000	
E & O/Each Loss	5,000,000	
Each Policy Year	5,000,000	

ANDOVER REGIONAL SCHOOL DISTRICT  
INSURANCE SCHEDULE  
JUNE 30, 2011  
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
School Leaders - Ace American Insurance:		
Practices Liability:		
Each Claim/Each Insured	\$ 5,000,000	
Aggregate/Each Insured	5,000,000	
Each Claim/All Insureds	10,000,000	
Maximum Policy Aggregate	20,000,000	
Retention - SLLL	25,000	
Retention - EPL	25,000	
Environmental - Ace/Illinois Union Insurance Company		
Each Claim Limit	1,000,000	
Legal defense Expense Limit	25,000,000	
SIR - Per Pollution Condition	10,000	
Excess Liability (CAP) - Fireman's Fund		
Each Occurance	50,000,000	
Aggregate	50,000,000	
AD & D - Gerber Life Insurance		
Principal Sum	100,000	
Aggregate Limit/per Accident	500,000	
Selective Insurance Surety Bonds:		
School Administrator	350,000	
Treasurer of School Monies	350,000	

SINGLE AUDIT SECTION



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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Andover Regional School District, in the County of Sussex (the "Board") as of, and for the fiscal year ended June 30, 2011, which collectively comprise the School District's basic financial statements and have issued our report thereon dated September 20, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey (the "Department"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Board's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

The Honorable President and Members  
of the Board of Education  
Andover Regional School District  
Page 2

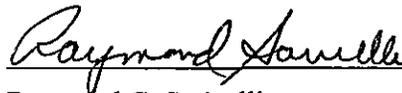
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey. However, we noted a certain matter that we have reported in the Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance, a separate report dated September 20, 2011.

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

September 20, 2011  
Mount Arlington, New Jersey

NISIVOCCIA LLP



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



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Independent Auditors' Report on Compliance with Requirements  
 That Could Have a Direct and Material Effect on Each Major Program and on  
 Internal Control Over Compliance in Accordance with OMB Circular A-133 and  
 New Jersey's OMB Circular NJOMB 04-04

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

Compliance

We have audited the compliance of the Board of Education of the Andover Regional School District in the County of Sussex (the "Board") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the *New Jersey State Aid/ Grant Compliance Supplement* that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2011. The Board's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major state programs is the responsibility of the Board's management. Our responsibility is to express an opinion on the Board's compliance based on our audit.

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

In our opinion, the Board complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2011.

The Honorable President and Members  
of the Board of Education  
Andover Regional School District  
Page 2

Internal Control Over Compliance

The management of the Board is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Board's internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the *New Jersey State Aid/Grant Compliance Supplement*, but not for the purpose of expressing our opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

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

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

September 20, 2011  
Mount Arlington, New Jersey

NISIVOCIA LLP



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

ANDOVER REGIONAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2010		Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Balance at June 30, 2011	
					Budgetary Accounts Receivable	Due to Grantor				Budgetary Accounts Receivable	Due to Grantor
U.S. Department of Education Passed-through State Department of Education:											
General Fund:											
Education Jobs Fund	84.410A	ARRA-0090-11	8/1/10-9/30/12	\$ 92,890				\$ 21,128	\$ (37,696)	\$ (16,568)	
Total General Fund								21,128	(37,696)	(16,568)	
Special Revenue Fund:											
No Child Left Behind Consolidated Grant:											
Title I	84.010A	NCLB009011	9/1/10-8/31/11	34,571					(24,345)	(24,345)	
Title II, Part A	84.278A	NCLB009011	9/1/10-8/31/11	20,684				390	(20,684)	(20,294)	
Title II, Part D	84.278A	NCLB009011	9/1/10-8/31/11	78					(78)	(78)	
No Child Left Behind Consolidated Grant:											
Title I	84.010A	NCLB009010	9/1/09-8/31/10	20,427	\$ (7,089)			7,089			
Title II, Part A	84.278A	NCLB009010	9/1/09-8/31/10	17,328	(479)			479			
Title II, Part D	84.278A	NCLB009010	9/1/09-8/31/10	204	(204)			204			
Title IV	84.186A	NCLB009010	9/1/09-8/31/10	1,197	(554)			554			
No Child Left Behind Consolidated Grant:											
Title I	84.010A	NCLB009009	9/1/08-8/31/09	28,719		\$ 4,121					\$ 4,121
Title II, Part A	84.278A	NCLB009009	9/1/08-8/31/09	18,784	(3,061)			3,345			284
Title II, Part D	84.318A	NCLB009009	9/1/08-8/31/09	240		240					240
No Child Left Behind Consolidated Grant:											
Title I	84.010A	NCLB009008	9/1/07-8/31/09	15,710		3,070					3,070
Title II, Part A	84.278A	NCLB009008	9/1/07-8/31/09	17,874		767					767

ANDOVER REGIONAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2010		Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Balance at June 30, 2011	
					Budgetary Accounts Receivable	Due to Grantor				Budgetary Accounts Receivable	Due to Grantor
U.S. Department of Education Passed-through State Department of Education: (Cont'd)											
Special Revenue Fund: (Cont'd)											
Special Education Cluster:											
IDEA Combined Grant:											
I.D.E.A. Part B, Basic	84.027	IDEA009011	9/1/10-8/31/11	\$ 229,360			\$ 17,967	\$ 201,913	\$ (225,913)	\$ (6,033)	
I.D.E.A. Part B, Preschool	84.173	IDEA009011	9/1/10-8/31/11	10,020				7,705	(10,020)	(2,315)	
I.D.E.A. Part B, Basic	84.027	IDEA009010	9/1/09-8/31/10	192,865	\$ (49,979)			49,979			
I.D.E.A. Part B, Preschool	84.173	IDEA009010	9/1/09-8/31/10	5,036	(5,036)			5,036			
I.D.E.A. Part B, Basic	84.027	IDEA009009	9/1/08-8/31/09	184,475		\$ 17,967	(17,967)				
I.D.E.A. Part B, Preschool	84.173	IDEA009009	9/1/08-8/31/09	7,393		7,393					\$ 7,393
American Recovery and Reinvestment Act:											
I.D.E.A. Part B, Basic	84.391	ARRA009011	9/1/09-8/31/11	193,652	(40,538)			87,672	(118,929)	(71,795)	
I.D.E.A. Part B, Preschool	84.392	ARRA009011	9/1/09-8/31/11	7,006					(7,006)	(7,006)	
Total Special Education Cluster					<u>(95,553)</u>	<u>25,360</u>		<u>352,305</u>	<u>(361,868)</u>	<u>(87,149)</u>	<u>7,393</u>
Total Special Revenue Fund					<u>(106,940)</u>	<u>33,558</u>		<u>364,366</u>	<u>(406,975)</u>	<u>(131,866)</u>	<u>15,875</u>
Total U.S. Department of Education					<u>(106,940)</u>	<u>33,558</u>		<u>385,494</u>	<u>(444,671)</u>	<u>(148,434)</u>	<u>15,875</u>
Total Federal Financial Awards					<u>\$ (106,940)</u>	<u>\$ 33,558</u>	<u>\$ -0-</u>	<u>\$ 385,494</u>	<u>\$ (444,671)</u>	<u>\$ (148,434)</u>	<u>\$ 15,875</u>

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

**ANDOVER REGIONAL SCHOOL DISTRICT  
SCHEDULE OF THE EXPENDITURE OF STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2010		Budgetary Expenditures	Balance at June 30, 2011		MEMO	
				Budgetary Accounts Receivable	Cash Received		GAAP Accounts Receivable	Budgetary Accounts Receivable	Cumulative Total Expenditures	
<b>New Jersey Department of Education</b>										
<b>General Fund:</b>										
Transportation Aid	11-495-034-5120-014	7/1/10 - 6/30/11	\$ 520,041		\$ 469,049	\$ (520,041)		\$ (50,992)	\$ 520,041	
Special Education Categorical Aid	11-495-034-5120-089	7/1/10 - 6/30/11	427,461		385,546	(427,461)		(41,915)	427,461	
Security Aid	11-495-034-5120-084	7/1/10 - 6/30/11	60,263		54,354	(60,263)		(5,909)	60,263	
Adjustment Aid	11-495-034-5120-085	7/1/10 - 6/30/11	1,088,243		981,536	(1,088,243)		(106,707)	1,088,243	
Extraordinary Aid	11-100-034-5120-473	7/1/10 - 6/30/11	65,691			(65,691)	\$ (65,691)	(65,691)	65,691	
Nonpublic Transportation	11-495-034-5120-014	7/1/10 - 6/30/11	18,456			(18,456)	(18,456)	(18,456)	18,456	
Reimbursed TPAF Social Security Contributions	11-495-034-5095-002	7/1/10 - 6/30/11	376,303		357,597	(376,303)	(18,706)	(18,706)	376,303	
Transportation Aid	10-495-034-5120-014	7/1/09 - 6/30/10	520,270	\$ (51,729)	51,729					
Special Education Categorical Aid	10-495-034-5120-089	7/1/09 - 6/30/10	444,290	(44,175)	44,175					
Security Aid	10-495-034-5120-084	7/1/09 - 6/30/10	57,939	(5,761)	5,761					
Adjustment Aid	10-495-034-5120-085	7/1/09 - 6/30/10	1,500,885	(177,020)	177,020					
Extraordinary Aid	10-100-034-5120-473	7/1/09 - 6/30/10	43,442	(43,442)	43,442					
Nonpublic Transportation	10-495-034-5120-014	7/1/09 - 6/30/10	10,921	(10,921)	10,921					
Reimbursed TPAF Social Security Contributions	10-495-034-5095-002	7/1/09 - 6/30/10	416,289	(20,754)	20,754					
<b>Total General Fund State Aid</b>				<b>(353,802)</b>	<b>2,601,884</b>	<b>(2,556,458)</b>	<b>(102,853)</b>	<b>(308,376)</b>	<b>2,556,458</b>	
<b>Capital Projects Fund:</b>										
<b>School Development Authority:</b>										
Florence M. Burd School	0090-010-04-1000	6/1/04 - 6/30/11	2,562,265	(115,332)	115,332				2,562,265	
Long Pond School	0090-040-04-1000	6/1/04 - 6/30/11	138,956	(10)	10				138,956	
Florence M. Burd School	0090-010-09-1001	7/27/10 - 6/30/11	12,084					(12,084)	12,084	
Long Pond School	0090-040-09-1002	7/27/10 - 6/30/11	11,000					(11,000)	11,000	
<b>Total Capital Projects Fund</b>				<b>(115,342)</b>	<b>115,342</b>			<b>(23,084)</b>	<b>2,724,305</b>	
<b>Debt Service Fund:</b>										
Debt Service Aid Type II	11-495-034-5120-125	7/1/10 - 6/30/11	211,325		211,325	(211,325)			211,325	
<b>Total Debt Service Fund</b>					<b>211,325</b>	<b>(211,325)</b>			<b>211,325</b>	
<b>Total State Financial Assistance</b>				<b>\$ (469,144)</b>	<b>\$ 2,928,551</b>	<b>\$ (2,767,783)</b>	<b>\$ (102,853)</b>	<b>\$ (331,460)</b>	<b>\$ 5,492,088</b>	

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

ANDOVER REGIONAL SCHOOL DISTRICT  
NOTES TO SCHEDULES OF THE EXPENDITURE OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards includes the federal and state grant activity of the Board of Education, Andover Regional School District under programs of the federal and state governments for the fiscal year ended June 30, 2011. The information in these schedules are presented in accordance with the Federal Office of Management and Budget (OMB), *Audits of States and Local Governments and Non-Profit Organizations* and New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net assets or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on the budgetary basis of accounting. This basis of accounting is described in Note 1 to the Board's basic financial statements. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements. Such expenditures are recognized following the cost principles contained in federal OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governmental Units*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through identifying numbers are presented where available.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last two state aid payments for the prior year and for the last two payments of the current budget year, which is mandated pursuant to P.L. 2003, C.97. For GAAP purposes, the current year payments are not recognized until the subsequent budget year due to the state deferral and recording of the last two state aid payments in the subsequent year and the final payments for the prior year are recognized in the current year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$73,162 for the general fund and \$10,474 for the special revenue fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. The schedule of expenditures of state awards does not include the TPAF Non-Contributory Insurance and Post Retirement Medical contributions paid by the State on behalf of the District of \$16,454 and \$349,477, respectively. Awards and financial assistance revenue are reported on the Board's basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 37,696	\$ 2,995,551	\$ 3,033,247
Special Revenue Fund	424,332		424,332
Debt Service Fund		211,325	211,325
Total Awards	<u>\$ 462,028</u>	<u>\$ 3,206,876</u>	<u>\$ 3,668,904</u>

ANDOVER REGIONAL SCHOOL DISTRICT  
NOTES TO SCHEDULES OF THE EXPENDITURE OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. NJ SCHOOLS DEVELOPMENT AUTHORITY (NJSDA) GRANTS

Through the NJ Educational Facilities Construction and Financing Act, the Andover Regional School District has been awarded \$2,701,221 towards their referendum project and \$23,084 toward their gym lighting project. As of June 30, 2011, \$2,701,221 for the referendum project has been received and \$23,084 is recorded as an intergovernmental accounts receivable, on a budgetary basis, in the Capital Projects Fund for the gym lighting project.

The District realized the full amount of the grant funds as revenue on a budgetary basis in the year awarded and realized the grant funds as revenue on a GAAP basis when the grant funds expended are submitted for reimbursement. As the District has not submitted for reimbursement of the \$23,084 grant receivable, it is not recognized on a GAAP basis.

NOTE 6. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the year ended June 30, 2011.

ANDOVER REGIONAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Summary of Auditors' Results:

- An unqualified report was issued on the District's financial statements.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of the District.
- The audit did not disclose any noncompliance which is material in relation to the financial statements of the District.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of the District's major State programs.
- An unqualified report was issued on the District's compliance for major state programs.
- The audit did not disclose any audit findings which are required to be reported in accordance with Federal OMB Circular A-133 and New Jersey's OMB Circular NJOMB 04-04.
- The District was not subject to the Single Audit provisions of Federal OMB Circular A-133 for the fiscal year ending June 30, 2011 as federal award expenditures were less than the Single Audit threshold of \$500,000 identified in the federal circular.
- The District's major state programs for the current fiscal year consisted of the following state aid:

	<u>Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
State:				
State Aid - Public:				
Special Education				
Categorical Aid	11-495-034-5120-089	7/1/10-6/30/11	\$ 427,461	\$ 427,461
Security Aid	11-495-034-5120-084	7/1/10-6/30/11	60,263	60,263
Adjustment Aid	11-495-034-5120-085	7/1/10-6/30/11	1,088,243	1,088,243
Reimbursed TPAF Social				
Security Contributions	11-495-034-5095-002	7/1/10-6/30/11	376,303	376,303

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

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

- The audit did not disclose any findings required to be reported under Generally Accepted Government Auditing Standards.

ANDOVER REGIONAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)

Findings and Questioned Costs for Federal Awards:

- Not Applicable since federal expenditures were below the single audit threshold.

Findings and Questioned Costs for State Awards:

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

ANDOVER REGIONAL SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2011

Status of Prior Year Findings:

There were no findings or questioned costs for the year ended June 30, 2010.