

ANDOVER REGIONAL SCHOOL DISTRICT

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

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2012**

**Comprehensive Annual
Financial Report**

of the

ANDOVER REGIONAL SCHOOL DISTRICT

Andover, New Jersey

For the Fiscal Year Ended June 30, 2012

Prepared by

**Andover Regional Board of Education
Business Office**

ANDOVER REGIONAL SCHOOL DISTRICT
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2012

INTRODUCTORY SECTION

Letter of Transmittal.....	1
Organizational Chart	5
Roster of Officials	6
Consultants and Advisors.....	7

FINANCIAL SECTION..... 8

Independent Auditors' Report.....	9
-----------------------------------	---

Required Supplementary Information	11
Management's Discussion and Analysis (Unaudited)	12

Basic Financial Statements (Sections A. and B.)	24
---	----

A. District-Wide Financial Statements	25
A-1 Statement of Net Assets	26
A-2 Statement of Activities	27

B. Fund Financial Statements.....	29
B-1 Balance Sheet – Governmental Funds	30
B-2 Statement of Revenue, Expenditures and Changes in Fund Balance – Governmental Funds.....	31
B-3 Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	33
B-4 Statement of Net Assets – Proprietary Funds (Not Applicable)	35
B-5 Statement of Revenue, Expenses and Changes in Fund Net Assets – Proprietary Funds (Not Applicable).....	36
B-6 Statement of Cash Flows – Proprietary Funds (Not Applicable).....	37
B-7 Statement of Fiduciary Net Assets – Fiduciary Funds	38
B-8 Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	39

Notes to the Basic Financial Statements.....	40
--	----

Supplementary Schedules (Sections C. to I.)

C. Budgetary Comparison Schedules	59
C-1 Budgetary Comparison Schedule – General Fund	60
C-2 Budgetary Comparison Schedule –Budgetary Basis - Special Revenue Fund	72
C-3 Budgetary Comparison Schedule – Note to RSI	73

ANDOVER REGIONAL SCHOOL DISTRICT
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2012
 (Continued)

FINANCIAL SECTION (Cont'd)

D. School Level Schedules (Not Applicable).....	74
E. Special Revenue Fund	75
E-1 Combining Schedule of Revenue and Expenditures Special Revenue Fund – Budgetary Basis.....	76
E-2 Pre-School Education Aid Schedule of Expenditures – Budgetary Basis (Not Applicable)	
F. Capital Projects Fund.....	78
F-1 Summary Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budgetary Basis	79
F-1a Schedule of Project Revenues, Expenditures, Project Balances, and Project Status - Budgetary Basis – Gym Lighting Replacement at Long Pond Schools.....	80
G. Proprietary Funds (Not Applicable)	81
H. Fiduciary Funds	82
H-1 Combining Statement of Net Assets	83
H-2 Statement of Changes in Net Assets	84
H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements.....	85
H-4 Student Activity Agency Fund Statement of Activity	86
H-5 Payroll Agency Fund Schedule of Receipts and Disbursements	87
I. Long-Term Debt	88
I-1 Schedule of Serial Bonds	89
I-2 Schedule of Obligations Under Capital Leases.....	91
I-3 Debt Service Fund Budgetary Comparison Schedule	92
J. Statistical Section (Unaudited)	94
J-1 Net Assets by Component.....	95
J-2 Changes in Net Assets.....	96
J-3 Fund Balances – Governmental Funds	98
J-4 Changes in Fund Balances – Governmental Funds.....	99
J-5 General Fund Other Local Revenue by Source.....	101
J-6 Assessed Value and Actual Value of Taxable Property.....	102
J-7 Direct and Overlapping Property Tax Rates	103
J-8 Principal Property Tax Payers.....	104
J-9 Property Tax Levies and Collections	106
J-10 Ratios of Outstanding Debt by Type.....	107
J-11 Ratios of Net General Bonded Debt Outstanding	108
J-12 Ratios of Overlapping Governmental Activities Debt.....	109
J-13 Legal Debt Margin Information	110
J-14 Demographic and Economic Statistics.....	111
J-15 Principal Employers.....	112

ANDOVER REGIONAL SCHOOL DISTRICT
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

J.	Statistical Section (Unaudited) (Continued)	
	J-16 Full-Time Equivalent District Employees by Function/Program	113
	J-17 Operating Statistics	114
	J-18 School Building Information.....	115
	J-19 Schedule of Required Maintenance for School Facilities	116
	J-20 Insurance Schedule	117
K.	Single Audit Section	118
	K-1 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 <i>Government Auditing Standards</i>	119
	K-2 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	121
	Schedule of Expenditures of Federal Awards.....	123
	Schedule of Expenditures of State Awards.....	125
	Notes to the Schedules of Expenditures of Federal and State Awards	127
	Schedule of Findings and Questioned Costs.....	129
	Summary Schedule of Prior Audit Findings.....	131

INTRODUCTORY SECTION



Andover Regional School District Board of Education

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

Terry-Lee VanAuken
School Business Administrator
Board Secretary

July 30, 2012

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, 2012, 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 basic financial statements, 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 from 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 2011-2012 fiscal year with an enrollment of 624 students as compared with 653 from the 2010-2011 school year.

The Honorable President and Members
 Of the Board of Education
 Andover Regional School District
 Page 2
 July 30, 2012

Fiscal Year	Average Daily Enrollment	
	Student Enrollment	Percentage Change
2011-2012	624	-4.44 %
2010-2011	653	0.31 %
2009-2010	651	-5.52 %
2008-2009	689	-2.13 %
2007-2008	704	-2.49 %

2) ECONOMIC CONDITION AND OUTLOOK: The District relied heavily on grants and additional funding such as Special Education Extraordinary Aid and transportation aid. Many consumable lines, including heat, energy, and custodial supplies were decimated. During the past few years, mainly suburban bedroom communities of Andover Township and Andover Borough 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. 51.1% of students in Grade 4 scored above the state's minimum level of proficiency in reading and language arts, 77.5% scored above the minimum level of proficiency in mathematics, and 89.8% of students scored at or above the minimum science proficiency.
 2. 95.5% of students in Grade 8 scored above the state's minimum level of proficiency in reading and language arts, 83.1% scored above the minimum level of proficiency in mathematics, and 92.3% of students scored at or above the minimum science proficiency.
- B. The District's three-year average daily student attendance rate is 95.6%.
- C. The District, working with the Tri-District Consortium, developed professional level communities for mathematics, science and technology 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.

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 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 Honorable President and Members
 Of the Board of Education
 Andover Regional School District
 Page 3
 July 30, 2012

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 second 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 \$90,000.00. The Andover Regional Board of Education renewed its shared services agreement for the 2012-2013 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.

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.

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.

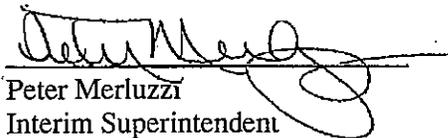
As part of the District's single audit described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal and state financial assistance programs, as well as to determine that the District has complied with applicable laws and regulations.

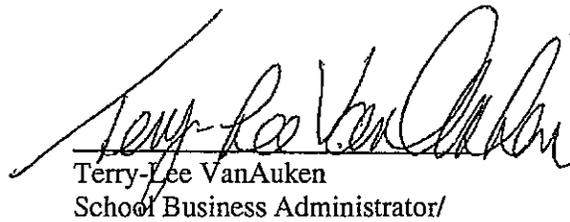
5. BUDGETARY CONTROLS: In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipalities. Annual appropriated 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 reservations of fund balance at June 30, 2012.
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.

The Honorable President and Members
of the Board of Education
Andover Regional School District
Page 4
July 30, 2012

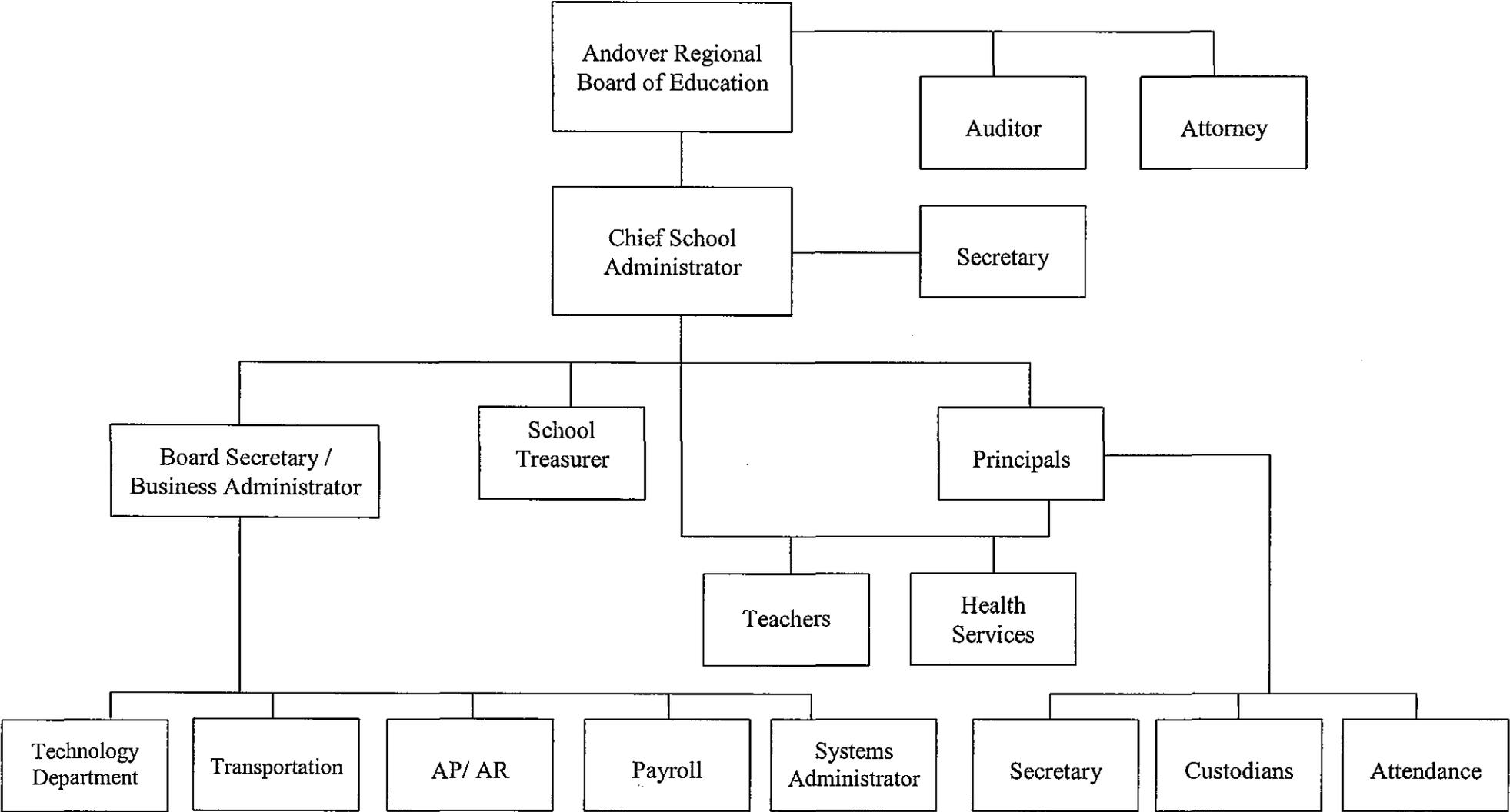
7. CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Basic Financial Statements", Note 3. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under 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, 2012, the District's outstanding bonded debt of \$11,325,000.
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.
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 basic 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,


Peter Merluzzi
Interim 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, 2012**

<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
Peter Merluzzi	Interim Superintendent of Schools (From 7/1/2012)
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
Mount Arlington, New Jersey, 07856-1320
and
11 Lawrence Road
Newton, New Jersey 07860

Attorney

Allan P. Dzwilewski, Esq.
Schwartz, Simon, Edelstein, Celso and Kessler
10 James Street
Florham Park, New Jersey 07932

Bond Counsel

Anthony Pannella, Esq.
Wilentz, Goldman & Spitzer P.A.
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 07856
 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, 2012 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 Administration and Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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, 2012, 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.

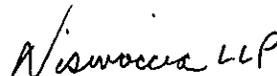
In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2012 on our consideration of the Board of Education of the Andover Regional School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, 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
Page 2

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Budgetary Comparison Information in Exhibits C-1 through C-3 and I-3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 supplementary information schedules such as the combining and individual fund financial statements and the Schedules of Expenditures of Federal and State Awards, as required by 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*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information such as the combining and individual fund financial statements and the schedules of expenditures of federal and state awards are fairly stated in all material respects in relation to the financial statements as a whole. The accompanying other information, such as the introductory and statistical sections, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

July 30, 2012
Mount Arlington, New Jersey


NISVOCCIA 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, 2012
(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, 2012. 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 Andover Regional School District continues its struggle balancing revenues and expenses on an annual basis. The District made only minor gains in generating excess funds due in large part to the refinancing of the Series 2005 bonds and with the assistance of grants. The District anticipates a heavy reduction in its adjustment aid over the course of the next 3 to 5 years due to declining enrollment. The anticipated reduction has forced the administration to constantly review and analysis all mandated and non-mandated programs. While the future financial picture looks bleak, the Andover Regional Board of Education, together with administration and teaching staff, remain committed to its students, programs, community members, and taxpayers in offering the best possible educational product during a very difficult time.
- ❖ Over the past twenty-four months the Andover Regional Board of Education has maintained a shared services arrangement with the neighboring Sussex County Educational Services Commission for child study team professional services. The arrangement provides 12 month child study team services to the District as well as to identified students through I.E.P.s The shared services arrangement has allowed the District to manage some special education costs in an efficient and fiscally responsible manner to its students without the loss of any services. The shared services arrangement requires continued monitoring and evaluation; however, it is anticipated that the arrangement will continue for the foreseeable future.
- ❖ The Andover Regional Board of Education continued to struggle 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 \$25,000.00. This reduction in busing for the second year has netted a savings to the District of approximately \$50,000.00 by reducing its overall transportation budget. 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 investigated sharing a transportation clerk with neighboring school districts; however, there was no interest at this time. It was determined that the District's busing needs were significant enough to maintain a transportation clerk. The position was, however, reduced from full-time to part-time mid-way through the school year. This reduction netted the District approximately \$15,000.00 in savings. The Andover Regional Board of Education will continue to monitor the staffing level to ensure that all transportation services are met in a timely and efficient manner.
- ❖ 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 project has been delayed in direct relation to the SRC market plummeting. While still seeking to reduce and conserve energy, the District reduced the size and scope of the solar project and anticipates that the project will be completed sometime during the 2012-2013 school year. In the meantime, the District is realizing some energy savings as a direct result of its participation in the ACES program. This program commenced on or about April 2012 and shall continue through May 2013.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Unaudited)**

Financial Highlights (Cont'd)

- ❖ Due to revisions in state aid payments, as well as payment deferrals, the Andover Regional Board of Education was forced to borrow its two June state aid payments. The reductions and deferrals adversely impacted the District's cash flow as well as the District's ability to invest funds.
- ❖ In May 2012, the Andover Regional Board of Education refinanced \$4.4 million of Series 2005 bonds for the period 2013 to 2030 and experienced a gross savings of approximately \$260,000.00. The savings for the 2011-2012 school year, shall be returned to the taxpayers thorough the normal budgetary planning process. The overall savings have been structured so that the District realizes savings annually commencing in August 2013 through 2030.
- ❖ The Andover Regional Board of education settled its Long Pond School roof litigation. These funds are earmarked to offset any future roof projects and have been transferred into the capital reserve. The Andover Regional Board of Education is currently underway soliciting bids for a phased-in roof replacement project. It is anticipated that the roof replacement will take between three to five years unless the financial situation for the District changes dramatically.
- ❖ The Andover Regional Board of Education successfully completed its remediation of the Long Pond School's waste water treatment plant as required by the New Jersey Department of Environmental Protection. The plant has been outfitted with ultra violet lights permitting the District to move away from manual chemical feeds. The NJ DEP has lifted the consent order and the District has been returned to regular testing and monitoring standards.

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, 2012
(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**

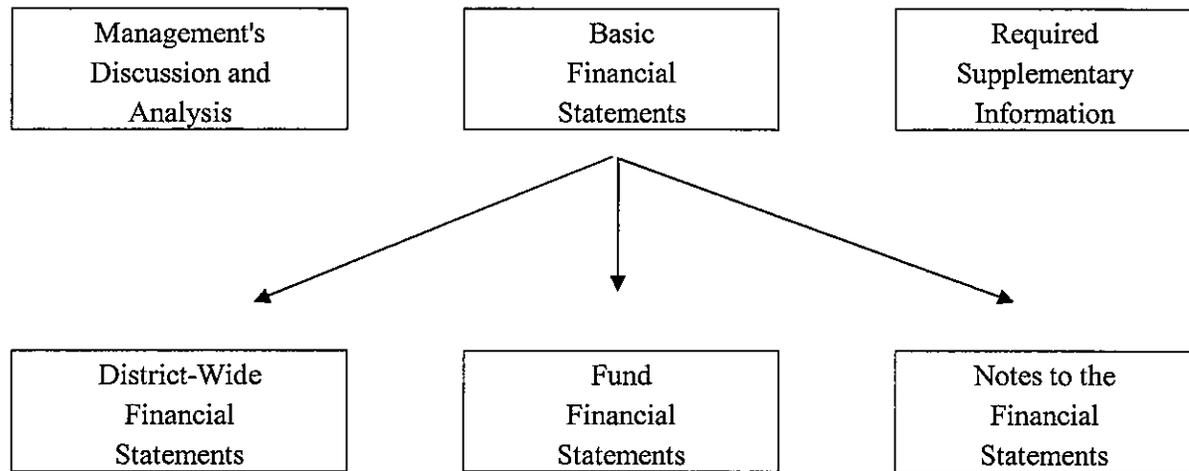


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(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"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenue, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenue, expenses, and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
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, 2012
(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, 2012
(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 by \$538,634. Net assets invested in capital assets, net of related debt increased by \$440,982, restricted net assets increased by \$100,262, and unrestricted net assets decreased by \$2,610.

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

	Government Activities		Business-Type Activities		Total School District		Percentage
	2011/2012	2010/2011	2011/2012	2010/2011	2011/2012	2010/2011	Change
Current and Other Assets	\$ 682,252	\$ 497,245			\$ 682,252	\$ 497,245	37.21%
Capital Assets	15,405,330	15,617,531			15,405,330	15,617,531	-1.36%
Total Assets	16,087,582	16,114,776			16,087,582	16,114,776	-0.17%
Long-Term Debt Outstanding	11,137,105	11,843,378			11,137,105	11,843,378	-5.96%
Other Liabilities	547,116	406,671			547,116	406,671	34.54%
Total Liabilities	11,684,221	12,250,049			11,684,221	12,250,049	-4.62%
Net Assets:							
Invested in Capital Assets, Net of Related Debt	4,424,513	3,983,531			4,424,513	3,983,531	11.07%
Restricted	163,583	63,321			163,583	63,321	158.34%
Unrestricted/(Deficit)	(184,735)	(182,125)			(184,735)	(182,125)	-1.43%
Total Net Assets	\$ 4,403,361	\$ 3,864,727	\$ -0-	\$ -0-	\$ 4,403,361	\$ 3,864,727	13.94%

Changes in Net Assets. The District's combined net assets were \$4,403,361 on June 30, 2012, \$538,634 or 13.94% more than they were the year before. These additions included \$221,324 in building renovations. (See Figure A-3).

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Unaudited)**

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

	Governmental Activities		Business-Type Activities		Total School District		Percentage
	2011/2012	2010/2011	2011/2012	2010/2011	2011/2012	2010/2011	Change 2011/2012
Revenue:							
Program Revenue:							
Operating Grants & Contributions	\$ 2,182,184	\$ 2,246,452			\$ 2,182,184	\$ 2,246,452	-2.86%
General Revenue:							
Property Taxes	12,278,385	12,076,222			12,278,385	12,076,222	1.67%
Unrestricted Federal and State Aid	1,670,979	1,429,996			1,670,979	1,429,996	16.85%
Other	178,065	4,980			178,065	4,980	3475.60%
Total Revenue	16,309,613	15,757,650			16,309,613	15,757,650	3.50%
Expenses:							
Instruction	6,172,206	6,609,334			6,172,206	6,609,334	-6.61%
Tuition	4,026,415	3,355,576			4,026,415	3,355,576	19.99%
Pupil and Instruction Services	1,653,323	1,428,132			1,653,323	1,428,132	15.77%
Administrative and Business	1,250,465	1,195,119			1,250,465	1,195,119	4.63%
Maintenance and Operations	968,317	1,076,074			968,317	1,076,074	-10.01%
Transportation	886,254	906,194			886,254	906,194	-2.20%
Other	813,999	1,036,325			813,999	1,036,325	-21.45%
Total Expenses	15,770,979	15,606,754			15,770,979	15,606,754	1.05%
Increase/(Decrease) in Net Assets	\$ 538,634	\$ 150,896	\$ -0-	\$ -0-	\$ 538,634	\$ 150,896	256.96%

Revenue Sources. The District's total revenue for the 2011/2012 school year was \$16,309,613. (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$12,278,385 of the total, or 75.28 percent. (See Figure A-5). Another 14.40 percent came from state formula aid, 9.23 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 2012**

	Amount	Percentage
Sources of Income:		
State Formula Aid	\$ 2,348,347	14.40 %
Property Taxes	12,278,385	75.28 %
Federal and State Categorical Grants	1,504,816	9.23 %
Other	178,065	1.09 %
	\$ 16,309,613	100.00 %

Expenses. The total cost of all programs and services was \$15,770,979. The District's expenses are predominantly related to instruction, tuition, transportation, and, caring for students (pupil services) (75.15 percent). (See Figure A-6). The District's administrative and business activities accounted for 7.93 percent of total costs. Also, the Andover Regional School District operates 2 schools which results in high maintenance costs (6.14 percent). It is important to note that depreciation is included in expenses for the year; expenses therefore include \$412,891 in depreciation.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Unaudited)**

**Figure A-6
Sources of School District Expenses - Fiscal Year 2012**

Expense Category:	Amount	Percentage
Instruction	\$ 6,172,206	39.14%
Tuition	4,026,415	25.53%
Pupil and Instruction Services	1,653,323	10.48%
Administrative and Business	1,250,465	7.93%
Maintenance and Operations	968,317	6.14%
Transportation	886,254	5.62%
Other	813,999	5.16%
	\$ 15,770,979	100.00%

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 was 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.

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 2012-2013 school year and thereafter.

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.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Unaudited)**

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 2012-2013 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;
- ❖ The Andover Regional School District completed its second 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 2012-2013 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, 2012
(Unaudited)**

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

	<u>Total Costs of Services</u>		<u>Net Cost of Services</u>	
	<u>2011/2012</u>	<u>2010/2011</u>	<u>2011/2012</u>	<u>2010/2011</u>
Instruction	\$ 6,172,206	\$ 6,609,334	\$ 4,622,581	\$ 4,984,634
Tuition	4,026,415	3,355,576	4,026,415	3,355,576
Pupil and Instruction Services	1,653,323	1,428,132	1,600,595	1,387,984
Administrative and Business	1,250,465	1,195,119	1,201,234	1,152,749
Maintenance and Operations	968,317	1,076,074	968,317	1,076,074
Transportation	886,254	906,194	355,654	366,960
Other	813,999	1,036,325	813,999	1,036,325
	<u>\$ 15,770,979</u>	<u>\$ 15,606,754</u>	<u>\$ 13,588,795</u>	<u>\$ 13,360,302</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 a 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 2011-2012 school year with a small positive fund balance, which is tied directly to the 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, internal 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, 2012
(Unaudited)**

Capital Asset and Debt Administration

The District purchased \$56,100 in capital assets, had disposals and adjustments, net of accumulated depreciation, of \$144,590 and \$412,891 of depreciation expense was recognized during the year.

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

	Government Activities		Business-Type Activities		Total School District		Percentage
	2011/2012	2010/2011	2011/2012	2010/2011	2011/2012	2010/2011	Change 2011/2012
Land	\$ 265,016	\$ 265,016			\$ 265,016	\$ 265,016	0.00%
Buildings and Building Improvements	15,064,646	15,247,424			15,064,646	15,247,424	-1.20%
Machinery and Equipment	75,668	105,091			75,668	105,091	-28.00%
Total Capital Assets (Net of Depreciation)	\$ 15,405,330	\$ 15,617,531	\$ -0-	\$ -0-	\$ 15,405,330	\$ 15,617,531	-1.36%

Long-term Debt

At year-end, the District had \$10,980,817 in net 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
	2011/2012	2010/2011	Change
General Obligation Bonds (Financed with Property Taxes)	\$ 11,325,000	\$ 11,634,000	-2.66%
Less: Deferred Amount on Refunded Bonds	(344,183)		100.00%
Net General Obligation Bonds	10,980,817	11,634,000	-5.61%
Other Long-Term Liabilities	156,288	209,378	-25.36%
	\$ 11,137,105	\$ 11,843,378	-5.96%

- ❖ The District retired \$555,000 in bond principal during the year.
- ❖ The District defeased \$4,179,000 of bonded debt and issued refunding bonds of \$4,425,000.
- ❖ The District had a net decrease of \$53,090 in compensated absences payable during the year.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Unaudited)**

Factors Bearing on the District's Future

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 represent 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.
- ❖ 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.
- ❖ 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 community. 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 on its sending/receiving tuition arrangement for its high school 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.

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, 2012

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 209,130		\$ 209,130
Receivables From Federal Government	21,312		21,312
Receivables From State Government	84,165		84,165
Receivables From Other Governments	4,027		4,027
Unamortized Bond Issuance Costs	203,488		203,488
Restricted Assets:			
Capital Reserve Account - Cash	160,130		160,130
Capital Assets:			
Site (Land)	265,016		265,016
Depreciable Building and Building Improvements and Machinery and Equipment	15,140,314		15,140,314
Total Assets	<u>16,087,582</u>		<u>16,087,582</u>
LIABILITIES			
Accrued Interest Payable	115,413		115,413
Loan Payable - Due to State of New Jersey	236,277		236,277
Unamortized Bond Premium	195,426		195,426
Noncurrent Liabilities:			
Due Within One Year	630,879		630,879
Due Beyond One Year	10,506,226		10,506,226
Total Liabilities	<u>11,684,221</u>		<u>11,684,221</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	4,424,513		4,424,513
Restricted for:			
Capital Projects	160,130		160,130
Debt Service	3,453		3,453
Unrestricted/(Deficit)	(184,735)		(184,735)
Total Net Assets	<u>\$ 4,403,361</u>	<u>\$ -0-</u>	<u>\$ 4,403,361</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, 2012

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	
Governmental Activities:						
Instruction:						
Regular	\$ 4,319,982		\$ 610,467	\$ (3,709,515)		\$ (3,709,515)
Special Education	1,522,533		895,920	(626,613)		(626,613)
Other Special Instruction	241,482		30,624	(210,858)		(210,858)
School-Sponsored Instruction	88,209		12,614	(75,595)		(75,595)
Support Services:						
Tuition	4,026,415			(4,026,415)		(4,026,415)
Student & Instruction Related Services	1,653,323		52,728	(1,600,595)		(1,600,595)
General Administrative Services	504,308			(504,308)		(504,308)
School Administrative Services	430,579		49,231	(381,348)		(381,348)
Central Services	276,791			(276,791)		(276,791)
Administration Information Technology	38,787			(38,787)		(38,787)
Plant Operations and Maintenance	968,317			(968,317)		(968,317)
Pupil Transportation	886,254		530,600	(355,654)		(355,654)
Unallocated Depreciation	386,157			(386,157)		(386,157)
Interest on Long-Term Debt	418,980			(418,980)		(418,980)
Transfer of Funds to Charter Schools	8,862			(8,862)		(8,862)
Total Governmental Activities	15,770,979		2,182,184	(13,588,795)		(13,588,795)

ANDOVER REGIONAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

<u>Functions/Programs</u>	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Total Primary Government	<u>\$ 15,770,979</u>	<u>\$ -0-</u>	<u>\$ 2,182,184</u>	\$ (13,588,795)		\$ (13,588,795)
General Revenue:						
Property Taxes, Levied for General Purposes, Net				11,439,030		11,439,030
Taxes Levied for Debt Service				839,355		839,355
Federal and State Aid not Restricted				1,670,979		1,670,979
Miscellaneous Income				<u>178,065</u>		<u>178,065</u>
Total General Revenue				14,127,429		14,127,429
Change in Net Assets				538,634		538,634
Net Assets - Beginning				<u>3,864,727</u>		<u>3,864,727</u>
Net Assets - Ending				<u>\$ 4,403,361</u>	<u>\$ -0-</u>	<u>\$ 4,403,361</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, 2012

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS:					
Cash and Cash Equivalents	\$ 207,671		\$ 1,459		\$ 209,130
Receivables From Federal Government	3,875	\$ 17,437			21,312
Receivables From State Government	61,081		23,084		84,165
Receivables From Other Governments		4,027			4,027
Interfund Receivables	42,554			\$ 3,453	46,007
Restricted Cash and Cash Equivalents	160,130				160,130
Total Assets	\$ 475,311	\$ 21,464	\$ 24,543	\$ 3,453	\$ 524,771
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Interfund Payable		\$ 21,464	\$ 24,543		\$ 46,007
Loans Payable - Due to State of New Jersey	\$ 236,277				236,277
Total Liabilities	236,277	21,464	24,543		282,284
Fund Balances:					
Restricted:					
Capital Reserve Account	160,130				160,130
Debt Service Fund				\$ 3,453	3,453
Assigned:					
Year-End Encumbrances	23,655				23,655
Unassigned:					
General Fund	55,249				55,249
Total Fund Balances	239,034			3,453	242,487
Total Liabilities and Fund Balances	\$ 475,311	\$ 21,464	\$ 24,543	\$ 3,453	\$ 524,771
Amounts Reported for Governmental Activities in the Statement of Net Assets (A-1) are Different Because:					
Total Fund Balances From Above					\$ 242,487
Capital assets used in Governmental Activities are not financial resources and therefore are not reported in the Funds. The cost of the assets is \$20,606,196 and the accumulated depreciation is \$5,237,408.					15,405,330
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.					(11,137,105)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.					(115,413)
Bond Premiums are Reported as revenue in the Governmental Funds. The Premium is \$195,426 and the Amortization is \$-0-.					(195,426)
Bond issuance costs are reported as expenditures in the governmental funds in the year of the expenditure. The cost is \$275,738 and accumulated amortization is \$72,250.					203,488
Net Assets of Governmental Activities					\$ 4,403,361

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, 2012

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUE:					
Local Sources:					
Local Tax Levy	\$ 11,439,030			\$ 816,271	\$ 12,255,301
Miscellaneous	178,064	\$ 10,910	\$ 1		188,975
Total - Local Sources	11,617,094	10,910	1	816,271	12,444,276
State Sources	3,284,714		23,084	210,837	3,518,635
Federal Sources	58,104	288,598			346,702
Total Revenue	14,959,912	299,508	23,085	1,027,108	16,309,613
EXPENDITURES:					
Current:					
Regular Instruction	2,962,374	70,107			3,032,481
Special Education Instruction	989,423	229,401			1,218,824
Other Instruction	200,380				200,380
School-Sponsored Instruction	72,167				72,167
Support Services and Undistributed Costs:					
Tuition	4,026,415				4,026,415
Student & Instruction Related Services	1,382,268				1,382,268
General Administrative Services	486,297				486,297
School Administrative Services	310,330				310,330
Central Services	199,282				199,282
Administration Information Technology	37,507				37,507
Plant Operations and Maintenance	786,638				786,638
Pupil Transportation	873,052				873,052
Allocated & Unallocated Benefits	2,477,651				2,477,651

ANDOVER REGIONAL SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
EXPENDITURES:					
Debt Service:					
Principal				\$ 555,000	\$ 555,000
Interest and Other Charges				472,108	472,108
Capital Outlay	\$ 78,244		\$ 2,490		80,734
Transfer of Funds to Charter Schools	8,862				8,862
Total Expenditures	14,890,890	\$ 299,508	2,490	1,027,108	16,219,996
OTHER FINANCING SOURCES/(USES)					
Refunded Bonds Issued				(4,425,000)	(4,425,000)
Bonds Defeased				4,179,000	4,179,000
Bond Premium				(195,426)	(195,426)
Bond Issuance Cost				97,243	97,243
Deferred Interest				344,183	344,183
Transfers In				1	1
Transfers Out			(1)		(1)
Total Other Financing Sources/(Uses)			(1)	1	
Net Change in Fund Balances	69,022		20,594	1	89,617
Fund Balance (Deficit)—July 1	170,012		(20,594)	3,452	152,870
Fund Balance—June 30	\$ 239,034	\$ -0-	\$ -0-	\$ 3,453	\$ 242,487

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, 2012

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ 89,617

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	\$ (412,891)	
	Adjustments to Appraisal Report	144,590	
	Capital outlays	<u>56,100</u>	
			(212,201)

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. (+) 53,090

Proceeds from debt issues are an other financing source in the governmental funds. They are not revenue in the statement of activities; issuing debt increases long-term liabilities in the statement of net assets. (-) (4,425,000)

Defeasement of debt service principal is an other financing use 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. (+) 4,179,000

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. (+) 555,000

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, 2012

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. (+)	\$ 61,628
The governmental funds report the effect of bond issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities over the life of the bonds. (+)	88,743
Also, the governmental funds report the effect of deferred interest costs relative to an advance refunding when debt is first issued whereas these amounts are deferred and amortized in the statement of activities. (+)	344,183
Finally, the governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. (-)	<u>(195,426)</u>
	<u>\$ 538,634</u>

ANDOVER REGIONAL SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

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, 2012

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, 2012

NOT APPLICABLE

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

Exhibit B-7

ANDOVER REGIONAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>
<u>ASSETS:</u>		
Cash and Cash Equivalents	\$ 25,823	\$ 21,056
Total Assets	<u>25,823</u>	<u>21,056</u>
<u>LIABILITIES:</u>		
Payroll Deductions and Withholdings	1,388	
Due to Student Groups	<u>24,435</u>	
Total Liabilities	<u>25,823</u>	
<u>NET ASSETS:</u>		
Held in Trust for Unemployment Claims		<u>21,056</u>
Total Net Assets	<u>\$ -0-</u>	<u>\$ 21,056</u>

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

Exhibit B-8

ANDOVER REGIONAL SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Unemployment Compensation Trust</u>
Additions:	
Contributions:	
Board Contribution	\$ 43,000
Employee State Unemployment Insurance Deductions	<u>11,850</u>
Total Contributions	<u>54,850</u>
Investment Earnings:	
Interest	<u>51</u>
Net Investment Earnings	<u>51</u>
Total Additions	<u>54,901</u>
Deductions:	
State of New Jersey Unemployment Claims	<u>84,058</u>
Total Deductions	<u>84,058</u>
Change in Net Assets	(29,157)
Net Assets—Beginning of the Year	<u>50,213</u>
Net Assets—End of the Year	<u>\$ 21,056</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, 2012

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, 2012
(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 capital 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, 2012
(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 budget for the fiscal year ended June 30, 2012 was submitted to the County office and was voted upon at the school election on the fourth Wednesday in April, 2011. 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 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, 2012
(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:

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 14,990,666	\$ 274,172
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.		25,336
Prior Year State Aid Payments, not Recognized for Budgetary Purposes, Recognized for GAAP Statements	205,523	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(236,277)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 14,959,912</u>	<u>\$ 299,508</u>
	<u>General Fund</u>	<u>Special Revenue Fund</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 14,890,890	\$ 274,172
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.		25,336
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 14,890,890</u>	<u>\$ 299,508</u>

ANDOVER REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

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

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.

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.

ANDOVER REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

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

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.

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.

ANDOVER REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

(Continued)

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

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, 2012.

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 \$239,034 General Fund fund balance at June 30, 2012, \$23,655 is assigned for encumbrances; \$160,130 is restricted in the capital reserve account; and there is \$55,249 in unassigned fund balance which is \$236,277 less than the calculated maximum unassigned 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, 2013.

Debt Service Fund: The \$3,453 in Debt Service Fund fund balance at June 30, 2012, 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 no excess surplus as of June 30, 2012 or 2011.

ANDOVER REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

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

P. Fund Balance Appropriated (Cont'd):

Unassigned fund balance in the General Fund is less on a GAAP basis than budgetary basis in the amount of \$236,277 as of June 30, 2012 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 \$184,735 deficit in unrestricted net assets from its governmental activities at June 30, 2012, due to the accrual of \$195,426 of an unamortized bond premium, \$115,413 of accrued interest payable, and \$156,288 in compensated absences payable, offset by the accrual of \$203,488 of unamortized bond issuance costs, the year-end encumbrances of \$23,655 and the unassigned General Fund fund balance of \$55,249.

This deficit does not indicate that the District is having financial difficulties and is permitted practice under generally accepted accounting principles.

S. Fund Balance Restrictions, Commitments and Assignments:

The District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, during the prior 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.

ANDOVER REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

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

S. Fund Balance Restrictions, Commitments and Assignments: (Cont'd)

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 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 no committed resources for year-end encumbrances at June 30, 2012.

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, 2012.

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.

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.

ANDOVER REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

(Continued)

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.

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 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.

ANDOVER REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

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

Deposits: (Cont'd)

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
- (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.

ANDOVER REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

(Continued)

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

Investments: (Cont'd)

As of June 30, 2012, 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	\$ 237,059	\$ 160,130	\$ 397,189
New Jersey Cash Management Fund	17,632		17,632
New Jersey ARM	1,318		1,318
	<u>\$ 256,009</u>	<u>\$ 160,130</u>	<u>\$ 416,139</u>

During the period ended June 30, 2012, the District did not hold any investments. The carrying amount of the Board's total cash and cash equivalents at June 30, 2012, was \$416,139 and the bank balance was \$478,853. The \$17,632 with the New Jersey Cash Management Fund and the \$1,318 with the New Jersey ARM are uninsured and unregistered.

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, 2011	\$ 50,000
Deposits: Transfer by Board Resolution (June 19, 2012)	157,670
Remaining Balance of Unexpended Appropriations	2,460
Withdrawals: 2011/2012 Budgeted Appropriation	<u>(50,000)</u>
Ending Balance, June 30, 2012	<u>\$ 160,130</u>

ANDOVER REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT (Cont'd)

The balance in the Capital Reserve at June 30, 2012 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, 2012 were as follows:

	Beginning Balance	Adjustments/ Increases	Adjustments/ Decreases	Ending Balance
Governmental Activities:				
Capital Assets not being Depreciated:				
Sites (Land)	\$ 265,016			\$ 265,016
Total Capital Assets not Being Depreciated	265,016			265,016
Capital Assets Being Depreciated:				
Buildings and Building Improvements	19,894,514	\$ 56,100	\$ 152,540	20,103,154
Machinery and Equipment	277,267		(2,699)	274,568
Total Capital Assets Being Depreciated	20,171,781	56,100	149,841	20,377,722
Governmental Activities Capital Assets	20,436,797	56,100	149,841	20,642,738
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(4,647,090)	(386,159)	(5,259)	(5,038,508)
Machinery and Equipment	(172,176)	(26,732)	8	(198,900)
Total Accumulated Depreciation	(4,819,266)	(412,891)	(5,251)	(5,237,408)
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 15,617,531</u>	<u>\$ (356,791)</u>	<u>\$ 144,590</u>	<u>\$ 15,405,330</u>

Depreciation expense was charged to governmental functions as follows:

Unallocated	\$ 386,157
Regular Instructional	24,034
Maintenance / Custodial	2,700
	<u>\$ 412,891</u>

NOTE 6. TRANSFERS TO CAPITAL OUTLAY

During the fiscal year ended June 30, 2012, the school district had transfers of \$4,427 to the capital outlay accounts for equipment purchases which did not require County Superintendent approval. The \$50,000 transferred to the capital outlay account for construction services was a budgeted withdrawal from the Capital Reserve account and did not require County Superintendent approval.

ANDOVER REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 7. OPERATING LEASES

The District had no operating leases in effect during the year ended June 30, 2012.

NOTE 8. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2012, the following changes occurred in liabilities reported in the district-wide financial statements:

	<u>Balance</u> <u>June 30, 2011</u>	<u>Accrued</u>	<u>Retired</u>	<u>Balance</u> <u>June 30, 2012</u>
Compensated Absences Payable	\$ 209,378	\$ 16,941	\$ 70,031	\$ 156,288
Serial Bonds Payable	11,634,000	246,000	555,000	11,325,000
	<u>\$ 11,843,378</u>	<u>\$ 262,941</u>	<u>\$ 625,031</u>	<u>\$ 11,481,288</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.

A. Bonds Payable:

<u>Year</u>	<u>Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2013	\$ 650,000	\$ 355,380	\$ 1,005,380
2014	620,000	387,318	1,007,318
2015	645,000	372,957	1,017,957
2016	670,000	351,433	1,021,433
2017	690,000	328,520	1,018,520
2018-2022	3,815,000	1,260,606	5,075,606
2023-2027	3,240,000	513,560	3,753,560
2028-2030	995,000	80,600	1,075,600
	<u>\$ 11,325,000</u>	<u>\$ 3,650,374</u>	<u>\$ 14,975,374</u>

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

On June 15, 2012, the Andover Regional School District issued \$4,425,000 refunding bonds with interest rates ranging from 2.00% to 4.00% to advance refund \$4,179,000 school bonds with interest rates of 4.00% to 4.455%. The refunding bonds mature on February 15, 2013 through 2030. The net proceeds from the issuance of the refunding bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the school bonds are called on February 15, 2014. The advance refunding met the requirements of an in-substance debt defeasance and the school bonds were removed from the District's financial statements. Bond issuance costs are expenditures in the fund financial statements; but are amortized over the life of the shorter of the refunding issue or the refunded issues in the district-wide financial statements.

ANDOVER REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

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

As a result of the advance refunding, the District reduced its total debt service requirements by \$344,183, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$181,576.79 or 4.34 percent.

B. Bonds Authorized But Not Issued:

As of June 30, 2012, the Board has no bonds authorized but not issued.

C. 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 \$-0-. The long-term liability balance of compensated absences is \$156,288.

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.

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 legislation. Effective with the first payroll to be paid on or after October 1, 2011, the employee contributions for the PERS and TPAF went from 5.5% to 6.5% 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 \$118,026, \$111,055 and \$87,911 for the fiscal years ended June 30, 2012, 2011 and 2010, respectively.

During the fiscal years ended June 30, 2012, 2011 and 2010 the State of New Jersey contributed \$173,370, \$-0- and \$-0-, respectively, to the TPAF for normal pension benefits on-behalf of the District.

ANDOVER REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

(Continued)

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, 2011, there were 93,323 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 \$144 million toward Chapter 126 benefits for 15,709 eligible retired members in Fiscal Year 2011.

The State's on-behalf Post Retirement Medical Contributions to TPAF for the District amounted to \$348,520, \$349,477 and \$338,155 for 2012, 2011, and 2010, respectively.

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 New Jersey School Board's Association Insurance Group ("NJSBAIG") (the "Group"). The Group provides its members with Workers' Compensation, Comprehensive General Liability and Automobile Liability, Property, Boiler and Machinery, and School Board Legal Liability Insurance. The Group is a risk-sharing fund that is both an insured and a self-administered group of school boards 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 entity for the purpose of creating a governing body from which officers for the Group are elected.

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

The Group can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and 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.

ANDOVER REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 11. RISK MANAGEMENT (Cont'd)

The audit report for the fiscal year ended June 30, 2012 was not available as of the date of this report. Selected financial information for the Group as of June 30, 2011 is as follows:

	<u>New Jersey School Board's Association Insurance Group</u>
Total Assets	\$ 253,890,161
Net Assets	\$ 62,802,257
Total Revenue	\$ 83,993,678
Total Expenses	\$ 79,175,491
Change in Net Assets	\$ 4,818,187
Net Assets Distribution to Participating Members	\$ -0-

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

New Jersey School Boards Association Insurance Group
450 Veterans Drive
Burlington, NJ 08016
(609) 386-6060

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>
2012	\$ 43,000	\$ 11,901	\$ 84,058	\$ 21,056
2011	20,000	13,771	69,915	50,213
2010	50,000	15,208	25,110	86,357

ANDOVER REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

(Continued)

NOTE 12. INTERFUND RECEIVABLES AND PAYABLES

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 42,554	
Special Revenue Fund		\$ 21,464
Capital Projects Fund		24,543
Debt Service Fund	3,453	
	<u>\$ 46,007</u>	<u>\$ 46,007</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 grant reimbursement 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. The interfund between the General Fund and the Special Revenue Fund represents the deficit in cash due to the grant receivable in the 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.

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.

ANDOVER REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 15. TAX CALENDAR (Cont'd)

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.

Encumbrances

At June 30, 2012, there were encumbrances as detailed below in the governmental funds. All of the governmental funds are considered to be major funds:

<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
\$ 23,655	\$ -0-	\$ -0-	\$ 23,655

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

Due to the deferral of two state aid payments, the District borrowed \$236,277 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 2012. 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, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 11,439,030		\$ 11,439,030	\$ 11,439,030	
Miscellaneous	20,000		20,000	178,064	\$ 158,064
Total - Local Sources	11,459,030		11,459,030	11,617,094	158,064
State Sources:					
Categorical Special Education Aid	427,461		427,461	427,461	
Categorical Security Aid	60,263		60,263	60,263	
Adjustment Aid	1,229,789	\$ 141,547	1,371,336	1,371,336	
Categorical Transportation Aid	520,041		520,041	520,041	
Extraordinary Aid		49,867	49,867	49,867	
Nonpublic Transportation				11,214	11,214
On-Behalf TPAF Pension Contributions (non-budgeted)				173,370	173,370
On-Behalf TPAF Post Retirement Medical Benefits (non-budgeted)				348,520	348,520
Reimbursed TPAF Social Security Contributions (non-budgeted)				353,396	353,396
Total State Sources	2,237,554	191,414	2,428,968	3,315,468	886,500
Federal Sources:					
Education Jobs Grant	72,000	(13,896)	58,104	58,104	
Total Federal Sources	72,000	(13,896)	58,104	58,104	
TOTAL REVENUES	13,768,584	177,518	13,946,102	14,990,666	1,044,564
EXPENDITURES:					
CURRENT EXPENSE					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	113,989	13,025	127,014	127,014	
Grades 1-5 - Salaries of Teachers	1,510,503	(307,115)	1,203,388	1,203,388	

ANDOVER REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Regular Programs - Instruction:					
Grades 6-8 - Salaries of Teachers	\$ 1,299,331	\$ 98,255	\$ 1,397,586	\$ 1,397,586	
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	57,536	(11,564)	45,972	45,922	\$ 50
Other Purchased Services (400-500 series)	21,000	(4,800)	16,200	16,200	
General Supplies	169,202	(8,352)	160,850	151,952	8,898
Textbooks	21,000	26	21,026	20,312	714
Other Objects	1,390		1,390		1,390
Total Regular Programs - Instruction	3,193,951	(220,525)	2,973,426	2,962,374	11,052
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	366,042	(113,065)	252,977	252,293	684
Other Salaries for Instruction	20,000	30,651	50,651	50,651	
General Supplies	8,600	(293)	8,307	8,082	225
Total Learning and/or Language Disabilities	394,642	(82,707)	311,935	311,026	909
Autism:					
Salaries of Teachers		25,729	25,729	25,729	
Total Autism		25,729	25,729	25,729	
Resource Room/Resource Center:					
Salaries of Teachers	427,323	176,094	603,417	603,417	
Other Salaries for Instruction	18,162	8,410	26,572	26,572	
General Supplies	11,078	(2,228)	8,850	7,370	1,480
Total Resource Room/Resource Center	456,563	182,276	638,839	637,359	1,480

ANDOVER REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Preschool Disabilities - Part Time:					
Salaries of Teachers		\$ 13,819	\$ 13,819	\$ 13,819	
Other Salaries for Instruction		1,490	1,490	1,490	
Total Preschool Disabilities - Part Time		15,309	15,309	15,309	
Total Special Education Instruction	\$ 851,205	140,607	991,812	989,423	\$ 2,389
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	83,346	49,391	132,737	132,737	
Other Salaries for Instruction	34,928	5,722	40,650	40,650	
General Supplies	2,342	581	2,923	2,523	400
Total Basic Skills/Remedial - Instruction	120,616	55,694	176,310	175,910	400
Bilingual Education - Instruction:					
Salaries of Teachers	30,588	(715)	29,873	24,470	5,403
General Supplies	1,265	(1,265)			
Total Bilingual Education - Instruction	31,853	(1,980)	29,873	24,470	5,403
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	30,000	14,090	44,090	44,090	
Supplies and Materials	1,696	5,901	7,597	7,417	180
Total School-Sponsored Cocurricular Activities - Instruction	31,696	19,991	51,687	51,507	180
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	22,305		22,305	20,660	1,645
Total School-Sponsored Cocurricular Athletics - Instruction	22,305		22,305	20,660	1,645
Total Instruction	4,251,626	(6,213)	4,245,413	4,224,344	21,069

ANDOVER REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Regular	\$ 3,411,450		\$ 3,411,450	\$ 3,411,450	
Tuition to Other LEAs Within the State - Special	356,165	\$ 1,357	357,522	351,452	\$ 6,070
Tuition to County Vocational School District - Regular	67,450	10,640	78,090	78,090	
Tuition to Private Schools for the Handicapped - Within State	196,350	(10,927)	185,423	185,423	
Total Undistributed Expenditures - Instruction:	<u>4,031,415</u>	<u>1,070</u>	<u>4,032,485</u>	<u>4,026,415</u>	<u>6,070</u>
Attendance & Social Work:					
Salaries	98,797	33,612	132,409	132,409	
Purchased Professional and Technical Services	2,500	(2,376)	124	124	
Other Purchased Services (400-500 series)	850	(850)			
Total Attendance & Social Work	<u>102,147</u>	<u>30,386</u>	<u>132,533</u>	<u>132,533</u>	
Health Services:					
Salaries	157,576	5,308	162,884	162,848	36
Purchased Professional and Technical Services	9,000	(800)	8,200	7,591	609
Other Purchased Services (400-500 series)	4,450	(3,909)	541	235	306
Supplies and Materials	2,310	39	2,349	2,349	
Total Health Services	<u>173,336</u>	<u>638</u>	<u>173,974</u>	<u>173,023</u>	<u>951</u>

ANDOVER REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Speech, OT, PT & Related Services:					
Salaries	\$ 150,473	\$ 11,583	\$ 162,056	\$ 162,056	
Supplies and Materials	2,722	(1,764)	958	904	\$ 54
Total Speech, OT, PT & Related Services	153,195	9,819	163,014	162,960	54
Other Support Services - Students - Extraordinary Services:					
Purchased Professional - Educational Services	88,956	116,839	205,795	205,235	560
Total Other Support Services - Students - Extraordinary Services	88,956	116,839	205,795	205,235	560
Guidance:					
Salaries of Other Professional Staff	139,871	(6,679)	133,192	133,192	
Salaries of Secretarial and Clerical Assistants	7,500	20,148	27,648	27,648	
Supplies and Materials	1,390	(572)	818	804	14
Other Objects	3,100	(510)	2,590	2,590	
Total Guidance	151,861	12,387	164,248	164,234	14
Child Study Teams:					
Salaries of Other Professional Staff		3,000	3,000	3,000	
Salaries of Secretarial and Clerical Assistants	21,000	28,626	49,626	49,626	
Other Purchased Professional and Technical Services	175,000	46,025	221,025	221,025	
Miscellaneous Purchased Services (400-500 series)	9,000	5,878	14,878	13,228	1,650
Supplies and Materials	4,000	124	4,124	4,110	14
Other Objects	3,225	(3,225)			
Total Child Study Teams	212,225	80,428	292,653	290,989	1,664

ANDOVER REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Improvement of Instructional Services:					
Salaries of Supervisor of Instruction	\$ 99,271	\$ 3,943	\$ 103,214	\$ 103,214	
Other Salaries	5,000	2,410	7,410	7,410	
Other Purchased Services (400-500)	20,687	(7,121)	13,566	12,378	\$ 1,188
Supplies and Materials	5,940	78	6,018	6,018	
Other Objects	29,250	(26,748)	2,502	2,502	
Total Improvement of Instructional Services	160,148	(27,438)	132,710	131,522	1,188
Educational Media Services/School Library:					
Salaries	87,370	(7,996)	79,374	77,529	1,845
Salaries of Technology Coordinators	40,000	(8,004)	31,996	31,088	908
Purchased Professional and Technical Services	5,150		5,150	5,108	42
Other Purchased Services (400-500 series)	1,000		1,000	1,000	
Supplies and Materials	13,937	(6,819)	7,118	7,047	71
Total Educational Media Services/School Library	147,457	(22,819)	124,638	121,772	2,866
Support Services - General Administration:					
Salaries	213,589	25,801	239,390	239,390	
Legal Services	12,447	47,829	60,276	60,276	
Audit Fees	32,550		32,550	32,550	
Other Purchased Professional Services	2,000	6,225	8,225	1,725	6,500
Purchased Technical Services	8,444	(1,600)	6,844	6,824	20
Communications/Telephone	63,012	1,743	64,755	64,215	540

ANDOVER REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Support Services - General Administration (Cont'd):					
Miscellaneous Purchased Services (400-500)	\$ 69,300	\$ (14,053)	\$ 55,247	\$ 54,764	\$ 483
General Supplies	1,500	60	1,560	1,560	
BOE In-House Training / Meeting Supplies	1,500	44	1,544	1,500	44
Miscellaneous Expenditures	8,680	7,093	15,773	15,023	750
BOE Membership Dues and Fees	8,470		8,470	8,470	
Total Support Services - General Administration	421,492	73,142	494,634	486,297	8,337
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	253,510		253,510	252,725	785
Salaries of Secretarial and Clerical Assistants	32,234	(4,669)	27,565	27,565	
Purchased Professional and Technical Services	4,000	(2,571)	1,429	1,429	
Other Purchased Services (400-500 series)	23,000	3,444	26,444	26,444	
Supplies and Materials	1,750	(157)	1,593	1,376	217
Other Objects	1,150	(336)	814	791	23
Total Support Services - School Administration	315,644	(4,289)	311,355	310,330	1,025
Central Services:					
Salaries	169,896	4,050	173,946	173,946	
Purchased Professional Services	6,000		6,000	6,000	
Miscellaneous Purchased Services (400-500 series)	15,150	(803)	14,347	14,347	
Supplies and Materials	2,000	526	2,526	2,474	52
Miscellaneous Expenditures	2,350	165	2,515	2,515	
Total Central Services	195,396	3,938	199,334	199,282	52

ANDOVER REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Administration Information Technology:					
Salaries	\$ 22,000	\$ 2,179	\$ 24,179	\$ 24,179	
Purchased Technical Services	9,500	2,710	12,210	12,210	
Supplies and Materials	1,000	118	1,118	1,118	
Total Administration Information Technology	32,500	5,007	37,507	37,507	
Required Maintenance of School Facilities:					
Salaries	73,698	(1,134)	72,564	72,564	
Cleaning, Repair and Maintenance Services	47,611	(14,559)	33,052	31,685	\$ 1,367
Total Required Maintenance of School Facilities	121,309	(15,693)	105,616	104,249	1,367
Custodial Services:					
Salaries	320,841	2,318	323,159	323,159	
Salaries of Non-Instructional Aides		6,511	6,511	6,511	
Purchased Professional and Technical Services	48,962	(12,439)	36,523	35,983	540
Cleaning, Repair and Maintenance Services	5,000		5,000	4,998	2
Other Purchased Property Services	24,750	(16,170)	8,580	8,580	
Insurance	21,500	(9,176)	12,324	11,879	445
Miscellaneous Purchased Services	22,000	(3,367)	18,633	18,633	
General Supplies	22,000	(2,303)	19,697	19,697	
Energy (Electricity)	108,696	20,282	128,978	128,978	
Energy (Oil)	125,000	(2,487)	122,513	122,513	
Energy (Gasoline)	1,000	458	1,458	1,458	
Total Custodial Services	699,749	(16,373)	683,376	682,389	987

ANDOVER REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Student Transportation Services:					
Salaries for Pupil Transportation:					
Between Home and School - Regular	\$ 15,000	\$ 100	\$ 15,100	\$ 15,100	
Between Home and School - Special	15,000	(8,956)	6,044	5,255	\$ 789
Management Fee - ESC & CTSA Transportation Program	4,315		4,315	4,315	
Other Purchased Professional and Technical Services	1,250	(55)	1,195	1,195	
Contracted Services:					
Between Home and School - Vendors	695,563	2,880	698,443	698,443	
Other Between Home and School - Vendors	5,000	10,661	15,661	15,046	615
Between Home and School - Joint Agreements	10,000	5,325	15,325	15,325	
Special Education Students - Vendors	95,000	14,026	109,026	109,026	
Aid in Lieu Payments - Nonpublic School		9,347	9,347	9,347	
Total Student Transportation Services	841,128	33,328	874,456	873,052	1,404
Allocated Benefits - Regular Instruction:					
Social Security Contributions	135,000	(135,000)			
Other Retirement Contributions - PERS	126,000	(126,000)			
Workmen's Compensation	74,000	(74,000)			
Health Benefits	780,803	(20,545)	760,258	760,258	
Tuition Reimbursement	40,000	(16,118)	23,882	23,882	
Total Allocated Benefits - Regular Instruction	1,155,803	(371,663)	784,140	784,140	

ANDOVER REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Allocated Health Benefits:					
Special Education	\$ 38,043		\$ 38,043	\$ 37,756	\$ 287
Attendance & Social Work	38,788		38,788	38,788	
Health Services	37,576	\$ 6,664	44,240	44,240	
Speech, OT, PT & Related Services	10,000		10,000	10,000	
Guidance	18,788		18,788	18,788	
Child Study Teams	5,000		5,000	5,000	
Improvement of Instruction Services	18,788		18,788	18,788	
Educational Media Services/School Library	18,788		18,788	18,788	
Support Services - General Administration	37,576		37,576	37,576	
Support Services - School Administration	56,176		56,176	56,176	
Central Services	42,576		42,576	42,576	
Other Operations & Maintenance of Plant	157,728		157,728	157,728	
Student Transportation Services	18,788	(6,664)	12,124	12,124	
Total Allocated Health Benefits	498,615		498,615	498,328	287
Total Allocated Benefits	1,654,418	(371,663)	1,282,755	1,282,468	287
Unallocated Benefits:					
Social Security Contributions		100,893	100,893	100,893	
Other Retirement Contributions - PERS		118,026	118,026	118,026	
Unemployment Compensation	48,600	(5,600)	43,000	43,000	
Workmen's Compensation		57,978	57,978	57,978	
Total Unallocated Benefits	48,600	271,297	319,897	319,897	

ANDOVER REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
TPAF Contributions:					
On-Behalf TPAF Pension Contributions (non-budgeted)				\$ 173,370	\$ (173,370)
On-Behalf TPAF Post Retirement Medical Benefits (non-budgeted)				348,520	(348,520)
Reimbursed TPAF Social Security Contributions (non-budgeted)				353,396	(353,396)
Total TPAF Contributions				875,286	(875,286)
Total Personal Services - Employee Benefits	\$ 1,703,018	\$ (100,366)	\$ 1,602,652	2,477,651	(874,999)
Total Undistributed Expenses	9,550,976	180,004	9,730,980	10,579,440	(848,460)
TOTAL GENERAL CURRENT EXPENSE	13,802,602	173,791	13,976,393	14,803,784	(827,391)
CAPITAL OUTLAY					
Equipment:					
Instruction:					
Grades 6-8		4,427	4,427	4,427	
Undistributed Expenditures:					
Required Maintenance for School Facilities	9,973		9,973	9,973	
Total Equipment	9,973	4,427	14,400	14,400	
Facilities Acquisition and Construction Services:					
Construction Services		50,000	50,000	47,540	2,460
Other Objects	16,304		16,304	16,304	
Total Facilities Acquisition and Construction Services	16,304	50,000	66,304	63,844	2,460
TOTAL CAPITAL OUTLAY	26,277	54,427	80,704	78,244	2,460
Transfer of Funds to Charter Schools	9,847	(700)	9,147	8,862	285

ANDOVER REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
TOTAL EXPENDITURES	\$ 13,838,726	\$ 227,518	\$ 14,066,244	\$ 14,890,890	\$ (824,646)
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(70,142)	(50,000)	(120,142)	99,776	219,918
Other Financing Sources/(Uses):					
Operating Transfers Out:					
Transfer to Capital Projects Fund - From Capital Reserve	(50,000)	50,000			
Total Other Financing Sources/(Uses)	(50,000)	50,000			
Excess/(Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(120,142)		(120,142)	99,776	219,918
Fund Balance, July 1	375,535		375,535	375,535	
Fund Balance, June 30	\$ 255,393	\$ -0-	\$ 255,393	\$ 475,311	\$ 219,918
<u>Recapitulation:</u>					
Restricted Fund Balance:					
Capital Reserve				\$ 160,130	
Assigned Fund Balance:					
Year-End Encumbrances				23,655	
Unassigned Fund Balance				291,526	
				<u>475,311</u>	
Reconciliation to Governmental Funds Statements (GAAP):					
Last State Aid Payments not Recognized on GAAP Basis				<u>(236,277)</u>	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 239,034</u>	

ANDOVER REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUE:					
Local Sources		\$ 10,000	\$ 10,000	\$ 4,169	\$ (5,831)
Federal Sources	\$ 215,000	64,229	279,229	270,003	(9,226)
Total Revenue	215,000	74,229	289,229	274,172	(15,057)
EXPENDITURES:					
Instruction:					
Salaries of Teachers		5,000	5,000	4,169	831
Other Salaries for Instruction	30,000	(7,564)	22,436	22,436	
Tuition	175,000	(86,049)	88,951	88,700	251
Purchased Professional Educational Services	10,000	9,538	19,538	14,851	4,687
General Supplies		10,570	10,570	8,353	2,217
Other Objects		2,000	2,000	984	1,016
Total Instruction	215,000	(66,505)	148,495	139,493	9,002
Support Services:					
Salaries of Other Professional Staff		20,000	20,000	19,402	598
Purchased Professional Educational Services		98,310	98,310	97,181	1,129
Other Purchased Professional Services		16,024	16,024	15,024	1,000
Supplies and Materials		3,830	3,830	3,072	758
Total Support Services		138,164	138,164	134,679	3,485
Facilities Acquisition:					
Instructional Equipment		2,570	2,570		2,570
Total Facilities Acquisition		2,570	2,570		2,570
Total Expenditures	\$ 215,000	\$ 74,229	\$ 289,229	\$ 274,172	\$ 15,057

ANDOVER REGIONAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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	\$ 14,990,666	\$ 274,172
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.		25,336
Prior Year State Aid Payments Not Recognized for Budgetary Purposes, Recognized for GAAP Statements	205,523	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(236,277)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	\$ 14,959,912	\$ 299,508
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 14,890,890	\$ 274,172
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.		25,336
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 14,890,890	\$ 299,508

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budget for the fiscal year ended June 30, 2012 was submitted to the County office and was voted upon at the school election on the fourth Wednesday in April, 2011. 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 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, 2012

	Health Coordinator Grant	No Child Left Behind			ARRA IDEA Part B
		Title I	Title I Carryover	Title II Part A	Basic
REVENUE:					
Local Sources	\$ 4,169				
Federal Sources		\$ 26,322	\$ 10,226	\$ 15,666	\$ 5,778
Total Revenue	4,169	26,322	10,226	15,666	5,778
EXPENDITURES:					
Instruction:					
Salaries of Teachers	4,169				
Other Salaries for Instruction		12,210	10,226		
Tuition					5,778
Purchased Professional Educational Services		4,749			
General Supplies		7,615			
Other Objects					
Total Instruction	4,169	24,574	10,226		5,778
Support Services:					
Salaries of Other Professional Staff					
Purchased Professional Educational Services					
Other Purchased Professional Services				15,024	
Supplies and Materials		1,748		642	
Total Support Services		1,748		15,666	
Total Expenditures	\$ 4,169	\$ 26,322	\$ 10,226	\$ 15,666	\$ 5,778

ANDOVER REGIONAL SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	IDEA Part B				Totals
	Basic	Basic Carryover	Preschool	Preschool Carryover	
REVENUE:					
Local Sources					\$ 4,169
Federal Sources	\$ 193,563	\$ 3,447	\$ 7,608	\$ 7,393	270,003
Total Revenue	<u>193,563</u>	<u>3,447</u>	<u>7,608</u>	<u>7,393</u>	<u>274,172</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers					4,169
Other Salaries for Instruction					22,436
Tuition	75,314		7,608		88,700
Purchased Professional Educational Services		2,709		7,393	14,851
General Supplies		738			8,353
Other Objects	984				984
Total Instruction	<u>76,298</u>	<u>3,447</u>	<u>7,608</u>	<u>7,393</u>	<u>139,493</u>
Support Services:					
Salaries of Other Professional Staff	19,402				19,402
Purchased Professional Educational Services	97,181				97,181
Other Purchased Professional Services					15,024
Supplies and Materials	682				3,072
Total Support Services	<u>117,265</u>				<u>134,679</u>
Total Expenditures	<u>\$ 193,563</u>	<u>\$ 3,447</u>	<u>\$ 7,608</u>	<u>\$ 7,393</u>	<u>\$ 274,172</u>

CAPITAL PROJECTS FUND

Exhibit F-1

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, 2012

Revenue and Other Financing Sources:	
Interest Earned	\$ 1
Total Revenues and Other Financing Sources	<u>1</u>
Expenditures:	
Construction Services	<u>2,490</u>
Total Expenditures	<u>2,490</u>
Excess/(Deficiency) of Revenues and Other Financing Sources	
Over/(Under) Expenditures	(2,489)
Other Financing Uses:	
Operating Transfers Out:	
Debt Service Fund	<u>(1)</u>
Total Other Financing Uses	<u>(1)</u>
Excess/(Deficiency) of Revenues and Other Financing Sources	
Over/(Under) Expenditures and Other Financing (Uses)	(2,490)
Fund Balance - Beginning Balance	<u>2,490</u>
Fund Balance - Ending Balance	<u>\$ -0-</u>

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, 2012

	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	60,276		60,276	60,276
Expenditures and Other Financing Uses:				
Purchased Professional and Technical Services	10,475		10,475	10,475
Construction Services	47,311	\$ 2,490	49,801	49,801
Total Expenditures and Other Financing Uses	57,786	2,490	60,276	60,276
Excess/(Deficiency) of Revenue and Other Financing Sources Over/ (Under)				
Expenditures and Other Financing Uses	\$ 2,490	\$ (2,490)	\$ -0-	\$ -0-

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	100.00 %
Original Target Completion Date	12/31/10
Revised Target Completion Date	08/31/11

PROPRIETARY FUNDS
(NOT APPLICABLE)

FIDUCIARY FUNDS

ANDOVER REGIONAL SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2012

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Total</u>
<u>ASSETS:</u>			
Cash and Cash Equivalents	\$ 25,823	\$ 21,056	\$ 46,879
Total Assets	<u>25,823</u>	<u>21,056</u>	<u>46,879</u>
<u>LIABILITIES:</u>			
Liabilities:			
Payroll Deductions and Withholdings	1,388		1,388
Due to Student Groups	<u>24,435</u>		<u>24,435</u>
Total Liabilities	<u>25,823</u>		<u>25,823</u>
<u>NET ASSETS:</u>			
Held in Trust for Unemployment Claims		<u>21,056</u>	<u>21,056</u>
Total Net Assets	<u>\$ -0-</u>	<u>\$ 21,056</u>	<u>\$ 21,056</u>

Exhibit H-2

ANDOVER REGIONAL SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF CHANGE IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Unemployment Compensation Trust</u>
Additions:	
Contributions:	
Board Contribution	\$ 43,000
Employee State Unemployment Insurance Deductions	<u>11,850</u>
Total Contributions	<u>54,850</u>
Investment Earnings:	
Interest	<u>51</u>
Net Investment Earnings	<u>51</u>
Total Additions	<u>54,901</u>
Deductions:	
State of New Jersey Unemployment Claims	<u>84,058</u>
Total Deductions	<u>84,058</u>
Change in Net Assets	(29,157)
Net Assets—Beginning of the Year	<u>50,213</u>
Net Assets—End of the Year	<u><u>\$ 21,056</u></u>

ANDOVER REGIONAL SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 27,659	\$ 127,047	\$ 130,271	\$ 24,435
Total Assets	<u>\$ 27,659</u>	<u>\$ 127,047</u>	<u>\$ 130,271</u>	<u>\$ 24,435</u>
 <u>LIABILITIES:</u>				
Due to Student Groups	\$ 27,659	\$ 127,047	\$ 130,271	\$ 24,435
Total Liabilities	<u>\$ 27,659</u>	<u>\$ 127,047</u>	<u>\$ 130,271</u>	<u>\$ 24,435</u>

Exhibit H-4

ANDOVER REGIONAL SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Balance</u> <u>July 1, 2011</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2012</u>
Elementary Schools:				
Florence M. Burd	\$ 5,160	\$ 9,726	\$ 10,627	\$ 4,259
Middle Schools:				
Long Pond	<u>22,499</u>	<u>117,321</u>	<u>119,644</u>	<u>20,176</u>
Total All Schools	<u>\$ 27,659</u>	<u>\$ 127,047</u>	<u>\$ 130,271</u>	<u>\$ 24,435</u>

Exhibit H-5

ANDOVER REGIONAL SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 12,870	\$ 6,431,532	\$ 6,443,014	\$ 1,388
Total Assets	<u>\$ 12,870</u>	<u>\$ 6,431,532</u>	<u>\$ 6,443,014</u>	<u>\$ 1,388</u>
 <u>LIABILITIES:</u>				
Payroll Deduction and Withholdings	\$ 12,870	\$ 6,431,532	\$ 6,443,014	\$ 1,388
Total Liabilities	<u>\$ 12,870</u>	<u>\$ 6,431,532</u>	<u>\$ 6,443,014</u>	<u>\$ 1,388</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 June 30, 2012		Interest Rate	Balance July 1, 2011	Issued	Bonds Defeased	Retired or Matured	Balance June 30, 2012
			Date	Amount						
Refunding School Bonds	1/22/2004	\$ 8,410,000	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%					
School District Bonds	2/1/2005	5,519,000	2/15/2013	170,000	3.650%	4,684,000		\$ 4,179,000	160,000	345,000
			2/15/2004	175,000	3.650%					

ANDOVER REGIONAL SCHOOL DISTRICT
GENERAL LONG-TERM DEBT ACCOUNT GROUP
STATEMENT OF OBLIGATIONS UNDER CAPITAL LEASES
FISCAL YEAR ENDED JUNE 30, 2012

NOT APPLICABLE

ANDOVER REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUE:					
Local Sources:					
Local Tax Levy	\$ 816,271		\$ 816,271	\$ 816,271	
State Sources:					
Debt Service Aid Type II	210,837		210,837	210,837	
Total Revenue	<u>1,027,108</u>		<u>1,027,108</u>	<u>1,027,108</u>	
EXPENDITURES:					
Regular Debt Service:					
Redemption of Principal	555,000		555,000	555,000	
Interest	472,108		472,108	472,108	
Total Regular Debt Service	<u>1,027,108</u>		<u>1,027,108</u>	<u>1,027,108</u>	
Total Expenditures	<u>1,027,108</u>		<u>1,027,108</u>	<u>1,027,108</u>	
Excess/(Deficiency) of Revenue Over/(Under) Expenditures					
Other Financing Sources/(Uses):					
Operating Transfers In:					
Transfer from Capital Projects Fund				1	\$ 1
Refunded Bonds Issued				(4,425,000)	(4,425,000)
Bonds Defeased				4,179,000	4,179,000
Bond Premium				(195,426)	(195,426)
Bond Issuance Costs				97,243	97,243
Deferred Interest				344,183	344,183
Total Other Financing Sources/(Uses)				<u>1</u>	<u>1</u>

ANDOVER REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Excess/(Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses				\$ 1	\$ 1
Fund Balance, July 1	\$ 3,452		\$ 3,452	3,452	
Fund Balance, June 30	<u>\$ 3,452</u>	<u>\$ -0-</u>	<u>\$ 3,452</u>	<u>\$ 3,453</u>	<u>\$ 1</u>
Recapitulation:					
Restricted - Designated for Subsequent Year's Expenditures				\$ 3,452	
Restricted - Other Purposes				<u>1</u>	
				<u>\$ 3,453</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

Exhibit

Financial Trends

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

J-1 thru J-5

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the School's ability to generate its property taxes.

J-6 thru J-9

Debt Capacity

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.

J-10 thru J-13

Demographic and Economic Information

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.

J-14 thru J-15

Operating Information

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.

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 EIGHT FISCAL YEARS
UNAUDITED
(accrual basis of accounting)

	Fiscal Year Ending June 30,							
	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities:								
Invested in Capital Assets,								
Net of Related Debt/(Deficit)	\$ (4,153,891)	\$ 504,325	\$ 3,381,001	\$ 3,426,915	\$ 3,648,725	\$ 3,774,869	\$ 3,983,531	\$ 4,424,513
Restricted	5,556,227	820,770	176,815	259,807	464,613	180,988	63,321	163,583
Unrestricted/(Deficit)	(88,042)	(95,620)	(107,539)	(131,331)	(297,425)	(242,026)	(182,125)	(184,735)
Total Governmental Activities Net Assets	\$ 1,314,294	\$ 1,229,475	\$ 3,450,277	\$ 3,555,391	\$ 3,815,913	\$ 3,713,831	\$ 3,864,727	\$ 4,403,361
District-Wide:								
Invested in Capital Assets,								
Net of Related Debt/(Deficit)	\$ (4,153,891)	\$ 504,325	\$ 3,381,001	\$ 3,426,915	\$ 3,648,725	\$ 3,774,869	\$ 3,983,531	\$ 4,424,513
Restricted	5,556,227	820,770	176,815	259,807	464,613	180,988	63,321	163,583
Unrestricted/(Deficit)	(88,042)	(95,620)	(107,539)	(131,331)	(297,425)	(242,026)	(182,125)	(184,735)
Total District Net Assets	\$ 1,314,294	\$ 1,229,475	\$ 3,450,277	\$ 3,555,391	\$ 3,815,913	\$ 3,713,831	\$ 3,864,727	\$ 4,403,361

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 EIGHT FISCAL YEARS
UNAUDITED
(accrual basis of accounting)

	Fiscal Year Ending June 30,							
	2005	2006	2007	2008	2009	2010	2011	2012
Expenses:								
Governmental Activities:								
Instruction:								
Regular	\$ 4,292,691	\$ 4,349,238	\$ 4,984,965	\$ 4,990,504	\$ 4,673,864	\$ 4,949,245	\$ 4,662,425	\$ 4,319,982
Special Education	915,907	1,056,706	1,143,592	1,110,096	1,489,794	1,570,687	1,620,569	1,522,533
Other Special Education	181,812	227,972	258,345	253,562	301,600	355,444	256,626	241,482
School-Sponsored Instruction	50,941	45,730	55,196	49,549	86,439	75,533	69,714	88,209
Support Services:								
Tuition	3,503,198	3,530,722	3,473,191	3,306,613	3,001,669	3,283,485	3,355,576	4,026,415
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	1,653,323
General Administrative Services	472,191	399,024	452,511	448,001	494,226	448,732	502,532	504,308
School Administrative Services	442,993	459,875	500,857	516,630	411,014	440,301	442,415	430,579
Central Services	219,367	254,558	260,309	275,159	240,249	219,333	220,900	276,791
Administrative Information Technology	57,104	46,259	46,735	37,156	42,674	67,310	29,272	38,787
Plant Operations And Maintenance	852,232	835,826	935,854	1,112,292	1,200,693	1,176,924	1,076,074	968,317
Pupil Transportation	797,935	789,978	806,311	875,011	916,604	885,978	906,194	886,254
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	386,157
Interest On Long-Term Debt	458,463	580,033	605,230	541,320	522,718	507,149	490,928	418,980
Charter Schools	8,744	25,914	17,903	17,028	17,842			8,862
Total Governmental Activities Expenses	\$ 13,596,522	\$ 14,070,129	\$ 15,110,633	\$ 15,500,331	\$ 15,233,072	\$ 16,027,171	\$ 15,606,754	\$ 15,770,979

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

	Fiscal Year Ending June 30,							
	2005	2006	2007	2008	2009	2010	2011	2012
Program Revenues:								
Governmental Activities:								
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	\$ 2,182,184
Capital Grants and Contributions	13,506		2,434,122	253,593				
Total Governmental Activities Program Revenues	<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>	<u>\$ 2,182,184</u>
Total District-Wide Net Expense	<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>	<u>\$ (13,588,795)</u>
General Revenues and Other Changes in Net Assets:								
Governmental Activities:								
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	\$ 11,439,030
Taxes Levied for Debt Service	441,407	667,328	688,964	627,066	771,241	779,298	817,293	839,355
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	1,670,979
Miscellaneous Income	121,807	210,723	96,796	33,108	33,182	45,607	4,980	178,065
Total Governmental Activities	<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>	<u>14,127,429</u>
Change in Net Assets:								
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>	<u>538,634</u>
Total District	<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>	<u>\$ 538,634</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 EIGHT FISCAL YEARS
UNAUDITED
(modified accrual basis of accounting)

	Fiscal Year Ending June 30,							
	2005	2006	2007	2008	2009	2010	2011	2012
General Fund:								
Reserved/Restricted	\$ 670,725	\$ 484,376	\$ 218,480	\$ 253,945	\$ 459,887	\$ 177,540	\$ 59,869	\$ 160,130
Assigned							60,273	23,655
Unassigned							49,870	55,249
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>	<u>\$ 239,034</u>
All Other Governmental Funds:								
Reserved/Restricted	\$ 1,165,347	\$ 2,755,288	\$ 4,000				\$ 3,452	\$ 3,453
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>	<u>\$ 3,453</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 EIGHT FISCAL YEARS
UNAUDITED
(modified accrual basis of accounting)

	Fiscal Year Ending June 30,							
	2005	2006	2007	2008	2009	2010	2011	2012
Revenues:								
Tax Levy	\$ 9,689,615	\$ 9,779,316	\$ 10,543,333	\$ 11,010,989	\$ 11,570,521	\$ 12,010,548	\$ 12,076,222	\$ 12,255,301
Tuition Charges	31,545	27,744	20,219					
Miscellaneous	122,159	211,473	96,796	33,108	33,182	45,607	12,524	188,975
State Sources	3,471,984	3,714,637	6,402,009	4,362,823	3,642,932	3,592,098	3,206,876	3,518,635
Federal Sources	268,096	252,141	269,078	198,525	246,959	276,836	462,027	346,702
Total Revenue	13,583,399	13,985,311	17,331,435	15,605,445	15,493,594	15,925,089	15,757,649	16,309,613
Expenditures:								
Instruction:								
Regular Instruction	3,022,954	3,015,960	3,247,136	3,245,476	3,493,429	3,584,026	3,346,529	3,032,481
Special Education Instruction	853,271	919,706	998,932	1,078,043	1,209,052	1,330,867	1,374,122	1,218,824
Other Instruction	181,812	227,972	258,345	253,562	223,561	256,571	219,420	200,380
School-Sponsored Instruction	50,941	45,730	55,196	49,549	72,996	60,873	66,091	72,167
Support Services:								
Tuition	3,503,198	3,530,722	3,473,191	3,306,613	3,001,669	3,283,485	3,355,576	4,026,415
Student & Instruction Related Services	900,205	994,699	1,091,952	1,120,576	1,267,711	1,271,618	1,164,002	1,382,268
General Administrative Services	405,964	347,643	396,916	411,867	424,826	428,379	451,109	486,297
School Administrative Services	311,555	295,138	295,893	306,888	311,773	345,497	321,704	310,330
Central Services	147,178	172,658	173,533	185,476	189,215	196,662	199,105	199,282
Administrative Information Technology	46,104	34,259	32,157	37,156	35,392	55,400	28,344	37,507
Plant Operations And Maintenance	724,572	720,475	798,384	869,795	957,289	983,248	899,084	786,638
Pupil Transportation	797,935	789,978	806,311	860,387	900,825	875,815	883,652	873,052

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

	Fiscal Year Ending June 30,							
	2005	2006	2007	2008	2009	2010	2011	2012
Expenditures:								
Benefits	\$ 1,790,205	\$ 2,066,976	\$ 2,533,834	\$ 2,619,974	\$ 2,219,150	\$ 2,410,438	\$ 2,247,384	\$ 2,477,651
Food Service		949	2,814	1,687	1,500			
Principal	245,000	380,000	395,000	485,000	500,000	525,000	540,000	555,000
Interest And Other Charges	363,995	584,507	603,518	540,543	519,948	504,668	488,618	472,108
Capital Outlay	856,773	4,590,998	2,811,069	122,111	74,303	76,447	227,365	80,734
Charter Schools	8,744	25,914	17,903	17,028	17,842			8,862
Total Expenditures	<u>14,210,406</u>	<u>18,744,284</u>	<u>17,992,084</u>	<u>15,511,731</u>	<u>15,420,481</u>	<u>16,188,994</u>	<u>15,812,105</u>	<u>16,219,996</u>
Excess/(Deficiency) Of Revenues 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>	<u>89,617</u>
Other Financing Sources/(Uses):								
Capital Leases (Non-Budgeted)		33,800						
Bond Proceeds	5,519,000							
Refunded Bonds Issued								(4,425,000)
Bonds Defeased								4,179,000
Bond Premium								(195,426)
Bond Issuance Cost								97,243
Deferred Interest								344,183
Transfers In	41,175	148,625	46,058	105	47	1,136	40,644	1
Transfers Out	(41,175)	(148,625)	(46,058)	(105)	(47)	(1,136)	(40,644)	(1)
Total Other Financing Sources/(Uses)	<u>5,519,000</u>	<u>33,800</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Net Change In Fund Balances	<u>\$ 4,891,993</u>	<u>\$ (4,725,173)</u>	<u>\$ (660,649)</u>	<u>\$ 93,714</u>	<u>\$ 73,113</u>	<u>\$ (263,905)</u>	<u>\$ (54,456)</u>	<u>\$ 89,617</u>
Debt Service As A Percentage of Noncapital Expenditures	4.56%	6.81%	6.58%	6.66%	6.65%	6.39%	6.60%	6.36%

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

Exhibit J-5

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>
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
2012	2,038	1,068	174,958 *	178,064

* - Includes \$150,000 of insurance proceeds

ANDOVER REGIONAL SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST EIGHT 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 ^a	Net Valuation Taxable	Total Direct School Tax Rate ^b	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
2011	1,587,500	29,293,800	745,700	113,400	12,901,400	150,200	968,100	45,760,100	3,058,500	321,018	45,760,100	2.24	77,498,853

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 ^a	Net Valuation Taxable	Total Direct School Tax Rate ^b	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
2011	12,445,000	490,626,600	23,645,700	1,257,270	79,866,600	5,233,500	1,700,000	614,774,670	60,246,100	602,091	615,376,761	1.79	841,278,247

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 Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General		Borough of Andover	Sussex County	
		Obligation Debt Service ^b	Total Direct			
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
2011	2.09	0.15	2.24	0.63	0.73	3.60

TOWNSHIP OF ANDOVER

Year Ended December 31,	Andover Regional School District Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General		Township of Andover	Sussex County	
		Obligation Debt Service ^b	Total Direct			
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
2011	1.67	0.12	1.79	0.86	0.59	3.24

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

2011			2002		
Taxpayer	Taxable Assessed Value	% of Total District Net Assessed Value	Taxpayer	Taxable Assessed Value	% of Total District Net Assessed Value
Woodborne Lane, Incorporated	\$ 1,766,100	3.86%	Woodborne Lane Enterprises	\$ 2,091,100	4.58%
Andover Estates	947,800	2.07%	Andover Estates	949,700	2.08%
Sussex Properties, Ltd.	718,000	1.57%	Sussex Properties, Ltd.	806,600	1.77%
Cox Living Trust	620,200	1.36%	Individual Taxpayer #1	714,500	1.56%
Hanlan Midgette Scriven, LP	560,000	1.22%	Westby Corp.	692,400	1.52%
DVJ Associates, LLC	510,000	1.11%	Individual Taxpayer #2	620,200	1.36%
Individual Taxpayer #1	495,400	1.08%	Felicetti-Murphy, LLC	560,000	1.23%
J Nechamkin Family, LLC	440,000	0.96%	Individual Taxpayer #3	495,400	1.08%
2 Lenape Trail, LLC	431,400	0.94%	Individual Taxpayer #4	450,000	0.98%
Black River Holdings, LLC	414,500	0.91%	J. Nechamkin, LLC	440,000	0.96%
Total	\$ 6,903,400	15.09%		\$ 7,819,900	17.12%

Note: Individual Taxpayers listed may be different in 2011 and 2002

Source: Municipal Tax Assessor

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

TOWNSHIP OF ANDOVER

2011			2002		
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	1.87%	Andover Nursing Home, Mini Holding	\$ 11,252,600	3.06%
Andover Nursing Home	5,233,200	0.85%	State of New Jersey	10,202,000	2.77%
Young Realty Associates	4,343,000	0.71%	Andover Nursing Home	4,775,400	1.30%
Perona Realty Corp	3,161,600	0.51%	St. Paul's Abbey	3,965,000	1.08%
Newton Country Club	3,149,000	0.51%	Yin-Shin Foundation	3,955,000	1.07%
St. Paul's Abby, Inc.	2,709,000	0.44%	Young Realty Association	2,854,200	0.78%
Alex Cable, Inc.	2,526,400	0.41%	Life Care Mews, Inc	2,295,700	0.62%
MMK Reinsurance (Bermuda) Ltd.	2,025,800	0.33%	Newton Country Club	2,269,400	0.62%
Individual Taxpayer	1,901,500	0.31%	Individual Taxpayer	2,156,600	0.59%
Martin & Faul Ltd.	1,700,000	0.28%	Verona Realty Corp.	2,010,900	0.55%
Total	\$ 38,266,700	6.22%		\$ 45,736,800	12.44%

Note: Individual Taxpayers listed may be different in 2011 and 2002

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 ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
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-
2012	1,017,924	1,017,924	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 ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
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-
2012	11,237,377	11,237,377	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 EIGHT FISCAL YEARS
UNAUDITED
(dollars in thousands, except per capita)

Fiscal Year Ended June 30,	Governmental Activities			Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Capital Leases	Bond Anticipation Notes (BANs)			
2005	\$ 14,459,000			\$ 14,459,000	4.83%	\$ 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	3.99%	1,921
2008	13,199,000	15,895		13,214,895	3.73%	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%	1,760
2011	11,634,000			11,634,000	3.43%	1,688
2012	11,325,000			11,325,000	3.34%	1,643

- 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 EIGHT FISCAL YEARS
UNAUDITED
(dollars in thousands, except per capita)

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
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%	1,759
2011	11,634,000	-0-	11,634,000	3.51%	1,688
2012	11,325,000	-0-	11,325,000	3.43%	1,643

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, 2011
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid With Property Taxes			
Borough of Andover	\$ 172,522	100.00%	\$ 172,522
Township of Andover	4,056,022	100.00%	4,056,022
Sussex County General Obligation Debt (Borough Share)	77,690,095	0.45% ^a	346,224
Sussex County General Obligation Debt (Township Share)	77,690,095	4.84% ^a	<u>3,758,389</u>
Subtotal, Overlapping Debt			8,333,157
Andover Regional School District Direct Debt			<u>11,634,000</u>
Total Direct And Overlapping Debt			<u><u>\$ 19,967,157</u></u>

^a 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.

Exhibit J-13

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

Legal Debt Margin Calculation for Fiscal Year 2012

Equalized Valuation Basis	Andover Borough	Andover Township	Total
2009	\$ 85,362,144	\$ 882,794,203	\$ 968,156,347
2010	75,982,609	841,646,544	917,629,153
2011	76,521,906	788,880,624	865,402,530
	<u>\$ 237,866,659</u>	<u>\$2,513,321,371</u>	<u>\$2,751,188,030</u>
Average Equalized Valuation of Taxable Property			\$ 917,062,677
Debt Limit (3% of Average Equalization Value) ^a			27,511,880
Net Bonded School Debt as of June 30, 2012			11,325,000
Legal Debt Margin			<u>\$ 16,186,880</u>

Fiscal Year Ended June 30,

	2003	2004	2005	2006	2007
Debt Limit	\$ 13,406,802	\$ 14,755,569	\$ 16,739,653	\$ 21,963,738	\$ 24,830,385
Total Net Debt Applicable to Limit	<u>8,347,000</u>	<u>9,185,000</u>	<u>14,459,000</u>	<u>14,079,000</u>	<u>13,684,000</u>
Legal Debt Margin	<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>
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	62.26%	62.25%	86.38%	64.10%	55.11%

Fiscal Year Ended June 30,

	2008	2009	2010	2011	2012
Debt Limit	\$ 27,261,615	\$ 28,757,409	\$ 29,120,164	\$ 28,633,384	\$ 27,511,880
Total Net Debt Applicable to Limit	<u>13,199,000</u>	<u>12,699,000</u>	<u>12,174,000</u>	<u>11,634,000</u>	<u>11,325,000</u>
Legal Debt Margin	<u>\$ 14,062,615</u>	<u>\$ 16,058,409</u>	<u>\$ 16,946,164</u>	<u>\$ 16,999,384</u>	<u>\$ 16,186,880</u>
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	48.42%	44.16%	41.81%	40.63%	41.16%

^a Limit set by NJSA 18A:24-19 for a K through 8 district; other % limits would be applicable for other districts

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

BOROUGH OF ANDOVER

Year	Population ^a	Personal Income ^b	Sussex County		Unemployment Rate ^d
			Per Capita Personal Income ^c		
2003	656	\$ 25,801,136	\$ 39,331		5.80%
2004	652	26,559,872	40,736		4.30%
2005	652	27,650,668	42,409		5.50%
2006	646	29,351,656	45,436		5.90%
2007	641	30,896,841	48,201		5.70%
2008	636	31,529,700	49,575		7.20%
2009	634	30,101,686	47,479		11.90%
2010	605	29,770,235	49,207		12.60%
2011	603	29,671,821 *	49,207 *		12.30%
2012	603 **	29,671,821 *	49,207 *		N/A

TOWNSHIP OF ANDOVER

Year	Population ^a	Personal Income ^b	Sussex County		Unemployment Rate ^d
			Per Capita Personal Income ^c		
2003	6,363	\$ 250,263,153	\$ 39,331		4.70%
2004	6,397	260,588,192	40,736		3.50%
2005	6,411	271,884,099	42,409		2.60%
2006	6,445	292,835,020	45,436		2.80%
2007	6,494	313,017,294	48,201		2.60%
2008	6,514	322,931,550	49,575		3.40%
2009	6,534	310,227,786	47,479		5.70%
2010	6,315	310,742,205	49,207		6.10%
2011	6,290	309,512,030 *	49,207 *		5.90%
2012	6,290 **	309,512,030 *	49,207 *		N/A

* - Latest Sussex County per capita personal income available (2010) was used for calculation purposes.

** - Latest population data available (2011) was used for calculation purposes.

N/A - Information Unavailable

Source:

^a Population information provided by the NJ Dept of Labor and Workforce Development

^b Personal income has been estimated based upon the municipal population and per capita personal income presented

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

^d 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			2002		
Employer	Employees	Percentage of Total Employment	Employer	Employees	Percentage of Total Employment
Crystal Springs Gold & Spa Resort	2,000	N/A			
Newton Memorial Hosptial	1,200	N/A			
Selective Insurance	900	N/A			
County of Sussex	830	N/A			
Mountain Creek Resort	800	N/A			NOT AVAILABLE
Ames Rubber Corp.	445	N/A			
Shop Rite Supermarkets	301	N/A			
Andover Subacute & Rehab Center	300	N/A			
Sussex County Community College	300	N/A			
SCARC, Inc.	287	N/A			
Total	7,363	0.00%		0	0.00%

N/A - Not Available

ANDOVER REGIONAL SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST EIGHT 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>	<u>2012</u>
Instruction:								
Regular	45.0	45.0	45.0	45.0	45.0	45.0	44.0	41.0
Special Education	14.0	16.5	17.0	18.0	18.0	18.0	15.5	16.0
Other Special Education	4.0	5.0	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	32.0
Support Services:								
Student & Instruction Related Services	7.5	11.0	11.0	11.0	11.0	11.0	10.0	9.0
School Administrative Services	6.0	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	2.0
Plant Operations and Maintenance	9.0	9.0	9.0	9.0	9.0	9.0	8.0	7.0
Pupil Transportation	0.5	1.0	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	2.0
Total	<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>	<u>121.0</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 EIGHT FISCAL YEARS
UNAUDITED

Fiscal Year	Enrollment ^e	Operating Expenditures ^a	Cost Per Pupil ^d	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% 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	13,918	4.05%	73	15.1 : 1	10.8 : 1	721.6	691.9	-0.19%	95.88%
2008	985	14,364,077	14,583	4.78%	75	18.1 : 1	10.8 : 1	704.0	703.0	-2.44%	99.86%
2009	947	14,326,230	15,128	3.74%	75	18.1 : 1	10.8 : 1	689.0	662.2	-2.13%	96.11%
2010	935	15,082,879	16,131	6.63%	75	10.4 : 1	8.8 : 1	651.0	622.3	-5.52%	95.59%
2011	916	14,556,122	15,891	-1.49%	70	9.8 : 1	8.8 : 1	652.6	624.5	0.25%	95.69%
2012	903	15,112,154	16,735	5.31%	62	9.8 : 1	8.8 : 1	609.4	582.2	-6.62%	95.54%

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 their cost per pupil calculations.

e The overall enrollment number includes the high school students, whereas the ADE only includes the elementary and middle school students.

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 EIGHT 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>	<u>2012</u>
Long Pond School								
Square Feet	91,000	91,000	91,000	91,000	91,000	91,000	91,000	91,000
Capacity (students)	554	554	554	554	554	554	554	554
Enrollment	413	400	321	329	316	310	311	318
Florence M. Burd School								
Square Feet	38,915	38,915	46,419	46,419	46,419	46,419	46,419	46,419
Capacity (students)	299	299	500	500	500	500	500	500
Enrollment	326	323	402	374	361	345	342	306

Number of Schools at June 30, 2012

 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

School Facilities	Project #	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Long Pond School	N/A	\$ 32,883	\$ 50,697	\$ 67,943	\$ 55,780	\$ 29,067	\$ 52,898	\$ 61,289	\$ 78,434	\$ 52,183	\$ 52,124
Florence M. Burd School	N/A	32,884	50,698	67,943	55,752	87,201	52,898	61,289	78,434	91,335	52,125
Total		<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>	<u>\$ 104,249</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

Exhibit J-20

ANDOVER REGIONAL SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2012
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
NJSBAIG:		
School Package Policy:		
Building and Personal Property	\$ 15,687,886	\$ 5,000
EDP	446,757	
Liability:		
General Liability Each Occurance	11,000,000	\$ 1,000
Employee Benefit Liability		
Product/Completed Ops		
Personal Injury		
Fire Damage	100,000	
Medical Expenses	5,000	
(excluding students taking part in athletics)		
Automobile Coverage		
Combined Single Limit	11,000,000	
Hired / Non-owned		
Auto Physical Damage		1,000
Environmental Impairment Liability	1,000,000	10,000
Underground Storage Tanks	1,000,000	10,000
Forgery / Alteration	100,000	500
Money / Securities / Money Orders / Counterfeit	10,000	500
Faithful Performance	500,000	1,000
Computer Fraud	500,000	1,000
Boiler and Machinery	100,000,000	5,000
Valuable Papers	10,000,000	5,000
School Leaders E&O Coverage A	NJSBAIG \$6,000,000	5,000
School Leaders E&O Coverage B	\$100,000 / \$300,000	5,000
Workers' Compensation	NJSBAIG Statutory Workers	
Employer's Liability	Compensation	
Bond for School Administrator		Selective Insurance limit \$350,000
Bond for Treasurer of School Monies		Selective Insurance limit \$350,000

Source: Andover Regional School District records

SINGLE AUDIT SECTION



Mount Arlington Corporate Center
 200 Valley Road, Suite 300
 Mt. Arlington, NJ 07856
 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 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, 2012, which collectively comprise the School District's basic financial statements and have issued our report thereon dated July 30, 2012. 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 Administration and Finance, 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 expressing 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.

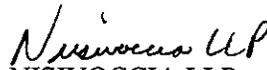
The Honorable President and Members
of the Board of Education
Andover Regional School District
Page 2

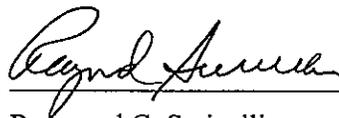
Compliance and Other Matters

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 Administration and Finance, Department of Education, State of New Jersey.

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.

July 30, 2012
Mount Arlington, New Jersey


NISIVOCCIA LLP



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



Mount Arlington Corporate Center
 200 Valley Road, Suite 300
 Mt. Arlington, NJ 07856
 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 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, 2012. 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 Administration and Finance, 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, 2012.

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

Internal Control Over Compliance

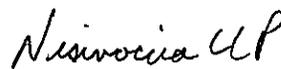
The management of the Board is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Board's internal control 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.

July 30, 2012
Mount Arlington, New Jersey


NISIVOCCIA 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, 2012

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, 2011					Balance at June 30, 2012
					Budgetary Accounts Receivable	Due to Grantor	Cash Received	Budgetary Expenditures	Cancelled	Budgetary Accounts Receivable
U.S. Department of Education Passed-through State Department of Education:										
General Fund:										
Education Jobs Fund	84.410A	N/A	7/1/10-9/30/12	\$ 95,800	\$ (16,568)		\$ 70,797	\$ (58,104)		\$ (3,875)
Total General Fund					(16,568)		70,797	(58,104)		(3,875)
Special Revenue Fund:										
No Child Left Behind Consolidated Grant:										
Title I	84.010A	NCLB009012	9/1/11-8/31/12	31,941			11,470	(26,322)		(14,852)
Title I	84.010A	NCLB009011	9/1/10-8/31/11	34,571	(24,345)		34,571	(10,226)		
Title I	84.010A	NCLB009009	9/1/08-8/31/09	28,719		\$ 4,121			\$ (4,121)	
Title I	84.010A	NCLB009008	9/1/07-8/31/08	15,710		3,070			(3,070)	
Title II, Part A	84.278A	NCLB009012	9/1/11-8/31/12	17,327			15,039	(15,666)		(627)
Title II, Part A	84.278A	NCLB009011	9/1/10-8/31/11	20,684	(20,294)		20,924			
Title II, Part A	84.278A	NCLB009009	9/1/08-8/31/09	18,784		284			(284)	
Title II, Part A	84.278A	NCLB009008	9/1/07-8/31/08	17,874		767			(767)	
Title II, Part D	84.278A	NCLB009011	9/1/10-8/31/11	78	(78)		78			
Title II, Part D	84.318A	NCLB009009	9/1/08-8/31/09	240		240			(240)	
Special Education Cluster:										
IDEA Combined Grant:										
I.D.E.A. Part B, Basic	84.027	IDEA009012	9/1/11-8/31/12	202,901			190,065	(193,563)		(3,498)
I.D.E.A. Part B, Basic	84.027	IDEA009011	9/1/10-8/31/11	229,360	(6,033)		9,480	(3,447)		
I.D.E.A. Part B, Preschool	84.173	IDEA009012	9/1/11-8/31/12	7,608			5,739	(7,608)		(1,869)
I.D.E.A. Part B, Preschool	84.173	IDEA009011	9/1/10-8/31/11	10,020	(2,315)		2,315			
I.D.E.A. Part B, Preschool	84.173	IDEA009009	9/1/08-8/31/09	7,393		7,393		(7,393)		

ANDOVER REGIONAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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, 2011					Balance at June 30, 2012
					Budgetary Accounts Receivable	Due to Grantor	Cash Received	Budgetary Expenditures	Cancelled	Budgetary Accounts Receivable
U.S. Department of Education Passed-through State Department of Education: (Cont'd)										
Special Revenue Fund: (Cont'd)										
American Recovery and Reinvestment Act:										
I.D.E.A. Part B, Basic	84.391	ARRA009010	9/1/09-8/31/11	\$ 193,652	\$ (71,795)		\$ 77,573	\$ (5,778)		
I.D.E.A. Part B, Preschool	84.392	ARRA009010	9/1/09-8/31/11	7,006	(7,006)		7,006			
Total Special Education Cluster					(87,149)	\$ 7,393	292,178	(217,789)		\$ (5,367)
Total Special Revenue Fund					(131,866)	15,875	374,260	(270,003)	\$ (8,482)	(20,846)
Total U.S. Department of Education					(148,434)	15,875	445,057	(328,107)	(8,482)	(24,721)
Total Federal Financial Awards					<u>\$(148,434)</u>	<u>\$ 15,875</u>	<u>\$ 445,057</u>	<u>\$(328,107)</u>	<u>\$ (8,482)</u>	<u>\$ (24,721)</u>

N/A - Not Available/Applicable

ANDOVER REGIONAL SCHOOL DISTRICT
SCHEDULE OF THE EXPENDITURE OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2011		Budgetary Expenditures	Balance at June 30, 2012		MEMO	
				Budgetary Accounts Receivable	Cash Received		GAAP Accounts Receivable	Budgetary Accounts Receivable	Cumulative Total Expenditures	
New Jersey Department of Education										
General Fund:										
Transportation Aid	12-495-034-5120-014	7/1/11 - 6/30/12	\$ 520,041		\$ 468,394	\$ (520,041)		\$ (51,647)	\$ 520,041	
Special Education Categorical Aid	12-495-034-5120-089	7/1/11 - 6/30/12	427,461		385,008	(427,461)		(42,453)	427,461	
Security Aid	12-495-034-5120-084	7/1/11 - 6/30/12	60,263		54,278	(60,263)		(5,985)	60,263	
Adjustment Aid	12-495-034-5120-085	7/1/11 - 6/30/12	1,371,336		1,235,144	(1,371,336)		(136,192)	1,371,336	
Extraordinary Aid	12-100-034-5120-473	7/1/11 - 6/30/12	49,867			(49,867)	\$ (49,867)	(49,867)	49,867	
Nonpublic Transportation	12-495-034-5120-014	7/1/11 - 6/30/12	11,214			(11,214)	(11,214)	(11,214)	11,214	
Reimbursed TPAF Social Security Contributions	12-495-034-5095-002	7/1/11 - 6/30/12	353,396		353,396	(353,396)			353,396	
Transportation Aid	11-495-034-5120-014	7/1/10 - 6/30/11	520,041	\$ (50,992)	50,992				520,041	
Special Education Categorical Aid	11-495-034-5120-089	7/1/10 - 6/30/11	427,461	(41,915)	41,915				427,461	
Security Aid	11-495-034-5120-084	7/1/10 - 6/30/11	60,263	(5,909)	5,909				60,263	
Adjustment Aid	11-495-034-5120-085	7/1/10 - 6/30/11	1,088,243	(106,707)	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	
Nonpublic Transportation	11-495-034-5120-014	7/1/10 - 6/30/11	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	(18,706)	18,706				376,303	
Total General Fund State Aid				(308,376)	2,804,596	(2,793,578)	(61,081)	(297,358)	5,350,036	
Capital Projects Fund:										
School Development Authority:										
Florence M. Burd School	0090-010-09-1001	7/27/10 - 8/30/11	12,084	(12,084)			(12,084)	(12,084)	12,084	
Long Pond School	0090-040-09-1002	7/27/10 - 8/30/11	11,000	(11,000)		(2,490)	(11,000)	(11,000)	11,000	
Total Capital Projects Fund				(23,084)		(2,490)	(23,084)	(23,084)	23,084	

ANDOVER REGIONAL SCHOOL DISTRICT
SCHEDULE OF THE EXPENDITURE OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

<u>State Grantor/Program Title</u>	<u>Grant or State Project Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Balance at June 30, 2011</u>		<u>Balance at June 30, 2012</u>		<u>MEMO</u>	
				<u>Budgetary Accounts Receivable</u>	<u>Cash Received</u>	<u>Budgetary Expenditures</u>	<u>GAAP Accounts Receivable</u>	<u>Budgetary Accounts Receivable</u>	<u>Cumulative Total Expenditures</u>
New Jersey Department of Education (Cont'd)									
Debt Service Fund:									
Debt Service Aid Type II	12-495-034-5120-125	7/1/11 - 6/30/12	\$ 210,837		\$ 210,837	\$ (210,837)			\$ 210,837
Total Debt Service Fund					210,837	(210,837)			210,837
Total State Financial Assistance				\$ (331,460)	\$ 3,015,433	\$ (3,006,905)	\$ (84,165)	\$ (320,442)	\$ 5,583,957

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, 2012

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, 2012. 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 \$30,754 for the general fund and \$25,336 for the special revenue fund and \$20,594 for the capital projects fund (which includes \$2,490 of prior year encumbrances expended in the current year. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue and capital projects 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 \$173,370 and \$348,520, respectively. Awards and financial assistance revenue are reported on the Board's basic financial statements on a GAAP basis as presented on the following page:

ANDOVER REGIONAL SCHOOL DISTRICT
NOTES TO SCHEDULES OF THE EXPENDITURE OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (Cont'd)

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 58,104	\$ 3,284,714	\$ 3,342,818
Special Revenue Fund	288,598		288,598
Capital Projects Fund		23,084	23,084
Debt Service Fund		210,837	210,837
Total Awards	<u>\$ 346,702</u>	<u>\$ 3,518,635</u>	<u>\$ 3,865,337</u>

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 \$23,084 toward their gym lighting project. As of June 30, 2012, \$23,084 is has been requested and is recorded as an accounts receivable as of June 30, 2012.

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, 2012.

ANDOVER REGIONAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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, 2012 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:

State:	<u>Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
State Aid - Public:				
Special Education				
Categorical Aid	12-495-034-5120-089	7/1/11-6/30/12	\$ 427,461	\$ 427,461
Security Aid	12-495-034-5120-084	7/1/11-6/30/12	60,263	60,263
Adjustment Aid	12-495-034-5120-085	7/1/11-6/30/12	1,371,336	1,371,336

- The threshold for distinguishing Type A and Type B state programs was \$300,000.
- The District qualified as a "low-risk" auditee for state programs under the provisions of section 530 of the federal 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, 2012
(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, 2012

Status of Prior Year Findings:

There were no findings or questioned costs for the year ended June 30, 2011.