

**ANDOVER REGIONAL  
SCHOOL DISTRICT**

**Andover Regional School District  
Board of Education  
Newton, Sussex County  
New Jersey**

**Comprehensive Annual Financial Report  
For The Fiscal Year Ended June 30, 2016**



# **Comprehensive Annual**

## **Financial Report**

**of the**

**Andover Regional School District**

**Board of Education**

**Newton, Sussex County**

**For the Fiscal Year Ending June 30, 2016**

**Prepared by**

**Andover Regional School District**

**Board of Education**

**Finance Department**



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# Introductory Section





**ANDOVER REGIONAL SCHOOL DISTRICT  
BOARD OF EDUCATION**

707 Limecrest Road  
Newton, NJ 07860  
Telephone (973) 383-8454 Fax (973) 383-8348

October 2016

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, 2016, 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 aspects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups 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 four sections: introductory, financial, statistical, and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the general purpose financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. This District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Action of 1996, and the U.S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments" and the State Treasury Circular Letter 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments". Information related to this single audit, including the 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.



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1) REPORTING ENTITY AND ITS SERVICES: Andover Regional School District is an independent reporting entity within the criteria adopted by the GASB as established by NCGA Statement No. 3. All funds and account groups of the District are included in this report. The Andover Regional Board of Education and its school constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels K through 8. These included regular as well as special needs education for youngsters. The District completed the 2015-2016 fiscal year with an enrollment of 513 students. 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.

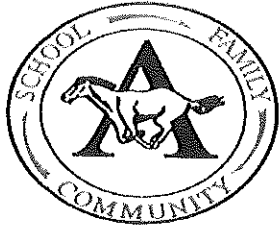
2) ECONOMIC CONDITION AND OUTLOOK: The Andover Regional School District relies heavily on grants and additional funding; such as Special Education Extraordinary Aid to accommodate any unanticipated mandated needs of the district. During the past several years neither Andover Township nor Andover Borough have experienced any growth in housing. Over the past five years, the district's enrollment has declined approximately 10% across all grade levels.

As the District looks to the future, there will be several challenges facing it, including the economics of constrained costs in a small school district. The Andover Regional School District has made several good decisions to improve the management of its resources over the last year.

3) MAJOR INITIATIVES:

Security - In an effort to provide optimal safety for our students, security upgrades will continue to be a major initiative in the Andover Regional School District. These upgrades will include both procedural and facility improvements.

Technology - As it is the mission of our district to provide our students with the education and skills they need for a successful future, our district will continue to be committed to



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providing our students with a technology-infused education. Technology upgrades will include infrastructure, devices, and instructional methods.

Curriculum and Instruction - ARSD is currently implementing instructional methods that are student-centered and small groups based. The district will be writing/revising many curricula in the upcoming year in an effort to keep up with changing standards and our rise in expectations for student achievement.

Strategic Planning - ARSD will complete and implement a strategic plan that has involved the input of various stakeholders throughout our school community. This strategic plan will include multiple components of programming, facilities, technology, and more.

4) INTERNAL ACCOUNTING CONTROLS: Management of the District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with 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 to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is also subject to periodic evaluation by the District management.

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



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5) **BUDGETARY CONTROLS:** In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure

compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund and the special revenue 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 canceled or are included as re-appropriation of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2016.

6) **ACCOUNTING SYSTEM AND REPORTS:** The District's accounting 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 and account groups. These funds and account groups are explained in "Notes to the Financial Statement", Note 1.

7) **CASH MANAGEMENT:** The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Financial Statements". Note 2. 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 loss of funds on deposit with funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

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



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9) OTHER INFORMATION: Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The Board selected the accounting firm of Ardito & Company, LLP. 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 of 1996 and the related OMB circular A-133 and State Treasury OMB Circular Letter 04-04. The auditor’s report on the general purpose financial statement and combining individual fund statements and schedules is 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.

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

Respectfully submitted,

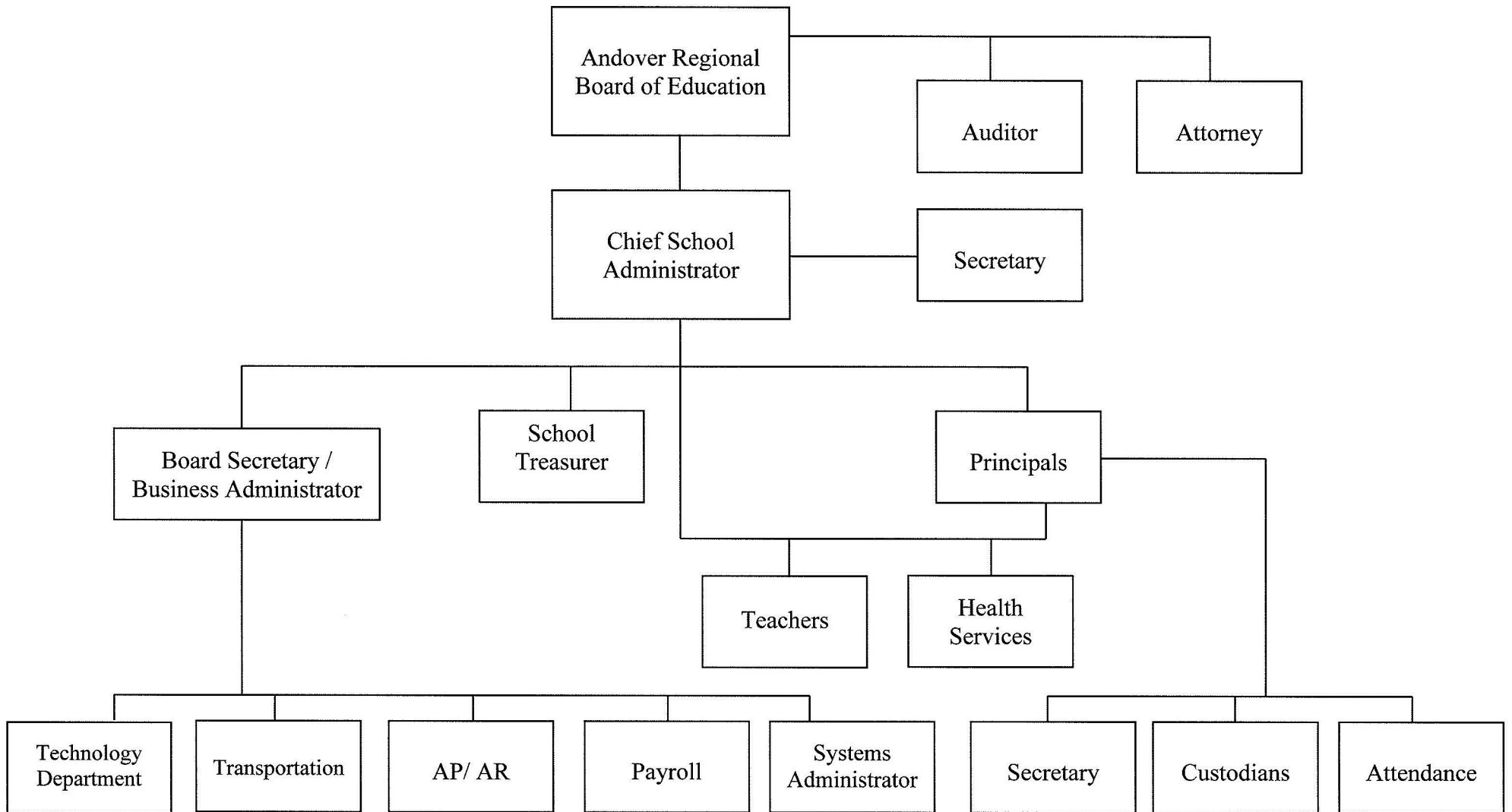
Matthew Beck  
Superintendent

Donna Mosner  
School Business Administrator/  
Board Secretary





**Organization Chart of the Andover Regional School District**





**ANDOVER REGIONAL SCHOOL DISTRICT  
BOARD OF EDUCATION**

**ROSTER OF OFFICIALS**

**June 30, 2016**

**Members of the Board of Education**

**Term Expires**

Michael Fancher, President	2016
Michael Morel, Vice President	2018
Teri Ashworth	2016
June Bliss	2017
Eric Danielson	2017
David Brothman	2017
Robert Koroski	2018
Steven Minnick	2016
Nicholas Sabatino	2018

**Other Officials**

Matthew Beck, Superintendent

Donna Mosner, School Business Administrator/Board Secretary

Marie Goble, Treasurer of School Moneys

**ANDOVER REGIONAL SCHOOL DISTRICT  
BOARD OF EDUCATION**

**CONSULTANTS AND ADVISORS**

**ARCHTECT**

**The Spieze Architectural Group**

120 Sanhican Drive  
Trenton, New Jersey 08618

**AUDIT FIRM**

**Ardito & Co., LLP**

1110 Harrison Street, Suite C  
Frenchtown, New Jersey 08825

**ATTORNEY**

**Isabel Machado, Esq.**

**Machado Law Group**

136 Central Avenue, 2nd Floor  
Clark, New Jersey 07066

**OFFICIAL DEPOSITORIES**

**Lakeland Bank**

250 Oak Ridge Road  
Oak Ridge, New Jersey 07438

**First Hope Bank**

161 Newton-Sparta Road  
Newton, New Jersey 07860

**NJ Cash Management**

CN 290  
Trenton, New Jersey 08625

**New Jersey ARM**

224 Strawbridge Drive, Suite 104  
Moorestown, New Jersey 08057

# Financial Section

# Independent Auditor's Report



## **ARDITO & Co., LLP**

1110 Harrison Street, Suite C  
Frenchtown, New Jersey 08825-1192  
908-996-4711 Fax: 908-996-4688  
e-mail: anthony@arditoandcompany.com

Anthony Ardito, CPA, RMA, CMFO, PSA  
Douglas R. Williams, CPA, RMA, PSA

### **Independent Auditor's Report**

The Honorable President and  
Members of the Board of Education  
Andover Regional School District  
County of Sussex  
Newton, New Jersey 07860

#### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the government activities, the business-type activities, each major fund and the aggregate remaining fund information of the Andover Regional School District Board of Education, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

-Continued-

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Andover Regional School District Board of Education, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension trend information as identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Andover Regional School District Board of Education's basic financial statements. The introductory section, combining and individual fund financial statements, long-term debt schedules, statistical section, and schedule of state financial assistance, as required by New Jersey OMB's Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, are presented for purposes of additional analysis and are not a required part of the basic financial statements.



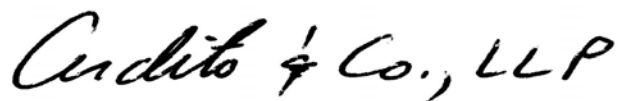
The combining and individual fund financial statement information, long-term debt schedules, and the schedule of state financial assistance, as required by New Jersey OMB's Circulars 15-08, ***Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid***, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the combining and individual fund financial statement information, long-term debt schedules, and schedule of state financial assistance, as required by New Jersey OMB's Circulars 15-08, ***Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid***, are fairly stated in all material respects in relation to the basic financial statements as a whole.

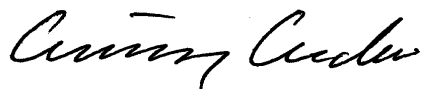
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

***Other Reporting Required by Government Auditing Standards***

In accordance with ***Government Auditing Standards***, we have also issued our report dated October 31, 2016, on our consideration of the Andover Regional School District Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering the District's internal control over financial reporting and compliance.



ARDITO & CO., LLP  
October 31, 2016



Licensed Public School Accountant No. 2369



**Required Supplementary Information -  
Part I**

**Management's Discussion and Analysis**



ANDOVER REGIONAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED

The discussion and analysis of Andover Regional School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for 2016 are as follows:

- ◆ In total, Net Position decreased \$27,572 which represents a 1.0% decrease from 2015.
- ◆ General revenues accounted for \$13,357,437 in revenue or 69.7% of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$5,803,389 or 30.3% of total revenues of \$19,160,826.
- ◆ Total assets of governmental activities decreased by \$547,439, as cash and cash equivalents decreased by \$138,416, receivables increased by \$12,418, and capital assets decreased by \$422,803.
- ◆ The School District had \$19,188,398 in expenses; only \$5,803,389 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) of \$13,357,437 were available to provide for these programs.
- ◆ Among major funds, the General Fund had \$16,381,252 in revenues and \$16,473,934 in expenditures. The General Fund's surplus balance decreased \$92,682 over 2015, which compares favorably to the budgeted decrease of \$524,918.

**Using this Generally Accepted Accounting Principals Report (GAAP)**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Andover Regional School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities. The Statement of Net Position and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail.

For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of Andover Regional School District, the General Fund is by far the most significant fund.

ANDOVER REGIONAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED

**Reporting the School District as a Whole**

**Statement of Net Position and the Statement of Activities**

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2016?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's Net Position and changes in those assets. This change in Net Position is important because it tells the reader that, for the School District as a whole, the financial positions of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Nonfinancial factors include the School District's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the School District is divided into two distinct kinds of activities:

- Governmental activities--All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.
- Business-type Activity--This service is provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Food Service enterprise fund is reported as a business activity.

**Reporting the School District's Most Significant Funds**

**Fund Financial Statements**

The analysis of the School District's major funds begins on page 26. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Special Revenue Fund, and Capital Projects Fund.

ANDOVER REGIONAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED

**Governmental Funds**

The School District’s activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District’s general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**The School District as a Whole**

Recall that the Statement of Net Position provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District’s Net Position for 2016 compared to 2015.

	<u>2016</u>	<u>2015</u>
<b>Table 1 Net Position</b>		
<b>Assets</b>		
Current and Other Assets	\$ 778,591	\$ 903,227
Capital Assets	<u>14,095,700</u>	<u>14,518,503</u>
<b>Total Assets</b>	<u>14,874,291</u>	<u>15,421,730</u>
<b>Deferred Outflows of Resources</b>	<u>624,812</u>	<u>446,529</u>
<b>Liabilities</b>		
Long-Term Liabilities	12,564,560	12,469,461
Other Liabilities	<u>124,392</u>	<u>458,926</u>
<b>Total Liabilities</b>	<u>12,688,952</u>	<u>12,928,387</u>
<b>Deferred Inflows of Resources</b>	<u>51,078</u>	<u>153,227</u>
<b>Net Position</b>		
Invested in Capital Assets, Net of Debt	5,415,700	5,173,683
Restricted	305,000	55,948
Unrestricted	<u>(2,961,627)</u>	<u>(2,442,986)</u>
<b>Total Net Position</b>	<u>\$ 2,759,073</u>	<u>\$ 2,786,645</u>

ANDOVER REGIONAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED

Total assets of governmental activities decreased by \$547,439, as cash and cash equivalents decreased by \$138,416, receivables increased by \$12,418, and capital assets decreased by \$422,803.

The cash decrease was mainly due to budgeted use of surplus, net of operational efficiencies towards the budget. Although capital assets decreased because of depreciation expense, capital asset addition spending of \$8,998 was incurred for the fiscal year.

Table 2 shows the changes in Net Position from fiscal year 2015.

**Table 2**  
**Changes in Net Position**

	<u>2016</u>	<u>2015</u>
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$ 193,657	\$ 79,773
Operating Grants and Contributions	5,609,732	4,990,649
General Revenues:		
Property Taxes	13,335,603	13,018,404
Investment Earnings	3,361	
Other	<u>18,473</u>	<u>68,396</u>
<b>Total Revenues</b>	<u>19,160,826</u>	<u>18,157,222</u>
<b>Program Expenses</b>		
Instruction	8,108,494	7,670,043
Support Services:		
Tuition	4,621,849	3,937,232
Pupils and Instructional Staff	2,076,766	1,655,822
General Administration, School Administration, Business	1,379,916	1,223,002
Operations and Maintenance of Facilities	1,075,138	1,156,784
Pupil Transportation	1,343,962	1,017,964
Transfer to Charter School	68,611	
Business-Type Activities	150,599	(39,632)
Interest and Fiscal Charges	<u>363,063</u>	<u>894,336</u>
<b>Total Expenses</b>	<u>19,188,398</u>	<u>17,515,551</u>
Increase in Net Position	<u>\$ (27,572)</u>	<u>\$ 641,671</u>



ANDOVER REGIONAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
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**Governmental Activities**

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District operations. Property taxes made up 69.6% percent of revenues for governmental activities for the Andover Regional School District for the fiscal year 2016.

Instruction comprises 42.3% of district expenses. Support services expenses make up 54.7% of the expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services compared to 2015. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Table 3**

	<u>Total Cost of Services 2016</u>	<u>Net Cost of Services 2016</u>	<u>Total Cost of Services 2015</u>	<u>Net Cost of Services 2015</u>
Instruction	\$ 8,108,494	\$ 4,953,928	\$ 7,670,043	\$4,881,021
Support Services:				
Tuition	4,621,849	4,621,849	3,937,232	3,937,232
Pupils and Instructional Staff	2,076,766	1,183,725	1,740,508	1,614,970
General Admin., School Admin., Business	1,379,916	864,664	1,223,002	1,115,461
Operation and Maintenance of Facilities	1,075,138	673,689	1,156,784	1,156,784
Pupil Transportation	1,343,962	842,135	1,017,964	467,576
Charter	68,611	68,611	11,013	11,013
Business-Type Activities	150,599	(7,159)	202,861	32
Interest and Fiscal Charges	363,063	183,567	798,637	798,637
<b>Total Expenses</b>	<u>\$ 19,188,398</u>	<u>\$ 13,385,009</u>	<u>\$ 17,758,044</u>	<u>\$13,982,726</u>

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and student.

Pupils and instructional staff include the activities involved with assisting staff with the content and process of teaching to students.

General administration, school administration and business include expenses associated with administrative and financial supervision of the District.

Operation and maintenance of facilities activities involve keeping the school grounds, buildings and equipment in an effective working condition.

Pupil transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by state law.

ANDOVER REGIONAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED

Business-type activities includes expenses related to activities provided by the School District which are designed to provide for students to participate in food service.

Interest and fiscal charges involve the transactions associated with the payment of interest and other related charges to debt of the School District and unallocated depreciation.

The dependence upon tax revenues is apparent. Over 61.1% of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 78.1%. The community, as a whole, is the primary support for the Andover Regional School District.

**The School District's Funds**

Information about the School District's major funds starts on page 26. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other sources of \$17,547,936 and expenditures of \$17,691,636. The General Fund's surplus balance decreased \$92,682 over 2015, which compares favorably to the budgeted decrease of \$524,918.

**General Fund Budgeting Highlights**

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

During the course of the fiscal 2016 year, the School District amended its General Fund budget as needed. The School District uses program based budgeting and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management.

For the General Fund, budget basis revenue and other financing sources, excluding on-behalf payments, was \$15,250,172, \$289,001 over original budgeted estimates of \$14,961,171. This difference was due primarily to an increases in tuition based programs and extraordinary aid.

General fund revenues fell short of expenditures by \$88,740. Again this deficit compares to a budgeted deficit of \$524,918, which was due to the budgeted use of surplus needed to balance the 2015-2016 budget. The budgeted deficit was reduced due revenue increases and cost savings mainly in the areas of instruction, tuition, and energy.

Overall general fund balance (budget basis) was \$929,348, and amounts ear-marked and reserved for future purposes were \$401,129, creating a surplus in unreserved fund balance of \$528,219. Management believes unreserved fund balance at 2% statutory levels will provide adequate working capital for the district.

ANDOVER REGIONAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED

**Capital Assets**

At the end of the fiscal year 2016, the School District had \$14,091,694 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal 2016 balances compared to 2015.

**Table 4**  
**Capital Assets (Net of Depreciation) at June 30,**

	<u>2016</u>	<u>2015</u>
Land	\$ 265,016	\$ 265,016
Land Improvements	41,514	46,632
Buildings and Improvements	13,715,421	14,125,127
Machinery and Equipment	<u>69,743</u>	<u>73,935</u>
Totals	<u>\$ 14,091,694</u>	<u>\$ 14,510,710</u>

Overall capital assets decreased \$419,016 from fiscal year 2015 to fiscal year 2016. The decrease in capital assets was due to depreciation expense for the year.

Capital improvements of \$8,998 were purchased during fiscal year 2016 and included a Smartboard and new Grounds equipment.

**Debt Administration**

At June 30, 2016, the School District had \$9,387,674 as outstanding long term debt. Of this amount, \$478,421 is for compensated absences, and \$229,253 is for capital leases and \$8,680,000 is for bonds payable outstanding.

At June 30, 2016, the School District's overall legal debt margin was \$18,206,493 and the unvoted debt margin was the same.

ANDOVER REGIONAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED

**For the Future**

The Andover Regional School District is in very good financial condition presently. A major concern is the increased reliance on local property taxes in light of frozen state aid over the past few years. However, the district feels at current funding levels it can maintain it's high degree of educational excellence.

In conclusion, the Andover Regional School District has committed itself to financial excellence for many years. In addition, the School District's system for financial planning, budgeting, and internal financial controls are well regarded. The School District plans to continue its sound fiscal management to meet the challenge of the future.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information contact Donna Mosner, School Business Administrator/Board Secretary at Andover Regional School District, 707 Limecrest Road, Newton, New Jersey 07860.

# Basic Financial Statements

## **DISTRICT-WIDE FINANCIAL STATEMENTS**

The statement of net position and the statement of activities display information about the District. These statements include the financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the District.

ANDOVER REGIONAL SCHOOL DISTRICT

Exhibit A-1

STATEMENT OF NET POSITION

June 30, 2016

	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>	<u>BUSINESS-TYPE</u> <u>ACTIVITIES</u>	TOTAL
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 283,438	\$ 39,854	\$ 323,292
Receivables, Net	286,007	5,881	291,888
Interfund Receivables	2,656		2,656
Inventory		5,755	5,755
Restricted Assets:			
Capital Reserve Account - Cash	155,000		155,000
Capital Assets, Net (Note 6)	14,091,694	4,006	14,095,700
<b>Total Assets</b>	<u>14,818,795</u>	<u>55,496</u>	<u>14,874,291</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Deferred Outflows	624,812		624,812
<b>LIABILITIES</b>			
Accounts Payable	818	2,644	3,462
Interfund Payables		2,656	2,656
Net Pension Liability (Note 8)	3,176,886		3,176,886
Accrued Interest	94,463		94,463
Unearned Revenue	21,923	1,888	23,811
Noncurrent Liabilities (Note 7):			
Due Within One Year	772,313		772,313
Due Beyond One Year	8,615,361		8,615,361
<b>Total Liabilities</b>	<u>12,681,764</u>	<u>7,188</u>	<u>12,688,952</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension Deferred Inflows	51,078		51,078
<b>NET POSITION</b>			
Invested in Capital Assets, Net of Related Debt	5,411,694	4,006	5,415,700
Restricted for:			
Other Purposes	305,000		305,000
Unrestricted	(3,005,929)	44,302	(2,961,627)
<b>Total Net Position</b>	<u>\$ 2,710,765</u>	<u>\$ 48,308</u>	<u>\$ 2,759,073</u>

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

ANDOVER REGIONAL SCHOOL DISTRICT

Exhibit A-2

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016

	PROGRAM REVENUES			NET(EXPENSE) REVENUE AND CHANGES IN NET POSITION		TOTAL
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	
<b>Functions/Programs</b>						
Governmental Activities:						
Instruction:						
Regular	\$ 5,618,275	\$ 31,755	\$ 2,192,980		\$ (3,393,540)	\$ (3,393,540)
Special Education	2,113,018	11,944	777,043		(1,324,031)	(1,324,031)
Other Special Instruction	23,521	133	8,650		(14,738)	(14,738)
Other Instruction	353,680	1,999	130,062		(221,619)	(221,619)
Support Services:						
Tuition	4,621,849				(4,621,849)	(4,621,849)
Student & Instruction Related Serv.	2,076,766	11,739	881,302		(1,183,725)	(1,183,725)
School Administrative Services	472,650	2,672	173,813		(296,165)	(296,165)
General and Business Admin. Serv.	907,266	5,128	333,639		(568,499)	(568,499)
Plant Operations and Maintenance	1,075,138	6,077	395,372		(673,689)	(673,689)
Pupil Transportation	1,343,962	7,597	494,230		(842,135)	(842,135)
Charter School	68,611				(68,611)	(68,611)
Interest and Other Fiscal Charges	363,063		179,496		(183,567)	(183,567)
Total Governmental Activities	19,037,799	79,044	5,566,587		(13,392,168)	(13,392,168)
Business-Type Activities:						
Food Service	150,563	106,665	43,145		\$ (753)	(753)
Preschool/Child Care	36	7,948				7,912
Total Business-Type Activities	150,599	114,613	43,145	-	-	7,159
<b>Total Primary Government</b>	<b>\$ 19,188,398</b>	<b>\$ 193,657</b>	<b>\$ 5,609,732</b>		<b>\$ (13,392,168)</b>	<b>\$ 7,159</b>
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes,Net				\$ 12,592,919		\$ 12,592,919
Taxes Levied for Debt Service				742,684		742,684
Investment Earnings				3,361		3,361
Miscellaneous Income				16,956	\$ 1,517	18,473
Total General Revenues, Special Items, Extraordinary Items and Transfers				13,355,920	1,517	13,357,437
Change in Net Position				(36,248)	8,676	(27,572)
Net Position—Beginning (as restated)				2,747,013	39,632	2,786,645
<b>Net Position—Ending</b>				<b>\$ 2,710,765</b>	<b>\$ 48,308</b>	<b>\$ 2,759,073</b>

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



## **FUND FINANCIAL STATEMENTS**

The Individual Fund statements and schedules present more detailed information for the individual fund in a format that segregates information by fund type.



ANDOVER REGIONAL SCHOOL DISTRICT

Exhibit B-1

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2016

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 435,501		\$ 1,465	\$ 1,472	\$ 438,438
Receivables from Other Governments	222,639	\$ 63,368			286,007
Other Receivables					-
Interfund Receivables	42,108		1,993	3,456	47,557
<b>TOTAL ASSETS</b>	<u>\$ 700,248</u>	<u>\$ 63,368</u>	<u>\$ 3,458</u>	<u>\$ 4,928</u>	<u>\$ 772,002</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts Payable	\$ 818				\$ 818
Due State Government					-
Interfund Payable		\$ 41,445	\$ 3,456		44,901
Deferred Revenue		21,923			21,923
<b>Total Liabilities</b>	<u>818</u>	<u>63,368</u>	<u>3,456</u>	<u>-</u>	<u>67,642</u>
<b>Fund Balances:</b>					
<u>Restricted for:</u>					
Capital Reserve Account	155,000				155,000
Capital Projects Fund			2		2
Debt Service Fund				\$ 4,928	4,928
<u>Assigned to:</u>					
Year-End Encumbrances	96,129				96,129
General Fund - Designated for Subsequent Year's Expenditures	150,000				150,000
<u>Unassigned:</u>					
General Fund	298,301				298,301
<b>Total Fund Balances</b>	<u>699,430</u>		<u>2</u>	<u>4,928</u>	<u>704,360</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 700,248</u>	<u>\$ 63,368</u>	<u>\$ 3,458</u>	<u>\$ 4,928</u>	<u>\$ 772,002</u>

Amounts reported for *governmental activities* in the statement of net position (A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$21,027,340 and the accumulated depreciation is \$6,935,646.

\$ 14,091,694

Deferred Outflows related to pension contributions subsequent to the Net Pension Liability measurement date and other deferred items are not current financial resources and therefore are not reported in the fund statements. (See Note 8)

624,812

Deferred Inflows related to pension actuarial gains from experience and differences in actual return and assumed returns and other deferred items are not reported as liabilities in the fund statements. (See Note 8)

(51,078)

Long-term liabilities, including Net Pension Liability, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 8)

(3,176,886)

Long-term liabilities, including bonds payable, Compensated Absences, and Lease Obligations are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 7)

(9,387,674)

Accrued Interest on Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 7)

(94,463)

Net Position of governmental activities (Exhibit A-1)

\$ 2,710,765

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

ANDOVER REGIONAL SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2016

Exhibit B-2

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
<b>Local sources:</b>					
Local Tax Levy	\$ 12,592,919			\$ 742,684	\$ 13,335,603
Tuition	79,044				79,044
Miscellaneous	20,315		\$ 2		20,317
<b>Total - Local Sources</b>	<b>12,692,278</b>	<b>-</b>	<b>2</b>	<b>742,684</b>	<b>13,434,964</b>
<b>State Sources</b>	<b>3,688,974</b>			<b>179,496</b>	<b>3,868,470</b>
<b>Federal Sources</b>	<b>-</b>	<b>\$ 244,502</b>			<b>244,502</b>
<b>Total Revenues</b>	<b>16,381,252</b>	<b>244,502</b>	<b>2</b>	<b>922,180</b>	<b>17,547,936</b>
<b>EXPENDITURES</b>					
<b>Current:</b>					
Regular Instruction	3,979,996	126,911			4,106,907
Special Education Instruction	1,677,493				1,677,493
Other Special Instruction	18,673				18,673
Other Instruction	280,781				280,781
Support services and undistributed costs:					
Tuition	4,621,849				4,621,849
Student and Instruction Related Services	1,531,122	117,591			1,648,713
School Administrative Services	375,230				375,230
Other Administrative Services	699,961				699,961
Plant Operations and Maintenance	853,536				853,536
Pupil Transportation	1,066,951				1,066,951
Unallocated Benefits	1,146,665				1,146,665
Transfer to Charter School	68,611				68,611
<b>Debt Service:</b>					
Principal				705,000	705,000
Interest and Other Charges				268,200	268,200
<b>Capital Outlay</b>	<b>153,066</b>		<b>-</b>		<b>153,066</b>
<b>Total Expenditures</b>	<b>16,473,934</b>	<b>244,502</b>	<b>-</b>	<b>973,200</b>	<b>17,691,636</b>
Excess (Deficiency) of Revenues Over Expend.	(92,682)		2	(51,020)	(143,700)
Net Change in Fund Balances	(92,682)	-	2	(51,020)	(143,700)
Fund Balance—July 1	792,112		-	55,948	848,060
<b>Fund Balance—June 30</b>	<b>\$ 699,430</b>		<b>\$ 2</b>	<b>4,928</b>	<b>\$ 704,360</b>

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

ANDOVER REGIONAL SCHOOL DISTRICT

Exhibit B-3

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016**

**Total Net Change in Fund Balances - Governmental Funds (from B-2)** \$ (143,700)

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 capital outlays exceeded depreciation in the period.

Depreciation Expense	\$	(428,014)	
Capital Outlays		<u>8,998</u>	(419,016)

Pension contributions are reported in governmental funds as expenditures. However, in the statement of activities, the contributions are adjusted for actuarial valuation adjustments, including service and interest costs, administrative costs, investment returns, and experience/assumption. This is the amount by which net pension liability and deferred inflows/outflows related to pension changed during the period.

31,855

Repayment of bond principal and capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.

792,725

Debt issued for the advance refunding less the amount of bonds defeased is not recorded in the governmental funds. This is the amortized balance for the period.

(22,135)

In the statement of activities, compensated absences is accrued regardless of when paid. In the governmental funds, compensated absences are reported when paid. This is the amount by which the current year's compensated absence payments exceed the current year's amount earned.

(282,089)

In the statement of activities, interest on long-term debt in the statement of statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. This is the amount by which current year's amount of interest accrual exceeds the prior year's amount.

6,112

**Change in Net Position of Governmental Activities (Exhibit A-2)**

\$ (36,248)

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

**STATEMENT OF PROPRIETARY NET POSITION  
 PROPRIETARY FUNDS**

June 30, 2016

	<b>Business-Type Activities - Enterprise Funds</b>		
	<u>Food Service</u>	<u>Preschool/ Childcare</u>	<u>Totals</u>
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and Cash Equivalents	\$ 29,616	\$ 10,238	\$ 39,854
Accounts Receivable-Federal and State	5,881		5,881
Inventories	5,755	-	5,755
<b>Total Current Assets</b>	<u>41,252</u>	<u>10,238</u>	<u>51,490</u>
<b>Noncurrent Assets:</b>			
Furniture, Machinery and Equipment	56,800		56,800
Less Accumulated Depreciation	(52,794)	-	(52,794)
<b>Total Noncurrent Assets</b>	<u>4,006</u>	<u>-</u>	<u>4,006</u>
<b>Total Assets</b>	<u><b>45,258</b></u>	<u><b>10,238</b></u>	<u><b>55,496</b></u>
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Accounts Payable	2,644		2,644
Interfund Payable	2,656		2,656
Deferred Revenue	1,888	-	1,888
<b>Total Current Liabilities</b>	<u>7,188</u>	<u>-</u>	<u>7,188</u>
<b>Total Liabilities</b>	<u><b>7,188</b></u>	<u><b>-</b></u>	<u><b>7,188</b></u>
<b>NET POSITION</b>			
Invested in Capital Assets Net of Related Debt	4,006	-	4,006
Unrestricted	34,064	10,238	44,302
<b>Total Net Position</b>	<u><b>\$ 38,070</b></u>	<u><b>\$ 10,238</b></u>	<u><b>\$ 48,308</b></u>

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

ANDOVER REGIONAL SCHOOL DISTRICT

Exhibit B-5

STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

	Business-type Activities - Enterprise Fund		
	Food Service	Preschool/ Childcare	Total Enterprise
<b>Operating Revenues:</b>			
Charges for Services:			
Daily Sales - Reimbursable Programs	\$ 52,312		\$ 52,312
Daily Sales - Non-Reimb. Programs	54,353		54,353
Program Fees		\$ 7,948	7,948
Miscellaneous Income	1,517	-	1,517
<b>Total Operating Revenues</b>	<u>108,182</u>	<u>7,948</u>	<u>116,130</u>
<b>Operating Expenses:</b>			
Cost of Sales	76,669		76,669
Salaries	44,768		44,768
Employee Benefits	11,400		11,400
Purchased Property Service	10,100		10,100
Cleaning, Repair and Maintenance Services	3,583		3,583
General Supplies		36	36
Miscellaneous	256		256
Depreciation	3,787	-	3,787
<b>Total Operating Expenses</b>	<u>150,563</u>	<u>36</u>	<u>150,599</u>
Operating Income (Loss)	<u>(42,381)</u>	<u>7,912</u>	<u>(34,469)</u>
<b>Nonoperating Revenues (Expenses):</b>			
State Sources:			
State School Lunch Program	1,461		1,461
Federal Sources:			
National School Lunch Program	34,711		34,711
Food Distribution Program	6,973	-	6,973
<b>Total Nonoperating Revenues (Expenses)</b>	<u>43,145</u>	<u>-</u>	<u>43,145</u>
Income (Loss) Before Contributions and Transfers	764	7,912	8,676
Transfers In (Out)	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	764	7,912	8,676
Total Net Position—Beginning	<u>37,306</u>	<u>2,326</u>	<u>39,632</u>
<b>Total Net Position—Ending</b>	<u>\$ 38,070</u>	<u>\$ 10,238</u>	<u>\$ 48,308</u>

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

## ANDOVER REGIONAL SCHOOL DISTRICT

Exhibit B-6

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

For the Year Ended June 30, 2016

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Food Service</b>	<b>Preschool/ Childcare</b>	<b>Total Enterprise</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Customers	\$ 108,227	\$ 10,106	\$ 118,333
Payments to Employees	(44,768)		(44,768)
Payments for Employee Benefits	(11,400)		(11,400)
Payments to Suppliers	(83,912)	(36)	(83,948)
<b>Net Cash Provided by (used for) Operating Activities</b>	<u>(31,853)</u>	<u>10,070</u>	<u>(21,783)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
State Sources	1,349	-	1,349
Federal Sources	31,597	-	31,597
<b>Net Cash Provided by (used for) Non-Capital Financing Activities</b>	<u>32,946</u>	<u>-</u>	<u>32,946</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,093	10,070	11,163
Balances—Beginning of Year	28,523	168	28,691
<b>Balances—End of Year</b>	<u>\$ 29,616</u>	<u>\$ 10,238</u>	<u>\$ 39,854</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (used) by Operating Activities:</b>			
Operating Income (Loss)	\$ (42,381)	\$ 7,912	\$ (34,469)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided			
by (used for) Operating Activities:			
Depreciation and Net Amortization	3,787		3,787
Federal Commodities	6,973		6,973
(Increase) Decrease in Accounts Receivable		2,839	2,839
(Increase) Decrease in Inventories	(1,362)		(1,362)
Increase (Decrease) in Accounts Payable	1,130	(681)	449
Total Adjustments	<u>10,528</u>	<u>2,158</u>	<u>12,686</u>
Net Cash Provided by (used for) Operating Activities	<u>\$ (31,853)</u>	<u>\$ 10,070</u>	<u>\$ (21,783)</u>

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



ANDOVER REGIONAL SCHOOL DISTRICT

Exhibit B-7

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS**

June 30, 2016

	<b>Unemployment Compensation <u>Trust</u></b>	<b>Agency <u>Fund</u></b>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 23,132	\$ 15,261
<b>Total Assets</b>	<u>\$ 23,132</u>	<u>\$ 15,261</u>
<b>LIABILITIES</b>		
Payable to Student Groups		15,156
Payroll Deductions and Withholdings		4
Health Account		101
<b>Total Liabilities</b>	<u>-</u>	<u>\$ 15,261</u>
<b>NET POSITION</b>		
Held in Trust for Unemployment Claims & Other Purposes	<u>\$ 23,132</u>	

**The accompanying Notes to Basic Financial Statements are an integral part of this statement.**

ANDOVER REGIONAL SCHOOL DISTRICT

Exhibit B-8

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS

For the Year Ended June 30, 2016

	<b>Unemployment Compensation <u>Trust</u></b>
<b>ADDITIONS</b>	
Contributions:	
Plan Member	\$ 23,965
Other	<u>4,700</u>
Total Contributions	<u>28,665</u>
Investment Earnings:	
Interest	<u>47</u>
Net Investment Earnings	<u>47</u>
<b>Total Additions</b>	<b><u>28,712</u></b>
<b>DEDUCTIONS</b>	
Unemployment Claims	21,377
Scholarship Awards	<u>-</u>
<b>Total Deductions</b>	<b><u>21,377</u></b>
Change in Net Position	7,335
Net Position—Beginning of the Year	\$ <u>15,797</u>
<b>Net Position—End of the Year</b>	<b><u>\$ 23,132</u></b>

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

# Notes to Financial Statements



ANDOVER REGIONAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Board of Education (Board) of the Andover Regional School District (District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental 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.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments (Statement No.34). This Statement provided for the most significant change in financial reporting in over twenty years and was phased-in (based on amount of revenues) starting with fiscal years ending 2002 (for larger governments). The District was not required to implement the new model until the 2003-2004 school year.

In addition, the School District has implemented GASB Statement No.37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus, Statement No.38, Certain Financial Statement Note Disclosures, Statement No.40, Deposit and Investment Risk Disclosures, an amendment of GASB Statement No.3, and Statement 44, Economic Condition Reporting: The Statistical Section (GASB 44), an amendment of NCGA Statement 1, Governmental Accounting and Financial Reporting Principles is found in the Introduction, a revised statistical section in the Outline of the CAFR, GASB Statement No. 45, Other Post-retirement Employee Benefits, GASB No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and GASB No. 63 and 65, Deferred Outflows and Inflows and Net Position, and Items Previously Reported as Assets and Liabilities, and GAASB No. 68, Accounting for Pensions, and amendment of GASB No. 27. The implementation of these statements did not effect net position balances as previously reported for the fiscal year ended June 30, 2015.

**A. Reporting Entity:**

The Andover Regional School District is a Type II district located in the County of Sussex, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The board is comprised of nine members elected to three-year terms. The purpose of the district is to educate students in grades K-8. The Andover Regional School District had an approximate enrollment at June 30, 2016, of 810 students.

The primary criterion for including activities within the District's reporting entity, as set forth in Section 2100 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*, is whether:

- the organization is legally separate (can sue or be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is a fiscal dependency by the organization on the District

Based on the aforementioned criteria, the District has no component units.

ANDOVER REGIONAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Presentation, Basis of Accounting:**

The School District's basic financial statements consist of District-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Basis of Presentation**

*District-wide Statements:* The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activity of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees and charged to external parties. The statement of net position presents the financial condition of the governmental and business-type activity of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for the business-type activity of the District and for each function of the District's governmental activities.

Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and 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. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the School District.

*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.

**GOVERNMENTAL FUNDS**

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 all expendable financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the Capital Outlay subfund.

ANDOVER REGIONAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Presentation, Basis of Accounting (Continued):**

**GOVERNMENTAL FUNDS (Continued)**

As required by the New Jersey State Department of Education, the District includes budgeted Capital Outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state 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 revenues. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by board resolution.

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

**Capital Projects Fund** - The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (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.

**Debt Service Fund** - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of principal and interest on bonds issued to finance major property acquisition, construction and improvement programs.

**PROPRIETARY FUNDS**

The District reports the following proprietary funds:

**Enterprise Fund** - The Enterprise Fund accounts for all revenues and expenses pertaining to the Board's cafeteria and child care operations. The enterprise fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the costs (i.e. expenses including depreciation and indirect costs) of providing goods or services on a continuing basis be financed or recovered primarily through user charges.

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 Unemployment Compensation Trust Fund.

ANDOVER REGIONAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Presentation, Basis of Accounting (Continued):**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

*District-wide, Proprietary, and Fiduciary Fund Financial Statements:* The District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the enterprise fund and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures. Ad Valorem (Property) Taxes are susceptible to accrual as under New Jersey Statute a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year.

The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an “accounts receivable”. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

*Governmental Fund Financial Statements:* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. 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. General 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.

All governmental and business-type activities and enterprise funds of the District follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.



ANDOVER REGIONAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Budgets/Budgetary Control:**

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the county office for approval and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting, except for the special revenue funds. 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. In addition, transfers are also covered by changes in N.J.A.C.6A:23A-2.3, that can require approval through the state department. All budget amendments/transfers must be approved by School Board resolution and are subject to transfer limitations and approvals per P.L. 2004, c.73(S-1701). All budget 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

Appropriations, except remaining project appropriations, encumbrances and unexpended grant appropriations, lapse at the end of each fiscal year. The capital projects fund presents the remaining project appropriations compared to current year expenditures.

Formal budgetary integration into the accounting system is employed as a management control device during the fiscal 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 legally mandated revenue recognition of the last state aid payment for budgetary purposes only and 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 revenues, whereas the GAAP basis does not recognize encumbrances as expenditures. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

**D. Encumbrance Accounting:**

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 reservations of 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 revenues 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 BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities and Equity:**

**Cash and Cash Equivalents:**

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

**Interfund Transactions:**

Transfers between governmental and business-type activities on the District-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. 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.

**Inventories:**

Inventory purchases, other than those recorded in the enterprise fund, are recorded as expenditures during the year of purchase. Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method.

**Allowance for Uncollectible Accounts:**

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

**Capital Assets:**

The District has established a formal system of accounting for its capital assets. Purchased or constructed capital assets are reported at cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The School District does not possess any infrastructure. The capitalization threshold used by school districts in the State of New Jersey is \$2,000.

All reported capital assets except for land and construction in progress are depreciated. Depreciation is computed using the straight-line method under the half-year convention over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
School Buildings	50
Building Improvements	20
Electrical/Plumbing	30
Vehicles	8
Office and Computer Equipment	5-10
Instructional Equipment	10
Grounds Equipment	15

ANDOVER REGIONAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities and Equity (Continued):**

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

**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 with the District's personnel policies. Upon termination, employees are paid accrued vacation. The District's policy permits employees to accumulate unused sick leave and carry forward the full amount to subsequent years. Upon retirement employees shall be paid by the District for the unused sick leave in accordance with the District's agreements with the various employee unions.

The liability for compensated absences was accrued using the termination payment method, whereby the liability is calculated based on the amount of sick leave that is expected to become eligible for payment upon termination. The District estimates its accrued compensated absences liability based on the accumulated sick and vacation days at the balance sheet date by those employees who are currently eligible to receive termination payments. Salary related payments for the employer's share of social security and medicare taxes, as well as pension contributions, are included.

For the District-wide Statements, the current portion is the amount estimated to be used in the following year. In accordance with GAAP, for the governmental funds, in the Fund Financial Statements, all of the compensated absences are considered long-term and therefore, are not a fund liability and represents a reconciling item between the fund level and District-wide presentations.

**Deferred Revenue:**

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations, have been recorded as deferred revenue. Grants and entitlement received before the eligible requirements are met are also recorded as deferred revenue.

**Accrued Liabilities and Long-Term Obligations:**

All payables, accrued liabilities and long-term obligations are reported on the District-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, contractually required pension contributions and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

ANDOVER REGIONAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities and Equity (Continued):**

**Net Position:**

Net Position represent the difference between assets and liabilities. Net Position 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 Position 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 position are available.

**Fund Balance Reserves:**

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. A fund balance reserve has been established for encumbrances.

**Revenues—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, income 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 income taxes is recognized in the period in which the income is earned. 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 available as an advance, interest and tuition.

**Operating Revenues and Expenses:**

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the School District, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

ANDOVER REGIONAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities and Equity (Continued):**

**Allocation of Indirect Expenses:**

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses are allocated to functions but are reported separately in the Statement of Activities. Employee benefits, including the employer's share of social security, workers compensation and medical and dental benefits, were allocated based on salaries of that program. Depreciation expense, where practicable, is specifically identified by function and is included in the indirect expense column of the Statement of Activities. Depreciation expense, that could not be attributed to a specific function, is considered an indirect expense and is reported separately on the Statement of Activities. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

**Extraordinary and Special Items:**

Extraordinary items are transactions or events that are unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

**Management Estimates:**

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

**NOTE 2: CASH AND CASH EQUIVALENTS**

**Deposits:**

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

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

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

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

ANDOVER REGIONAL SCHOOL DISTRICT  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 2: CASH AND CASH EQUIVALENTS (Continued)**

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.

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the district's accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the municipality would not be able to recover the value of its deposits or investment). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. At June 30, 2016, all of the district's deposits were collateralized by securities held in its name and, accordingly, not exposed to custodial credit risk. The district does not have a policy for custodial credit risk.

As of June 30, 2016, cash and cash equivalents of the District consisted of the following:

	<u>Cash and Cash Equivalents (A-1)</u>	<u>Cash and Cash Equivalents (H-1)</u>	<u>Total</u>
Checking	\$460,585	\$38,393	\$498,978
	<u>\$460,585</u>	<u>\$38,393</u>	<u>\$498,978</u>

The carrying amount of the Board's cash and cash equivalents at June 30, 2016, was \$498,978 and the bank balance was \$891,790. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes. Of these bank balances, \$306,410 was covered by federal depository insurances and \$585,380 was covered by collateral pool.

**Investments**

Pursuant to the Enabling Act, the funds of the district may be invested in any direct obligations of, or obligations as to which the principal and interest thereof is guaranteed by, the United States of America or other obligations as the district may approve.

In order to maximize liquidity, the district utilizes the New Jersey Cash Management Fund ("NJCMF") as its sole investments. The NJCMF is administered by the New Jersey Department of Treasury. It invests pooled monies from various State and non-State agencies in primarily short-term investments. These investments include: U.S. Treasuries, short-term Commercial Paper, U.S. Agency Bonds, Corporate Bonds, and Certificates of Deposit. Agencies that participate in the NJCMF typically earn returns that mirror short-term investment rates. Monies can be freely added or withdrawn from the NJCMF on a daily basis without penalty. At June 30, 2016, the district's balance was **\$17,707**.

ANDOVER REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 3: RECEIVABLES**

Receivables at June 30, 2016, consisted of accounts and intergovernmental. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

	Governmental Fund Financial <u>Statements</u>	Government-Wide Financial <u>Statements</u>
State Aid	\$222,639	\$222,866
Federal Aid	63,368	69,022
Gross Receivable	<u>\$286,007</u>	<u>291,888</u>
Less: Allow. for Uncollectibles	-	-
Total Receivables, Net	<u><u>\$286,007</u></u>	<u><u>\$291,888</u></u>

**NOTE 4: INVENTORY**

Inventory in the Food Service Fund at June 30, 2016, consisted of the following:

Food	<u>\$5,755</u>
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The value of Federal donated commodities as reflected on Schedule A (required by the Single Audit Law of 1996, as revised) is the difference between market value and cost of the commodities at the date of purchase and has been included as an item of nonoperating revenue in the financial statements.

**NOTE 5: DEFERRED BOND ISSUANCE COSTS**

In governmental funds, debt issuance costs are recognized in the current period. For the District-wide financial statements, governmental activity debt issuance costs are amortized straight-line over the life of the specific bonds (18 to 20 years). The costs associated with the issued of the various bonds are immaterial and are not amortized on the District-wide financial statements.

ANDOVER REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 6: CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	Ending <u>Balance</u>
<b>Governmental Activities:</b>				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 265,016			\$ 265,016
Total Capital Assets Not Being Depreciated	265,016			265,016
<i>Capital Assets Being Depreciated:</i>				
Land Improvements	329,947			329,947
Buildings and Building Improvements	20,113,876			20,113,876
Machinery and Equipment	309,503	\$ 8,998		318,501
Total at Historical Cost	20,753,326	8,998		20,762,324
Less Accumulated Depreciation for:				
Land Improvements	(283,315)	(5,117)		(288,433)
Building and Improvements	(5,988,749)	(409,706)		(6,398,455)
Equipment	(235,568)	(13,190)		(248,758)
Total Accumulated Depreciation	(6,507,632)	(428,013)		(6,935,646)
Total Capital Assets Being Depreciated, net of Accumulated Depreciation	14,245,694	(419,015)		13,826,678
<b>Government Activity Capital Assets, Net</b>	<b>\$ 14,510,710</b>	<b>\$ (419,015)</b>		<b>\$ 14,091,694</b>

On January 11, 2001, the NJ State Department of Education announced that effective July 1, 2001, the capitalization threshold used by school districts in the State of New Jersey is increased to \$2,000. The previous threshold was \$500. Applying the higher capitalization threshold retroactively (removal of old assets from the General Fixed Assets Account Group) will be permitted by the State regulations in situations where (1) the assets have been fully depreciated, or (2) the assets have exceeded their useful lives. The retirement of machinery and equipment is due to the retroactive application of the higher threshold of equipment capitalization. That is, the District has removed from their records assets with a historical cost greater than \$500 but not greater than \$2,000 that were fully depreciated or had exceeded their useful lives.

Depreciation expense was charged to functions as follows:

Instruction	\$ 385,211
Direct Expenses of Various Functions	42,802
Total	<u>\$ 428,013</u>

**NOTE 7: LONG-TERM OBLIGATIONS**

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



ANDOVER REGIONAL SCHOOL DISTRICT  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 7: LONG-TERM OBLIGATIONS (Continued)**

**A. Long-Term Obligation Activity:**

Changes in long-term obligations for the year ended June 30, 2016, are as follows:

	Balance <u>7/1/15</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>6/30/16</u>	Amounts Due Within <u>One Year</u>
<b>Governmental Activities:</b>					
Bonds Payable:					
General Obligation Debt	\$9,385,000		(\$705,000)	\$8,680,000	\$715,000
Other Liabilities:					
Capital Leases	316,978		(87,725)	229,253	57,313
Compensated Absences Payable	196,332	\$282,089		478,421	
<b>Total</b>	<u>\$9,898,310</u>	<u>\$282,089</u>	<u>(\$792,725)</u>	<u>\$9,387,674</u>	<u>\$772,313</u>

Compensated absences and capital leases have been liquidated in the General Fund.

Interest paid on debt issued by the District is exempt from federal income taxes. Because of this, bond holders are willing to accept a lower interest rate than they would on taxable debt. The District temporarily reinvests the proceeds of such debt in higher-yielding taxable securities, especially during construction projects. The federal tax code refers to this as arbitrage.

Earnings in excess of the yield on the debt issue are rebated to the federal government based on requirements in the Internal Revenue Code. Arbitrage rebate payable represents amounts due to the Internal Revenue Service for interest earned on unspent bond proceeds that exceeds legally allowable returns.

Rebatable arbitrage liabilities related to District debt are not recorded in governmental funds. There is no recognition in the balance sheet or income statement until rebatable amounts are due and payable to the federal government. Thus, rebatable arbitrage liabilities related to governmental debt will be accrued as incurred at least annually (at fiscal year end) on the District-wide financial statements.

For the year ended June 30, 2016, it is not necessary for the Board to establish a liability for arbitrage rebate.

	Government Activities			Balance
	<u>Issue Dates</u>	<u>Interest Rates</u>	<u>Date of Maturity</u>	<u>6/30/16</u>
Series 2012 Refunding Bonds	6/15/12	2.1-4.0%	2/15/30	\$ 3,895,000
Series 2014 Refunding Bonds	9/1/14	2.0-3.0%	2/15/25	<u>4,785,000</u>
Total Bonds				<u>\$ 8,680,000</u>

ANDOVER REGIONAL SCHOOL DISTRICT  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 7: LONG-TERM OBLIGATIONS (Continued)**

**B. Debt Service Requirements:**

Debt Service requirements on serial bonds payable at June 30, 2016, is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 715,000	\$ 251,900	\$ 966,900
2018	725,000	236,475	961,475
2019	755,000	217,375	972,375
2020	765,000	202,275	967,275
2021	785,000	180,550	965,550
Thereafter	<u>4,935,000</u>	<u>701,125</u>	<u>5,636,125</u>
	<u>\$ 8,680,000</u>	<u>\$ 1,789,700</u>	<u>\$ 10,469,700</u>

**NOTE 8: PENSION PLANS**

*Description of Plans* - All required employees of the District are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pension and Benefits, PO Box 295, Trenton, New Jersey, 08625 or on the internet at <http://www.state.nj.us/treasury/pensions/annrpts.shtml>.

*Teachers' Pension and Annuity Fund (TPAF)* - The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, 100% of employer contributions are made by the State of New Jersey on behalf of the District and the system's other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

*Summary of Significant Accounting Policies* - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers Pension and Annuity Fund (TPAF) and additions to/deductions from the TPAF's fiduciary net position have been determined on the same basis as they are reported by the TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

ANDOVER REGIONAL SCHOOL DISTRICT  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 8: PENSION PLANS (Continued)**

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

The employer contributions for the district are legally required to be funded by the State in accordance with N.J.S.A 18:66-33. Therefore, the district (employer) is considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the district (employer) does not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the district. However, the state's portion of the net pension liability that was associated with the district was \$29,656,882 as measured on June 30, 2015 and \$25,290,246 as measured on June 30, 2014.

*For the year ended June 30, 2016, the District recognized pension expense of \$1,810,820 and revenue of \$1,810,820 for support provided by the State. The measurement period for the pension expense and revenue reported in the district's financial statements (A-2) at June 30, 2016 is based upon changes in the collective net pension liability with a measurement period of June 30, 2014 through June 30, 2015. Accordingly, the pension expense and the related revenue associated with the support provided by the State is based upon the changes in the collective net pension liability between July 1, 2014 and June 30, 2015.*

Although the district does not report net pension liability or deferred outflows or inflows related to the TPAF, the following schedule illustrates the collective net pension liability and deferred items and the State's portion of the net pension liability associated with the district. The collective amounts are the total of all New Jersey local governments participating in the TPAF plan.

	<u>6/30/2014</u>	<u>6/30/2015</u>
Collective deferred outflows of resources	\$2,306,623,861	\$7,521,378,257
Collective deferred inflows of resources	\$1,763,205,593	\$554,399,005
Collective net pension liability (Nonemployer-State of New Jersey)	\$53,446,745,367	\$63,204,270,305
State's portion of the net pension liability that was associated with the district	\$25,290,246	\$29,656,882
State's portion of the net pension liability that was associated with the district as a percentage of the collective net pension liability	0.047319%	0.046922%

*Actuarial assumptions* - The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation:	2.5%
Salary Increases:	Varies based on experience
Investment Rate of Return:	7.90%

ANDOVER REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 8: PENSION PLANS (Continued)**

Mortality rates were based on the RP-2000 Health Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

*Long-Term Expected Rate of Return* - In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Cash	5.00%	0.53%
US Government Bonds	1.75%	1.39%
US Credit Bonds	13.50%	2.72%
US Mortgages	2.10%	2.54%
US Inflation-Indexed Bonds	1.50%	1.47%
US High Yield Bonds	2.00%	4.57%
US Equity Market	27.25%	5.63%
Foreign-Developed Equity	12.00%	6.22%
Emerging Markets Equity	6.40%	8.46%
Private Real Estate Property	4.25%	3.97%
Timber	1.00%	4.09%
Farmland	1.00%	4.61%
Private Equity	9.25%	9.15%
Commodities	1.00%	3.58%
Hedge Funds - MultiStrategy	4.00%	4.59%
Hedge Funds - Equity Hedge	4.00%	5.68%
Hedge Funds - Distressed	4.00%	4.30%

ANDOVER REGIONAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 8: PENSION PLANS (Continued)**

*Discount rate.* The discount rate used to measure the State's total pension liability was 4.13% and 4.68% as of June 30, 2015 and 2014, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.80% and 4.29% as of June 30, 2015 and 2014, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers (State of New Jersey) will be made based on the average of the last five years. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2027. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit payments after that date in determinin;

*Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.* Since the District has no proportionate share of the net pension liability because of the special funding situation, the district would not be sensitive to any changes in the discount rate. Detailed information about the pension plan's sensitivity of the collective net pension liability to changes in the discount rate is available in the separately issued State of New Jersey at <http://www.state.nj.us/treasury/pensions/annrpts.shtml>.

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at <http://www.nj.gov/treasury/pensions/financial-rpts-home.shtml>.

**Public Employees' Retirement System (PERS)** - The Public Employees' Retirement System (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction.

*Summary of Significant Accounting Policies* - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

ANDOVER REGIONAL SCHOOL DISTRICT  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 8: PENSION PLANS (Continued)**

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

At June 30, 2016, the District reported a liability of \$3,176,886 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. The District's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2015 and 2014. At June 30, 2015, the District's proportion was 0.01415% which was an increase of 0.00042% from its proportion measured as of June 30, 2014.

*For the year ended June 30, 2016, the District recognized pension expense of \$224,084. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:*

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Differences between expected and actual experience	\$ 75,789	-
Changes of assumptions	341,172	
Net difference between projected and actual earnings on pension plan investments		\$ 51,078
Changes in proportion and differences between District contributions and proportionate share of contributions	73,578	
District contributions subsequent to the measurement date	134,273	-
<b>Total</b>	<u>\$ 624,812</u>	<u>\$ 51,078</u>

\$134,273 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2016, the plan measurement date is June 30, 2015) will be recognized as a reduction of the net pension liability measured as of June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Year Ended June 30:</u>
2016	\$80,004
2017	80,004
2017	80,004
2018	127,419
2019	<u>72,030</u>
<b>Total</b>	<u>\$439,461</u>

ANDOVER REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 8: PENSION PLANS (Continued)**

	<u>6/30/2014</u>	<u>6/30/2015</u>
Collective deferred outflows of resources	\$952,194,675	\$3,578,755,666
Collective deferred inflows of resources	1,479,224,662	993,410,455
Collective net pension liability (Non State - Local Group)	\$18,722,735,003	\$22,447,996,119
District's portion of net pension liability	\$2,571,151	\$3,176,886
District's proportion %	0.01373277%	0.01415220%

*Actuarial assumptions.* The collective total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions:

Inflation:	3.04%
Salary Increases:	
2012-2021	2.15%-4.40% based on age
Therafter	3.15%-5.40% based on age
Investment Rate of Return:	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 Based on Projection Scale AA.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

*Long-Term Expected Rate of Return* - In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad US Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds I Absolute	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%

ANDOVER REGIONAL SCHOOL DISTRICT  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 8: PENSION PLANS (Continued)**

*Discount rate.* The discount rate used to measure the total pension liability was 4.90% and 5.39% as of June 30, 2015 and 2014, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.80% and 4.29% as of June 30, 2015 and 2014, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions.

Based on those assumptions, the plan’s fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

*Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate.* The following presents the District’s proportionate share of the net pension liability measured as of June 30, 2015, calculated using the discount rate of 4.90%, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.90%) or 1-percentage-point higher (5.90%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>(3.90%)</u>	<u>(4.90%)</u>	<u>(5.90%)</u>
District's proportionate share of the net pension liability	\$ 3,948,481	\$ 3,176,886	\$ 2,529,987

*Pension plan fiduciary net position.* Detailed information about the pension plan’s fiduciary net position is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at <http://www.nj.gov/treasury/pensions/financial-rprts-home.shtml>.

**Defined Contribution Retirement Plan (DCRP)** - The Defined Contribution Retirement Program (DCRP) was established as of July 1, 2007 under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et seq.). The DCRP is a cost-sharing multiple-employer defined contribution pension fund. The DCRP provides eligible members, and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N. J.S.A. 43:15C-1 et. seq.

The contribution requirements of plan members are determined by state statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. The State Treasurer has the right under current law to make temporary reductions in member rates based on the existence of surplus plan assets in the retirement system; however statute also requires the return to the normal rate when such surplus pension assets no longer exist.



ANDOVER REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 8: PENSION PLANS (Continued)**

**PERS and TPAF Vesting and Benefit Provisions** - The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:6C for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/60 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age.

The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

**Significant Legislation** - Chapter 78, P.L. 2011, effective June 28, 2011 made various changes to the manner in which the Public Employees' Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS) operate and to the benefit provisions of those systems.

Chapter 78's provisions impacting employee pension and health benefits include:

□ New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of ¼ of 1% for each month that the member is under age 65. □ The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members. □ The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. □ Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years; PFRS active member rate increase from 8.5% to 10%. For fiscal year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates for PES members will take place in July of each subsequent fiscal year.

□ The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law. □ New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary. □ In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

ANDOVER REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 8: PENSION PLANS (Continued)**

Contribution Requirements - The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 (PERS) and N.J.S.A. 18:66 (TPAF) requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 6.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The current TPAF rate is 6.5% and the PERS rate is 6.5% of covered payroll.

<u>Three-Year Trend Information for PERS</u>			
<u>Year</u> <u>Funding</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/2016	\$134,273	100 %	-0-
6/30/2015	\$113,211	100 %	-0-
6/30/2014	\$103,076	100 %	-0-

<u>Three-Year Trend Information for TPAF (On behalf)</u>			
<u>Year</u> <u>Funding</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/2016	\$357,205	100 %	-0-
6/30/2015	\$253,679	100 %	-0-
6/30/2014	\$200,177	100 %	-0-

During the fiscal year ended June 30, 2016, the State of New Jersey did contribute \$782,537 to the TPAF for post-retirement benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$352,485 during the year ended June 30, 2016, for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. The PERS amounts have been included in the fund-based statements as pension expense and the TPAF on-behalf amounts have been included in fund-based statements as revenues and expenditures. The PERS and TPAF amounts have been modified and included in the District-wide financial statements in accordance with GASB Statement No. 68.

**NOTE 9: POST-RETIREMENT BENEFITS**

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (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. P.L. 2007, c.103 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, 2015, there were 107,314 retirees receiving post-retirement medical benefits, and the State contributed \$1.25 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

ANDOVER REGIONAL SCHOOL DISTRICT  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 9: POST-RETIREMENT BENEFITS - (Continued)**

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$214.1 million toward Chapter 126 benefits for 19,056 eligible retired members in Fiscal Year 2015.

GASB Statement #45 requires certain disclosures relating to governmental entities obligations for other post-employment benefits (OPEB), which are post-employment benefits other than pensions. The District does not provide post-employment benefits other than pension. Healthcare provided to eligible TPAF and PERS board of education retirees through the NJ State Health Benefits Program are paid by the the State of New Jersey and as such, no district OPEB liability exists.

**NOTE 10: 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 sick leave in varying amounts under the District's personnel agreement. Sick leave benefits provide for ordinary sick pay and begin vesting with the employee after initial service and amounts are payable at predetermined values upon retirement in the state pension system.

In the district-wide *Statement of 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.

**NOTE 11: INTERFUND RECEIVABLES AND PAYABLES**

The following interfund balances remained on the balance sheet at June 30, 2016:

	<u>Interfund Receivable</u>		<u>Interfund Payable</u>
General Fund	\$ 42,108		-
Capital Projects Fund	1,993	\$	3,456
Special Revenue Fund			41,445
Enterprise Fund			2,656
Debt Service Fund	3,456		
	<u>\$ 47,557</u>	<u>\$</u>	<u>47,557</u>

The interfund payable in the special revenue fund is due to the general fund for cash advances to cover cash deficit caused by federal grant reimbursements that have not yet been received. The interfund payable in the capital projects fund is due to the general fund for interest received, but not yet transferred to the general fund.

ANDOVER REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 12: 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.

**Property and Liability Insurance** - The District maintains commercial insurance coverage for property, liability, student accident and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

**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 District contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the District's expendable trust fund for the current and previous two years:

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2015-2016	\$4,747	\$23,965	\$21,377	\$23,132
2014-2015	\$2,794	\$32	\$2,816	\$15,797
2013-2014	\$21,559	\$7,817	\$33,094	\$15,787

**NOTE 13: CONTINGENT LIABILITIES**

**GRANT PROGRAMS**

The Board participates in state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The Board is potentially liable for any expenditures which may be disallowed pursuant to the 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 Board is not involved in any know claims or lawsuits.

ANDOVER REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 14: CAPITAL RESERVE ACCOUNT**

A capital reserve account was established by the Andover Regional School District Board of Education 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. 6A:23A-14.1(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the July 1, 2015 to June 30, 2016 fiscal year is as follows:

Beginning balance July 1, 2015	-
Deposits (PL 2007 c.62 (A1)) - June 7, 2016 Resolution	\$ 155,000
Ending balance June 30, 2016	<u>\$ 155,000</u>

**NOTE 15: FUND BALANCE APPROPRIATED**

General Fund (Exhibit B-1) - Of the \$699,430 General Fund fund balance at June 30, 2016, \$155,000 is reserved in the Capital Reserve Account; \$96,129 is reserved for encumbrances; \$150,000 has been appropriated and included as anticipated revenue for the year ending June 30, 2017; and \$298,301 is unreserved and undesignated.

**NOTE 16: CALCULATION OF EXCESS SURPLUS**

The designation for Reserved Fund Balance – Excess Surplus is a required calculation pursuant to N.J.S.A. 18A:7F-7, as amended. New Jersey school districts are required to reserve 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 years' budget. The excess fund balance at June 30, 2016 is zero.

**NOTE 17: RETROACTIVE RESTATEMENT OF NET POSITION**

**Restatement of Prior Period:**

As an ongoing process of maintaining records in accordance with GASB#34, the district conducted a physical appraisal of capital assets as of June 30, 2016. The appraisal revealed asset activity that that should be recorded as of June 30, 2015. Accordingly, a restatement of Net Position as of June 30, 2015 was necessary.

<u>Governmental Activities Net Position:</u>	
Net Position (per A-1), June 30, 2015	\$ 3,225,962
Restatement of Capital Assets	<u>(478,949)</u>
Net Position (per A-1), June 30, 2015, as Restated	<u>\$ 2,747,013</u>



**REQUIRED SUPPLEMENTARY INFORMATION - PART II**

**BUDGETARY COMPARISON SCHEDULES**



ANDOVER REGIONAL SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>REVENUES:</b>					
<b>Local Sources:</b>					
Local Tax Levy	\$ 12,592,919		\$ 12,592,919	\$ 12,592,919	
Tuition	30,000		30,000	79,044	\$ 49,044
Miscellaneous	2,997		2,997	20,315	17,318
<b>Total - Local Sources</b>	<b>12,625,916</b>	<b>-</b>	<b>12,625,916</b>	<b>12,692,278</b>	<b>66,362</b>
<b>State Sources:</b>					
Equalization Aid	29,231		29,231	29,231	
School Choice	39,474		39,474	39,474	
Transportation Aid	542,362		542,362	542,362	
Special Education Aid	464,116		464,116	464,116	
Security Aid	61,304		61,304	61,304	
Adjustment Aid	1,182,448		1,182,448	1,182,448	
PARCC Readiness Growth	8,160		8,160	8,160	
Per Pupil Growth Aid	8,160		8,160	8,160	
Extraordinary Aid				214,276	214,276
Other State Aid				8,363	8,363
TPAF Pension (On-Behalf - Non-Budgeted)				340,256	340,256
TPAF Post Retirement Medical (On-Behalf - Non-Budgeted)				425,332	425,332
TPAF Pension Non-contributory Insurance (On-Behalf - Non-Budgeted)				16,949	16,949
TPAF Social Security (Reimbursed - Non-Budgeted)				352,485	352,485
<b>Total State Sources</b>	<b>2,335,255</b>		<b>2,335,255</b>	<b>3,692,916</b>	<b>1,357,661</b>
<b>TOTAL REVENUES</b>	<b>14,961,171</b>		<b>14,961,171</b>	<b>16,385,194</b>	<b>1,424,023</b>

ANDOVER REGIONAL SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE**

**GENERAL FUND**

Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>EXPENDITURES:</b>					
<b>Current Expense:</b>					
<b>Regular Programs - Instruction:</b>					
Kindergarten - Salaries of Teachers	145,058	(18,689)	126,369	125,898	471
Grades 1-5 - Salaries of Teachers	1,363,422	(412,341)	951,081	951,073	8
Grades 6-8 - Salaries of Teachers	1,123,526	314,360	1,437,886	1,437,511	375
<b>Regular Programs - Undistributed Instruction:</b>					
Other Salaries for Instruction	26,745	25,580	52,325	52,323	2
Unused Vacation Payment to Terminated/Retired Staff	19,157		19,157	19,157	
Social Security Contributions	100,000	79,378	179,378	179,378	
Other Retirement Contributions - PERS	119,000	15,278	134,278	134,273	5
Unemployment Compensation	16,300	(11,308)	4,992	4,985	7
Workmen's Compensation	49,278		49,278	49,278	
Health Benefits	714,830	(85,105)	629,725	629,724	1
Tuition Reimbursement	42,500	(5,090)	37,410	37,410	
Purchased Technical Services		24,124	24,124		24,124
Other Purchased Services (400-500 series)	21,695	49,048	70,743	70,128	615
General Supplies	147,659	26,696	174,355	156,970	17,385
Textbooks	58,000	219	58,219	58,219	
Other Objects	75,000	(1,330)	73,670	73,669	1
<b>TOTAL REGULAR PROGRAMS - INSTRUCTION</b>	<b>4,022,170</b>	<b>820</b>	<b>4,022,990</b>	<b>3,979,996</b>	<b>42,994</b>
<b>SPECIAL EDUCATION - INSTRUCTION</b>					
<b>Learning or Language Disabilities:</b>					
Salaries of Teachers	190,973	182,981	373,954	373,953	1
Other Salaries for Instruction	132,312	(29,227)	103,085	102,857	228
General Supplies	8,600		8,600	8,215	385
<b>Total Learning or Language Disabilities</b>	<b>331,885</b>	<b>153,754</b>	<b>485,639</b>	<b>485,025</b>	<b>614</b>

ANDOVER REGIONAL SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE**

**GENERAL FUND**

Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>Special Education - Multiple Disabilities:</b>					
Salaries of Teachers	58,745	2,230	60,975	59,870	1,105
Other Salaries for Instruction	24,563	75,551	100,114	99,756	358
General Supplies	2,000	2,637	4,637	4,636	1
<b>Total Special Education - Multiple Disabilities</b>	<b>85,308</b>	<b>80,418</b>	<b>165,726</b>	<b>164,262</b>	<b>1,464</b>
<b>Resource Room/Resource Center:</b>					
Salaries of Teachers	808,763	(99,538)	709,225	630,138	79,087
Other Salaries for Instruction	111,688	(83,466)	28,222	26,625	1,597
General Supplies	11,078	7,808	18,886	18,646	240
<b>Total Resource Room/Resource Center</b>	<b>931,529</b>	<b>(175,196)</b>	<b>756,333</b>	<b>675,409</b>	<b>80,924</b>
<b>Preschool Disabilities - Part Time:</b>					
Salaries of Teachers	66,146		66,146	63,986	2,160
Other Salaries for Instruction	27,255	(15,453)	11,802	9,039	2,763
<b>Total Preschool Disabilities - Part Time</b>	<b>93,401</b>	<b>(15,453)</b>	<b>77,948</b>	<b>73,025</b>	<b>4,923</b>
<b>Home Instruction:</b>					
Salaries of Teachers	7,000		7,000	287	6,713
<b>Total Home Instruction</b>	<b>7,000</b>		<b>7,000</b>	<b>287</b>	<b>6,713</b>
<b>Special Programs Instruction:</b>					
Health Benefits	202,568	80,833	283,401	279,485	3,916
<b>Total Special Programs Instruction</b>	<b>202,568</b>	<b>80,833</b>	<b>283,401</b>	<b>279,485</b>	<b>3,916</b>
<b>TOTAL SPECIAL EDUCATION - INSTRUCTION</b>	<b>1,651,691</b>	<b>124,356</b>	<b>1,776,047</b>	<b>1,677,493</b>	<b>98,554</b>
<b>Basic Skills/Remedial - Instruction:</b>					
Salaries of Teachers	99,976	99,125	199,101	196,678	2,423
General Supplies	2,342		2,342	1,305	1,037
<b>Total Basic Skills/Remedial - Instruction</b>	<b>102,318</b>	<b>99,125</b>	<b>201,443</b>	<b>197,983</b>	<b>3,460</b>

ANDOVER REGIONAL SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE**

**GENERAL FUND**

Fiscal Year Ended June 30, 2016

	<b>Original Budget</b>	<b>Budget Transfers</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>Bilingual Education - Instruction:</b>					
Salaries of Teachers	14,345	3,587	17,932	17,931	1
General Supplies	1,264	1,856	3,120	742	2,378
<b>Total Bilingual Education - Instruction</b>	<b>15,609</b>	<b>5,443</b>	<b>21,052</b>	<b>18,673</b>	<b>2,379</b>
<b>School-Spon. Co/Extra Curricular Actvts. - Inst.:</b>					
Salaries	53,000	2,260	55,260	55,258	2
<b>Total School-Spon. Cocurricular Actvts. - Inst.</b>	<b>53,000</b>	<b>2,260</b>	<b>55,260</b>	<b>55,258</b>	<b>2</b>
<b>School-Spon. Athletics - Instruction:</b>					
Salaries	50,000	(22,260)	27,740	23,635	4,105
Purchased Services (300-500 series)	5,000	(830)	4,170	3,905	265
<b>Total School-Spon. Athletics - Inst.</b>	<b>55,000</b>	<b>(23,090)</b>	<b>31,910</b>	<b>27,540</b>	<b>4,370</b>
<b>TOTAL INSTRUCTION</b>	<b>5,899,788</b>	<b>208,914</b>	<b>6,108,702</b>	<b>5,956,943</b>	<b>151,759</b>
<b>UNDISTRIBUTED EXPENDITURES</b>					
<b>Instruction:</b>					
Tuition to Other LEAs Within the State - Regular	3,787,586		3,787,586	3,787,586	
Tuition to Other LEAs Within the State - Special	505,889	(36,366)	469,523	469,521	2
Tuition to County Voc. District - Regular	100,800	(5,473)	95,327	94,710	617
Tuition to Private Schools for the Disabled - Within State	206,057	64,275	270,332	270,032	300
Tuition - State Facilities		40,973	40,973		40,973
<b>Total Instruction</b>	<b>4,600,332</b>	<b>63,409</b>	<b>4,663,741</b>	<b>4,621,849</b>	<b>41,892</b>
<b>Attendance and Social Work:</b>					
Salaries	132,242	(25,074)	107,168	107,063	105
Health Benefits	26,062		26,062	26,000	62
Purchased Professional and Technical Services	7,500		7,500	4,342	3,158
Other Purchased Services (400-500 series)	20,284		20,284	19,893	391
<b>Total Attendance and Social Work</b>	<b>186,088</b>	<b>(25,074)</b>	<b>161,014</b>	<b>157,298</b>	<b>3,716</b>

ANDOVER REGIONAL SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>Health Services:</b>					
Salaries	145,412	(1,188)	144,224	143,701	523
Health Benefits	41,820		41,820	41,820	
Purchased Professional and Technical Services	9,000	4,142	13,142	8,502	4,640
Other Purchased Services (400-500 series)	4,450	(2,126)	2,324	2,300	24
Supplies and Materials	2,310	101	2,411	2,371	40
<b>Total Health Services</b>	<b>202,992</b>	<b>929</b>	<b>203,921</b>	<b>198,694</b>	<b>5,227</b>
<b>Speech, OT, PT and Related Services:</b>					
Salaries	147,814	4,300	152,114	152,112	2
Health Benefits	30,988	(13,213)	17,775	5,401	12,374
Purchased Professional and Technical Services	10,000	(3,950)	6,050	3,878	2,172
Other Purchased Services (400-500 series)	2,722		2,722	1,274	1,448
<b>Total Speech, OT, PT and Related Services</b>	<b>191,524</b>	<b>(12,863)</b>	<b>178,661</b>	<b>162,665</b>	<b>15,996</b>
<b>Undist. Expend. - Other Supp. Serv. Students - Extra Serv.</b>					
Purchased Professional - Educational Services	285,450	(75,389)	210,061	181,129	28,932
<b>Total Undist. Expend. - Other Supp. Serv. Students - Extra Serv.</b>	<b>285,450</b>	<b>(75,389)</b>	<b>210,061</b>	<b>181,129</b>	<b>28,932</b>
<b>Guidance:</b>					
Salaries of Other Professional Staff	89,712		89,712	89,712	
Health Benefits	29,208		29,208	29,208	
Other Purchased Services (400-500 series)	7,075	188	7,263	417	6,846
Supplies and Materials	1,000		1,000	988	12
Other Objects		57	57	57	
<b>Total Guidance</b>	<b>126,995</b>	<b>245</b>	<b>127,240</b>	<b>120,382</b>	<b>6,858</b>

ANDOVER REGIONAL SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>Child Study Teams:</b>					
Salaries of Secretarial and Clerical Assistants	46,244	4,473	50,717	50,716	1
Health Benefits	30,024	(26,861)	3,163	1,400	1,763
Other Purchased Prof. and Tech. Services	267,325	64,152	331,477	287,702	43,775
Misc. Pur Serv (400-500 series O/than Resid Costs)	7,181	2,508	9,689	9,689	
Supplies and Materials	2,000	119	2,119	2,082	37
Other Objects	3,225	(1,695)	1,530	1,093	437
<b>Total Child Study Teams</b>	<b>355,999</b>	<b>42,696</b>	<b>398,695</b>	<b>352,682</b>	<b>46,013</b>
<b>Improvement of Instruction Services :</b>					
Salaries of Supervisor of Instruction		1,500	1,500	1,500	
Salaries of Other Professional Staff	100,000	(4,960)	95,040	95,040	
Other Salaries	5,000	2,147	7,147	7,147	
Health Benefits	30,000		30,000	29,913	87
Purchased Professional-Educational Services	26,000	(3,390)	22,610	21,637	973
Other Purchased Services (400-500 series)	26,500	5,845	32,345	27,759	4,586
Supplies and Materials	4,000		4,000	3,990	10
Other Objects	20,250	2,564	22,814	16,311	6,503
<b>Total Improvement of Instruction Services</b>	<b>211,750</b>	<b>3,706</b>	<b>215,456</b>	<b>203,297</b>	<b>12,159</b>
<b>Educational Media Services/School Library:</b>					
Salaries	67,124		67,124	66,586	538
Salaries of Technology Coordinator	34,301	15,216	49,517	49,517	
Health Benefits	30,024		30,024	30,024	
Purchased Professional and Technical Services	5,150		5,150	4,406	744
Other Purchased Services (400-500 series)	1,000	(915)	85		85
Supplies and Materials	10,000	(2,500)	7,500	4,442	3,058
<b>Total Educational Media Services/School Library</b>	<b>147,599</b>	<b>11,801</b>	<b>159,400</b>	<b>154,975</b>	<b>4,425</b>

ANDOVER REGIONAL SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE**

**GENERAL FUND**

Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>Supp. Services - General Administration:</b>					
Salaries	187,096	6,233	193,329	192,478	851
Health Benefits	31,396		31,396	31,396	
Legal Services	25,000	4,004	29,004	27,642	1,362
Audit Fees	32,500	1,500	34,000	34,000	
Architectural/Engineering Services	10,000	(2,500)	7,500	26	7,474
Other Professional Services	2,000	150	2,150	2,150	
Communications/Telephone	66,755	(4,427)	62,328	54,555	7,773
Other Purchased Services (400-500 series)	46,536	19,532	66,068	66,067	1
General Supplies	2,000	1,430	3,430	3,093	337
BOE In-House Training/Meeting Supplies	2,000	(1,900)	100		100
Miscellaneous Expenditures	4,400	3,486	7,886	7,885	1
BOE Membership Dues and Fees	7,587		7,587	7,587	
<b>Total Supp. Services - General Administration</b>	<b>417,270</b>	<b>27,508</b>	<b>444,778</b>	<b>426,879</b>	<b>17,899</b>
<b>Support Services - School Administration:</b>					
Salaries of Principals/Assistant Principals	247,180	(233)	246,947	246,947	
Salaries of Secretarial and Clerical Assistants	48,905	672	49,577	49,100	477
Health Benefits	76,827		76,827	76,827	
Supplies and Materials	2,000	358	2,358	2,356	2
<b>Total Support Services - School Administration</b>	<b>374,912</b>	<b>797</b>	<b>375,709</b>	<b>375,230</b>	<b>479</b>
<b>Central Services:</b>					
Salaries	151,128	9,720	160,848	160,839	9
Health Benefits	71,427	(46,524)	24,903		24,903
Purchased Professional Services	4,600	(500)	4,100	2,400	1,700
Misc. Purchased Services (400-500 series)	15,000	(51)	14,949	13,924	1,025
Supplies and Materials	2,000	2,887	4,887	4,886	1
Interest on Lease Purchase Agreements	12,127	(435)	11,692	4,782	6,910
Miscellaneous Expenditures		250	250	250	
<b>Total Central Services</b>	<b>256,282</b>	<b>(34,653)</b>	<b>221,629</b>	<b>187,081</b>	<b>34,548</b>

ANDOVER REGIONAL SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>Admin. Information Technology:</b>					
Salaries	25,392	13,610	39,002	38,753	249
Health Benefits	41,130		41,130	41,130	
Purchased Technical Services	10,000	(1,020)	8,980	5,187	3,793
Supplies and Materials	1,000	(30)	970	931	39
<b>Total Admin. Information Technology</b>	<b>77,522</b>	<b>12,560</b>	<b>90,082</b>	<b>86,001</b>	<b>4,081</b>
<b>Required Maintenance for School Facilities:</b>					
Salaries	77,591	2,890	80,481	80,466	15
Health Benefits	177,333	(177,333)			
Cleaning, Repair, and Maintenance Services	58,207	2,388	60,595	59,008	1,587
<b>Total Required Maintenance for School Facilities</b>	<b>313,131</b>	<b>(172,055)</b>	<b>141,076</b>	<b>139,474</b>	<b>1,602</b>
<b>Other Operations and Maintenance of Plant:</b>					
Salaries	296,669	6,650	303,319	297,539	5,780
Salaries of Non-Instructional Aides	26,658	112,800	139,458	137,294	2,164
Purchased Professional and Technical Services	47,650	(4,000)	43,650	42,549	1,101
Cleaning, Repair and Maintenance Services	5,000		5,000	4,299	701
Other Purchased Property Services	6,250	1,250	7,500	7,500	
Insurance	33,220		33,220	33,220	
Miscellaneous Purchased Services	59,000	(36,872)	22,128	22,111	17
General Supplies	23,000	1,000	24,000	22,757	1,243
Energy (Natural Gas)	65,000	(51,537)	13,463	9,653	3,810
Energy (Electricity)	87,000	48,746	135,746	122,753	12,993
Energy (Oil)	50,000	(25,754)	24,246	13,637	10,609
Other Objects	1,500		1,500	750	750
<b>Total Other Operations and Maintenance of Plant</b>	<b>700,947</b>	<b>52,283</b>	<b>753,230</b>	<b>714,062</b>	<b>39,168</b>



ANDOVER REGIONAL SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>Student Transportation Services</b>					
Salary for Pupil Trans. (Bet. Home & Sch) - Reg.	41,955	(4,400)	37,555	37,544	11
Salary for Pupil Trans. (Bet. Home & Sch) - Spec Ed.	41,954	(4,300)	37,654	37,599	55
Health Benefits	35,024		35,024	35,024	
Management Fee - ESC & CTSA Trans. Program	5,315	5,100	10,415	10,414	1
Other Purchased Professional and Technical Services	2,500	1,700	4,200	4,200	
Contract Services - Aid in Lieu of Payments-Nonpub.Sch.	12,376	11,463	23,839	23,831	8
Contract Services - Aid in Lieu of Payments-School Choice	15,028	2,051	17,079	16,496	583
Contract Services - (Between Home and School) - Vendors	632,267	(30,124)	602,143	601,998	145
Contract Services (Other than Between Home & School)-Vendors	2,000	11,580	13,580	13,580	
Contract Services - (Between Home and School) - Joint Agreements	16,581	(14,500)	2,081	1,819	262
Contract Services - (Special Ed. Students) - Vendors	126,000	158,447	284,447	284,446	1
<b>Total Student Transportation Services</b>	<b>931,000</b>	<b>137,017</b>	<b>1,068,017</b>	<b>1,066,951</b>	<b>1,066</b>
<b>UNALLOCATED BENEFITS</b>					
Other Employee Benefits	19,192		19,192	11,643	7,549
<b>TOTAL UNALLOCATED BENEFITS</b>	<b>19,192</b>		<b>19,192</b>	<b>11,643</b>	<b>7,549</b>
On-behalf TPAF pension Contrib. (non-budgeted)				340,256	(340,256)
On-behalf TPAF PRM Contrib. (non-budgeted)				425,332	(425,332)
On-behalf TPAF pension Non-contributory Ins. (non-budgeted)				16,949	(16,949)
Reimbursed TPAF Social Security Contributions (non-budgeted)				352,485	(352,485)
<b>TOTAL ON-BEHALF CONTRIBUTIONS</b>				<b>1,135,022</b>	<b>(1,135,022)</b>
<b>TOTAL PERSONAL SERVICES - EMPLOYEE BENEFITS</b>	<b>19,192</b>		<b>19,192</b>	<b>1,146,665</b>	<b>(1,127,473)</b>
<b>TOTAL UNDISTRIBUTED EXPENDITURES</b>	<b>9,398,985</b>	<b>32,917</b>	<b>9,431,902</b>	<b>10,295,314</b>	<b>(863,412)</b>
<b>TOTAL GENERAL CURRENT EXPENSE</b>	<b>15,298,773</b>	<b>241,831</b>	<b>15,540,604</b>	<b>16,252,257</b>	<b>(711,653)</b>

ANDOVER REGIONAL SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable/ (Unfavorable)</u>
<b>CAPITAL OUTLAY</b>					
<b>Equipment</b>					
Undistributed Expenditures-Req. for School Maintenance		6,499	6,499	6,499	
<b>Total Equipment</b>		6,499	6,499	6,499	
<b>Facilities Acquisition and Construction Services</b>					
Architectural/Engineering Services		641	641	641	
Construction Services		68,548	68,548	55,052	13,496
Lease Purchase Agreements - Principal	140,277	(85,441)	54,836	54,835	1
Assessment for Debt Service on SDA Funding	36,039		36,039	36,039	
<b>Total Facilities Acquisition and Construction Services</b>	176,316	(16,252)	160,064	146,567	13,497
<b>TOTAL CAPITAL OUTLAY</b>	<b>176,316</b>	<b>(9,753)</b>	<b>166,563</b>	<b>153,066</b>	<b>13,497</b>
Transfer of Funds to Charter Schools	11,000	58,765	69,765	68,611	1,154
<b>TOTAL EXPENDITURES</b>	<b>15,486,089</b>	<b>290,843</b>	<b>15,776,932</b>	<b>16,473,934</b>	<b>(697,002)</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	(524,918)	(290,843)	(815,761)	(88,740)	727,021

ANDOVER REGIONAL SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)</b>	(524,918)	(290,843)	(815,761)	(88,740)	727,021
<b>Fund Balance, July 1</b>	1,018,088		1,018,088	1,018,088	
<b>Fund Balance, June 30</b>	<u>\$ 493,170</u>	<u>(290,843)</u>	<u>\$ 202,327</u>	<u>\$ 929,348</u>	<u>\$ 727,021</u>
<b>Recapitulation:</b>					
<b>Restricted for:</b>					
Capital Reserve				155,000	
<b>Assigned to:</b>					
Year-End Encumbrances				96,129	
Designated for Subsequent Year's Expenditures				150,000	
<b>Unassigned:</b>					
Unrestricted Fund Balance				<u>528,219</u>	
<b>Fund Balance per Governmental Funds(Budgetary Basis)</b>				929,348	
<b>Reconciliation to Governmental Funds Statement(GAAP Basis):</b>					
Last State Aid Payment not recognized on GAAP basis				<u>(229,918)</u>	
<b>Fund Balance per Governmental Funds(GAAP Basis B-2)</b>				<u>\$ 699,430</u>	



ANDOVER REGIONAL SCHOOL DISTRICT

Exhibit C-2

**BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND**

For the Fiscal Year Ended June 30, 2016

	<b>Original Budget</b>	<b>Budget Transfers</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>REVENUES:</b>					
Federal Sources	\$ 200,000	\$ 62,229	\$ 262,229	\$ 240,306	\$ (21,923)
<b>Total Revenues</b>	<b>200,000</b>	<b>62,229</b>	<b>262,229</b>	<b>240,306</b>	<b>(21,923)</b>
<b>EXPENDITURES:</b>					
<b>Instruction</b>					
Other Salaries	42,597	5,228	47,825	47,825	
Purchased Prof. & Technical Serv.	17,500	1,500	19,000	19,000	
Tuition	40,000	-	40,000	40,000	
General Supplies	5,000	12,609	17,609	17,609	
<b>Total Instruction</b>	<b>105,097</b>	<b>19,337</b>	<b>124,434</b>	<b>124,434</b>	
<b>Support Services</b>					
Salaries of Other Professional Staff		8,000	8,000	8,000	
Purchased Educational Services	91,321	35,648	126,969	105,046	\$ 21,923
Supplies and Materials	3,000	(756)	2,244	2,244	
Other Objects	582	-	582	582	
<b>Total Support Services</b>	<b>94,903</b>	<b>42,892</b>	<b>137,795</b>	<b>115,872</b>	<b>21,923</b>
Total Expenditures	200,000	62,229	262,229	240,306	21,923
<b>Total Outflows</b>	<b>\$ 200,000</b>	<b>\$ 62,229</b>	<b>\$ 262,229</b>	<b>\$ 240,306</b>	<b>\$ 21,923</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)</b>					
<b>Fund Balance per Governmental Funds(Budgetary Basis)</b>				NONE	
<b>Reconciliation to Governmental Funds Statement(GAAP Basis):</b>					
Last State Aid Payment not recognized on GAAP basis				NONE	
<b>Fund Balance per Governmental Funds(GAAP Basis)</b>				<u>NONE</u>	

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE**

For the Fiscal Year Ended June 30, 2016

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

	General Fund	Special Revenue Fund
	<u>          </u>	<u>          </u>
<b>Sources/Inflows of Resources</b>		
Actual amounts (budgetary basis) "revenue"		
from the budgetary comparison schedule (Exhibits C-1 and C-2, respectively)	\$16,385,194	\$240,306
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Prior Year	N/A	4,196
Current Year	N/A	-
Adjustment for: Prior Year Final State Aid Payment not included in Budgetary State Source Revenues and is considered a revenue for GAAP reporting purposes	225,976	
Adjustment for: Current Year Final State Aid Payment included in State Source Revenues that is not considered a revenue for GAAP reporting purposes	<u>(229,918)</u>	<u>N/A</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds. (Exhibit B-2)	<u>\$16,381,252</u>	<u>\$ 244,502</u>
<b>Uses/outflows of resources</b>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedules (Exhibits C-1 and C-2, respectively)	\$16,473,934	\$240,306
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.		
Prior Year	N/A	4,196
Current Year	<u>N/A</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (Exhibit B-2)	<u>\$16,473,934</u>	<u>\$244,502</u>

**Andover Regional School District  
Required Supplementary Information - Part III  
Schedule of the District's Proportionate Share of the Net Pension Liability  
Last Ten Fiscal Years \***

**Exhibit L-3**

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
District's proportion of the net pension liability (asset) **	N/A	N/A	N/A							
District's proportionate share of the net pension liability (asset) **	N/A	N/A	N/A							
State's proportionate share of the net pension liability (asset) associated with the District	\$ 29,656,882	\$ 25,290,246	\$ 25,473,719							
<b>Total</b>	<b>\$ 29,656,882</b>	<b>\$ 25,290,246</b>	<b>\$ 25,473,719</b>							
District's covered employee payroll	\$ 4,339,275	\$ 4,315,898	\$ 4,512,287							
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	N/A	N/A	N/A							
Plan fiduciary net position as a percentage of the total pension liability	28.71%	33.64%	33.76%							

\*\* Note: TPAF is a special funding situation as defined by GASB Statement No. 68 in which the State of New Jersey is 100% responsible for contributions to the plan. Since the district (employer) does not contribute directly to the plan there is no net pension liability to report in the financial statements of the district.

**Exhibit L-1**

**Public Employees' Retirement System (PERS)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
District's proportion of the net pension liability (asset)	0.014152204%	0.013732773%	0.013679999%							
District's proportionate share of the net pension liability (asset)	\$ 3,176,886	\$ 2,571,151	\$ 2,614,520							
District's covered employee payroll	\$ 943,638	\$ 975,711	\$ 961,236							
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	336.66%	263.52%	272.00%							
Plan fiduciary net position as a percentage of the total pension liability (Local)	47.92%	52.08%	48.72%							

\* - Until a full ten year trend is compiled, information will be presented for those years for which information is available.

**Andover Regional School District  
Required Supplementary Information - Part III  
Schedule of District Contributions  
Last Ten Fiscal Years \***

**Exhibit L-2**

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually required contribution **	N/A	N/A	N/A							
Contributions in relation to the contractually required contribution **	N/A	N/A	N/A							
Contribution deficiency (excess)	N/A	N/A	N/A							
District's covered employee payroll	\$ 4,339,275	\$ 4,315,898	\$ 4,512,287							
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A							

\*\* Note: TPAF is a special funding situation as defined by GASB Statement No. 68 in which the State of New Jersey is 100% responsible for contributions to the plan. The district (employer) does not contribute to the plan.

**Public Employees' Retirement System (PERS)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually required contribution	\$ 134,273	\$ 113,211	\$ 103,076							
Contributions in relation to the contractually required contribution	<u>(134,273)</u>	<u>(113,211)</u>	<u>(103,076)</u>							
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>							
District's covered employee payroll	\$ 943,638	\$ 975,711	\$ 961,236							
Contributions as a percentage of covered-employee payroll	14.23%	11.60%	10.72%							

\* - Until a full ten year trend is compiled, information will be presented for those years for which information is available.



ANDOVER REGIONAL SCHOOL DISTRICT

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PART III**  
**Pension Schedules**

For the Fiscal Year Ended June 30, 2016

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

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

*Changes of assumptions.* Mortality rates were based on the RP-2000 Health Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

**Public Employees' Retirement System (PERS)**

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

*Changes of assumptions.* Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 Based on Projection Scale AA.

**OTHER SUPPLEMENTARY INFORMATION**

<p style="text-align: center;"><b>SPECIAL REVENUE FUND DETAIL STATEMENTS</b></p>
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The Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.



ANDOVER REGIONAL SCHOOL DISTRICT

Exhibit E-1

**SPECIAL REVENUE FUND**  
**COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS**

For the Fiscal Year Ended June 30, 2016

	<b>Title I</b>	<b>Title II (A)</b>	<b>IDEA Part B</b>	<b>IDEA Preschool</b>	<b>Totals</b>
<b>REVENUES</b>					
Federal Sources	\$ 45,572	\$ 15,319	\$ 166,688	\$ 12,727	\$240,306
<b>TOTAL REVENUES</b>	<b>45,572</b>	<b>15,319</b>	<b>166,688</b>	<b>12,727</b>	<b>240,306</b>
<b>EXPENDITURES:</b>					
<b>Instruction:</b>					
Other Salaries			47,825		47,825
Purchased Prof. & Technical Serv.	19,000				19,000
Tuition			40,000		40,000
General Supplies	17,609				17,609
Textbooks					-
<b>Total Instruction</b>	<b>36,609</b>		<b>87,825</b>		<b>124,434</b>
<b>Support Services:</b>					
Salaries of Other Professional Staff	8,000				8,000
Purchased Educational Services		15,319	77,000	12,727	105,046
Supplies and Materials	963		1,281		2,244
Other Objects			582		582
<b>Total Support Services</b>	<b>8,963</b>	<b>15,319</b>	<b>78,863</b>	<b>12,727</b>	<b>115,872</b>
<b>TOTAL EXPENDITURES</b>	<b>45,572</b>	<b>15,319</b>	<b>166,688</b>	<b>12,727</b>	<b>240,306</b>
<b>Total Outflows</b>	<b>\$ 45,572</b>	<b>\$ 15,319</b>	<b>\$ 166,688</b>	<b>\$ 12,727</b>	<b>\$240,306</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)</b>					

**CAPITAL PROJECTS FUND  
DETAIL STATEMENTS**

The Capital Projects Fund is used to account for the acquisition and construction of major capital facilities and equipment purchases other than those financed by proprietary funds.

ANDOVER REGIONAL SCHOOL DISTRICT

Exhibit F-2

**CAPITAL PROJECTS FUND**  
**SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE-BUDGETARY BASIS**

For the Fiscal Year Ended June 30, 2016

**Revenues and Other Financing**

**Sources**

Interest Earnings	\$ 2
Total Revenues	<u>2</u>
Excess(deficiency) of revenues over(under) expenditures	2
Fund Balance - Beginning	<u>-</u>
Fund Balance - Ending	<u><u>\$ 2</u></u>

<p style="text-align: center;"><b>PROPRIETARY FUND DETAIL STATEMENTS</b></p>
--

Proprietary Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the district's board is that the costs of providing goods or services be financed through user charges.

**Food Services Fund** - This fund provides for the operation of food services in all schools within the school district.

**THIS SECTION HAS ALREADY BEEN INCLUDED IN STATEMENTS B-4, B-5 AND B-6.**



<p style="text-align: center;"><b>FIDUCIARY FUND DETAIL STATEMENTS</b></p>
--

Fiduciary Funds are used to account for funds received by the school district for a specific purpose.

Agency Funds are used to account for assets held by the school district as an agent for individuals, private organizations, other governments and/or other funds.

**Student Activity Fund** - This agency fund is used to account for student funds held at the schools.

**Payroll Fund** - This agency fund is used to account for the payroll transactions of the school district.



ANDOVER REGIONAL SCHOOL DISTRICT

Exhibit H-1

**COMBINING STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
June 30, 2016**

	UNEMPLOYMENT COMPENSATION		AGENCY FUNDS		<u>TOTALS</u>
	<u>INSURANCE TRUST</u>	<u>STUDENT ACTIVITY</u>	<u>PAYROLL AGENCY</u>		
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$ 23,132	\$ 15,156	\$ 105	\$	38,393
<b>TOTAL ASSETS</b>	<b>\$ 23,132</b>	<b>\$ 15,156</b>	<b>\$ 105</b>	<b>\$</b>	<b>38,393</b>
<b>LIABILITIES:</b>					
Liabilities:					
Payroll Deductions and Withholdings			\$ 4	\$	4
Flexible Spending Account			101		101
Payable to Student Groups		\$ 15,156			15,156
<b>Total Liabilities</b>		<b>15,156</b>	<b>105</b>		<b>15,261</b>
<b>NET POSITION</b>					
Held in Trust for Unemployment					
Claims and Other Purposes	\$ 23,132			\$	23,132
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 23,132</b>	<b>\$ 15,156</b>	<b>\$ 105</b>	<b>\$</b>	<b>38,393</b>

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2016**

	<b>UNEMPLOYMENT COMPENSATION INSURANCE</b>	
	<u><b>TRUST</b></u>	<u><b>TOTALS</b></u>
<b>ADDITIONS</b>		
Contributions:		
Plan Member	\$ 23,965	\$ 23,965
Employer	4,700	4,700
Total Contributions	<u>28,665</u>	<u>28,665</u>
Investment Earnings:		
Interest	47	47
Net Investment Earnings	<u>47</u>	<u>47</u>
<b>Total Additions</b>	<u><b>28,712</b></u>	<u><b>28,712</b></u>
<b>DEDUCTIONS</b>		
Unemployment Claims	<u>21,377</u>	<u>21,377</u>
<b>Total Deductions</b>	<u><b>21,377</b></u>	<u><b>21,377</b></u>
Change in Net Position	7,335	7,335
Net Position—Beginning of the Year	<u>\$ 15,797</u>	<u>\$ 15,797</u>
<b>Net Position—End of the Year</b>	<u><b>\$ 23,132</b></u>	<u><b>\$ 23,132</b></u>

ANDOVER REGIONAL SCHOOL DISTRICT

Exhibit H-3

**STUDENT ACTIVITY AGENCY FUND  
STATEMENT OF ACTIVITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>BALANCE</u> <u>July 1, 2015</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>June 30, 2016</u>
Florance M. Burd	\$ 4,413	\$ 12,185	\$ 10,005	\$ 6,593
Long Pond	13,194	101,984	106,615	8,563
	<b><u>\$ 17,607</u></b>	<b><u>\$ 114,169</u></b>	<b><u>\$ 116,620</u></b>	<b><u>\$ 15,156</u></b>

ANDOVER REGIONAL SCHOOL DISTRICT

Exhibit H-4

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
PAYROLL AGENCY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>BALANCE</u> July 1, 2015	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> June 30, 2016
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 6,033	\$ 6,861,105	\$ 6,867,033	\$ 105
<b>Total Assets</b>	<b>\$ 6,033</b>	<b>\$ 6,861,105</b>	<b>\$ 6,867,033</b>	<b>\$ 105</b>
<b>LIABILITIES:</b>				
Accrued Salaries and Wages	-	\$ 3,847,500	\$ 3,847,500	-
Payroll Deductions and Withholdings	\$ 5,932	3,013,605	3,019,533	\$ 4
Health Benefits Account	101			101
<b>Total Liabilities</b>	<b>\$ 6,033</b>	<b>\$ 6,861,105</b>	<b>\$ 6,867,033</b>	<b>\$ 105</b>

## **LONG-TERM DEBT SCHEDULES**

The Long-Term Schedules are used to reflect the outstanding principal balances of the general long-term liabilities of the school district. This includes serial bonds outstanding and obligations under capital leases.





ANDOVER REGIONAL SCHOOL DISTRICT

Exhibit I-1

**SCHEDULE OF SERIAL BONDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<u>ISSUE</u>	<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>ANNUAL MATURITIES</u>		<u>INTEREST RATE</u>	<u>BALANCE July 1, 2015</u>	<u>RETIRED</u>	<u>BALANCE June 30, 2016</u>
			<u>DATE</u>	<u>AMOUNT</u>				
Series 2014 Refunding Bonds	9/1/14	\$ 5,735,000	02/15/17	\$ 490,000	2.00%	\$ 5,270,000	\$ 485,000	\$ 4,785,000
			02/15/18	495,000	2.00%			
			02/15/19	510,000	2.00%			
			02/15/20	515,000	3.00%			
			02/15/21	530,000	2.13%			
			Thereafter	2,245,000	3.00%			
Series 2012 Refunding Bonds	6/15/12	4,425,000	02/15/17	225,000	2.50%	4,115,000	220,000	3,895,000
			02/15/18	230,000	4.00%			
			02/15/19	245,000	2.00%			
			02/15/20	140,000	2.13%			
			02/15/20	110,000	3.00%			
			Thereafter	2,945,000	3.40%			
<b>Total</b>						<b>\$ 9,385,000</b>	<b>\$ 705,000</b>	<b>\$ 8,680,000</b>

ANDOVER REGIONAL SCHOOL DISTRICT

Exhibit I-2

**SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<u>ISSUE</u>	<u>INTEREST RATE</u>	<u>AMOUNT OF ISSUE</u>	<u>BALANCE July 1, 2015</u>	<u>RETIRED</u>	<u>BALANCE June 30, 2016</u>
Phone System	13.07%	\$ 107,640	\$ 32,890	\$ 32,890	-
Natural Gas Equipment	1.77%	\$ 364,088	284,088	54,835	\$ 229,253
<b>Total</b>			<b>\$ 316,978</b>	<b>\$ 87,725</b>	<b>\$ 229,253</b>

ANDOVER REGIONAL SCHOOL DISTRICT

Exhibit I-3

**BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND**

For the Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive/ (Negative) Final to Actual</u>
<b>REVENUES:</b>					
Local Sources:					
Local Tax Levy	\$ 742,684		\$ 742,684	\$ 742,684	
Total - Local Sources	742,684		742,684	742,684	
State Sources:					
Debt Service Aid Type II	179,496		179,496	179,496	
Total - State Sources	179,496		179,496	179,496	
<b>TOTAL REVENUES</b>	<b>922,180</b>		<b>922,180</b>	<b>922,180</b>	
<b>EXPENDITURES:</b>					
Regular Debt Service:					
Interest	268,200		268,200	268,200	-
Redemption of Principal	705,000		705,000	705,000	-
Total Regular Debt Service	973,200		973,200	973,200	
<b>TOTAL EXPENDITURES</b>	<b>973,200</b>		<b>973,200</b>	<b>973,200</b>	
Excess (Deficiency) of Revenues Over (Under) Expenditures	(51,020)	-	(51,020)	(51,020)	-
Fund Balance, July 1	55,948		55,948	55,948	-
Fund Balance, June 30	\$ 4,928	-	\$ 4,928	\$ 4,928	
<b>Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures</b>					
Budgeted Fund Balance					



Andover Regional School District  
**Statistical Section**

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends (J-1 thru J-5)</b> These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.	98-103
<b>Revenue Capacity (J-6 thru J-9)</b> These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.	104-110
<b>Debt Capacity (J-10 thru J-13)</b> These schedules present information to help the reader assess the affordability of the district's current levels of outstanding debt and the district's ability to issue additional debt in the future.	111-114
<b>Demographic and Economic Information (J-14 and J-15)</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.	115-116
<b>Operating Information (J-16 thru J-20)</b> These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it performs.	117-121

**Sources:**

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports (CAFR) for the relevant year. The district implemented GASB Statement 34 in the fiscal year ending June 30, 2003; schedules presenting district-wide information include information beginning in that year.



**Andover Regional School District**  
**Net Position by Component,**  
**Last Ten Fiscal Years**  
*(accrual basis of accounting)*

**Exhibit J-1**

	2007		2008		2009		2010		Fiscal Year Ending June 30,		2011		2012		2013		2014		2015		2016				
<b>Governmental activities</b>																									
Invested in capital assets, net of related debt	\$	3,381,001	\$	3,426,915	\$	3,648,725	\$	3,774,869	\$	3,983,531	\$	4,424,513	\$	5,005,336	\$	5,231,009	\$	5,644,839	\$	5,411,694					
Restricted		176,815		259,807		464,613		180,988		63,321		163,583		10,692		10,713		55,948		305,000					
Unrestricted		(107,539)		(131,331)		(297,425)		(242,026)		182,125		(184,735)		(704,326)		(2,617,799)		(2,474,825)		(3,005,929)					
<b>Total governmental activities net position</b>	<b>\$</b>	<b>3,450,277</b>	<b>\$</b>	<b>3,555,391</b>	<b>\$</b>	<b>3,815,913</b>	<b>\$</b>	<b>3,713,831</b>	<b>\$</b>	<b>4,228,977</b>	<b>\$</b>	<b>4,403,361</b>	<b>\$</b>	<b>4,311,702</b>	<b>\$</b>	<b>2,623,923</b>	<b>\$</b>	<b>3,225,962</b>	<b>\$</b>	<b>2,710,765</b>					
<b>Business-type activities</b>																									
Invested in capital assets, net of related debt																					\$	7,793	\$	4,006	
Restricted																								-	
Unrestricted																							31,839	44,302	
<b>Total business-type activities net position</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>39,632</b>	<b>\$</b>	<b>48,308</b>			
<b>District-wide</b>																									
Invested in capital assets, net of related debt	\$	3,381,001	\$	3,426,915	\$	3,648,725	\$	3,774,869	\$	3,983,531	\$	4,424,513	\$	5,005,336	\$	5,231,009	\$	5,652,632	\$	5,415,700					
Restricted		176,815		259,807		464,613		180,988		63,321		163,583		10,692		10,713		55,948		305,000					
Unrestricted		(107,539)		(131,331)		(297,425)		(242,026)		182,125		(184,735)		(704,326)		(2,617,799)		(2,442,986)		(2,961,627)					
<b>Total district net position</b>	<b>\$</b>	<b>3,450,277</b>	<b>\$</b>	<b>3,555,391</b>	<b>\$</b>	<b>3,815,913</b>	<b>\$</b>	<b>3,713,831</b>	<b>\$</b>	<b>4,228,977</b>	<b>\$</b>	<b>4,403,361</b>	<b>\$</b>	<b>4,311,702</b>	<b>\$</b>	<b>2,623,923</b>	<b>\$</b>	<b>3,265,594</b>	<b>\$</b>	<b>2,759,073</b>					

Source: CAFR Schedule A-1

**Andover Regional School District**  
**Changes in Net Position, Last Ten Fiscal Years**  
*(accrual basis of accounting)*

Exhibit J-2

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Expenses</b>										
Governmental activities										
Instruction										
Regular	\$ 4,984,965	\$ 4,990,504	\$ 4,673,864	\$ 4,949,245	\$ 4,662,425	\$ 4,319,982	\$ 4,261,677	\$ 4,044,977	\$ 4,717,033	\$ 5,618,275
Special education	1,143,592	1,110,096	1,489,794	1,570,687	1,620,569	1,522,533	1,939,673	1,574,939	2,478,544	2,113,018
Other instruction	313,541	303,111	388,039	430,977	326,340	329,691	410,449	340,899	474,466	377,201
Support Services:										
Tuition	3,473,191	3,306,613	3,001,669	3,283,485	3,355,576	4,026,415	4,284,945	4,069,844	3,937,232	4,621,849
Student & instruction related services	1,323,934	1,419,631	1,503,440	1,593,454	1,428,132	1,653,323	1,509,797	1,575,167	1,655,822	2,076,766
School administrative services	500,857	516,630	411,014	440,301	442,415	430,579	430,040	416,409	483,385	472,650
General administrative services	759,555	760,316	777,149	735,375	752,704	819,886	789,472	826,661	739,617	907,266
Plant operations and maintenance	938,668	1,113,979	1,202,193	1,176,924	1,076,074	968,317	951,266	1,114,013	1,187,679	1,075,138
Pupil transportation	806,311	875,011	916,604	885,978	906,194	886,254	814,146	965,346	1,017,964	1,343,962
Capital Outlay		85,764	42,662	67,897	160,342			37,763	53,791	
Unallocated Depreciation	242,886	460,328	286,084	385,699	385,055	386,157	402,689	409,118	428,997	
Transfer to Charter School	17,903	17,028	17,842			8,862	20,546	10,788	11,013	68,611
Interest on long-term debt	605,230	541,320	522,718	507,149	490,928	418,980	427,617	388,937	369,640	363,063
Total governmental activities expenses	<u>15,110,633</u>	<u>15,500,331</u>	<u>15,233,072</u>	<u>16,027,171</u>	<u>15,606,754</u>	<u>15,770,979</u>	<u>16,242,317</u>	<u>15,774,861</u>	<u>17,555,183</u>	<u>19,037,799</u>
Business-type activities:										
Food service									202,861	150,563
Preschool/Child Care										36
Total business-type activities expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>202,861</u>	<u>150,599</u>
Total district expenses	<u>\$ 15,110,633</u>	<u>\$ 15,500,331</u>	<u>\$ 15,233,072</u>	<u>\$ 16,027,171</u>	<u>\$ 15,606,754</u>	<u>\$ 15,770,979</u>	<u>\$ 16,242,317</u>	<u>\$ 15,774,861</u>	<u>\$ 17,758,044</u>	<u>\$ 19,188,398</u>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
Instruction (regular & special education)	\$ 20,219						\$ 33,000	\$ 87,146	\$ 79,773	\$ 79,044
Operating grants and contributions	4,236,965	4,307,755	3,889,891	3,868,934	3,676,448	3,853,163	3,799,828	3,656,725	4,990,649	5,566,587
Capital Grants and contributions	2,434,122	253,593								
Total governmental activities program revenues	<u>6,691,306</u>	<u>4,561,348</u>	<u>3,889,891</u>	<u>3,868,934</u>	<u>3,676,448</u>	<u>3,853,163</u>	<u>3,832,828</u>	<u>3,743,871</u>	<u>5,070,422</u>	<u>5,645,631</u>
Business-type activities:										
Charges for services										
Food service									161,796	106,665
Preschool/Child Care										7,948
Operating grants and contributions									41,033	43,145
Total business type activities program revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>202,829</u>	<u>157,758</u>
Total district program revenues	<u>\$ 6,691,306</u>	<u>\$ 4,561,348</u>	<u>\$ 3,889,891</u>	<u>\$ 3,868,934</u>	<u>\$ 3,676,448</u>	<u>\$ 3,853,163</u>	<u>\$ 3,832,828</u>	<u>\$ 3,743,871</u>	<u>\$ 5,273,251</u>	<u>\$ 5,803,389</u>
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (8,419,327)	\$(10,938,983)	\$(11,343,181)	\$(12,158,237)	\$(11,930,306)	\$(11,917,816)	\$(12,409,489)	\$(12,030,990)	\$(12,484,761)	\$(13,392,168)
Business-type activities	-	-	-	-	-	-	-	-	(32)	7,159
Total district-wide net expense	<u>\$ (8,419,327)</u>	<u>\$(10,938,983)</u>	<u>\$(11,343,181)</u>	<u>\$(12,158,237)</u>	<u>\$(11,930,306)</u>	<u>\$(11,917,816)</u>	<u>\$(12,409,489)</u>	<u>\$(12,030,990)</u>	<u>\$(12,484,793)</u>	<u>\$(13,385,009)</u>



**Andover Regional School District**  
**Changes in Net Position, Last Ten Fiscal Years**  
*(accrual basis of accounting)*

**Exhibit J-2**

	2007		2008		2009		2010		Fiscal Year Ending June 30,		2013		2014		2015		2016			
<b>General Revenues and Other Changes in Net Position</b>																				
Governmental activities:																				
Property taxes levied for general purposes, net	\$	9,854,369	\$	10,383,923	\$	10,799,280	\$	11,231,250	\$	11,258,929	\$	11,439,030	\$	11,667,811	\$	11,889,498	\$	12,214,591	\$	12,592,919
Taxes levied for debt service		688,964		627,066		771,241		779,298		817,293		839,355		815,079		803,813		803,813		742,684
Tuition Received																				
Investment earnings																				3,361
Miscellaneous income		96,796		33,108		33,182		45,607		4,980		178,065		24,526		264,420		68,396		16,956
Adjustment to Capital Assets																				
NJ SDA Grants for Capital Projects																				
Transfers																				
Total governmental activities		<u>10,640,129</u>		<u>11,044,097</u>		<u>11,603,703</u>		<u>12,056,155</u>		<u>12,081,202</u>		<u>12,456,450</u>		<u>12,507,416</u>		<u>12,957,731</u>		<u>13,086,800</u>		<u>13,355,920</u>
Business-type activities:																				
Miscellaneous Income																				1,517
Transfers																				39,664
Total business-type activities		<u>-</u>		<u>-</u>		<u>-</u>		<u>-</u>		<u>-</u>		<u>-</u>		<u>-</u>		<u>-</u>		<u>-</u>		<u>39,664</u>
Total district-wide		<u>\$ 10,640,129</u>		<u>\$ 11,044,097</u>		<u>\$ 11,603,703</u>		<u>\$ 12,056,155</u>		<u>\$ 12,081,202</u>		<u>\$ 12,456,450</u>		<u>\$ 12,507,416</u>		<u>\$ 12,957,731</u>		<u>\$ 13,126,464</u>		<u>\$ 13,357,437</u>
<b>Change in Net Position</b>																				
Governmental activities	\$	2,220,802	\$	105,114	\$	260,522	\$	(102,082)	\$	150,896	\$	538,634	\$	97,927	\$	926,741	\$	602,039	\$	(36,248)
Business-type activities		<u>-</u>		<u>-</u>		<u>-</u>		<u>-</u>		<u>-</u>		<u>-</u>		<u>-</u>		<u>-</u>		<u>39,632</u>		<u>8,676</u>
Total district		<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>		<u>\$ 97,927</u>		<u>\$ 926,741</u>		<u>\$ 641,671</u>		<u>\$ (27,572)</u>

Source: CAFR Schedule A-2

**Andover Regional School District  
Fund Balances, Governmental Funds,  
Last Ten Fiscal Years**  
*(modified accrual basis of accounting)*

**Exhibit J-3**

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Reserved	\$ 218,480	\$ 253,945	\$ 459,887	\$ 177,540	\$ 120,142	\$ 183,785		\$ 495,310	\$ 779,722	\$ 155,000
Unreserved	148,492	138,311	6,618	26,338	49,870	55,249	\$ (177,406)		12,390	544,430
Total general fund	<u>\$ 366,972</u>	<u>\$ 392,256</u>	<u>\$ 466,505</u>	<u>\$ 203,878</u>	<u>\$ 170,012</u>	<u>\$ 239,034</u>	<u>\$ (177,406)</u>	<u>\$ 495,310</u>	<u>\$ 792,112</u>	<u>\$ 699,430</u>
All Other Governmental Funds										
Reserved	\$ 4,000				\$ 3,452	\$ 3,453	\$ 10,692	\$ 10,713	\$ 55,948	-
Unreserved, reported in:										
Special revenue fund								-	-	-
Capital projects fund	(216,377)	\$ 4,574	\$ 4,574	\$ 3,448	(20,594)					\$ 2
Debt service fund	149,809	1,288	152							4,928
Total all other governmental funds	<u>\$ (62,568)</u>	<u>\$ 5,862</u>	<u>\$ 4,726</u>	<u>\$ 3,448</u>	<u>\$ (17,142)</u>	<u>\$ 3,453</u>	<u>\$ 10,692</u>	<u>\$ 10,713</u>	<u>\$ 55,948</u>	<u>\$ 4,930</u>

Source: CAFR Schedule B-1

**Andover Regional School District  
Changes in Fund Balances, Governmental Funds,  
Last Ten Fiscal Years**

**Exhibit J-4**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Revenues</b>										
Tax levy	\$ 10,543,333	\$ 11,010,989	\$ 11,570,521	\$ 12,010,548	\$ 12,076,222	\$ 12,255,301	\$ 12,482,890	\$ 12,693,311	\$ 13,018,404	\$ 13,335,603
Tuition charges	20,219						33,000	87,146	79,773	79,044
Miscellaneous	96,796	33,108	33,182	45,607	12,524	188,975	24,669	264,420	68,396	20,317
State sources	6,402,009	4,362,823	3,642,932	3,592,098	3,206,876	3,518,635	3,547,053	3,437,726	3,675,021	3,868,470
Federal sources	269,078	198,525	246,959	276,836	462,027	346,702	252,632	218,999	208,454	244,502
<b>Total revenue</b>	<b>17,331,435</b>	<b>15,605,445</b>	<b>15,493,594</b>	<b>15,925,089</b>	<b>15,757,649</b>	<b>16,309,613</b>	<b>16,340,244</b>	<b>16,701,602</b>	<b>17,050,048</b>	<b>17,547,936</b>
<b>Expenditures</b>										
<b>Instruction</b>										
Regular Instruction	3,247,136	3,245,476	3,493,429	3,584,026	3,346,529	3,032,481	2,938,267	3,042,620	3,074,461	4,106,907
Special education instruction	998,932	1,078,043	1,209,052	1,330,867	1,374,122	1,218,824	1,500,665	1,197,474	1,499,803	1,677,493
Other instruction	313,541	303,111	296,557	317,444	285,511	272,547	312,313	254,743	299,520	299,454
<b>Support Services:</b>										
Tuition	3,473,191	3,306,613	3,001,669	3,283,485	3,355,576	4,026,415	4,284,945	4,069,844	3,937,232	4,621,849
Student & instruction related services	1,091,952	1,120,576	1,267,711	1,271,618	1,164,002	1,382,268	1,302,745	1,303,107	1,389,964	1,648,713
School Administrative services	295,893	306,888	311,773	345,497	321,704	310,330	293,487	264,260	314,977	375,230
General administrative services	602,606	634,499	649,433	680,441	678,558	723,086	686,149	682,758	693,907	699,961
Plant operations and maintenance	798,384	869,795	957,289	983,248	899,084	786,638	820,328	888,108	1,007,232	853,536
Pupil transportation	806,311	860,387	900,825	875,815	883,652	873,052	791,778	930,334	1,009,998	1,066,951
Unallocated employee benefits	2,533,834	2,619,974	2,219,150	2,410,438	2,247,384	2,477,651	2,431,757	2,330,000	2,417,981	1,146,665
Charter Schools	17,903	17,028	17,842			8,862	20,546	10,788	11,013	68,611
Capital outlay	2,811,069	122,111	74,303	76,447	227,365	80,734	348,492	148,764	416,286	153,066
<b>Debt service:</b>										
Principal	395,000	485,000	500,000	525,000	540,000	555,000	650,000	620,000	675,000	705,000
Interest and other charges	606,332	542,230	521,448	504,668	488,618	472,108	367,973	393,705	324,725	268,200
<b>Total expenditures</b>	<b>17,992,084</b>	<b>15,511,731</b>	<b>15,420,481</b>	<b>16,188,994</b>	<b>15,812,105</b>	<b>16,219,996</b>	<b>16,749,445</b>	<b>16,136,505</b>	<b>17,072,099</b>	<b>17,691,636</b>
Excess (Deficiency) of revenues over (under) expenditures	(660,649)	93,714	73,113	(263,905)	(54,456)	89,617	(409,201)	565,097	(22,051)	(143,700)
<b>Other Financing Sources (uses)</b>										
NJ SDA Grants for Capital Projects										-
Transfers in	46,058	105	47	1,136	40,644	1	1	107,642	364,089	
Transfers out	(46,058)	(105)	(47)	(1,136)	(40,644)	(1)	(1)	(2)	(1)	
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>107,640</b>	<b>364,088</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>\$ (660,649)</b>	<b>\$ 93,714</b>	<b>\$ 73,113</b>	<b>\$ (263,905)</b>	<b>\$ (54,456)</b>	<b>\$ 89,617</b>	<b>\$ (409,201)</b>	<b>\$ 672,737</b>	<b>\$ 342,037</b>	<b>\$ (143,700)</b>
Debt service as a percentage of noncapital expenditures	6.6%	6.7%	6.7%	6.4%	6.6%	6.4%	6.2%	6.3%	6.0%	5.5%

Source: CAFR Schedule B-2

ANDOVER REGIONAL SCHOOL DISTRICT  
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE  
LAST TEN FISCAL YEARS  
UNAUDITED

Exhibit J-5

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Refund</u> <u>Prior Year</u> <u>Expenditures</u>	<u>Tuition</u>	<u>Miscellaneous</u>	<u>Total</u>
2007	\$ 50,418		\$ 20,219	\$ 320	\$ 70,957
2008	29,568			3,435	33,003
2009	7,332		12,760	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
2013	2,023	4,347	33,000	17,655	57,025
2014	1,577	5,847	87,146	256,974	351,544
2015	3,052	46,319	79,773	19,365	148,509
2016	3,361	5,083	79,044	11,871	99,359

SOURCE: District Records

\* - includes \$150,000 of insurance proceeds

**Andover Regional School District**  
**Assessed Value and Actual Value of Taxable Property,**  
**Last Ten Fiscal Years - Borough of Andover**

**Exhibit J-6**

Fiscal Year Ended June 30.	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Less: Tax-Exempt Property	Public Utilities <b>a</b>	Net Valuation Taxable	Total Direct School Tax Rate <b>b</b>	Estimated Actual (County Equalized Value)
2007	\$1,521,300	\$29,165,300	\$751,700	\$113,400	\$12,511,500	\$150,200	968,100	\$48,646,231	\$3,058,500	\$406,231	\$45,587,731	\$1.990	\$77,190,656
2008	1,587,500	29,130,500	751,700	113,400	12,518,900	150,200	968,100	48,745,814	3,058,500	467,014	45,687,314	2.190	77,509,143
2009	1,587,500	29,083,400	751,700	113,400	12,579,100	150,200	968,100	48,636,441	3,058,500	344,541	45,577,941	2.060	79,662,312
2010	1,587,500	29,287,600	751,700	113,400	12,579,100	150,200	968,100	48,800,452	3,058,500	304,352	45,741,952	2.240	86,718,562
2011	1,587,500	29,293,800	745,700	113,400	12,901,400	150,200	968,100	49,139,618	3,058,500	321,018	46,081,118	2.240	77,498,853
2012	1,635,900	29,312,300	745,700	107,600	12,952,400	150,200	968,100	49,230,963	3,058,500	300,263	46,172,463	2.300	77,595,697
2013	1,330,200	29,312,300	745,700	113,400	13,057,900	150,200	968,100	49,262,516	3,315,800	268,916	45,946,716	2.530	76,857,630
2014	1,330,200	29,344,000	745,700	113,400	13,477,900	150,200	968,100	49,728,879	3,315,800	283,579	46,413,079	2.650	70,893,559
2015	1,330,200	29,344,000	745,700	113,400	13,477,900	150,200	968,100	49,728,879	3,315,800	283,579	46,413,079	2.650	70,893,559
2016	1,697,500	43,840,600	595,300	44,900	20,488,200	256,000	1,683,700	77,473,500	8,867,300	-	68,606,200	1.820	69,334,605

Source: District records Tax list summary & Municipal Tax Assessor

**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.

Reassessment occurs when ordered by the County Board of Taxation

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

**b** Tax rates are per \$100

Andover Regional School District  
 Assessed Value and Actual Value of Taxable Property,  
 Last Ten Fiscal Years - **Andover Township**

Exhibit J-6

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Req.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Less: Tax-Exempt Property	Public Utilities <b>a</b>	Net Valuation Taxable	Total Direct School Tax Rate <b>b</b>	Estimated Actual (County Equalized Value)
2007	\$14,274,900	\$486,203,200	\$20,997,500	\$1,226,770	\$84,839,600	\$6,829,200	1,700,000	\$676,972,265	\$59,812,400	\$1,088,695	\$617,159,865	\$1.600	\$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	682,650,106	60,125,000	991,137	622,525,106	1.760	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	680,879,219	60,084,100	808,750	620,795,119	1.750	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	678,286,336	60,246,100	524,167	618,040,236	1.800	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	675,622,861	60,246,100	602,091	615,376,761	1.790	841,278,247
2012	12,447,400	486,442,600	24,539,100	1,247,370	79,530,500	5,233,500	1,700,000	672,356,206	60,539,000	676,736	611,817,206	1.850	787,520,336
2013	11,734,500	486,040,500	24,118,500	1,259,370	79,362,400	5,575,900	1,700,000	671,047,885	60,539,300	717,415	610,508,585	1.870	723,921,710
2014	11,739,900	483,478,000	24,967,700	1,259,370	79,531,000	5,575,900	1,700,000	669,684,133	60,699,200	733,063	608,984,933	1.910	684,777,001
2015	11,739,900	483,478,000	24,967,700	1,259,370	79,531,000	5,575,900	1,700,000	669,684,133	60,699,200	733,063	608,984,933	1.910	684,777,001
2016	11,311,800	481,529,300	25,287,500	1,247,070	76,811,500	5,575,900	1,700,000	665,319,591	60,995,000	861,521	604,324,591	1.974	681,593,457

Source: District records Tax list summary & Municipal Tax Assessor

**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.

Reassessment occurs when ordered by the County Board of Taxation

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

**b** Tax rates are per \$100

**Andover Regional School District  
Direct and Overlapping Property Tax Rates - Borough of Andover  
Last Ten Fiscal Years**

**Exhibit J-7**

*(rate per \$100 of assessed value)*

Fiscal Year Ended June 30,	Andover Regional Board of Education			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate <sup>a</sup>	General Obligation Debt Service <sup>b</sup>	Total Direct	Borough of Andover	Sussex County	
2007	\$1.880	\$0.110	\$1.990	\$0.410	\$0.690	\$3.090
2008	\$2.040	\$0.150	\$2.190	\$0.430	\$0.470	\$3.090
2009	\$1.930	\$0.130	\$2.060	\$0.570	\$0.660	\$3.290
2010	\$2.090	\$0.150	\$2.240	\$0.620	\$0.770	\$3.630
2011	\$2.090	\$0.150	\$2.240	\$0.630	\$0.730	\$3.600
2012	\$2.150	\$0.150	\$2.300	\$0.690	\$0.780	\$3.770
2013	\$2.370	\$0.160	\$2.530	\$0.700	\$0.830	\$4.060
2014	\$2.490	\$0.160	\$2.650	\$0.680	\$0.860	\$4.190
2015	\$2.490	\$0.160	\$2.650	\$0.680	\$0.860	\$4.190
2016	\$1.727	\$0.093	\$1.820	\$0.477	\$0.513	\$2.810

Source: District Records and Municipal Tax Collector

**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 calculated as follows: the prebudget year net budget increased by the cost of living or 2.5 percent, whichever is greater, plus any spending growth adjustments.

**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.

**Andover Regional School District  
Direct and Overlapping Property Tax Rates - Township of Andover  
Last Ten Fiscal Years**

**Exhibit J-7**

*(rate per \$100 of assessed value)*

Fiscal Year Ended June 30,	Andover Regional Board of Education			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate <sup>a</sup>	General Obligation Debt Service <sup>b</sup>	Total Direct	Andover Township	Sussex County	
2007	\$1.510	\$0.090	\$1.600	\$0.720	\$0.580	\$2.900
2008	\$1.640	\$0.120	\$1.760	\$0.780	\$0.470	\$3.010
2009	\$1.640	\$0.110	\$1.750	\$0.820	\$0.550	\$3.120
2010	\$1.680	\$0.120	\$1.800	\$0.830	\$0.575	\$3.205
2011	\$1.670	\$0.120	\$1.790	\$0.860	\$0.590	\$3.240
2012	\$1.730	\$0.120	\$1.850	\$0.880	\$0.600	\$3.330
2013	\$1.750	\$0.120	\$1.870	\$0.910	\$0.590	\$3.370
2014	\$1.790	\$0.120	\$1.910	\$0.960	\$0.610	\$3.480
2015	\$1.790	\$0.120	\$1.910	\$0.960	\$0.610	\$3.480
2016	\$1.959	\$0.015	\$1.974	\$1.007	\$0.580	\$3.561

Source: District Records and Municipal Tax Collector

**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 calculated as follows: the prebudget year net budget increased by the cost of living or 2.5 percent, whichever is greater, plus any spending growth adjustments.

**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.



**Andover Regional Board of Education  
Principal Property Tax Payers,  
Current Year and Nine Years Ago**

**Exhibit J-8**

**Andover Borough**

Taxpayer	2016			2007		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
Woodborne Lane, Inc.	\$ 1,766,100	1	2.6%	\$ 1,766,100	1	3.85%
Andover Estates	947,800	2	1.4%	947,800	2	2.07%
Sussex Properties, Ltd.	718,000	3	1.0%	718,000	3	1.76%
Cox Living Trust	620,200	4	0.9%	620,200	6	1.35%
Hanlan Midgette Scriven, LP	560,000	5	0.8%			
DJV Associates	510,000	6	0.7%			
Individual Taxpayer #1	495,400	7	0.7%	714,500	4	1.56%
J. Nechamkin Family, LLC	440,000	8	0.6%	440,000	10	0.96%
2 Lenape Trail	431,400	9	0.6%			
Black River Holdings, LLC	414,500	10	0.6%			
Westby Corporation				640,800	5	1.39%
Felicetti-Murphy, LLC				560,000	7	1.22%
Individual Taxpayer #2				495,400	8	1.08%
Individual Taxpayer #3				450,000	9	0.98%
<b>Total</b>	<b>\$ 6,903,400</b>		<b>10.06%</b>	<b>\$ 7,352,800</b>		<b>16.22%</b>

Source: District CAFR & Municipal Tax Assessor

**Andover Regional Board of Education  
Principal Property Tax Payers,  
Current Year and Nine Years Ago**

**Exhibit J-8**

**Andover Township**

Taxpayer	2016			2007		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
Andover Subacute & Rehab Center	\$ 11,517,200	1	1.9%			
Andover Nursing home	5,233,200	2	0.9%	\$ 14,172,900	1	2.47%
Young Realty Association	4,343,000	3	0.7%	14,009,300	2	2.44%
Perona Realty Corporation	3,161,600	4	0.5%	4,947,100	5	0.86%
Newton Country Club	3,149,000	5	0.5%	6,704,300	3	1.17%
St. Paul's Abbey	2,709,000	6	0.4%	4,856,700	6	0.85%
Alex Cable, Inc.	2,526,400	7	0.4%			
MMK Reinsurance (Bermuda) Ltd.	2,025,800	8	0.3%			
Individual Taxpayer #1	1,901,500	9	0.3%	4,715,400	7	0.82%
Martin & Faul LTD	1,700,000	10	0.3%	3,079,800	10	0.05%
Life Care Mews, Inc.				6,179,000	4	1.08%
Morel Builders, Inc.				4,162,200	8	0.72%
Individual Taxpayer #2				3,857,600	9	0.67%
<b>Total</b>	<b>\$ 38,266,700</b>		<b>6.33%</b>	<b>\$ 38,502,100</b>		<b>11.13%</b>

Source: District CAFR & Municipal Tax Assessor

**Andover Regional School District  
Property Tax Levies and Collections,  
Last Ten Fiscal Years**

**Exhibit J-9**

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2007	\$10,543,333	\$10,543,333	100.00%	-
2008	\$11,010,989	\$11,010,989	100.00%	-
2009	\$11,570,521	\$11,570,521	100.00%	-
2010	\$12,010,548	\$12,010,548	100.00%	-
2011	\$12,076,222	\$12,076,222	100.00%	-
2012	\$12,255,301	\$12,255,301	100.00%	-
2013	\$12,482,890	\$12,482,890	100.00%	-
2014	\$12,693,311	\$12,693,311	100.00%	-
2015	\$13,018,404	\$13,018,404	100.00%	-
2016	\$13,335,603	\$13,335,603	100.00%	-

Source: District records including the Certificate and Report of School Taxes (A4F form);  
Abstract of Ratables - Sussex County

**Note:** 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 is 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 Ten Fiscal Years**

**Exhibit J-10**

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Percentage of Personal Income <sup>a</sup>	Per Capita <sup>a</sup>
	General Obligation Bonds <sup>b</sup>	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases	Total District		
2007	\$ 13,684,000	-	\$ 22,562	-	-0-	\$ 13,706,562	4.24%	\$1,932.95
2008	13,199,000	-	15,895	-	-0-	13,214,895	3.91%	1,852.12
2009	12,699,000	-	8,814	-	-0-	12,707,814	3.86%	1,777.32
2010	12,174,000	-	1,940	-	-0-	12,175,940	3.64%	1,698.65
2011	11,634,000	-	-	-	-0-	11,634,000	3.50%	1,698.89
2012	11,325,000	-	-	-	-0-	11,325,000	3.31%	1,660.31
2013	10,675,000	-	-	-	-0-	10,675,000	3.12%	1,577.04
2014	10,055,000	-	68,770	-	-0-	10,123,770	2.85%	1,508.08
2015	9,385,000	-	316,978	-	-0-	9,701,978	2.76%	1,456.10
2016	8,680,000	-	229,253	-	-0-	8,909,253	2.55%	1,349.27 *

Source: District CAFR Schedules I-1, I-2

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

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

**b** Includes Early Retirement Incentive Plan (ERIP) refunding

\* Current data unavailable

**Andover Regional School District  
Ratios of Net General Bonded Debt Outstanding  
Last Ten Fiscal Years - Constituent Townships**

**Exhibit J-11**

<u>General Bonded Debt Outstanding</u>					
Fiscal Year Ended June 30,	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value <sup>a</sup> of Property	Per Capita <sup>b</sup>
2007	\$ 13,694,000	-0-	\$ 13,694,000	2.07%	\$ 1,932.95
2008	\$ 13,199,000	-0-	\$ 13,199,000	1.98%	\$ 1,852.12
2009	\$ 12,699,000	-0-	\$ 12,699,000	1.91%	\$ 1,777.32
2010	\$ 12,174,000	-0-	\$ 12,174,000	1.83%	\$ 1,698.65
2011	\$ 11,634,000	-0-	\$ 11,634,000	1.76%	\$ 1,698.89
2012	\$ 11,325,000	-0-	\$ 11,325,000	1.72%	\$ 1,660.31
2013	\$ 10,675,000	-0-	\$ 10,675,000	1.63%	\$ 1,577.04
2014	\$ 10,055,000	-0-	\$ 10,055,000	1.53%	\$ 1,508.08
2015	\$ 9,385,000	-0-	\$ 9,385,000	1.43%	\$ 1,456.10
2016	\$ 8,680,000	-0-	\$ 8,680,000	1.29%	\$ 1,349.27 *

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

**a** See Exhibit NJ J-6 for property tax data.

**b** Population data can be found in Exhibit NJ J-14.

**R** Revised

\* Current data unavailable

**Andover Regional School District  
Ratios of Overlapping Governmental Activities Debt  
As of June 30, 2016**

**Exhibit J-12**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>a</sup></u>	<u>Estimated Share of Overlapping Debt</u>
<b>Debt repaid with property taxes</b>			
Constituent Townships	\$ 2,543,201	100%	\$ 2,543,201
<b>Other debt</b>			
Sussex County	112,567,826	3.78%	<u>4,252,566</u>
Subtotal, overlapping debt			6,795,767
<b>Andover Regional School District Direct Debt</b>	8,680,000	100%	<u>8,680,000</u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 15,475,767</u></u>

**Sources:** Constituent Townships Finance Officers, Sussex County Finance Office and Utility Authorities

**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 district. This process recognizes that, when considering the District's ability to issue and repay long-term debt, 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 payment.

**a** For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable value that is within the district's boundaries and dividing it by each unit's total taxable value.

**Andover Regional School District  
Legal Debt Margin Information,  
Last Ten Fiscal Years**

**Exhibit J-13**

**Legal Debt Margin Calculation for Fiscal Year 2016**

Equalized valuation basis

2015	\$ 769,634,935
2014	754,653,918
2013	<u>780,267,685</u>
<b>[A]</b>	<b><u>\$ 2,304,556,538</u></b>

Average equalized valuation of taxable property **[A/3]** \$ 768,185,513

Debt limit (3.5 % of average equalization value) **[B]** 26,886,493

Net bonded school debt **[C]** 8,680,000

Legal debt margin **[B-C]** \$ 18,206,493

	Fiscal Year									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Debt limit	\$24,830,385	\$27,261,615	\$28,757,409	\$29,120,164	\$28,633,384	\$27,511,880	\$25,817,718	\$24,649,220	\$23,336,617	\$26,886,493
Total net debt applicable to limit	<u>13,684,000</u>	<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>	<u>10,675,000</u>	<u>10,055,000</u>	<u>9,385,000</u>	<u>8,680,000</u>
Legal debt margin	<u>\$11,146,385</u>	<u>\$14,062,615</u>	<u>\$16,058,409</u>	<u>\$16,946,164</u>	<u>\$16,999,384</u>	<u>\$16,186,880</u>	<u>\$15,142,718</u>	<u>\$14,594,220</u>	<u>\$13,951,617</u>	<u>\$18,206,493</u>
Total net debt applicable to the limit as a percentage of debt limit	55.11%	48.42%	44.16%	41.81%	40.63%	41.16%	41.35%	40.79%	40.22%	32.28%

Source: Abstract of Ratables and District Records CAFR Schedule J-7

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**

**Exhibit J-14**

<u>Year</u>	<u>Population <sup>a</sup></u>	<u>Personal Income (thousands of dollars) <sup>b</sup></u>	<u>Per Capita Personal Income <sup>c</sup></u>	<u>Unemployment Rate <sup>d</sup></u>
2007	7,091	\$ 323,619,058	\$45,638 R	5.3%
2008	7,135	\$ 338,313,160	\$47,416 R	8.8%
2009	7,150	\$ 329,050,150	\$46,021 R	9.4%
2010	7,168	\$ 334,451,712	\$46,659 R	9.1%
2011	6,848	\$ 331,929,408	\$48,471 R	9.1%
2012	6,821	\$ 342,202,749	\$50,169 R	7.0%
2013	6,769	\$ 342,064,646	\$50,534 R	7.0%
2014	6,713	\$ 354,788,763	\$52,851 R	5.8%
2015	6,663	\$ 352,146,213 *	\$52,851 *	4.4%
2016	6,603	\$ 348,975,153 *	\$52,851 *	*

**Source:**

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

<sup>b</sup> Personal income provided by US Dept Commerce

<sup>c</sup> Per Capita provided by NJ Dept of Labor

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

P Projected

R Revised

\* Current data unavailable





**Andover Regional School District  
Full-time Equivalent District Employees by Function/Program,  
Last Ten Fiscal Years**

**Exhibit J-16**

<u>Function/Program</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Instruction										
Regular	45.0	45.0	45.0	45.0	44.0	41.0	48.0	48.0	48.0	48.0
Special education	17.0	18.0	18.0	18.0	15.5	16.0	18.0	13.0	13.0	13.0
Other special education	5.0	5.0	5.0	5.0	5.0	5.0	8.0	8.0	8.0	8.0
Other Instruction	34.0	35.0	35.0	35.0	33.0	32.0	21.0	25.0	25.0	26.0
Support Services:										
Student & instruction related services	11.0	11.0	11.0	11.0	10.0	9.0	10.0	10.0	10.0	10.0
School administrative services	6.0	6.0	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	2.0	2.0	2.0	2.0	2.0
Plant operations and maintenance	9.0	9.0	9.0	9.0	8.0	7.0	7.0	7.0	7.0	7.0
Pupil transportation	1.0	1.0	1.0	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	2.5	2.5	2.0	2.0	2.0	2.0	2.0
Total	<u>133.5</u>	<u>135.5</u>	<u>135.5</u>	<u>136.0</u>	<u>128.5</u>	<u>121.0</u>	<u>123.0</u>	<u>122.0</u>	<u>122.0</u>	<u>123.0</u>

**Source:** District Personnel Records

**Andover Regional School District  
Operating Statistics  
Last Ten Fiscal Years**

**Exhibit J-17**

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil	Percentage Change	Teaching Staff <sup>b</sup>	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary School	Middle School				
2007	1,019	14,182,497	13,918	4.05%	73	15.1:1	10.8:1	721.6	691.9	-0.19%	95.9%
2008	985	14,364,077	14,583	4.78%	75	18.1:1	10.8:1	704.0	703.0	-2.44%	99.9%
2009	947	14,326,230	15,128	3.74%	75	18.1:1	10.8:1	689.0	662.2	-2.13%	96.1%
2010	935	15,082,879	16,131	6.63%	75	10.4:1	8.8:1	651.0	622.3	-5.52%	95.6%
2011	916	14,556,122	15,891	-1.49%	70	9.8:1	8.8:1	652.6	624.5	0.25%	95.7%
2012	903	15,112,154	16,735	5.31%	62	9.8:1	8.8:1	609.4	582.2	-6.62%	95.5%
2013	867	15,382,980	17,743	6.02%	66	11.0:1	10.3:1	609.8	581.1	0.07%	95.3%
2014	848	14,974,036	17,658	-0.48%	61	11.0:1	13.0:1	606.0	601.0	-0.62%	99.2%
2015	825	15,686,983	19,015	7.68%	61	11.0:1	13.0:1	604.0	600.0	-0.33%	99.3%
2016	810	16,565,370	20,451	7.56%	61	11.5:1	12.3:1	600.4	576.4	-0.60%	96.0%

**Sources:** District records, ASSA and Schedules J-12, J-14

**Note:** Enrollment based on annual October district count.

- a Operating expenditures equal total expenditures less debt service and capital outlay; Schedule J-4
- 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)

**Andover Regional School District  
School Building Information  
Last Ten Fiscal Years**

**Exhibit J-18**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b><u>District Building:</u></b>										
<b><u>Long Pond School</u></b>										
Square Feet	91,000	91,000	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	554	554
Enrollment	321	329	316	310	311	318	295	298	298	236
<b><u>Florence M. Burd School</u></b>										
Square Feet	46,419	46,419	46,419	46,419	46,419	46,419	46,419	46,419	46,419	46,419
Capacity (Students)	500	500	500	500	500	500	500	500	500	500
Enrollment	402	374	361	345	342	306	306	306	306	277

Number of Schools at June 30, 2016  
Elementary = 1  
Middle School = 1

**Source:** District records, ASSA

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

ANDOVER REGIONAL SCHOOL DISTRICT  
GENERAL FUND  
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES  
Last Nine Fiscal Years Ending June 30, 2016

Exhibit J-19

JNDISTRIBUTED EXPENDITURES - REQUIRED  
 MAINTENANCE FOR SCHOOL FACILITIES  
 11-000-261-xxx

<u>School Facilities</u>	<u>Project #</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>Total</u>
Long Pond School		\$ 29,067	\$ 52,898	\$ 61,289	\$ 78,434	\$ 52,183	\$ 52,124	\$ 57,583	\$ 71,153	\$ 60,888	\$ 69,737	\$ 585,356
Florence M. Burd School		<u>87,201</u>	<u>52,898</u>	<u>61,289</u>	<u>78,434</u>	<u>91,335</u>	<u>52,125</u>	<u>57,584</u>	<u>71,153</u>	<u>60,888</u>	<u>69,737</u>	<u>682,644</u>
Total School Facilities		116,268	105,796	122,578	156,868	143,518	104,249	115,167	142,306	121,776	139,474	1,268,000
Other Facilities		<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>
<b>Grand Total</b>		<u>\$ 116,268</u>	<u>\$ 105,796</u>	<u>\$ 122,578</u>	<u>\$ 156,868</u>	<u>\$ 143,518</u>	<u>\$ 104,249</u>	<u>\$ 115,167</u>	<u>\$ 142,306</u>	<u>\$ 121,776</u>	<u>\$ 139,474</u>	<u>\$ 1,268,000</u>

ANDOVER REGIONAL SCHOOL DISTRICT

INSURANCE SCHEDULE

June 30, 2016

UNAUDITED

Exhibit J-20

<u>POLICY TYPE</u>	<u>COVERAGE</u>	<u>DEDUCTIBLE</u>
<b><u>NJ SCHOOL INSURANCE GROUP</u></b>		
<b><u>PROPERTY SECTION -</u></b>		
Property-Blanket Building and Contents	\$ 15,864,272	\$ 5,000
EDP	446,757	
<b><u>LIABILITY SECTION -</u></b>		
Comprehensive General Liability	11,000,000	1,000
Fire Damage Liability	100,000	None
Automobile Liability	11,000,000	1,000
Medical Liability	5,000	None
Environmental Impairment Liability	1,000,000	10,000
Underground Storage Tanks	1,000,000	10,000
<b><u>WORKERS' COMPENSATION -</u></b>		
(a) Statutory Benefits		None
(b) Employers Liability	As required by	None
Supplemental Coverage	State of New Jersey	None
<b><u>SCHOOL BOARD LEGAL LIABILITY POLICY -</u></b>		
School Leader's Professional Liability	6,300,000	5,000
<b><u>CRIME -</u></b>		
Blanket Employee Dishonesty	500,000	1,000
Per Loss Member Aggregate Limit		
Theft Disappearance Destruction In and Out		
Computer Fraud	500,000	1,000
Forgery	100,000	500
<b><u>OTHER COVERAGE</u></b>		
Boiler and Machinery	100,000,000	5,000
Valuable Papers	10,000,000	5,000
<b><u>INDIVIDUAL BONDS:(Selective Insurance)</u></b>		
School Business Administrator	350,000	None
Treasurer of School Monies	350,000	None

SOURCE: District Records

# Single Audit Section







## **ARDITO & Co., LLP**

1110 Harrison Street, Suite C  
 Frenchtown, New Jersey 08825-1192  
 908-996-4711 Fax: 908-996-4688  
 e-mail: anthony@arditoandcompany.com

Anthony Ardito, CPA, RMA, CMFO, PSA  
 Douglas R. Williams, CPA, RMA, PSA

### **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

#### Independent Auditor's Report

Honorable President and  
 Members of the Board of Education  
 Andover Regional School District  
 County of Sussex  
 Newton, New Jersey 07860

We have audited, in accordance with the auditing standards generally accepted in the United States of America and 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 Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Andover Regional School District Board of Education in the County of Sussex, State of New Jersey, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Andover Regional School District Board of Education's basic financial statements, and have issued our report thereon dated October 31, 2016.

#### **Internal Control Over Financial Reporting**

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

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

-Continued-

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District'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* or audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

**Purpose of this Report**

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

*Ardito & Co., LLP*

ARDITO & CO., LLP  
October 31, 2016

*Anthony Ardito*

Licensed Public School Accountant No.2369



## **ARDITO & Co., LLP**

1110 Harrison Street, Suite C  
 Frenchtown, New Jersey 08825-1192  
 908-996-4711 Fax: 908-996-4688  
 e-mail: anthony@arditoandcompany.com

Anthony Ardito, CPA, RMA, CMFO, PSA  
 Douglas R. Williams, CPA, RMA, PSA

### **Report on Compliance For Each Major Program and Report on Internal Control Over Compliance Required by New Jersey OMB circular 15-08**

#### Independent Auditor's Report

Honorable President and  
 Members of the Board of Education  
 Andover Regional School District  
 County of Sussex  
 Newton, New Jersey 07860

#### **Report on Compliance for Each Major State Program**

We have audited the Andover Regional School District Board of Education's compliance with the types of compliance requirements described in the New Jersey OMB circulars 15-08 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of the District's major state programs for the year ended June 30, 2016. The Andover Regional School District Board of Education's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### **Management's Responsibility**

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

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; and New Jersey OMB's Circulars 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and New Jersey OMB Circulars 15-08 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 District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

-Continued-

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

**Opinion on Each Major State Program**

In our opinion, the Andover Regional School District Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2016.

**Report on Internal Control Over Compliance**

Management of the Andover Regional School District Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with New Jersey OMB Circulars 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Andover Regional School District Board of Education's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of New Jersey OMB circulars 15-08, and for New Jersey Department of Education use. Accordingly, this report is not suitable for any other purpose.

*ARDITO & Co., LLP*

ARDITO & CO., LLP  
October 31, 2016

*Cynthia Corder*

Licensed Public School Accountant No.2369

ANDOVER REGIONAL SCHOOL DISTRICT

K-4

Schedule of Expenditures of State Financial Assistance  
for the Fiscal Year ended June 30, 2016

Schedule B

STATE GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	GRANT PERIOD	AWARD AMOUNT	BALANCE 6/30/2015	CARRY- OVER AMOUNT	CASH RECEIVED	BUDGET. EXPEND.	ADJUST.	REPAYMENT OF PRIOR YEARS' BALANCES	BALANCE AT JUNE 30, 2016			MEMO		
										(ACCTS. RECEIV.)	DEFER. REVENUE/ INTERFUND PAYABLE	DUE TO GRANTOR	BUDGETARY RECEIVABLE	CUMULATIVE TOTAL EXPEND.	
<b>State Department of Education:</b>															
<b>General Fund:</b>															
Equalization Aid	16-495-034-5120-078	7/1/15-6/30/16	\$ 29,231			\$ 29,231	\$ (29,231)							* \$ 2,878	\$ 29,231
School Choice Aid	16-495-034-5120-068	7/1/15-6/30/16	39,474			39,474	(39,474)							* 3,886	39,474
Transportation Aid	16-495-034-5120-014	7/1/15-6/30/16	542,362			542,362	(542,362)							* 53,398	542,362
Special Education Aid	16-495-034-5120-089	7/1/15-6/30/16	464,116			464,116	(464,116)							* 45,695	464,116
Security Aid	16-495-034-5120-084	7/1/15-6/30/16	61,304			61,304	(61,304)							* 6,036	61,304
Adjustment Aid	16-495-034-5120-085	7/1/15-6/30/16	1,182,448			1,182,448	(1,182,448)							* 116,419	1,182,448
PARCC Readiness Aid	16-495-034-5120-098	7/1/15-6/30/16	8,160			8,160	(8,160)							* 803	8,160
Per Pupil Growth Aid	16-495-034-5120-097	7/1/15-6/30/16	8,160			8,160	(8,160)							* 803	8,160
Extra-Ordinary Aid	16-495-034-5120-044	7/1/15-6/30/16	214,276				(214,276)			\$ (214,276)				* 214,276	
Extra-Ordinary Aid	15-495-034-5120-044	7/1/14-6/30/15	191,152	\$ (191,152)		191,152								* -	
Non-Public Transportation Aid	16-100-034-5120-068	7/1/15-6/30/16	8,363			-	(8,363)			(8,363)				* 8,363	
Non-Public Transportation Aid	15-100-034-5120-068	7/1/14-6/30/15	8,032	(8,032)		8,032								* -	
On Behalf TPAF Pension	16-495-034-5094-002	7/1/15-6/30/16	340,256			340,256	(340,256)							* 340,256	
On Behalf TPAF Pension PMR	16-495-034-5094-001	7/1/15-6/30/16	425,332			425,332	(425,332)							* 425,332	
On Behalf TPAF Pension Non-Contrib Ins	16-495-034-5094-004	7/1/15-6/30/16	16,949			16,949	(16,949)							* 16,949	
Reimb.TPAF Soc.Sec.Contrib.	16-495-034-5094-003	7/1/15-6/30/16	352,485	(15,865)		368,350	(352,485)			-				* 352,485	
<b>Total General Fund</b>				<b>(215,049)</b>		<b>3,685,326</b>	<b>(3,692,916)</b>			<b>(222,639)</b>				<b>* 229,918</b>	<b>3,692,916</b>
<b>Debt Service Fund</b>															
Debt Service Aid Type 2	16-100-034-5120-124	7/1/16-6/30/16	179,496			179,496	(179,496)							* 179,496	
<b>Total Debt Service</b>				<b>-</b>	<b>-</b>	<b>179,496</b>	<b>(179,496)</b>			<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>* -</b>	<b>179,496</b>
<b>State Department of Agriculture:</b>															
<b>Enterprise Fund:</b>															
Nat. School Lunch Prog. (State Share)	15-100-010-3350-023	7/1/14-6/30/15		(116)		116								* 1,461	
Nat. School Lunch Prog. (State Share)	16-100-010-3350-023	7/1/15-6/30/16	1,461			1,234	(1,461)			(227)				* 1,461	
<b>Total Enterprise Fund</b>				<b>(116)</b>		<b>1,350</b>	<b>(1,461)</b>			<b>(227)</b>				<b>* 1,461</b>	
<b>Total State Financial Assistance</b>				<b>\$ (215,165)</b>	<b>-</b>	<b>\$ 3,866,172</b>	<b>\$ (3,873,873)</b>	<b>-</b>	<b>-</b>	<b>\$ (222,866)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>* \$ 229,918</b>	<b>\$ 3,873,873</b>

Less: On-behalf TPAF Pension Amounts 782,537

Total State Expenditures Subject to Major Program Determination \$ (3,091,336)

The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule.

NOTES TO THE SCHEDULES OF FEDERAL AND STATE FINANCIAL ASSISTANCE  
JUNE 30, 2016

**NOTE 1. GENERAL**

The accompanying schedule of expenditures of federal and state financial assistance includes federal and state award activity of the Board of Education, Andover Regional School District. The Board of Education is defined in Note 1 to the Board's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal and state financial assistance passed through other government agencies is included on the schedules of expenditure of federal and state financial assistance.

**NOTE 2. BASIS OF ACCOUNTING**

The accompanying federal and state schedules of expenditures of awards and financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Board's basic financial statements. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE 3. RELATIONSHIP TO GENERAL PURPOSE 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 state aid payment in the current budget year, which is mandated pursuant to N.J.S.A.18A:22-44.2. For GAAP purposes, that payment is not recognized until the subsequent budget year due to the state deferral and recording of the last state aid payment in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$3,942) for the general fund and \$4,196 for the special revenue fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial federal and statements on a GAAP basis as presented on the following page:

NOTES TO THE SCHEDULES OF FEDERAL AND STATE FINANCIAL ASSISTANCE  
JUNE 30, 2016

**NOTE 3. (Continued)**

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	-	\$ 3,688,974	\$ 3,688,974
Special Revenue Fund	\$ 244,502	-	244,502
Debt Service Fund		179,496	179,496
Food Service Fund	<u>41,684</u>	<u>1,461</u>	<u>43,145</u>
Total Financial Assistance	<u>\$ 286,186</u>	<u>\$ 3,869,931</u>	<u>\$ 4,156,117</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. OTHER**

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the district for the year ended June 30, 2016. TPAF Social Security Contributions represents the amount reimbursed by the state for employer's share of social security contributions for TPAF members for the year ended June 30, 2016.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Section I - Summary of Auditor's Results

**Financial Statement Section**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

1) Material weakness(es) identified? \_\_\_ Yes x No

2) Were significant deficiencies identified that were not considered to be material weaknesses? \_\_\_ Yes x None

Reported

Noncompliance material to financial statements noted? \_\_\_ Yes x No

**Federal Awards**

N/A

Internal control over major programs:

1) Material weakness(es) identified? \_\_\_ Yes \_\_\_ No

2) Were significant deficiencies identified that were not considered to be material weaknesses? \_\_\_ Yes \_\_\_ None

Type of auditor's report issued on compliance for major programs: N/A

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 section .516(a) of ? \_\_\_ Yes \_\_\_ No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>FEIN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
N/A		

Dollar threshold used to distinguish between Type A and Type B programs: N/A

Auditee qualified as low-risk auditee? \_\_\_ yes \_\_\_ no





SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**Section II-Financial Statement Findings**

N/A

There were no matters of noncompliance or reportable conditions noted, that are required to be reported in accordance with *Government Auditing Standards*.

**Section III - State Financial Assistance Findings and Questioned Costs**

N/A

This section identifies audit findings required to be reported by NJOMB Circular Letter 15-08, as applicable. There were no state financial assistance findings or questioned costs that are required to be reported in accordance with NJOMB Circular 15-08.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

N/A

In accordance with *government auditing standards* , our procedures included a review of all prior year recommendations. There were no prior year findings.