

**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, 2018**

Comprehensive Annual

Financial Report

of the

Andover Regional School District

Board of Education

Newton, Sussex County

For the Fiscal Year Ending June 30, 2018

Prepared by

Andover Regional School District

Board of Education

Finance Department

OUTLINE OF CAFR

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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

January 16, 2019

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

Dear Board Members:

The comprehensive annual financial report of the Andover Regional School District for the fiscal year ended June 30, 2018, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Andover Regional Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the Independent Auditors' Report, the management's discussion and analysis, the basic financial statements and notes providing an overview of the District's financial position and operating results, and supplementary schedules providing detailed budgetary information. The statistical section includes selected financial and demographic information, financial trends and the fiscal capacity of the District, generally presented on a multi-year basis. The District is subject to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget "Uniform Guidance", "Audits of States, Local Governments and Non-profit Organizations", and New Jersey's OMB Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid". Information related to this single audit, including the auditor's report on the internal control and compliance with applicable laws, regulations contracts and grants and findings and questioned costs are included in the single audit section of this report.

1) **REPORTING ENTITY AND ITS SERVICES:** Andover Regional School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board ("GASB") in codification section 2100. All funds of the District are included in this report. The Andover Regional Board of Education and all its schools constitute the District's reporting entity.



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Andover Regional School District
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The District provides a full range of educational services appropriate to grade levels K through 8. These include regular, as well as special education for handicapped students from preschool disabled through grade 8. Additionally, the District provides for the education of regular and special education high school level students through a sending-receiving relationship with the Newton Board of Education, as well as transportation services or aid in lieu of transportation for all resident public and nonpublic students.

2) **ECONOMIC CONDITION AND OUTLOOK:** The District relied heavily on grants and additional funding such as Special Education Extraordinary Aid and transportation aid. Many consumable lines, including heat, energy, and custodial supplies were decimated. During the past few years, the mainly suburban bedroom communities of Andover Township and Andover Borough have experienced no growth in housing. There has been no significant development of commercial property in either municipality. Over the past five years, the District's enrollment has declined approximately 10% across all grade levels.

3) **MAJOR INITIATIVES:**

The District financial budget includes and supports the maintenance of our two school buildings, upgrades and maintenance of all district technology, new and revised curriculum, and professional development opportunities for all staff.

The District continues to maintain a relationship with the Newton School District via a sending/receiving agreement for Andover Regional high school students. Approximately 204 students residing in the Andover Regional community in grades 9-12 attend Newton High School through this sending/receiving relationship.

4) **INTERNAL ACCOUNTING CONTROLS:** Management of the District is the responsible for establishing and maintaining an internal control system designed to ensure that the assets of the District are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP). The internal control system 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.



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As a recipient of federal and state financial assistance, the District also is responsible for ensuring that an adequate internal control 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 system, including that portion related to federal and state financial assistance programs, as well as to determine that the District has complied with applicable laws and regulations.

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as restrictions, commitments and assignments of fund balance at June 30, 2018.

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

7. **CASH MANAGEMENT:** The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Basic Financial Statements", Note 3. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit. Deposit Protection Act ("GUDP A"). GUDP A was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.



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Andover Regional School District
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8. RISK MANAGEMENT: The Board carries various forms of insurance, including, but not limited to, general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. The New Jersey Schools Insurance Group oversees risk management for the District. A schedule of insurance coverage is found on Exhibit J-20.

9. OTHER INFORMATION: Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Ardito & Co., LLP LLP was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the related OMB "Uniform Guidance" and New Jersey's OMB Circular 15-08. The auditor's report on the basic financial statements and combining and individual fund statements and schedules are included in the financial section of this report. The auditor's reports related specifically to the single audit and *Government Auditing Standards* are included in the single audit section of this report.

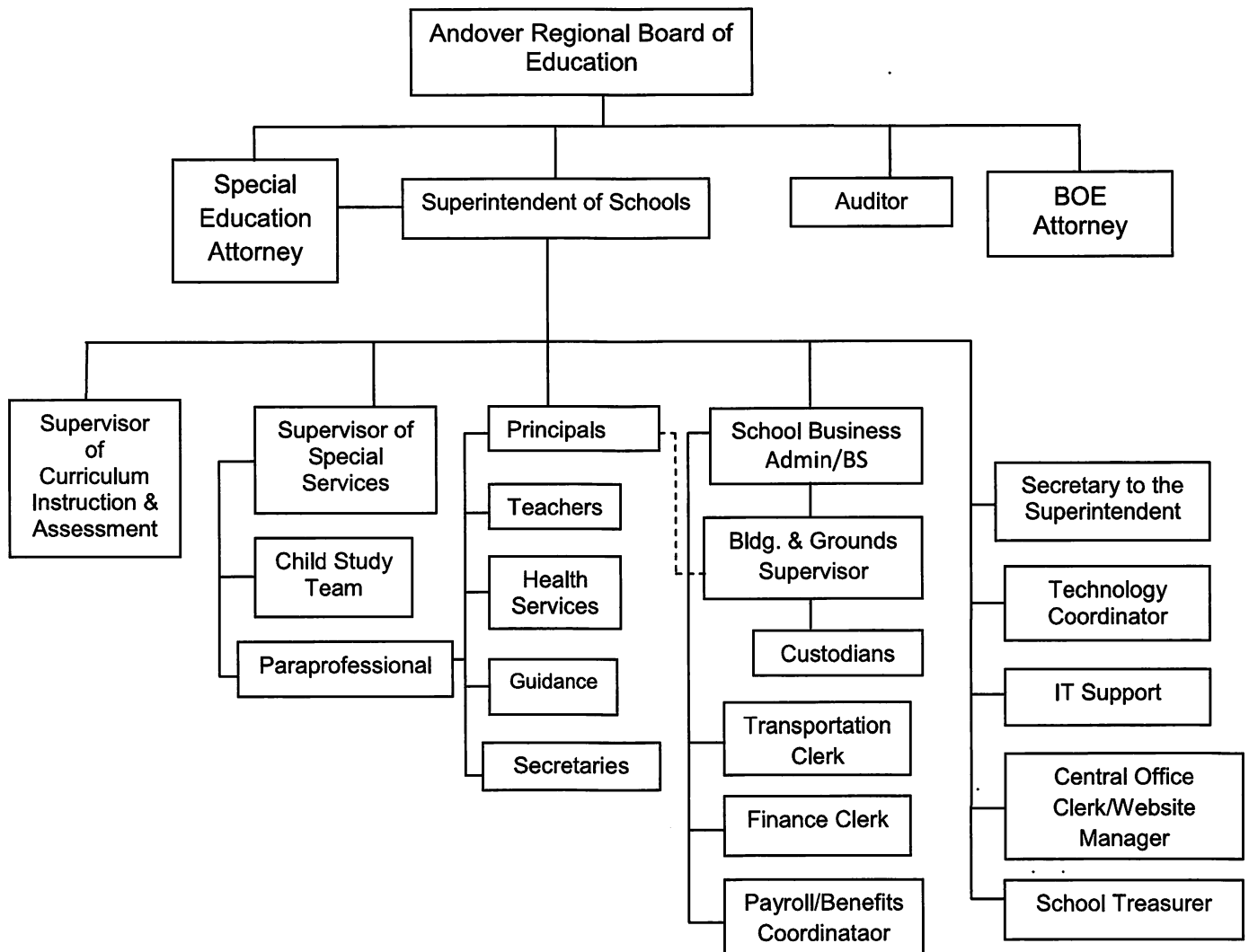
10. ACKNOWLEDGEMENTS: We would like to express our appreciation to the members of the Andover Regional School District for their concern in providing fiscal accountability to the citizens and taxpayers of the district and thereby contributing their full support to the development and maintenance of our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

Respectfully submitted,

Dennis Tobin
Superintendent

Nicole Sylvester
School Business Administrator/Board Secretary

ANDOVER REGIONAL SCHOOL DISTRICT - ORGANIZATIONAL CHART



**ANDOVER REGIONAL SCHOOL DISTRICT
BOARD OF EDUCATION**

ROSTER OF OFFICIALS

June 30, 2018

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Robert Koroski, President	2018
Michael Fancher, Vice President	2019
Teri Ashworth	2019
Jessica Brennan	2021
Eric Danielson	2020
Colleen Figueiredo	2020
Amanda Miller	2020
Steven Minnick	2019
Vincenia Annuzzi	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

Scarinci & Hollenbeck, LLC

1100 Valley Brook Avenue, P.O. Box 790
Lyndhurst, New Jersey 07071

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

State Street Bank and Trust
P.O. Box 5994
Boston, MA 02206-5994

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, 2018, 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 financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, 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, 2018, 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.

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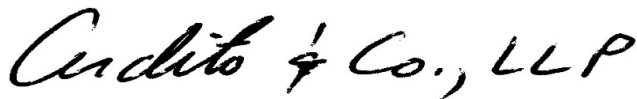
The combining and individual fund financial statement information, long-term debt schedules, and the schedule of state financial assistance, as required by New Jersey OMB's Circulars 15-08, ***Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid***, are the responsibility 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.

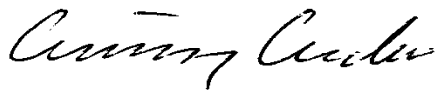
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with ***Government Auditing Standards***, we have also issued our report dated January 16, 2019, 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
January 16, 2019



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, 2018
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, 2018. 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 2018 are as follows:

- ◆ In total, Net Position increased \$1,824,613 which represents a 53.7% increase from 2017.
- ◆ General revenues accounted for \$14,188,915 in revenue or 67.8% of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$6,751,737 or 32.2% of total revenues of \$20,940,652.
- ◆ Total assets of governmental activities increased by \$780,584, as cash and cash equivalents increased by \$1,017,701, receivables decreased by \$21,105, and capital assets decreased by \$216,541.
- ◆ The School District had \$19,116,039 in expenses; only \$6,751,737 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) of \$14,188,915 were available to provide for these programs.
- ◆ Among major funds, the General Fund had \$16,999,723 in revenues and \$16,041,262 in expenditures. The General Fund's surplus balance increased \$958,461 over 2017, which compares favorably to the budgeted decrease of \$150,000.

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, 2018
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 2018?" 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, 2018
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 2018 compared to 2017.

	<u>2018</u>	<u>2017</u>
Table 1		
Net Position		
Assets		
Current and Other Assets	\$ 2,561,350	\$ 1,564,225
Capital Assets	<u>13,491,208</u>	<u>13,707,749</u>
Total Assets	<u>16,052,558</u>	<u>15,271,974</u>
Deferred Outflows of Resources	<u>951,281</u>	<u>1,295,356</u>
Liabilities		
Long-Term Liabilities	10,970,778	13,052,070
Other Liabilities	<u>143,609</u>	<u>114,476</u>
Total Liabilities	<u>11,114,387</u>	<u>13,166,546</u>
Deferred Inflows of Resources	<u>664,055</u>	<u>-</u>
Net Position		
Invested in Capital Assets, Net of Debt	6,251,208	5,742,749
Restricted	1,615,888	726,000
Unrestricted	<u>(2,641,699)</u>	<u>(3,067,965)</u>
Total Net Position	<u>\$ 5,225,397</u>	<u>\$ 3,400,784</u>

ANDOVER REGIONAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

Total assets of governmental activities increased by \$780,584, as cash and cash equivalents increased by \$1,017,701, receivables decreased by \$21,105, and capital assets decreased by \$216,541.

The cash increase was mainly due to operational efficiencies towards the budget. Capital assets decreased because of depreciation expense for the fiscal year.

Table 2 shows the changes in Net Position from fiscal year 2017.

Table 2
Changes in Net Position

	<u>2018</u>	<u>2017</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 123,066	\$ 112,982
Operating Grants and Contributions	6,628,671	6,374,459
General Revenues:		
Property Taxes	13,875,164	13,613,254
Investment Earnings	5,859	4,955
Other	<u>307,892</u>	<u>12,506</u>
Total Revenues	<u>20,940,652</u>	<u>20,118,156</u>
Program Expenses		
Instruction	8,333,418	8,007,094
Support Services:		
Tuition	4,461,200	4,468,513
Pupils and Instructional Staff	1,959,118	2,120,608
General Administration, School Administration, Business	1,490,943	1,381,806
Operations and Maintenance of Facilities	984,128	1,628,635
Pupil Transportation	1,401,334	1,443,594
Transfer to Charter School	29,934	12,770
Business-Type Activities	147,168	148,004
Interest and Fiscal Charges	<u>308,796</u>	<u>287,368</u>
Total Expenses	<u>19,116,039</u>	<u>19,498,392</u>
Increase in Net Position	<u>\$ 1,824,613</u>	<u>\$ 619,764</u>

ANDOVER REGIONAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

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 66.3% percent of revenues for governmental activities for the Andover Regional School District for the fiscal year 2018.

Instruction comprises 43.6% of district expenses. Support services expenses make up 53.9% 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 2017. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3

	Total Cost of Services 2018	Net Cost of Services 2018	Total Cost of Services 2017	Net Cost of Services 2017
Instruction	\$ 8,333,418	\$ 4,520,853	\$ 8,007,094	\$4,634,298
Support Services:				
Tuition	4,461,200	4,461,200	4,468,513	4,468,513
Pupils and Instructional Staff	1,959,118	1,056,453	2,120,608	1,156,992
General Admin., School Admin., Business	1,490,943	837,398	1,381,806	818,353
Operation and Maintenance of Facilities	984,128	552,742	1,628,635	964,534
Pupil Transportation	1,401,334	787,068	1,443,594	854,946
Charter	29,934	29,934	12,770	12,770
Business-Type Activities	147,168	1,842	148,004	6,674
Interest and Fiscal Charges	308,796	116,812	287,368	93,871
Total Expenses	<u>\$ 19,116,039</u>	<u>\$ 12,364,302</u>	<u>\$ 19,498,392</u>	<u>\$13,010,951</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, 2018
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 54.2% of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 74.8%. 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 \$18,168,777 and expenditures of \$17,206,300. The General Fund's surplus balance increased \$958,461 over 2017, which compares favorably to the budgeted decrease of \$150,000.

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 2018 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 \$15,599,014, \$135,489 over original budgeted estimates of \$15,463,525. This difference was due primarily to an increases in tuition based programs and extraordinary aid.

General fund revenues exceeded expenditures by \$981,060. Again this surplus compares to a budgeted deficit of \$150,000, which was due to the budgeted use of surplus needed to balance the 2017-2018 budget. The budgeted deficit was reduced due to revenue increases and cost savings mainly in the areas of instruction, tuition, and benefits.

Overall general fund balance (budget basis) was \$2,682,876, and amounts ear-marked and reserved for future purposes were \$2,275,150, creating a surplus in unreserved fund balance of \$407,726. 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, 2018
UNAUDITED

Capital Assets

At the end of the fiscal year 2018, the School District had \$13,491,208 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal 2018 balances compared to 2017.

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

	<u>2018</u>	<u>2017</u>
Land	\$ 265,016	\$ 265,016
Land Improvements	31,279	36,397
Buildings and Improvements	12,946,049	13,322,395
Machinery and Equipment	<u>248,864</u>	<u>83,941</u>
Totals	<u>\$ 13,491,208</u>	<u>\$ 13,707,749</u>

Overall capital assets decreased \$216,541 from fiscal year 2017 to fiscal year 2018. The decrease in capital assets was due to depreciation expense for the year.

Capital improvements of \$217,910 were purchased during fiscal year 2018 and included IT equipment.

Debt Administration

At June 30, 2018, the School District had \$7,662,527 as outstanding long term debt. Of this amount, \$422,527 is for compensated absences, and \$7,240,000 is for bonds payable outstanding.

At June 30, 2018, the School District's overall legal debt margin was \$26,237,159 and the unvoted debt margin was \$18,997,159.

ANDOVER REGIONAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
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 its 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, 2018

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	TOTAL
ASSETS			
Cash and Cash Equivalents	\$ 1,081,550	\$ 28,783	\$ 1,110,333
Receivables, Net	357,759	10,070	367,829
Interfund Receivables	2,656		2,656
Inventory		4,532	4,532
Restricted Assets:			
Capital and Maint. Reserve Account - Cash	1,076,000		1,076,000
Capital Assets, Net (Note 6)	13,491,208		13,491,208
Total Assets	<u>16,009,173</u>	<u>43,385</u>	<u>16,052,558</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Deferred Outflows	<u>951,281</u>		<u>951,281</u>
LIABILITIES			
Accounts Payable	818		818
Interfund Payables		2,656	2,656
Net Pension Liability (Note 8)	3,308,251		3,308,251
Accrued Interest	81,516		81,516
Unearned Revenue	57,895	724	58,619
Noncurrent Liabilities (Note 7):			
Due Within One Year	755,000		755,000
Due Beyond One Year	6,907,527		6,907,527
Total Liabilities	<u>11,111,007</u>	<u>3,380</u>	<u>11,114,387</u>
DEFERRED INFLOWS OF RESOURCES			
Pension Deferred Inflows	<u>664,055</u>		<u>664,055</u>
NET POSITION			
Invested in Capital Assets, Net of Related Debt	6,251,208		6,251,208
Restricted for:			
Other Purposes	1,615,888		1,615,888
Unrestricted	(2,681,704)	40,005	(2,641,699)
Total Net Position	<u>\$ 5,185,392</u>	<u>\$ 40,005</u>	<u>\$ 5,225,397</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, 2018

	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	
Functions/Programs						
Governmental Activities:						
Instruction:						
Regular	\$ 6,154,705	\$ 6,033	\$ 2,851,508		\$ (3,297,164)	\$ (3,297,164)
Special Education	1,843,625	1,807	806,334		(1,035,484)	(1,035,484)
Other Special Instruction	7,560	7	3,306		(4,247)	(4,247)
Other Instruction	327,528	321	143,249		(183,958)	(183,958)
Support Services:						
Tuition	4,461,200				(4,461,200)	(4,461,200)
Student & Instruction Related Serv.	1,959,118	1,921	900,744		(1,056,453)	(1,056,453)
School Administrative Services	382,264	375	167,188		(214,701)	(214,701)
General and Business Admin. Serv.	1,108,679	1,087	484,895		(622,697)	(622,697)
Plant Operations and Maintenance	984,128	965	430,421		(552,742)	(552,742)
Pupil Transportation	1,401,334	1,374	612,892		(787,068)	(787,068)
Charter School	29,934				(29,934)	(29,934)
Interest and Other Fiscal Charges	308,796		191,984		(116,812)	(116,812)
Total Governmental Activities	18,968,871	13,890	6,592,521		(12,362,460)	(12,362,460)
Business-Type Activities:						
Food Service	147,168	109,176	36,150		\$ (1,842)	(1,842)
Preschool/Child Care	-				-	-
Total Business-Type Activities	147,168	109,176	36,150	-	(1,842)	(1,842)
Total Primary Government	\$ 19,116,039	\$ 123,066	\$ 6,628,671		\$ (12,362,460)	\$ (1,842)
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes,Net				\$ 13,101,673		\$ 13,101,673
Taxes Levied for Debt Service				773,491		773,491
Investment Earnings				5,859		5,859
Miscellaneous Income				307,698	\$ 194	307,892
Total General Revenues, Special Items, Extraordinary Items and Transfers				14,188,721	194	14,188,915
Change in Net Position				1,826,261	(1,648)	1,824,613
Net Position—Beginning (as restated)				3,359,131	41,653	3,400,784
Net Position—Ending				\$ 5,185,392	\$ 40,005	\$ 5,225,397

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, 2018

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>DEBT SERVICE FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS					
Cash and Cash Equivalents	\$ 2,155,516		\$ 1,488	\$ 546	\$ 2,157,550
Receivables from Other Governments	115,367	\$ 239,535			354,902
Other Accounts Receivable	2,857				2,857
Interfund Receivables	182,303		1,993	3,456	187,752
TOTAL ASSETS	\$ 2,456,043	\$ 239,535	\$ 3,481	\$ 4,002	\$ 2,703,061
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 818				\$ 818
Due State Government					-
Interfund Payable		\$ 181,640	\$ 3,456		185,096
Deferred Revenue		57,895			57,895
Total Liabilities	818	239,535	3,456	-	243,809
Fund Balances:					
<u>Restricted for:</u>					
Excess Surplus	389,888				389,888
Capital Reserve Account	655,000				655,000
Maintenance Reserve	421,000				421,000
Capital Projects Fund			25		25
Debt Service Fund				\$ 4,002	4,002
<u>Assigned to:</u>					
Year-End Encumbrances	659,262				659,262
General Fund - Designated for Subsequent Year's Expenditures	150,000				150,000
<u>Unassigned:</u>					
General Fund	180,075				180,075
Total Fund Balances	2,455,225		25	4,002	2,459,252
TOTAL LIABILITIES AND FUND BALANCE	\$ 2,456,043	\$ 239,535	\$ 3,481	\$ 4,002	\$ 2,703,061

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 \$21,201,679 and the accumulated depreciation is \$7,710,471.	\$ 13,491,208
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)	951,281
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)	(664,055)
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)	(3,308,251)
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)	(7,662,527)
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)	(81,516)
Net Position of governmental activities (Exhibit A-1)	<u>\$ 5,185,392</u>

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, 2018

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>
REVENUES					
Local sources:					
Local Tax Levy	\$ 13,101,673			\$ 773,491	\$ 13,875,164
Tuition	13,890				13,890
Miscellaneous	8,349		\$ 16		8,365
Total - Local Sources	13,123,912	-	16	773,491	13,897,419
State Sources	3,875,811			191,984	4,067,795
Federal Sources	-	\$ 203,563			203,563
Total Revenues	16,999,723	203,563	16	965,475	18,168,777
EXPENDITURES					
Current:					
Regular Instruction	3,520,033	159,665			3,679,698
Special Education Instruction	1,219,368				1,219,368
Other Special Instruction	5,000				5,000
Other Instruction	216,626				216,626
Support services and undistributed costs:					
Tuition	4,461,200				4,461,200
Student and Instruction Related Services	1,251,857	43,898			1,295,755
School Administrative Services	252,828				252,828
Other Administrative Services	733,277				733,277
Plant Operations and Maintenance	818,724				818,724
Pupil Transportation	926,838				926,838
Unallocated Benefits	2,409,712				2,409,712
Transfer to Charter School	29,934				29,934
Debt Service:					
Principal				725,000	725,000
Interest and Other Charges				236,475	236,475
Capital Outlay	195,865		-		195,865
Total Expenditures	16,041,262	203,563	-	961,475	17,206,300
Excess (Deficiency) of Revenues Over Expend.	958,461		16	4,000	962,477
Net Change in Fund Balances	958,461	-	16	4,000	962,477
Fund Balance—July 1	1,496,764		9	2	1,496,775
Fund Balance—June 30	\$ 2,455,225		\$ 25	\$ 4,002	\$ 2,459,252

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, 2018**

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ 962,477

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	\$	(434,451)	
Capital Outlays		<u>217,910</u>	(216,541)

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.

(118,142)

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.

1,139,933

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.

51,371

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.

7,163

Change in Net Position of Governmental Activities (Exhibit A-2) \$ 1,826,261

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

ANDOVER REGIONAL SCHOOL DISTRICT

Exhibit B-4

STATEMENT OF PROPRIETARY NET POSITION
 PROPRIETARY FUNDS

June 30, 2018

		Business-Type Activities - Enterprise Funds		
		<u>Food Service</u>	<u>Preschool/ Childcare</u>	<u>Totals</u>
ASSETS				
Current assets:				
Cash and Cash Equivalents	\$	18,545	\$ 10,238	\$ 28,783
Accounts Receivable-Federal and State		10,070		10,070
Inventories		<u>4,532</u>	<u>-</u>	<u>4,532</u>
Total Current Assets		<u>33,147</u>	<u>10,238</u>	<u>43,385</u>
Noncurrent Assets:				
Furniture, Machinery and Equipment		56,800		56,800
Less Accumulated Depreciation		<u>(56,800)</u>	<u>-</u>	<u>(56,800)</u>
Total Noncurrent Assets		<u>-</u>	<u>-</u>	<u>-</u>
Total Assets		<u>33,147</u>	<u>10,238</u>	<u>43,385</u>
LIABILITIES				
Current liabilities:				
Interfund Payable		2,656		2,656
Deferred Revenue		<u>724</u>	<u>-</u>	<u>724</u>
Total Current Liabilities		<u>3,380</u>	<u>-</u>	<u>3,380</u>
Total Liabilities		<u>3,380</u>	<u>-</u>	<u>3,380</u>
NET POSITION				
Invested in Capital Assets Net of Related Debt		-	-	-
Unrestricted		<u>29,767</u>	<u>10,238</u>	<u>40,005</u>
Total Net Position		<u>\$ 29,767</u>	<u>\$ 10,238</u>	<u>\$ 40,005</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, 2018

	Business-type Activities - Enterprise Fund		
	Food Service	Preschool/ Childcare	Total Enterprise
Operating Revenues:			
Charges for Services:			
Daily Sales - Reimbursable Programs	\$ 104,209		\$ 104,209
Daily Sales - Non-Reimb. Programs	4,967		4,967
Miscellaneous Income	194	-	194
Total Operating Revenues	<u>109,370</u>	<u>-</u>	<u>109,370</u>
Operating Expenses:			
Cost of Sales - Reimbursable Programs	43,069		43,069
Cost of Sales - Non-reimbursable Programs	26,336		26,336
Salaries	48,348		48,348
Employee Benefits	11,506		11,506
Purchased Property Service	10,300		10,300
Cleaning, Repair and Maintenance Services	7,609		7,609
Depreciation	-	-	-
Total Operating Expenses	<u>147,168</u>	<u>-</u>	<u>147,168</u>
Operating Income (Loss)	<u>(37,798)</u>	<u>-</u>	<u>(37,798)</u>
Nonoperating Revenues (Expenses):			
State Sources:			
State School Lunch Program	1,430		1,430
Federal Sources:			
National School Lunch Program	28,711		28,711
Food Distribution Program	6,009	-	6,009
Total Nonoperating Revenues (Expenses)	<u>36,150</u>	<u>-</u>	<u>36,150</u>
Income (Loss) Before Contributions and Transfers	(1,648)	-	(1,648)
Transfers In (Out)	-	-	-
Change in Net Position	(1,648)	-	(1,648)
Total Net Position—Beginning	<u>31,415</u>	<u>\$ 10,238</u>	<u>41,653</u>
Total Net Position—Ending	<u>\$ 29,767</u>	<u>\$ 10,238</u>	<u>\$ 40,005</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, 2018

	Business-Type Activities - Enterprise Funds		
	Food Service	Preschool/ Childcare	Total Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 109,370		\$ 109,370
Payments to Employees	(48,348)		(48,348)
Payments for Employee Benefits	(11,506)		(11,506)
Payments to Suppliers	(77,876)	-	(77,876)
Net Cash Provided by (used for) Operating Activities	<u>(28,360)</u>	<u>-</u>	<u>(28,360)</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
State Sources	1,058	-	1,058
Federal Sources	20,841	-	20,841
Net Cash Provided by (used for) Non-Capital Financing Activities	<u>21,899</u>	<u>-</u>	<u>21,899</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	(6,461)	-	(6,461)
Balances—Beginning of Year	<u>25,006</u>	<u>10,238</u>	<u>35,244</u>
Balances—End of Year	<u>\$ 18,545</u>	<u>\$ 10,238</u>	<u>\$ 28,783</u>
 Reconciliation of Operating Income (Loss) to Net Cash Provided (used) by Operating Activities:			
Operating Income (Loss)	\$ (37,798)	\$ -	\$ (37,798)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:			
Depreciation and Net Amortization	-		-
Federal Commodities	6,009		6,009
(Increase) Decrease in Accounts Receivable	3,634		3,634
(Increase) Decrease in Inventories	(529)		(529)
Increase (Decrease) in Accounts Payable	324	-	324
Total Adjustments	<u>9,438</u>	<u>-</u>	<u>9,438</u>
Net Cash Provided by (used for) Operating Activities	<u>\$ (28,360)</u>	<u>\$ -</u>	<u>\$ (28,360)</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, 2018

	Unemployment Compensation <u>Trust</u>	Agency <u>Fund</u>
ASSETS		
Cash and Cash Equivalents	\$ 23,910	\$ 22,939
Total Assets	\$ 23,910	\$ 22,939
LIABILITIES		
Payable to Student Groups		19,543
Payroll Deductions and Withholdings		3,295
Health Account		101
Total Liabilities	-	\$ 22,939
NET POSITION		
Held in Trust for Unemployment Claims & Other Purposes	\$ 23,910	

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, 2018

Unemployment
Compensation
Trust

ADDITIONS

Contributions:		
Plan Member	\$	27,111
Other		<u>35,203</u>
Total Contributions		<u>62,314</u>
Investment Earnings:		
Interest		<u>217</u>
Net Investment Earnings		<u>217</u>
Total Additions		<u>62,531</u>

DEDUCTIONS

Unemployment Claims		56,403
Scholarship Awards		<u>-</u>
Total Deductions		<u>56,403</u>
Change in Net Position		6,128
Net Position—Beginning of the Year	\$	<u>17,782</u>
Net Position—End of the Year	\$	<u>23,910</u>

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, 2018

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, GASB No. 68, Accounting for Pensions, an amendment of GASB No. 27 and GASB No. 75, Accounting for OPEB. The implementation of these statements did not effect net position balances as previously reported for the fiscal year ended June 30, 2017.

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, 2018, of 470 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, 2018

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, 2018

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, 2018

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, 2018

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 the year).

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, 2018

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, 2018

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, 2018, but which were levied to finance fiscal year 2019 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, 2018

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, 2018

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, 2018

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, 2018, 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, 2018, 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	\$2,168,293	\$46,849	\$2,215,142
	\$2,168,293	\$46,849	\$2,215,142

The carrying amount of the Board's cash and cash equivalents at June 30, 2018, was \$2,215,142 and the bank balance was \$2,545,378. 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, \$312,193 was covered by federal depository insurances and \$2,233,185 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, 2018, the district's balance was \$18,040.

ANDOVER REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 3: RECEIVABLES

Receivables at June 30, 2018, 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	\$115,367	\$115,821
Federal Aid	239,535	249,151
Other Local Receivables	2,857	2,857
Gross Receivable	\$357,759	\$367,829
Less: Allow. for Uncollectibles	-	-
Total Receivables, Net	\$357,759	\$367,829

NOTE 4: INVENTORY

Inventory in the Food Service Fund at June 30, 2018, consisted of the following:

Food	\$ <u>4,532</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, 2018

NOTE 6: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
<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	325,130	\$ 217,910	\$ (50,200)	492,840
Total at Historical Cost	20,768,953	217,910	(50,200)	20,936,663
Less Accumulated Depreciation for:				
Land Improvements	(293,550)	(5,117)		(298,668)
Building and Improvements	(6,791,481)	(376,346)		(7,167,827)
Equipment	(241,189)	(52,987)	50,200	(243,976)
Total Accumulated Depreciation	(7,326,220)	(434,450)	50,200	(7,710,471)
Total Capital Assets Being Depreciated, net of Accumulated Depreciation	13,442,733	(216,540)		13,226,192
Government Activity Capital Assets, Net	\$ 13,707,749	\$ (216,540)		\$ 13,491,208

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	\$ 391,005
Direct Expenses of Various Functions	43,445
Total	\$ 434,450

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, 2018

NOTE 7: LONG-TERM OBLIGATIONS (Continued)

A. Long-Term Obligation Activity:

Changes in long-term obligations for the year ended June 30, 2018, are as follows:

	Balance <u>7/1/17</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>6/30/18</u>	Amounts Due Within <u>One Year</u>
Governmental Activities:					
Bonds Payable:					
General Obligation Debt	\$7,965,000		(\$725,000)	\$7,240,000	\$755,000
Other Liabilities:					
Capital Leases	414,933		(414,933)	-	124,286
Compensated Absences Payable	473,898		(51,371)	422,527	
Total	<u>\$8,853,831</u>	<u>\$0</u>	<u>(\$1,191,304)</u>	<u>\$7,662,527</u>	<u>\$879,286</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, 2018, it is not necessary for the Board to establish a liability for arbitrage rebate.

	Government Activities			
	Issue <u>Dates</u>	Interest <u>Rates</u>	Date of <u>Maturity</u>	Balance <u>6/30/18</u>
Series 2012 Refunding Bonds	6/15/12	2.1-4.0%	2/15/30	\$ 3,440,000
Series 2014 Refunding Bonds	9/1/14	2.0-3.0%	2/15/25	<u>3,800,000</u>
Total Bonds				<u>\$ 7,240,000</u>

ANDOVER REGIONAL SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 7: LONG-TERM OBLIGATIONS (Continued)

B. Debt Service Requirements:

Debt Service requirements on serial bonds payable at June 30, 2018, is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 755,000	\$ 217,375	\$ 972,375
2020	765,000	202,275	967,275
2021	785,000	180,550	965,550
2022	795,000	163,550	958,550
2023	815,000	141,325	956,325
Thereafter	<u>3,325,000</u>	<u>396,250</u>	<u>3,721,250</u>
	<u>\$ 7,240,000</u>	<u>\$ 1,301,325</u>	<u>\$ 8,541,325</u>

C. Capital Lease Obligations:

The district entered into a lease for natural gas equipment on March 20, 2015 and on August 20, 2016 for a period of five years. Proceeds were deposited into an escrow account and were subsequently disbursed to the gas project vendor. Once the project was completed, the remaining balance was utilized on February 16, 2018 to payoff the remaining principle balance. Interest on both leases was at 1.77% per annum.

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/annrprts.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.

ANDOVER REGIONAL SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 8: PENSION PLANS (Continued)

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.

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 \$29,105,333 as measured on June 30, 2017 and \$35,097,072 measured on June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$2,016,270 and revenue of \$2,016,270 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, 2018 is based upon changes in the collective net pension liability with a measurement period of June 30, 2016 through June 30, 2017. 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, 2016 and June 30, 2017.

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>6/30/2016</u>	<u>6/30/2017</u>
Collective deferred outflows of resources	\$17,440,003,201	\$14,251,854,934
Collective deferred inflows of resources	\$195,027,919	\$11,807,233,433
Collective net pension liability (Nonemployer-State of New Jersey)	\$78,666,367,052	\$67,423,605,859
State's portion of the net pension liability that was associated with the district	\$35,097,072	\$29,105,333
State's portion of the net pension liability that was associated with the district as a percentage of the collective net pension liability	0.044615%	0.043168%

ANDOVER REGIONAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 8: PENSION PLANS (Continued)

Actuarial assumptions - The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation:	2.25%
Salary Increases:	
Through 2021	Varies based on experience
Therafter	Varies based on experience
Investment Rate of Return:	7.00%

Pre-retirement, post-retirement and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60-year average of Social Security data from 1953 to 2013.

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.0% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF’s target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk mitiga	5.00%	5.51%
Cash equivalents	5.00%	1.00%
US Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yeild	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
US Equity	30.00%	8.19%
Non-US developed markets	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

ANDOVER REGIONAL SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 8: PENSION PLANS (Continued)

Discount rate - The discount rate used to measure the total pension liability was 4.25% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 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 contribution rate in the most recent fiscal year. The State contributed 40% of the actuarially determined 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 2036.

Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2029 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the State's 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. The following presents the State's net pension liability measured as of June 30, 2017, calculated using the discount rate shown above, as well as what the State's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
<u>(3.25%)</u>	<u>Rate (4.25%)</u>	<u>(5.25%)</u>

State's Collective Net Pension Liability	\$	80,394,331,171	\$	67,670,209,171	\$	57,188,022,171
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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>. The plan fiduciary net position as of June 30, 2017 was \$23,056,161,829.

Amortization of Deferred Outflows and Inflows of Resources - Amount reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions will be recognized in the state's pension expense as follows:

	<u>Year Ended June 30:</u>
2018	\$740,341,056
2019	1,175,650,200
2019	983,008,137
2020	551,152,948
2021	624,850,883
Thereafter	<u>(1,714,363,628)</u>
Total	<u>\$2,360,639,596</u>

ANDOVER REGIONAL SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 8: PENSION PLANS (Continued)

Pension Expense - The components of allocable pension expense and pension expense related to specific liabilities of individual employers, for state and local employers for the year ending June 30, 2017 are as follows:

Service cost	\$3,028,689,581
Interest on total pension liability	3,304,988,177
member contributions	(790,788,033)
Administrative expenses	11,923,787
Expected investment return net of investment expenses	(1,606,947,478)
employers	(357,659)
Recognition (amortization) of deferred inflows/outflows:	
Recognition of economic/demographic gains/losses	53,331,240
Recognition of assumption changes or inputs	723,829,969
Recognition of investment gains/losses	<u>(36,820,154)</u>
Total pension expense	<u>\$4,687,849,430</u>

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.

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

At June 30, 2018, the District reported a liability of \$3,308,251 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The total pension liability for the June 30, 2016 valuation was determined by an experience study for the period July 1, 2011 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, 2017 and 2016. At June 30, 2017, the District's proportion was 0.0142% which was an increase of 0.00004% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$256,571. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

ANDOVER REGIONAL SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 8: PENSION PLANS (Continued)

	<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	\$ 77,898	-
Changes of assumptions	666,499	\$ 664,055
Net difference between projected and actual earnings on pension plan investments	22,527	
Changes in proportion and differences between District contributions and proportionate share of contributions	51,653	
District contributions subsequent to the measurement date	132,704	
Total	<u>\$ 951,281</u>	<u>\$ 664,055</u>

\$132,704 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, 2018, the plan measurement date is June 30, 2017) will be recognized as a reduction of the net pension liability measured as of June 30, 2018. 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>	
	<u>6/30/2016</u>	<u>6/30/2017</u>
2018	\$116,985	
2019	176,534	
2020	106,970	
2021	(142,271)	
2022	<u>(103,696)</u>	
Total	<u>\$154,522</u>	
Collective deferred outflows of resources	\$8,685,338,380	\$6,424,455,842
Collective deferred inflows of resources	870,133,595	5,700,625,981
Collective net pension liability (Non State - Local Group)	\$29,617,131,759	\$23,278,401,588
District's portion of net pension liability	\$4,198,239	\$3,308,251
District's proportion %	0.01417504%	0.01421168%

Actuarial assumptions. The collective total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions:

Inflation:	2.25%
Salary Increases:	
Through 2026	1.65%-4.15% based on age
Therafter	2.65%-5.15% based on age
Investment Rate of Return:	7.00%

ANDOVER REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 8: PENSION PLANS (Continued)

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 2013 Based on Projection Scale AA.

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014.

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, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk mitiga	5.00%	5.51%
Cash equivalents	5.00%	1.00%
US Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yeild	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
US Equity	30.00%	8.19%
Non-US developed markets	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

Discount rate. The discount rate used to measure the total pension liability was 5.0% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.0%, and a municipal bond rate of 3.58% as of June 30, 2017 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 contribution rate in the most recent fiscal year.

The State contributed 40% of the actuarially determined 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 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

ANDOVER REGIONAL SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 8: PENSION PLANS (Continued)

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, 2017, calculated using the discount rate as disclosed above, 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 or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u> <u>(4.00%)</u>	<u>Current Discount</u> <u>Rate (5.00%)</u>	<u>1% Increase</u> <u>(6.00%)</u>
District's proportionate share of the net pension liability	\$ 4,104,110	\$3,308,251	\$ 2,645,202

Pension Expense - The components of allocable pension expense and pension expense related to specific liabilities of individual employers, for state and local employers for the year ending June 30, 2017 are as follows:

Service cost	\$165,915
Interest on total pension liability	301,075
Member contributions	(78,923)
Administrative expenses	2,065
Expected investment return net of investment expenses	(214,966)
Pension expense related to specific liabilities of individual employers	(2,334)
Recognition (amortization) of deferred inflows/outflows:	0
Recognition of economic/demographic gains/losses	26,382
Recognition of assumption changes or inputs	61,475
Recognition of investment gains/losses	<u>(4,118)</u>
Total pension expense	<u>\$256,571</u>

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.

ANDOVER REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 8: PENSION PLANS (Continued)

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.

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 $\frac{1}{4}$ 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.

ANDOVER REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 8: PENSION PLANS (Continued)

□ 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).

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.

Three-Year Trend Information for PERS

<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2018	\$132,704	100 %	-0-
6/30/2017	\$125,929	100 %	-0-
6/30/2016	\$134,273	100 %	-0-

Three-Year Trend Information for TPAF (On behalf)

<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2018	\$686,758	100 %	-0-
6/30/2017	\$486,225	100 %	-0-
6/30/2016	\$357,205	100 %	-0-

During the fiscal year ended June 30, 2018, the State of New Jersey did contribute \$1,129,820 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 \$293,488 during the year ended June 30, 2018, 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.

ANDOVER REGIONAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9: POST-RETIREMENT BENEFITS

Plan description and benefits provided

The State of New Jersey reports a liability as a result of its statutory requirements to pay other post-employment (health) benefits for State Health Benefit Local Education Retired Employees Plan. The State Health Benefit Local Education Retired Employees Plan is a multiple-employer defined benefit OPEB plan that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement No. 75, Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions. The State Health Benefit Local Education Retired Employees Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

The employer contributions for the participating local education employers are legally required to be funded by the State of New Jersey in accordance with N.J.S.A 52:14-17.32f. According to N.J.S.A 52:14-17.32f, the State provides employer-paid coverage to employees who retire from a board of education or county college with 25 years or more of service credit in, or retires on a disability pension from, one or more of the following plans: the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS), the Police and Firemen Retirement System (PFRS), or the Alternate Benefit Program (ABP). Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

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. 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.

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 (APB) who retired from a board of education or county college with 25 years of service (GASB Cod. Sec. 2300.106(g)).

The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et. seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASBS No. 75.

ANDOVER REGIONAL SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9: POST-RETIREMENT BENEFITS-(Continued)

Employees covered by benefit terms. At June 30, 2017, the following employees were covered by the benefit terms:

TPAF participant retirees

As of June 30, 2017, there were 112,966 retirees receiving post-retirement medical benefits, and the State contributed \$1.39 billion on their behalf

PERS participant retirees

The State paid \$238.9 million toward Chapter 126 benefits for 209,913 eligible retired members in Fiscal Year 2017.

Total OPEB Liability

The State, a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS and TPAF participants. The LEA's proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASBS No. 75 is zero percent. Accordingly, the LEA did not recognize any portion of the collective net OPEB liability on the Statement of Net Position. Accordingly, the following OPEB liability note information is reported at the State's level and is not specific to the board of education.

Actuarial assumptions and other imputes The total nonemployer OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. The total nonemployer OPEB liability as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2016. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate	2.50%
Salary Increases Through 2026:	1.55-4.55% TPAF 2.15-4.18% PERS Based on years of service
Salary Increases Thereafter:	2.00-5.45% TPAF 3.15-5.15% PERS Based on years of service
Discount rate (2017)	3.58%
Discount rate (2016)	2.85%
Healthcare cost trend rates (PPO Plans)	5.9% decreasing to 5.0% after nine years
Healthcare cost trend rates (Self-insured post 65 PPO Plans)	4.50%
Healthcare cost trend rates (HMO Plans)	5.9% decreasing to 5.0% after nine years
Healthcare cost trend rates (Prescription Drug Benefits)	10.5% decreasing to 5.0% after eight years
Healthcare cost trend rates (Medicare Part B reimbursement)	5.00%
Healthcare cost trend rates (Medicare Advantage)	4.50%
Retirees' share of benefit related Costs	Projected health insurance premiums for retirees based on the retiree's annual retirement benefit and level of coverage

The discount rate for June 30, 2017 and 2016 was 3.58% and 2.85%, respectively. This represents the municipal bond return rate as chosen by the Division. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

ANDOVER REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9: POST-RETIREMENT BENEFITS-(Continued)

Preretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2014 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies for the periods July 1, 2012 - June 30, 2015, July 1, 2010 -June 30, 2013, and July 1, 2011 -June 30, 2014 for TPAF , PFRS and PERS , respectively .

Changes in the Total OPEB Liability reported by the State of New Jersey

	<u>Total OPEB Liability</u>
The State's Total OPEB Liability Balance at 6/30/2016	\$57,831,784,184
<u>Changes for the year:</u>	
Service Cost	2,391,878,884
Interest	1,699,441,736
Benefit Payments	(1,242,412,566)
Contributions from Members	45,748,749
Changes in assumptions or other inputs	<u>(\$7,086,599,129)</u>
Net changes	<u>(\$4,191,942,326)</u>
The State's Total OPEB Liability Balance at 6/30/2017	<u>\$53,639,841,858</u>
The State's total OPEB liability attributable to the District:	\$27,407,589

There were no changes of benefit terms.

Changes of assumptions and other inputs reflects a change in the discount rate from 2.85 percent in 2016 to 3.58 percent in 2017.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the State for school board retirees, as well as what the State's total OPEB liability for school board would be if it were calculated using a discount rate that is 1-percentage -point lower or 1- percentage-point higher than the current discount rate:

	June 30, 2017		
	At 1% Decrease <u>2.58%</u>	At Discount Rate <u>3.58%</u>	At 1% Increase <u>4.58%</u>
Total OPEB Liability (School Retirees)	\$63,674,362,200	\$53,639,841,858	\$45,680,364,953

ANDOVER REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9: POST-RETIREMENT BENEFITS-(Continued)

	June 30, 2016		
	At 1% Decrease	At Discount Rate	At 1% Increase
	<u>1.85%</u>	<u>2.85%</u>	<u>3.85%</u>
Total OPEB Liability (School Retirees)	\$69,283,705,084	\$57,831,784,184	\$48,817,654,566

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the State, as well as what the State's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage- point higher than the current healthcare cost trend rates:

	June 30, 2017		
	At 1% Decrease	Health Care Cost Trend Rate	At 1% Increase
	Total OPEB Liability (School Retirees)	\$44,113,584,560	\$53,639,841,858

	June 30, 2016		
	At 1% Decrease	Health Care Cost Trend Rate	At 1% Increase
	Total OPEB Liability (School Retirees)	\$47,452,589,164	\$57,831,784,184

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2017, the board of education recognized OPEB expense of \$1,434,713 determined by the State as the total OPEB liability for benefits provided through a defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of GASBS No. 75 and in which there is a special funding situation.

In accordance with GASBS No. 75, the District's proportionate share of school retirees OPEB is zero, and there is no recognition of the allocation of proportionate share of deferred outflows of resources and deferred inflows of resources. At June 30, 2017, the State reported deferred outflows of resources and deferred inflows of resources related to retired school employee's OPEB from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Changes in proportion	\$99,843,255	(\$99,843,255)
Changes of assumptions or other inputs		(\$6,343,769,032)
Total	<u>\$99,843,255</u>	<u>(\$6,443,612,287)</u>

ANDOVER REGIONAL SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9: POST-RETIREMENT BENEFITS-(Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to retired school employee's OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2018	(\$742,830,097)
2019	(\$742,830,097)
2020	(\$742,830,097)
2021	(\$742,830,097)
2022	(\$742,830,097)
Thereafter	<u>(\$2,629,618,547)</u>
	<u><u>(\$6,343,769,032)</u></u>

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, 2018:

	<u>Interfund Receivable</u>		<u>Interfund Payable</u>
General Fund	\$ 182,303		-
Capital Projects Fund	1,993	\$	3,456
Special Revenue Fund			181,640
Enterprise Fund			2,656
Debt Service Fund	3,456		-
	<u>\$ 187,752</u>	<u>\$</u>	<u>187,752</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. The interfund payable in the enterprise fund is due to cash advances from the general fund.

ANDOVER REGIONAL SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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>
2017-2018	\$35,420	\$27,111	\$56,403	\$23,910
2016-2017	\$20,218	\$34,526	\$60,094	\$17,782
2015-2016	\$4,747	\$23,965	\$21,377	\$23,132

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.

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.

ANDOVER REGIONAL SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 14: CAPITAL RESERVE ACCOUNT - (Continued)

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, 2017 to June 30, 2018 fiscal year is as follows:

Beginning balance July 1, 2017	\$ 155,000
Deposits: June Board resolution June 19, 2018	<u>500,000</u>
Ending balance June 30, 2018	<u><u>\$ 655,000</u></u>

NOTE 15: MAINTENANCE RESERVE ACCOUNT

A maintenance reserve account was established by the School District Board of Education for the accumulation of funds for use in accordance with PL 2007 c.62 (A1). The maintenance reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

The activity of the maintenance reserve for the July 1, 2017 to June 30, 2018 fiscal year is as follows:

Beginning balance July 1, 2017	\$ 421,000
Ending balance June 30, 2018	<u><u>\$ 421,000</u></u>

NOTE 16: FUND BALANCE APPROPRIATED

General Fund (Exhibit B-1) - Of the \$2,455,225 General Fund fund balance at June 30, 2018, \$389,888 is reserved as excess surplus in accordance with N.J.S.A.18A:7F-7 which will be appropriated and included as anticipated revenue for the year ending June 30, 2020; \$655,000 is reserved in the Capital Reserve Account; \$421,000 is reserved in the Maintenance Reserve Account; \$659,262 is reserved for encumbrances; \$150,000 has been appropriated and included as anticipated revenue for the year ending June 30, 2019; and \$180,075 is unreserved and undesignated.

NOTE 17: 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, 2018 is \$389,888.

ANDOVER REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 18: TAX ABATEMENTS

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

NOTE 19: 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, 2018. The appraisal revealed asset activity that should be recorded as of June 30, 2017. Accordingly, a restatement of Net Position as of June 30, 2017 was necessary.

Governmental Activities Net Position:

Net Position (per A-1), June 30, 2017	\$ 3,337,184
Restatement of Capital Assets	<u>21,947</u>
Net Position (per A-1), June 30, 2017, as Restated	<u>\$ 3,359,131</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, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 13,101,673		\$ 13,101,673	\$ 13,101,673	
Tuition				13,890	\$ 13,890
Miscellaneous	2,117		2,117	8,349	6,232
Total - Local Sources	<u>13,103,790</u>	<u>-</u>	<u>13,103,790</u>	<u>13,123,912</u>	<u>20,122</u>
State Sources:					
Equalization Aid	28,208		28,208	28,208	
School Choice	52,632		52,632	52,632	
Transportation Aid	542,672		542,672	542,672	
Special Education Aid	468,866		468,866	468,866	
Security Aid	61,429		61,429	61,429	
Adjustment Aid	1,182,448	\$ (47,195)	1,135,253	1,135,253	
PARCC Readiness Growth	8,160		8,160	8,160	
Per Pupil Growth Aid	8,160		8,160	8,160	
Prof. Learning Comm. Aid	7,160		7,160	7,160	
Emergency Aid		47,195	47,195	47,195	
Extraordinary Aid				108,341	108,341
Other State Aid				7,026	7,026
TPAF Pension (On-Behalf - Non-Budgeted)				685,984	685,984
TPAF Post Retirement Medical (On-Behalf - Non-Budgeted)				443,062	443,062
TPAF Pension LTD Insurance (On-Behalf - Non-Budgeted)				774	774
TPAF Social Security (Reimbursed - Non-Budgeted)				293,488	293,488
Total State Sources	<u>2,359,735</u>	<u></u>	<u>2,359,735</u>	<u>3,898,410</u>	<u>1,538,675</u>
TOTAL REVENUES	<u>15,463,525</u>	<u></u>	<u>15,463,525</u>	<u>17,022,322</u>	<u>1,558,797</u>

ANDOVER REGIONAL SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction:					
Preschool - Salaries of Teachers	67,614		67,614	65,000	2,614
Kindergarten - Salaries of Teachers	181,130		181,130	172,642	8,488
Grades 1-5 - Salaries of Teachers	1,240,930		1,240,930	1,227,119	13,811
Grades 6-8 - Salaries of Teachers	958,014		958,014	951,853	6,161
Salaries of Teachers	2,600		2,600	600	2,000
Purchased Professional-Educational Services	900		900		900
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	42,934	(2)	42,932	40,000	2,932
Purchased Professional - Educational Services		2,969	2,969	1,000	1,969
Purchased Technical Services	40,000	42,525	82,525	42,880	39,645
Other Purchased Services (400-500 series)	40,000	28,761	68,761	68,761	
General Supplies	174,500	373,607	548,107	363,598	184,509
Textbooks	30,000		30,000	10,369	19,631
Other Objects	80,000	(60,395)	19,605		19,605
TOTAL REGULAR PROGRAMS - INSTRUCTION	2,858,622	387,465	3,246,087	2,943,822	302,265
SPECIAL EDUCATION - INSTRUCTION					
Learning or Language Disabilities:					
Salaries of Teachers	132,759	(1,359)	131,400	124,000	7,400
Other Salaries for Instruction	43,136	(2,400)	40,736	38,000	2,736
General Supplies	8,000	35,768	43,768	21,495	22,273
Total Learning or Language Disabilities	183,895	32,009	215,904	183,495	32,409

ANDOVER REGIONAL SCHOOL DISTRICT

Exhibit C-1

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Fiscal Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Special Education - Multiple Disabilities:					
Salaries of Teachers	60,376		60,376	58,000	2,376
Other Salaries for Instruction	85,154	39,705	124,859	124,859	
General Supplies	2,000	24,269	26,269	15,910	10,359
Total Special Education - Multiple Disabilities	147,530	63,974	211,504	198,769	12,735
Resource Room/Resource Center:					
Salaries of Teachers	720,359		720,359	711,440	8,919
Other Salaries for Instruction	40,572		40,572	38,000	2,572
General Supplies	4,800	23,277	28,077	26,198	1,879
Total Resource Room/Resource Center	765,731	23,277	789,008	775,638	13,370
Preschool Disabilities - Part Time:					
Salaries of Teachers	38,170	(25)	38,145	35,000	3,145
Other Salaries for Instruction	28,244		28,244	25,000	3,244
General Supplies	2,000	147	2,147	1,466	681
Total Preschool Disabilities - Part Time	68,414	122	68,536	61,466	7,070
Home Instruction:					
Salaries of Teachers	1,500		1,500		1,500
Purchased Professional-Educational Services	2,000	(1,300)	700		700
General Supplies	2,000	(2,000)			
Total Home Instruction	5,500	(3,300)	2,200		2,200
TOTAL SPECIAL EDUCATION - INSTRUCTION	1,171,070	116,082	1,287,152	1,219,368	67,784
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	72,369		72,369	65,682	6,687
General Supplies	3,000	10,365	13,365	13,267	98
Total Basic Skills/Remedial - Instruction	75,369	10,365	85,734	78,949	6,785

ANDOVER REGIONAL SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Bilingual Education - Instruction:					
Salaries of Teachers	7,492		7,492	5,000	2,492
General Supplies	1,500	280	1,780		1,780
Total Bilingual Education - Instruction	<u>8,992</u>	<u>280</u>	<u>9,272</u>	<u>5,000</u>	<u>4,272</u>
School-Spon. Co/Extra Curricular Actvts. - Inst.:					
Salaries	58,020		58,020	54,490	3,530
Purchased Services (300-500 series)	750		750	585	165
General Supplies	1,500	1,216	2,716	1,716	1,000
Total School-Spon. Cocurricular Actvts. - Inst.	<u>60,270</u>	<u>1,216</u>	<u>61,486</u>	<u>56,791</u>	<u>4,695</u>
School-Spon. Athletics - Instruction:					
Salaries	29,400		29,400	25,000	4,400
Purchased Services (300-500 series)	5,220	466	5,686	5,431	255
General Supplies	5,795	1,087	6,882	2,211	4,671
Total School-Spon. Athletics - Inst.	<u>40,415</u>	<u>1,553</u>	<u>41,968</u>	<u>32,642</u>	<u>9,326</u>
Summer School - Instruction:					
Salaries	31,000		31,000	30,000	1,000
Other Salaries of Instruction	12,000		12,000	10,432	1,568
General Supplies	19,500		19,500	7,812	11,688
Total Summer School - Instruction	<u>62,500</u>		<u>62,500</u>	<u>48,244</u>	<u>14,256</u>
TOTAL INSTRUCTION	<u>4,277,238</u>	<u>516,961</u>	<u>4,794,199</u>	<u>4,384,816</u>	<u>409,383</u>

ANDOVER REGIONAL SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
UNDISTRIBUTED EXPENDITURES					
Instruction:					
Tuition to Other LEAs Within the State - Regular	3,720,732		3,720,732	3,718,101	2,631
Tuition to Other LEAs Within the State - Special	401,500		401,500	239,844	161,656
Tuition to County Voc. District - Regular	109,250		109,250	108,982	268
Tuition to Private Schools for the Disabled - Within State	581,406		581,406	394,273	187,133
Total Instruction	4,812,888		4,812,888	4,461,200	351,688
Attendance and Social Work:					
Salaries	98,111		98,111	91,291	6,820
Purchased Professional and Technical Services	9,820	200	10,020	9,975	45
Other Purchased Services (400-500 series)	14,682	(200)	14,482	5,009	9,473
Supplies and Materials	400		400		400
Total Attendance and Social Work	123,013		123,013	106,275	16,738
Health Services:					
Salaries	124,631		124,631	116,052	8,579
Purchased Professional and Technical Services	13,050	(440)	12,610	8,355	4,255
Other Purchased Services (400-500 series)	1,680	5,512	7,192	2,367	4,825
Supplies and Materials	3,000	928	3,928	3,927	1
Total Health Services	142,361	6,000	148,361	130,701	17,660
Speech, OT, PT and Related Services:					
Salaries	159,347		159,347	157,612	1,735
Purchased Professional - Educational Services	10,000	747	10,747	1,600	9,147
Supplies and Materials	4,000	3,159	7,159	5,682	1,477
Other Objects	500		500		500
Total Speech, OT, PT and Related Services	173,847	3,906	177,753	164,894	12,859

ANDOVER REGIONAL SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Undist. Expend. - Other Supp. Serv. Students - Extra Serv.					
Salaries	73,104		73,104	52,456	20,648
Purchased Professional - Educational Services	207,650	585	208,235	136,370	71,865
Supplies and Materials	1,635	114	1,749	540	1,209
Total Undist. Expend. - Other Supp. Serv. Students - Extra Serv.	282,389	699	283,088	189,366	93,722
Guidance:					
Salaries of Other Professional Staff	72,110		72,110	64,639	7,471
Salaries of Secretarial and Clerical Assistants	20,240		20,240	15,867	4,373
Other Purchased Prof. and Tech. Services	11,400	(3,180)	8,220	280	7,940
Other Purchased Services (400-500 series)	12,797	1,990	14,787	14,546	241
Supplies and Materials	2,600	1,190	3,790	3,723	67
Total Guidance	119,147		119,147	99,055	20,092
Child Study Teams:					
Salaries of Other Professional Staff	198,130	(2,200)	195,930	186,955	8,975
Salaries of Secretarial and Clerical Assistants	30,838	(150)	30,688	27,689	2,999
Other Purchased Prof. and Tech. Services	111,268	(21,088)	90,180	80,183	9,997
Misc. Pur Serv (400-500 series O/than Resid Costs)	24,700		24,700	7,675	17,025
Supplies and Materials	2,500	3,526	6,026	6,007	19
Other Objects	494	695	1,189	1,188	1
Total Child Study Teams	367,930	(19,217)	348,713	309,697	39,016

ANDOVER REGIONAL SCHOOL DISTRICT

Exhibit C-1

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Fiscal Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Improvement of Instruction Services :					
Salaries of Other Professional Staff	99,316		99,316	97,631	1,685
Other Salaries	6,000		6,000		6,000
Purchased Professional-Educational Services	5,000		5,000		5,000
Other Purchased Services (400-500 series)	19,950	(13,430)	6,520	6,519	1
Supplies and Materials	6,000		6,000	2,300	3,700
Other Objects		940	940	940	
Total Improvement of Instruction Services	136,266	(12,490)	123,776	107,390	16,386
Educational Media Services/School Library:					
Salaries	87,310		87,310	75,219	12,091
Salaries of Technology Coordinator	52,175		52,175	51,145	1,030
Purchased Professional and Technical Services	4,000		4,000		4,000
Other Purchased Services (400-500 series)	600		600		600
Supplies and Materials	17,200	6,643	23,843	12,473	11,370
Total Educational Media Services/School Library	161,285	6,643	167,928	138,837	29,091
Instructional Staff Training Services:					
Purchased Professional-Educational Services	10,000	(3,700)	6,300		6,300
Other Purchased Services (400-500 series)	10,000	3,859	13,859	4,387	9,472
Supplies and Materials	5,000		5,000	1,255	3,745
Total Instructional Staff Training Services	25,000	159	25,159	5,642	19,517

ANDOVER REGIONAL SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Supp. Services - General Administration:					
Salaries	215,010		215,010	212,505	2,505
Legal Services	12,000	68,686	80,686	80,675	11
Audit Fees	25,000		25,000	24,720	280
Architectural/Engineering Services	12,000	17,340	29,340	10,750	18,590
Other Professional Services	18,300	8,650	26,950	20,471	6,479
Communications/Telephone	31,516	63,500	95,016	93,784	1,232
BOE Other Purchased Services	4,950	(664)	4,286	1,500	2,786
Other Purchased Services (400-500 series)	68,811	(34,423)	34,388	32,676	1,712
General Supplies	4,335	(300)	4,035	2,556	1,479
BOE In-House Training/Meeting Supplies	1,200	(600)	600		600
Miscellaneous Expenditures	4,560	6,223	10,783	6,883	3,900
BOE Membership Dues and Fees	7,596	1,264	8,860	8,853	7
Total Supp. Services - General Administration	405,278	129,676	534,954	495,373	39,581
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	230,154		230,154	226,863	3,291
Salaries of Secretarial and Clerical Assistants	28,428		28,428	17,500	10,928
Purchased Professional and Technical Services	4,000		4,000	3,619	381
Supplies and Materials	4,400	(473)	3,927	2,197	1,730
Other Objects	2,050	600	2,650	2,649	1
Total Support Services - School Administration	269,032	127	269,159	252,828	16,331

ANDOVER REGIONAL SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Central Services:					
Salaries	175,769	1,500	177,269	174,652	2,617
Purchased Professional Services	21,900	(15,300)	6,600	4,340	2,260
Misc. Purchased Services (400-500 series)	2,400		2,400	1,670	730
Supplies and Materials	4,577	154	4,731	4,306	425
Miscellaneous Expenditures	1,690		1,690	1,562	128
Total Central Services	206,336	(13,646)	192,690	186,530	6,160
Admin. Information Technology:					
Salaries	30,735	(275)	30,460	28,779	1,681
Purchased Technical Services	10,250	7,137	17,387	3,916	13,471
Supplies and Materials	10,000	10,020	20,020	18,679	1,341
Total Admin. Information Technology	50,985	16,882	67,867	51,374	16,493
Required Maintenance for School Facilities:					
Salaries	75,300	(6,800)	68,500	57,500	11,000
Purchased Professional and Technical Services		10,800	10,800	9,539	1,261
Cleaning, Repair, and Maintenance Services	56,775	12,877	69,652	37,274	32,378
General Supplies	12,750	8,750	21,500	17,960	3,540
Total Required Maintenance for School Facilities	144,825	25,627	170,452	122,273	48,179

ANDOVER REGIONAL SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
Other Operations and Maintenance of Plant:					
Salaries	250,970	(3,800)	247,170	216,814	30,356
Purchased Professional and Technical Services	23,747	15,800	39,547	39,503	44
Cleaning, Repair and Maintenance Services	5,000	1,582	6,582	4,481	2,101
Other Purchased Property Services	7,650		7,650	7,500	150
Insurance	40,213	5,584	45,797	45,796	1
Miscellaneous Purchased Services	5,000	965	5,965	3,414	2,551
General Supplies	25,000	10,702	35,702	28,757	6,945
Energy (Natural Gas)	50,000	9,373	59,373	59,362	11
Energy (Electricity)	125,000	(4,275)	120,725	113,423	7,302
Energy (Oil)	25,957	(25,957)			
Energy (Propane)		185	185	184	1
Energy (Gasoline)	1,500		1,500	907	593
Other Objects	800	(185)	615	100	515
Total Other Operations and Maintenance of Plant	560,837	9,974	570,811	520,241	50,570
Care and Upkeep of Grounds:					
Salaries	76,223	(6,995)	69,228	58,000	11,228
Cleaning, Repair, and Maintenance Services	11,100	2,500	13,600	4,760	8,840
General Supplies	9,700		9,700	3,035	6,665
Total Care and Upkeep of Grounds	97,023	(4,495)	92,528	65,795	26,733
Security:					
Cleaning, Repair, and Maintenance Services	10,000	99,988	109,988	97,474	12,514
General Supplies	10,000	59,850	69,850	12,941	56,909
Total Security	20,000	159,838	179,838	110,415	69,423

ANDOVER REGIONAL SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Student Transportation Services					
Salary for Pupil Trans. (Bet. Home & Sch) - Reg.	36,329		36,329	31,474	4,855
Salary for Pupil Trans. (Bet. Home & Sch) - Spec Ed.	34,783		34,783	31,475	3,308
Management Fee - ESC & CTSA Trans. Program	15,533		15,533	15,533	
Other Purchased Professional and Technical Services	4,500		4,500	4,253	247
Contract Services - Aid in Lieu of Payments-Nonpub.Sch.	27,812	(10,531)	17,281	12,156	5,125
Contract Services - Aid in Lieu of Payments-School Choice	17,430	2,570	20,000	20,000	
Contract Services - (Between Home and School) - Vendors	606,372	(128,185)	478,187	478,184	3
Contract Services (Other than Between Home & School)-Vendors	5,300	6,785	12,085	11,200	885
Contract Services - (Between Home and School) - Joint Agreements	3,000	3,746	6,746	6,745	1
Contract Services - (Special Ed. Students) - Vendors	289,925	25,900	315,825	315,818	7
Total Student Transportation Services	1,040,984	(99,715)	941,269	926,838	14,431
ALLOCATED BENEFITS REGULAR PROG INSTRUCTION:					
Social Security Contributions	56,580		56,580	40,749	15,831
Unemployment Compensation	10,000		10,000	10,000	
Workmen's Compensation	28,750		28,750	25,111	3,639
Health Benefits	759,850	(229,070)	530,780	454,984	75,796
Tuition Reimbursement	42,500	3,978	46,478	45,092	1,386
Other Employee Benefits	1,200		1,200	275	925
Unused Vacation Payment to Terminated/Retired Staff	8,936	(4,150)	4,786		4,786
TOTAL ALLOCATED BENEFITS - REG. PROG. INSTRUCTION	907,816	(229,242)	678,574	576,211	102,363

ANDOVER REGIONAL SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
UNALLOCATED BENEFITS					
Social Security Contributions	56,580	(12,800)	43,780	41,061	2,719
Other Retirement Contributions - Regular	141,226	(3,800)	137,426	136,516	910
Unemployment Compensation	10,000	25,249	35,249	35,204	45
Workmen's Compensation	28,750	(6,449)	22,301	22,301	
Health Benefits	759,850	(15,000)	744,850	744,850	
Tuition Reimbursement	4,000	1,370	5,370	5,370	
Other Employee Benefits	6,200	(1,370)	4,830	1,102	3,728
Unused Vacation Payment to Terminated/Retired Staff	2,000		2,000		2,000
TOTAL UNALLOCATED BENEFITS	1,008,606	(12,800)	995,806	986,404	9,402
On-behalf TPAF pension Contrib. (non-budgeted)				685,984	(685,984)
On-behalf TPAF PRM Contrib. (non-budgeted)				443,062	(443,062)
On-behalf TPAF pension LTD Ins. (non-budgeted)				774	(774)
Reimbursed TPAF Social Security Contributions (non-budgeted)				293,488	(293,488)
TOTAL ON-BEHALF CONTRIBUTIONS				1,423,308	(1,423,308)
TOTAL PERSONAL SERVICES - EMPLOYEE BENEFITS	1,916,422	(242,042)	1,674,380	2,985,923	(1,311,543)
TOTAL UNDISTRIBUTED EXPENDITURES	11,055,848	(32,074)	11,023,774	11,430,647	(406,873)
TOTAL GENERAL CURRENT EXPENSE	15,333,086	484,887	15,817,973	15,815,463	2,510

ANDOVER REGIONAL SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable/ (Unfavorable)</u>
CAPITAL OUTLAY					
Equipment					
Undistributed Expenditures - Admin Info Tech		4,150	4,150		4,150
Undistributed Expenditures-Req. for School Maintenance		89,102	89,102	27,866	61,236
Total Equipment		<u>93,252</u>	<u>93,252</u>	<u>27,866</u>	<u>65,386</u>
Facilities Acquisition and Construction Services					
Construction Services	50,000	(27,781)	22,219	22,219	
Lease Purchase Agreements - Principal	134,127	(24,386)	109,741	109,741	
Assessment for Debt Service on SDA Funding	36,039		36,039	36,039	
Total Facilities Acquisition and Construction Services	<u>220,166</u>	<u>(52,167)</u>	<u>167,999</u>	<u>167,999</u>	
TOTAL CAPITAL OUTLAY					
Transfer of Funds to Charter Schools	60,273	(18,935)	41,338	29,934	11,404
TOTAL EXPENDITURES	<u>15,613,525</u>	<u>507,037</u>	<u>16,120,562</u>	<u>16,041,262</u>	<u>79,300</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures					
	(150,000)	(507,037)	(657,037)	981,060	1,638,097
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)					
	(150,000)	(507,037)	(657,037)	981,060	1,638,097
Fund Balance, July 1					
	1,701,816		1,701,816	1,701,816	
Fund Balance, June 30					
	<u>\$ 1,551,816</u>	<u>(507,037)</u>	<u>\$ 1,044,779</u>	<u>\$ 2,682,876</u>	<u>\$ 1,638,097</u>

ANDOVER REGIONAL SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Recapitulation:					
Restricted for:					
Excess Surplus				\$ 389,888	
Capital Reserve				655,000	
Maintenance Reserve				421,000	
Assigned to:					
Year-End Encumbrances				659,262	
Designated for Subsequent Year's Expenditures				150,000	
Unassigned:					
Unrestricted Fund Balance				<u>407,726</u>	
Fund Balance per Governmental Funds(Budgetary Basis)				<u>2,682,876</u>	
Reconciliation to Governmental Funds Statement(GAAP Basis):					
Last State Aid Payment not recognized on GAAP basis				<u>(227,651)</u>	
Fund Balance per Governmental Funds(GAAP Basis B-2)				<u>\$ 2,455,225</u>	

ANDOVER REGIONAL SCHOOL DISTRICT

Exhibit C-2

**BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND**

For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
REVENUES:					
Federal Sources	\$ 148,000	\$ 91,535	\$ 239,535	\$ 212,884	\$ (26,651)
Total Revenues	148,000	91,535	239,535	212,884	(26,651)
EXPENDITURES:					
Instruction					
Other Salaries	50,000	12,357	62,357	62,357	
Purchased Professional & Tech. Services	5,500	4,500	10,000	10,000	
Tuition	50,000	-	50,000	50,000	
General Supplies	37,500	2,529	40,029	40,029	
Total Instruction	143,000	19,386	162,386	162,386	
Support Services					
Purchased Educational Services	5,000	56,149	61,149	36,103	25,046
Supplies and Materials		9,000	9,000	9,000	
Other Purchased Services		7,000	7,000	5,395	1,605
Total Support Services	5,000	72,149	77,149	50,498	26,651
Total Expenditures	148,000	91,535	239,535	212,884	26,651
Total Outflows	\$ 148,000	\$ 91,535	\$ 239,535	\$ 212,884	26,651
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)					
Fund Balance per Governmental Funds(Budgetary Basis)				NONE	
Reconciliation to Governmental Funds Statement(GAAP Basis):					
Last State Aid Payment not recognized on GAAP basis				NONE	
Fund Balance per Governmental Funds(GAAP Basis)				<u>NONE</u>	

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

For the Fiscal Year Ended June 30, 2018

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

	General Fund	Special Revenue Fund
	<u> </u>	<u> </u>
Sources/Inflows of Resources		
Actual amounts (budgetary basis) "revenue"		
from the budgetary comparison schedule (Exhibits C-1 and C-2, respectively)	\$17,022,322	\$212,884
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	N/A
Current Year	N/A	(9,321)
Adjustment for: Prior Year Final State Aid Payment not included in Budgetary State Source Revenues and is considered a revenue for GAAP reporting purposes	205,052	
Adjustment for: Current Year Final State Aid Payment included in State Source Revenues that is not considered a revenue for GAAP reporting purposes	<u>(227,651)</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>\$16,999,723</u>	<u>\$ 203,563</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedules (Exhibits C-1 and C-2, respectively)	\$16,041,262	\$212,884
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	N/A
Current Year	<u>N/A</u>	<u>(9,321)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (Exhibit B-2)	<u>\$16,041,262</u>	<u>\$203,563</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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
District's proportion of the net pension liability (asset) **	N/A	N/A	N/A	N/A	N/A					
District's proportionate share of the net pension liability (asset) **	N/A	N/A	N/A	N/A	N/A					
State's proportionate share of the net pension liability (asset) associated with the District	\$ 29,105,333	\$ 35,097,072	\$ 29,656,882	\$ 25,290,246	\$ 25,473,719					
Total	\$ 29,105,333	\$ 35,097,072	\$ 29,656,882	\$ 25,290,246	\$ 25,473,719					
District's covered employee payroll	\$ 3,972,034	\$ 4,638,945	\$ 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	N/A	N/A					
Plan fiduciary net position as a percentage of the total pension liability	25.41%	22.33%	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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
District's proportion of the net pension liability (asset)	0.014211676%	0.014175037%	0.014152204%	0.013732773%	0.013679999%					
District's proportionate share of the net pension liability (asset)	\$ 3,308,251	\$ 4,198,239	\$ 3,176,886	\$ 2,571,151	\$ 2,614,520					
District's covered employee payroll	\$ 821,946	\$ 854,943	\$ 943,638	\$ 975,711	\$ 961,236					
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	402.49%	491.05%	336.66%	263.52%	272.00%					
Plan fiduciary net position as a percentage of the total pension liability (Local)	58.18%	40.14%	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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually required contribution **	N/A	N/A	N/A	N/A	N/A					
Contributions in relation to the contractually required contribution **	N/A	N/A	N/A	N/A	N/A					
Contribution deficiency (excess)	N/A	N/A	N/A	N/A	N/A					
District's covered employee payroll	\$ 3,972,034	\$ 4,638,945	\$ 4,339,275	\$ 4,315,898	\$ 4,512,287					
Contributions as a percentage of covered-employee payroll	N/A	N/A	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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually required contribution	\$ 132,704	\$ 125,929	\$ 134,273	\$ 113,211	\$ 103,076					
Contributions in relation to the contractually required contribution	<u>(132,704)</u>	<u>(125,929)</u>	<u>(134,273)</u>	<u>(113,211)</u>	<u>(103,076)</u>					
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>					
District's covered employee payroll	\$ 821,946	\$ 854,943	\$ 943,638	\$ 975,711	\$ 961,236					
Contributions as a percentage of covered-employee payroll	16.15%	14.73%	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
 Required Supplementary Information - Part III
 Schedule of Changes in the State's Total OPEB Liability and Related Ratios
 Last Ten Fiscal Years *

Exhibit M-1

State Health Benefit Local Education Retired Employees Plan (TPAF and PERS)

The State of New Jersey's Total OPEB Liability	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Service Cost	\$ 2,391,878,884	\$ 1,723,999,319								
Interest	1,699,441,736	1,823,643,792								
Benefit Payments	(1,242,412,566)	(1,223,298,019)								
Contributions from Members	45,748,749	46,273,747								
Changes of Assumptions or other inputs	<u>\$ (7,086,599,129)</u>	<u>8,611,513,521</u>								
Net change in total OPEB liability	(4,191,942,326)	10,982,132,360								
Total OPEB Liability - Beginning	<u>\$ 57,831,784,184</u>	<u>\$46,849,651,824</u>								
Total OPEB Liability - Ending	<u>\$ 53,639,841,858</u>	<u>\$57,831,784,184</u>								
The State of New Jersey's total OPEB liability **	\$ 53,639,841,858	\$57,831,784,184								
The State of New Jersey's OPEB liability attributable to the District **	\$ 27,407,589	\$ 29,599,949								
The District's proportionate share of the total OPEB liability	Zero	Zero								
District's covered employee payroll	\$ 4,793,980	\$ 5,493,888								
Total District's OPEB liability as a percentage of its covered-employee payroll	0.00%	0.00%								
District's contribution	None	None								
State's covered employee payroll ***	\$ 13,493,400,208	\$13,493,400,208								
Total State's OPEB liability as a percentage of its covered-employee payroll	397.53%	428.59%								

** Note: Other Post Employment Benefits (OPEB) for employees of the Teachers' Pension and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS) is considered a special funding situation as defined by GASB Statement No. 75 in which the State of New Jersey is 100% responsible for contributions to the health insurance plan. The district (employer) does not contribute to the plan and the district's OPEB liability is zero.

*** Based on payroll on the June 30, 2016 census data

* - 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 and Other Post-Employment Benefits (OPEB) Schedules**

For the Fiscal Year Ended June 30, 2018

Teachers' Pension and Annuity Fund (TPAF)

Pension Schedules

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.

OPEB Schedules

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASBS No. 75.

Changes of benefit terms. There were no changes of benefit terms.

Changes of assumptions. Changes of assumptions and other inputs reflects a change in the discount rate from 2.85 percent in 2016 to 3.58 percent in 2017.

Public Employees' Retirement System (PERS)

Pension Schedules

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.

OPEB Schedules

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASBS No. 75.

Changes of benefit terms. There were no changes of benefit terms.

Changes of assumptions. Changes of assumptions and other inputs reflects a change in the discount rate from 2.85 percent in 2016 to 3.58 percent in 2017.

OTHER SUPPLEMENTARY INFORMATION

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

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, 2018

	Title I	Title II (A)	Title IV	IDEA Part B	IDEA Preschool	Totals
REVENUES						
Federal Sources	\$ 46,183	\$ 3,158	\$ 6,000	\$ 150,752	\$ 6,791	\$212,884
TOTAL REVENUES	46,183	3,158	6,000	150,752	6,791	212,884
EXPENDITURES:						
Instruction:						
Other Salaries				62,357		62,357
Purchased Professional & Tech. Services				10,000		10,000
Tuition				50,000		50,000
General Supplies	20,029			20,000		40,029
Total Instruction	20,029			142,357		162,386
Support Services:						
Purchased Educational Services	26,154	3,158			6,791	36,103
Supplies and Materials			6,000	3,000		9,000
Other Purchased Services				5,395		5,395
Total Support Services	26,154	3,158	6,000	8,395	6,791	50,498
TOTAL EXPENDITURES	46,183	3,158	6,000	150,752	6,791	212,884
Total Outflows	\$ 46,183	\$ 3,158	\$ 6,000	\$ 150,752	\$ 6,791	\$212,884
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)						

**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, 2018

Revenues and Other Financing

Sources

Interest Earnings	\$ 16
Total Revenues	<u>16</u>
Excess(deficiency) of revenues over(under) expenditures	16
Fund Balance - Beginning	<u>9</u>
Fund Balance - Ending	<u><u>\$ 25</u></u>

**PROPRIETARY FUND
DETAIL STATEMENTS**

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;">FIDUCIARY FUND DETAIL STATEMENTS</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, 2018**

	UNEMPLOYMENT COMPENSATION		AGENCY FUNDS		<u>TOTALS</u>
	<u>INSURANCE TRUST</u>	<u>STUDENT ACTIVITY</u>	<u>PAYROLL AGENCY</u>		
ASSETS:					
Cash and Cash Equivalents	\$ 23,910	\$ 19,543	\$ 3,396	\$	46,849
TOTAL ASSETS	\$ 23,910	\$ 19,543	\$ 3,396	\$	46,849
LIABILITIES:					
Liabilities:					
Payroll Deductions and Withholdings			\$ 3,295	\$	3,295
Flexible Spending Account			101		101
Payable to Student Groups		\$ 19,543			19,543
Total Liabilities		19,543	3,396		22,939
NET POSITION					
Held in Trust for Unemployment					
Claims and Other Purposes	\$ 23,910			\$	23,910
TOTAL LIABILITIES AND NET POSITION	\$ 23,910	\$ 19,543	\$ 3,396	\$	46,849

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEARS ENDED JUNE 30, 2018**

	UNEMPLOYMENT COMPENSATION INSURANCE	
	<u>TRUST</u>	<u>TOTALS</u>
ADDITIONS		
Contributions:		
Plan Member	\$ 27,111	\$ 27,111
Employer	35,203	35,203
Total Contributions	<u>62,314</u>	<u>62,314</u>
Investment Earnings:		
Interest	217	217
Net Investment Earnings	<u>217</u>	<u>217</u>
Total Additions	<u>62,531</u>	<u>62,531</u>
DEDUCTIONS		
Unemployment Claims	56,403	56,403
Total Deductions	<u>56,403</u>	<u>56,403</u>
Change in Net Position	6,128	6,128
Net Position—Beginning of the Year	\$ 17,782	\$ 17,782
Net Position—End of the Year	<u>\$ 23,910</u>	<u>\$ 23,910</u>

ANDOVER REGIONAL SCHOOL DISTRICT

Exhibit H-3

**STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>BALANCE</u> <u>July 1, 2017</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>June 30, 2018</u>
Florance M. Burd	\$ 4,143	\$ 6,806	\$ 8,347	\$ 2,602
Long Pond	12,273	99,101	94,433	16,941
	<u>\$ 16,416</u>	<u>\$ 105,907</u>	<u>\$ 102,780</u>	<u>\$ 19,543</u>

ANDOVER REGIONAL SCHOOL DISTRICT

Exhibit H-4

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS
PAYROLL AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	BALANCE		BALANCE	
	<u>July 1, 2017</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>June 30, 2018</u>
ASSETS:				
Cash and Cash Equivalents	\$ 101	\$ 6,123,743	\$ 6,120,448	\$ 3,396
Total Assets	\$ 101	\$ 6,123,743	\$ 6,120,448	\$ 3,396
LIABILITIES:				
Accrued Salaries and Wages	-	\$ 3,425,556	\$ 3,425,556	-
Payroll Deductions and Withholdings	-	2,698,187	2,694,892	\$ 3,295
Health Benefits Account	\$ 101			101
Total Liabilities	\$ 101	\$ 6,123,743	\$ 6,120,448	\$ 3,396

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, 2018**

<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, 2017</u>	<u>RETIRED</u>	<u>BALANCE June 30, 2018</u>
			<u>DATE</u>	<u>AMOUNT</u>				
Series 2014 Refunding Bonds	9/1/14	\$ 5,735,000	02/15/19	\$ 510,000	2.00%	\$ 4,295,000	\$ 495,000	\$ 3,800,000
			02/15/20	515,000	3.00%			
			02/15/21	530,000	2.13%			
			02/15/22	535,000	3.00%			
			02/15/23	550,000	3.00%			
			02/15/24	570,000	3.00%			
			02/15/25	590,000	3.00%			
Series 2012 Refunding Bonds	6/15/12	4,425,000	02/15/19	245,000	2.00%	3,670,000	230,000	3,440,000
			02/15/20	140,000	2.13%			
			02/15/20	110,000	3.00%			
			02/15/21	255,000	2.25%			
			02/15/22	260,000	2.38%			
			02/15/23	265,000	3.50%			
			02/15/24	280,000	3.50%			
			02/15/25	285,000	3.50%			
			02/15/26	300,000	3.50%			
			02/15/27	305,000	3.50%			
			02/15/28	320,000	4.00%			
			02/15/29	330,000	4.00%			
			02/15/30	345,000	4.00%			
Total						\$ 7,965,000	\$ 725,000	\$ 7,240,000

ANDOVER REGIONAL SCHOOL DISTRICT

Exhibit I-2

**SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<u>ISSUE</u>	<u>INTEREST RATE</u>	<u>AMOUNT OF ISSUE</u>	<u>BALANCE July 1, 2017</u>	<u>ISSUED</u>	<u>RETIREED</u>	<u>BALANCE June 30, 2018</u>
Natural Gas Equipment-Long Pond	1.77%	\$ 364,088	\$ 173,444		\$ 173,444	-
Natural Gas Equipment-FMB	1.77%	\$ 305,100	241,489		241,489	-
Total			\$ 414,933	-	\$ 414,933	-

Andover Regional School District
Statistical Section

<u>Contents</u>	<u>Page</u>
Financial Trends (J-1 thru J-5) These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.	108-113
Revenue Capacity (J-6 thru J-9) These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.	114-120
Debt Capacity (J-10 thru J-13) 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.	121-124
Demographic and Economic Information (J-14 and J-15) These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.	125-126
Operating Information (J-16 thru J-20) 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.	127-131

Sources:

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

**Andover Regional School District
Net Position by Component,
Last Ten Fiscal Years**

Exhibit J-1

(accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
Invested in capital assets, net of related debt	\$ 3,648,725	\$ 3,774,869	\$ 3,983,531	\$ 4,424,513	\$ 5,005,336	\$ 5,231,009	\$ 5,644,839	\$ 5,411,694	\$ 5,720,801	\$ 6,251,208
Restricted	464,613	180,988	63,321	163,583	10,692	10,713	55,948	305,000	726,000	1,615,888
Unrestricted	(297,425)	(242,026)	182,125	(184,735)	(704,326)	(2,617,799)	(2,474,825)	(3,005,929)	(3,109,617)	(2,681,704)
Total governmental activities net position	<u>\$ 3,815,913</u>	<u>\$ 3,713,831</u>	<u>\$ 4,228,977</u>	<u>\$ 4,403,361</u>	<u>\$ 4,311,702</u>	<u>\$ 2,623,923</u>	<u>\$ 3,225,962</u>	<u>\$ 2,710,765</u>	<u>\$ 3,337,184</u>	<u>\$ 5,185,392</u>
Business-type activities										
Invested in capital assets, net of related debt							\$ 7,793	\$ 4,006	-	-
Restricted								-	-	-
Unrestricted							31,839	44,302	\$ 41,653	\$ 40,005
Total business-type activities net position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 39,632</u>	<u>\$ 48,308</u>	<u>\$ 41,653</u>	<u>\$ 40,005</u>
District-wide										
Invested in capital assets, net of related debt	\$ 3,648,725	\$ 3,774,869	\$ 3,983,531	\$ 4,424,513	\$ 5,005,336	\$ 5,231,009	\$ 5,652,632	\$ 5,415,700	\$ 5,720,801	\$ 6,251,208
Restricted	464,613	180,988	63,321	163,583	10,692	10,713	55,948	305,000	726,000	1,615,888
Unrestricted	(297,425)	(242,026)	182,125	(184,735)	(704,326)	(2,617,799)	(2,442,986)	(2,961,627)	(3,067,964)	(2,641,699)
Total district net position	<u>\$ 3,815,913</u>	<u>\$ 3,713,831</u>	<u>\$ 4,228,977</u>	<u>\$ 4,403,361</u>	<u>\$ 4,311,702</u>	<u>\$ 2,623,923</u>	<u>\$ 3,265,594</u>	<u>\$ 2,759,073</u>	<u>\$ 3,378,837</u>	<u>\$ 5,225,397</u>

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,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental activities										
Instruction										
Regular	\$ 4,673,864	\$ 4,949,245	\$ 4,662,425	\$ 4,319,982	\$ 4,261,677	\$ 4,044,977	\$ 4,717,033	\$ 5,618,275	\$ 5,764,771	\$ 6,154,705
Special education	1,489,794	1,570,687	1,620,569	1,522,533	1,939,673	1,574,939	2,478,544	2,113,018	1,845,126	1,843,625
Other instruction	388,039	430,977	326,340	329,691	410,449	340,899	474,466	377,201	397,197	335,088
Support Services:										
Tuition	3,001,669	3,283,485	3,355,576	4,026,415	4,284,945	4,069,844	3,937,232	4,621,849	4,468,513	4,461,200
Student & instruction related services	1,503,440	1,593,454	1,428,132	1,653,323	1,509,797	1,575,167	1,655,822	2,076,766	2,120,608	1,959,118
School administrative services	411,014	440,301	442,415	430,579	430,040	416,409	483,385	472,650	440,972	382,264
General administrative services	777,149	735,375	752,704	819,886	789,472	826,661	739,617	907,266	940,834	1,108,679
Plant operations and maintenance	1,202,193	1,176,924	1,076,074	968,317	951,266	1,114,013	1,187,679	1,075,138	1,628,635	984,128
Pupil transportation	916,604	885,978	906,194	886,254	814,146	965,346	1,017,964	1,343,962	1,443,594	1,401,334
Capital Outlay	42,662	67,897	160,342			37,763	53,791			
Unallocated Depreciation	286,084	385,699	385,055	386,157	402,689	409,118	428,997			
Transfer to Charter School	17,842			8,862	20,546	10,788	11,013	68,611	12,770	29,934
Interest on long-term debt	522,718	507,149	490,928	418,980	427,617	388,937	369,640	363,063	287,368	308,796
Total governmental activities expenses	15,233,072	16,027,171	15,606,754	15,770,979	16,242,317	15,774,861	17,555,183	19,037,799	19,350,388	18,968,871
Business-type activities:										
Food service							202,861	150,563	148,004	147,168
Preschool/Child Care								36	-	-
Total business-type activities expense	-	-	-	-	-	-	202,861	150,599	148,004	147,168
Total district expenses	\$ 15,233,072	\$ 16,027,171	\$ 15,606,754	\$ 15,770,979	\$ 16,242,317	\$ 15,774,861	\$ 17,758,044	\$ 19,188,398	\$ 19,498,392	\$ 19,116,039
Program Revenues										
Governmental activities:										
Charges for services:										
Instruction (regular & special education)					\$ 33,000	\$ 87,146	\$ 79,773	\$ 79,044	\$ 10,056	\$ 13,890
Operating grants and contributions	3,889,891	3,868,934	3,676,448	3,853,163	3,799,828	3,656,725	4,990,649	5,566,587	6,336,055	6,592,521
Capital Grants and contributions										
Total governmental activities program revenues	3,889,891	3,868,934	3,676,448	3,853,163	3,832,828	3,743,871	5,070,422	5,645,631	6,346,111	6,606,411
Business-type activities:										
Charges for services										
Food service							161,796	106,665	102,926	109,176
Preschool/Child Care								7,948	-	-
Operating grants and contributions							41,033	43,145	38,404	36,150
Total business type activities program revenues	-	-	-	-	-	-	202,829	157,758	141,330	145,326
Total district program revenues	\$ 3,889,891	\$ 3,868,934	\$ 3,676,448	\$ 3,853,163	\$ 3,832,828	\$ 3,743,871	\$ 5,273,251	\$ 5,803,389	\$ 6,487,441	\$ 6,751,737
Net (Expense)/Revenue										
Governmental activities										
	\$ (11,343,181)	\$ (12,158,237)	\$ (11,930,306)	\$ (11,917,816)	\$ (12,409,489)	\$ (12,030,990)	\$ (12,484,761)	\$ (13,392,168)	\$ (13,004,277)	\$ (12,362,460)
Business-type activities										
	-	-	-	-	-	-	(32)	7,159	(6,674)	(1,842)
Total district-wide net expense	\$ (11,343,181)	\$ (12,158,237)	\$ (11,930,306)	\$ (11,917,816)	\$ (12,409,489)	\$ (12,030,990)	\$ (12,484,793)	\$ (13,385,009)	\$ (13,010,951)	\$ (12,364,302)

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

Exhibit J-2

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes levied for general purposes, net	\$ 10,799,280	\$ 11,231,250	\$ 11,258,929	\$ 11,439,030	\$ 11,667,811	\$ 11,889,498	\$ 12,214,591	\$ 12,592,919	\$ 12,844,777	\$ 13,101,673
Taxes levied for debt service	771,241	779,298	817,293	839,355	815,079	803,813	803,813	742,684	768,477	773,491
Tuition Received										
Investment earnings								3,361	4,955	5,859
Miscellaneous income	33,182	45,607	4,980	178,065	24,526	264,420	68,396	16,956	12,487	307,698
Adjustment to Capital Assets										
NJ SDA Grants for Capital Projects										
Transfers										
Total governmental activities	11,603,703	12,056,155	12,081,202	12,456,450	12,507,416	12,957,731	13,086,800	13,355,920	13,630,696	14,188,721
Business-type activities:										
Miscellaneous Income								1,517	19	194
Transfers							39,664			
Total business-type activities	-	-	-	-	-	-	39,664	1,517	19	194
Total district-wide	\$ 11,603,703	\$ 12,056,155	\$ 12,081,202	\$ 12,456,450	\$ 12,507,416	\$ 12,957,731	\$ 13,126,464	\$ 13,357,437	\$ 13,630,715	\$ 14,188,915
Change in Net Position										
Governmental activities	\$ 260,522	\$ (102,082)	\$ 150,896	\$ 538,634	\$ 97,927	\$ 926,741	\$ 602,039	\$ (36,248)	\$ 626,419	\$ 1,826,261
Business-type activities	-	-	-	-	-	-	39,632	8,676	(6,655)	(1,648)
Total district	\$ 260,522	\$ (102,082)	\$ 150,896	\$ 538,634	\$ 97,927	\$ 926,741	\$ 641,671	\$ (27,572)	\$ 619,764	\$ 1,824,613

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

	2009	2010	2011	2012	Fiscal Year Ending June 30,		2015	2016	2017	2018
					2013	2014				
General Fund										
Reserved	\$ 459,887	\$ 177,540	\$ 120,142	\$ 183,785		\$ 495,310	\$ 779,722	\$ 155,000	\$ 576,000	\$ 1,465,888
Unreserved	6,618	26,338	49,870	55,249	(177,406)		12,390	544,430	920,764	989,337
Total general fund	\$ 466,505	\$ 203,878	\$ 170,012	\$ 239,034	\$ (177,406)	\$ 495,310	\$ 792,112	\$ 699,430	\$ 1,496,764	\$ 2,455,225
All Other Governmental Funds										
Reserved			3,452	3,453	\$ 10,692	\$ 10,713	\$ 55,948	-	-	-
Unreserved, reported in:										
Special revenue fund						-	-	-	-	-
Capital projects fund	4,574	\$ 3,448	\$ (20,594)					\$ 2	\$ 9	\$ 25
Debt service fund	152							4,928	2	4,002
Total all other governmental funds	\$ 4,726	\$ 3,448	\$ (17,142)	\$ 3,453	\$ 10,692	\$ 10,713	\$ 55,948	\$ 4,930	\$ 11	\$ 4,027

Source: CAFR Schedule B-1

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

Exhibit J-4

	<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>2017</u>	<u>2018</u>
Revenues										
Tax levy	\$ 11,570,521	\$ 12,010,548	\$ 12,076,222	\$ 12,255,301	\$ 12,482,890	\$ 12,693,311	\$ 13,018,404	\$ 13,335,603	\$ 13,613,254	\$ 13,875,164
Tuition charges					33,000	87,146	79,773	79,044	10,056	13,890
Miscellaneous	33,182	45,607	12,524	188,975	24,669	264,420	68,396	20,317	17,442	8,365
State sources	3,642,932	3,592,098	3,206,876	3,518,635	3,547,053	3,437,726	3,675,021	3,868,470	3,978,535	4,067,795
Federal sources	246,959	276,836	462,027	346,702	252,632	218,999	208,454	244,502	206,688	203,563
Total revenue	15,493,594	15,925,089	15,757,649	16,309,613	16,340,244	16,701,602	17,050,048	17,547,936	17,825,975	18,168,777
Expenditures										
Instruction										
Regular Instruction	3,493,429	3,584,026	3,346,529	3,032,481	2,938,267	3,042,620	3,074,461	4,106,907	3,561,296	3,679,698
Special education instruction	1,209,052	1,330,867	1,374,122	1,218,824	1,500,665	1,197,474	1,499,803	1,677,493	1,258,694	1,219,368
Other instruction	296,557	317,444	285,511	272,547	312,313	254,743	299,520	299,454	270,957	221,626
Support Services:										
Tuition	3,001,669	3,283,485	3,355,576	4,026,415	4,284,945	4,069,844	3,937,232	4,621,849	4,468,513	4,461,200
Student & instruction related services	1,267,711	1,271,618	1,164,002	1,382,268	1,302,745	1,303,107	1,389,964	1,648,713	1,446,620	1,295,755
School Administrative services	311,773	345,497	321,704	310,330	293,487	264,260	314,977	375,230	300,819	252,828
General administrative services	649,433	680,441	678,558	723,086	686,149	682,758	693,907	699,961	641,811	733,277
Plant operations and maintenance	957,289	983,248	899,084	786,638	820,328	888,108	1,007,232	853,536	717,819	818,724
Pupil transportation	900,825	875,815	883,652	873,052	791,778	930,334	1,009,998	1,066,951	984,780	926,838
Unallocated employee benefits	2,219,150	2,410,438	2,247,384	2,477,651	2,431,757	2,330,000	2,417,981	1,146,665	2,188,441	2,409,712
Charter Schools	17,842		8,862	20,546	10,788	11,013	68,611	12,770	29,934	
Capital outlay	74,303	76,447	227,365	80,734	348,492	148,764	416,286	153,066	214,140	195,865
Debt service:										
Principal	500,000	525,000	540,000	555,000	650,000	620,000	675,000	705,000	715,000	725,000
Interest and other charges	521,448	504,668	488,618	472,108	367,973	393,705	324,725	268,200	251,900	236,475
Total expenditures	15,420,481	16,188,994	15,812,105	16,219,996	16,749,445	16,136,505	17,072,099	17,691,636	17,033,560	17,206,300
Excess (Deficiency) of revenues over (under) expenditures	73,113	(263,905)	(54,456)	89,617	(409,201)	565,097	(22,051)	(143,700)	792,415	962,477
Other Financing Sources (uses)										
NJ SDA Grants for Capital Projects								-	-	-
Transfers in	47	1,136	40,644	1	1	107,642	364,089			
Transfers out	(47)	(1,136)	(40,644)	(1)	(1)	(2)	(1)			
Total other financing sources (uses)	-	-	-	-	-	107,640	364,088	-	-	-
Net change in fund balances	\$ 73,113	\$ (263,905)	\$ (54,456)	\$ 89,617	\$ (409,201)	\$ 672,737	\$ 342,037	\$ (143,700)	\$ 792,415	\$ 962,477
Debt service as a percentage of noncapital expenditures	6.7%	6.4%	6.6%	6.4%	6.2%	6.3%	6.0%	5.5%	5.7%	5.7%

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>
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
2017	4,955	12,333	10,056	147	27,491
2018	5,859		13,890	2,490	22,239

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,	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm Reg.</u>	<u>Qfarm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartment</u>	Total Assessed Value	Less: Tax-Exempt Property	Public Utilities a	Net Valuation Taxable	Total Direct School Tax b	Estimated Actual (County Equalized Value)
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	0	68,606,200	1.820	69,334,605
2017	1,812,800	43,603,900	460,700	31,700	20,322,800	256,000	1,683,700	77,038,900	8,867,300	-	68,171,600	1.843	69,759,297
2018	1,708,100	43,657,100	460,700	31,700	20,269,600	256,000	1,686,100	76,936,600	8,867,300	-	68,069,300	1.883	66,257,495

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 Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Less: Tax-Exempt Property	Public Utilities a	Net Valuation Taxable	Total Direct School Tax Rate b	Estimated Actual (County Equalized Value)
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
2017	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
2018	12,886,100	510,391,500	28,343,500	1,090,600	86,704,200	6,772,100	2,244,700	707,860,447	58,513,000	914,747	649,347,447	1.882	667,740,551

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 ^a	General Obligation Debt Service ^b	Total Direct	Borough of Andover		Sussex County
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
2017	\$1.750	\$0.093	\$1.843	\$0.477	\$0.563	\$2.883
2018	\$1.790	\$0.093	\$1.883	\$0.477	\$0.555	\$2.915

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 ^a	General Obligation Debt Service ^b	Total Direct	Andover Township		Sussex County
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
2017	\$1.959	\$0.015	\$1.974	\$1.007	\$0.580	\$3.561
2018	\$1.868	\$0.014	\$1.882	\$0.956	\$0.565	\$3.403

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	2018			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	1.1%	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%
Total	\$ 6,903,400		10.14%	\$ 7,352,800		16.22%

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	2018			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	1.8%			
Andover Nursing home	5,233,200	2	0.8%	\$ 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%
Total	\$ 38,266,700		5.89%	\$ 38,502,100		11.13%

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	
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%	-
2017	\$13,613,254	\$13,613,254	100.00%	-
2018	\$13,875,164	\$13,875,164	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		Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds ^b	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases				
2009	\$ 12,699,000	-	\$ 8,814	-	-0-	\$ 12,707,814	3.75%	\$1,772.85	
2010	12,174,000	-	1,940	-	-0-	12,175,940	3.63%	1,778.03	
2011	11,634,000	-	-	-	-0-	11,634,000	3.37%	1,705.62	
2012	11,325,000	-	-	-	-0-	11,325,000	3.27%	1,673.07	
2013	10,675,000	-	-	-	-0-	10,675,000	2.99%	1,590.20	
2014	10,055,000	-	68,770	-	-0-	10,123,770	2.76%	1,519.40	
2015	9,385,000	-	316,978	-	-0-	9,701,978	2.62%	1,469.33	
2016	8,680,000	-	229,253	-	-0-	8,909,253	2.55%	1,354.61	
2017	7,965,000	-	414,933	-	-0-	8,379,933	2.28%	1,280.36	
2018	7,240,000	-	-	-	-0-	7,240,000	1.97%	1,106.19	

*

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

General Bonded Debt Outstanding					
Fiscal Year Ended June 30,	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
2009	\$ 12,699,000	-0-	\$ 12,699,000	1.91%	\$ 1,772.85
2010	\$ 12,174,000	-0-	\$ 12,174,000	1.83%	\$ 1,778.03
2011	\$ 11,634,000	-0-	\$ 11,634,000	1.76%	\$ 1,705.62
2012	\$ 11,325,000	-0-	\$ 11,325,000	1.72%	\$ 1,673.07
2013	\$ 10,675,000	-0-	\$ 10,675,000	1.63%	\$ 1,590.20
2014	\$ 10,055,000	-0-	\$ 10,055,000	1.53%	\$ 1,519.40
2015	\$ 9,385,000	-0-	\$ 9,385,000	1.43%	\$ 1,469.33
2016	\$ 8,680,000	-0-	\$ 8,680,000	1.29%	\$ 1,354.61
2017	\$ 7,965,000	-0-	\$ 7,965,000	1.11%	\$ 1,280.36
2018	\$ 7,240,000	-0-	\$ 7,240,000	1.01%	\$ 1,106.19 *

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, 2018**

Exhibit J-12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Constituent Townships	\$ 1,559,326	100%	\$ 1,559,326
Other debt			
Sussex County	108,606,061	4.45%	<u>4,835,306</u>
Subtotal, overlapping debt			6,394,632
Andover Regional School District Direct Debt	7,240,000	100%	<u>7,240,000</u>
Total direct and overlapping debt			<u><u>\$ 13,634,632</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 2018

	Equalized valuation basis
	2017 \$ 746,061,885
	2016 751,285,237
	2015 751,552,237
	[A] <u>\$ 2,248,899,359</u>
Average equalized valuation of taxable property	[A/3] \$ 749,633,120
Debt limit (3.5 % of average equalization value)	[B] 26,237,159
Net bonded school debt	[C] <u>7,240,000</u>
Legal debt margin	[B-C] <u>\$ 18,997,159</u>

	Fiscal Year									
	<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>2017</u>	<u>2018</u>
Debt limit	\$28,757,409	\$29,120,184	\$28,633,384	\$27,511,880	\$25,817,718	\$24,649,220	\$23,336,617	\$26,762,444	\$26,337,400	\$26,237,159
Total net debt applicable to limit	<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>	<u>7,965,000</u>	<u>7,240,000</u>
Legal debt margin	<u>\$16,058,409</u>	<u>\$16,946,184</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>\$18,082,444</u>	<u>\$18,372,400</u>	<u>\$18,997,159</u>
Total net debt applicable to the limit as a percentage of debt limit	44.16%	41.81%	40.63%	41.16%	41.35%	40.79%	40.22%	32.43%	30.24%	27.59%

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 ^a</u>	<u>Personal Income (thousands of dollars) ^b</u>	<u>Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2009	7,150	\$ 333,554,650	\$46,651 R	9.4%
2010	7,168	\$ 338,544,640	\$47,230 R	9.1%
2011	6,848	\$ 335,264,384	\$48,958 R	9.1%
2012	6,821	\$ 345,122,137	\$50,597 R	7.0%
2013	6,769	\$ 346,112,508	\$51,132 R	7.0%
2014	6,713	\$ 356,715,394	\$53,138 R	5.8%
2015	6,663	\$ 366,451,674	\$54,998 R	4.4%
2016	6,603	\$ 370,976,349	\$56,183 R	4.2%
2017	6,577	\$ 369,515,591	\$56,183 *	4.0%
2018	6,545	\$ 367,717,735	\$56,183 *	*

Source:

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

^b Personal income provided by US Dept Commerce

^c Per Capita provided by NJ Dept of Labor

^d Unemployment data provided by the NJ Dept of Labor and Workforce Development

P Projected

R Revised

* Current data unavailable

**Andover Regional School District
Principal Employers,
Current Year and Nine Years Ago**

Exhibit J-15

2018				2009			
Employer	Employees	Rank (Optional)	Percentage of Total Employment	Employer	Employees	Rank (Optional)	Percentage of Total Employment
		1	N/A	Selective Insurance	954	1	2.44%
		2		Andover Subacute & Rehab	900	2	2.30%
		3		County of Sussex	800	3	2.04%
		4		Newton Memorial Hospital	800	4	2.04%
		5		Ronetco Supermarkets	757	5	1.93%
		6		Vernon Township BOE	629	6	1.61%
		7		F.O. Phoenix, Inc.	600	7	1.53%
		8		Mountain Creek Resort	450	8	1.15%
		9		Hopatcong BOE	380	9	0.97%
		10		Wal-Mart	300	10	0.77%
	<hr/>		<hr/>				
	<hr/>		<hr/>		6,570		16.78%
	<hr/>		<hr/>		<hr/>		<hr/>
	-						
	<hr/>		<hr/>		<hr/>		<hr/>

Source: Economic Development Partnership; 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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Instruction										
Regular	45.0	45.0	44.0	41.0	48.0	48.0	48.0	48.0	47.0	47.0
Special education	18.0	18.0	15.5	16.0	18.0	13.0	13.0	13.0	12.0	12.0
Other special education	5.0	5.0	5.0	5.0	8.0	8.0	8.0	8.0	8.0	8.0
Other Instruction	35.0	35.0	33.0	32.0	21.0	25.0	25.0	26.0	25.0	25.0
Support Services:										
Student & instruction related services	11.0	11.0	10.0	9.0	10.0	10.0	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	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Plant operations and maintenance	9.0	9.0	8.0	7.0	7.0	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	2.5	2.5	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Total	135.5	136.0	128.5	121.0	123.0	122.0	122.0	123.0	120.0	120.0

Source: District Personnel Records

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

Exhibit J-17

Fiscal Year	Enrollment *	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	<u>Pupil/Teacher Ratio</u>		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary School	Middle School				
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%
2017	774	15,852,520	20,481	0.15%	59	11.5:1	12.3:1	730.6	706.6	21.69%	96.7%
2018	674	16,048,960	23,812	16.26%	59	11.5:1	12.3:1	672.3	654.3	-7.98%	97.3%

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).
- * Includes high school students sent to Newton High School

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

Exhibit J-18

	<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>2017</u>	<u>2018</u>
<u>District Building:</u>										
<u>Long Pond School</u>										
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	316	310	311	318	295	298	298	236	241	221
<u>Florence M. Burd School</u>										
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	361	345	342	306	306	306	306	277	251	249

Number of Schools at June 30, 2018
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, 2018

Exhibit J-19

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

<u>School Facilities</u>	<u>Project #</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>2017</u>	<u>2018</u>	<u>Total</u>
Long Pond School		\$ 61,289	\$ 78,434	\$ 52,183	\$ 52,124	\$ 57,583	\$ 71,153	\$ 60,888	\$ 69,737	\$ 57,923	\$ 61,137	\$ 622,450
Florence M. Burd School		<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>57,923</u>	<u>61,137</u>	<u>661,604</u>
Total School Facilities		156,868	143,518	104,249	115,167	142,306	121,776	139,474	139,474	115,845	122,273	1,300,950
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>
Grand Total		<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>\$ 139,474</u>	<u>\$ 115,845</u>	<u>\$ 122,273</u>	<u>\$ 1,300,950</u>

ANDOVER REGIONAL SCHOOL DISTRICT

INSURANCE SCHEDULE

June 30, 2018

UNAUDITED

Exhibit J-20

<u>POLICY TYPE</u>	<u>COVERAGE</u>	<u>DEDUCTIBLE</u>
<u>NJ SCHOOL INSURANCE GROUP</u>		
PROPERTY SECTION -		
Property-Blanket Building and Contents	\$ 29,532,327	\$ 5,000
LIABILITY SECTION -		
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
WORKERS' COMPENSATION -		
(a) Statutory Benefits		None
(b) Employers Liability	As required by State	None
Supplemental Coverage	of New Jersey	None
SCHOOL BOARD LEGAL LIABILITY POLICY -		
School Leader's Professional Liability	6,000,000	5,000
CRIME -		
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
OTHER COVERAGE		
Boiler and Machinery	100,000,000	5,000
Valuable Papers	10,000,000	5,000
INDIVIDUAL BONDS:(Selective Insurance)		
School Business Administrator	350,000	None
Treasurer of School Monies	350,000	None

SOURCE: District Records

Single Audit Section

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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, 2018, 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 January 16, 2019.

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.

We noted certain matters that we reported to management of the Hope Township School District, in a separate letter dated January 16, 2019 entitled "Auditor's Management Report on Administrative Findings".

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
January 16, 2019

Curtis Archer

Licensed Public School Accountant No.2369



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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, 2018. 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, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with NJ OMB circular 15-08 and which are described in the accompanying schedule of findings and questioned costs as item 2018-1. Our opinion on each major state program is not modified with respect to these matters.

Management's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Management's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

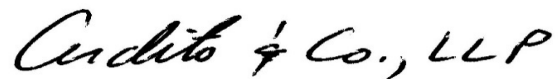
Report on Internal Control Over Compliance

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.

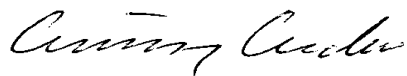
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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
January 16, 2019



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, 2018

Schedule B

STATE GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	GRANT PERIOD	AWARD AMOUNT	CARRY- OVER		BUDGET. EXPEND.	REPAYMENT OF PRIOR YEARS' BALANCES	BALANCE AT JUNE 30, 2018			MEMO			
				BALANCE 6/30/2017	AMOUNT RECEIVED			DEFER. REVENUE/ INTERFUND DUE TO GRANTOR	RECEIV.	PAYABLE	BUDGETARY RECEIVABLE	CUMULATIVE TOTAL EXPEND.		
State Department of Education:														
General Fund:														
Equalization Aid	18-495-034-5120-078	7/1/17-6/30/18	\$ 28,208		\$ 28,208	\$ (28,208)					\$ 2,777	\$ 28,208		
School Choice Aid	18-495-034-5120-068	7/1/17-6/30/18	52,632		52,632	(52,632)					5,181	52,632		
Transportation Aid	18-495-034-5120-014	7/1/17-6/30/18	542,672		542,672	(542,672)					53,422	542,672		
Special Education Aid	18-495-034-5120-089	7/1/17-6/30/18	468,866		468,866	(468,866)					46,156	468,866		
Security Aid	18-495-034-5120-084	7/1/17-6/30/18	61,429		61,429	(61,429)					6,047	61,429		
Adjustment Aid	18-495-034-5120-085	7/1/17-6/30/18	1,135,253		1,135,253	(1,135,253)					111,757	1,135,253		
PARCC Readiness Aid	18-495-034-5120-098	7/1/17-6/30/18	8,160		8,160	(8,160)					803	8,160		
Per Pupil Growth Aid	18-495-034-5120-097	7/1/17-6/30/18	8,160		8,160	(8,160)					803	8,160		
Prof. Learning Comm. Aid	18-495-034-5120-101	7/1/17-6/30/18	7,160		7,160	(7,160)					705	7,160		
Extra-Ordinary Aid	18-495-034-5120-044	7/1/17-6/30/18	108,341			(108,341)			\$ (108,341)			108,341		
Extra-Ordinary Aid	17-495-034-5120-044	7/1/16-6/30/17	174,348	\$ (174,348)	174,348							-		
Non-Public Transportation Aid	18-100-034-5120-068	7/1/17-6/30/18	7,026		-	(7,026)				(7,026)		7,026		
Non-Public Transportation Aid	17-100-034-5120-068	7/1/16-6/30/17	2,436	(2,436)	2,436							-		
On Behalf TPAF Pension	18-495-034-5094-002	7/1/17-6/30/18	685,984		685,984	(685,984)						685,984		
On Behalf TPAF Pension PMR	18-495-034-5094-001	7/1/17-6/30/18	443,062		443,062	(443,062)						443,062		
On Behalf TPAF Pension LTD Ins	18-495-034-5094-004	7/1/17-6/30/18	774		774	(774)						774		
Reimb. TPAF Soc. Sec. Contrib.	18-495-034-5094-003	7/1/17-6/30/18	293,488		293,488	(293,488)						293,488		
Total General Fund				(176,784)	3,912,632	(3,851,215)				(115,367)		227,651	3,851,215	
Debt Service Fund														
Debt Service Aid Type 2	18-100-034-5120-124	7/1/17-6/30/18	191,984		191,984	(191,984)						191,984		
Total Debt Service				-	-	191,984				(191,984)		-	191,984	
State Department of Agriculture:														
Enterprise Fund:														
Nat. School Lunch Prog. (State Share)	17-100-010-3350-023	7/1/16-6/30/17		(242)	81		\$ 161							
Nat. School Lunch Prog. (State Share)	18-100-010-3350-023	7/1/17-6/30/18	1,431		977	(1,431)				(454)		1,431		
Total Enterprise Fund				(242)	1,058	(1,431)	161			(454)		1,431		
Total State Financial Assistance				\$ (177,026)	-	\$ 4,105,674	\$ (4,044,630)	\$ 161		-	\$ (115,821)	-	\$ 227,651	\$ 4,044,630

Less: On-behalf TPAF Pension Amounts 1,129,820

Total State Expenditures Subject to Major Program Determination \$ (2,914,810)

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, 2018

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 (\$22,599) for the general fund and (\$9,321) 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, 2018

NOTE 3. (Continued)

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	-	\$ 3,875,811	\$ 3,875,811
Special Revenue Fund	\$ 203,563	-	203,563
Debt Service Fund		191,984	191,984
Food Service Fund	<u>34,720</u>	<u>1,430</u>	<u>36,150</u>
Total Financial Assistance	<u>\$ 238,283</u>	<u>\$ 4,069,225</u>	<u>\$ 4,307,508</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, 2018. 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, 2018.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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:

CFDA Number(s) **FEIN Number(s)** **Name of Federal Program or Cluster**

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, 2018

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

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.

Finding 2018-1

Information on the State Program:

State Aid Cluster (Adjustment Aid) 18-495-034-5120-085

Criteria or Specific Requirement:

Line-item transfers to an advertised appropriation account identified as general administration, school administration, central services and administrative information technology or other support services that, on a cumulative basis, exceed 10 percent of the amount included in the original budget, require county superintendent approval. N.J.A.C. 6A:23A-13.3(g)

Condition:

The district approved transfers of \$110,905 to General Administration in part for legal costs and communications settlement. The transfers were 27% of the amount included in the original budget.

Context:

The expenditures comprise 0.71% (less than 1 percent) of total district budgeted expenditures.

Effect:

The statutory transfer limit was exceeded without obtaining department of education approval.

Cause:

Extraordinary legal fees and settlement with communications vendor.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Section III - State Financial Assistance Findings and Questioned Costs-(Continued)

Recommendation:

Executive County Superintendent approval should be requested for any transfer to an advertised administrative account [general administration (230), school administration (240), central services (251), or administrative information technology (252)] that is cumulatively more than 10 percent of that amount. The district should maintain documentation that substantiates the request was received by the Executive County Superintendent when written approval is not received.

Views of management and planned corrective actions:

The district understands the administrative expenditure statutory limitations and will comply with those limitations on an on going basis. The legal expenditures and settlement costs were extraordinary and were a one time cost that is not expected to continue in the future.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

N/A

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