

**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, 2020**

Comprehensive Annual

Financial Report

of the

Andover Regional School District

Board of Education

Newton, Sussex County

For the Fiscal Year Ending June 30, 2020

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) 315-5254 Fax (973)383-8348

December 9, 2020

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, 2020, 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.

"Our Students Catch the Learning Spirit"



**ANDOVER REGIONAL SCHOOL DISTRICT
BOARD OF EDUCATION**

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1) **REPORTING ENTITY AND ITS SERVICES:** Andover Regional School District is an independent reporting entity within the criteria adopted by the 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.

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 200 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



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reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state financial assistance, the District also is responsible for ensuring that an adequate internal control 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, 2020.

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").

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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.

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 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,

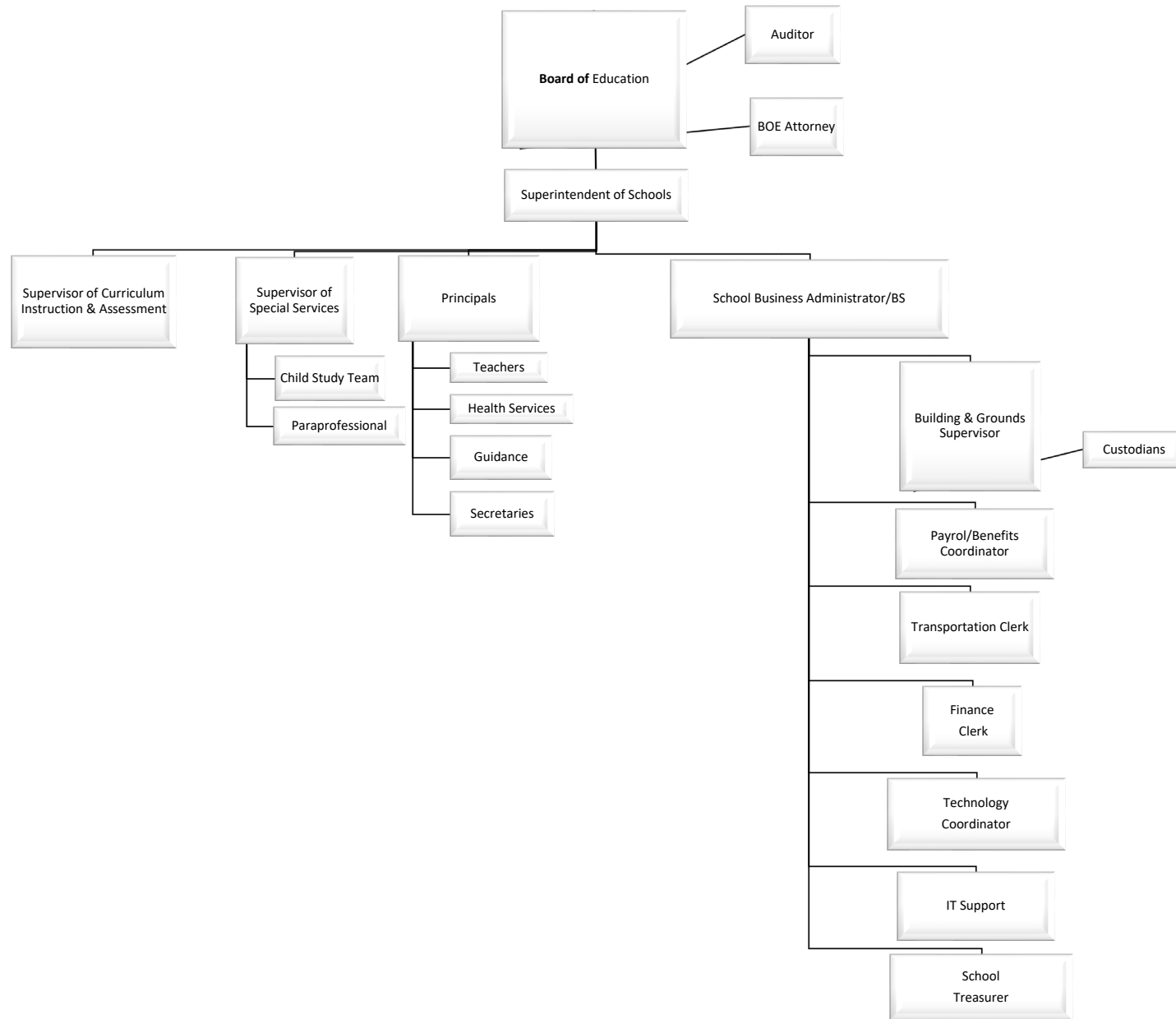
Dennis Tobin

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, 2020

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Robert Koroski, President	2020
Jessica Brennan, Vice President	2021
Daniel Cruz	2021
William Porter	2022
Maria Dunbar	2020
Colleen Figueiredo	2020
Rebecca Bearden	2022
Steven Minnick	2022
Vincenia Annuzzi	2021

Other Officials

Dennis Tobin, Interim Superintendent

Nicole Sylvester, School Business Administrator/Board Secretary

Marie Goble, Treasurer of School Monies

**ANDOVER REGIONAL SCHOOL DISTRICT
BOARD OF EDUCATION**

CONSULTANTS AND ADVISORS

ARCHTECT

Parette Somjen Architects, LLC
439 Route 46 East- Suite 4
Rockaway, New Jersey 07866

AUDIT FIRM

Ardito & Co., LLC
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

Financial Section

Independent Auditor's Report

ARDITO & COMPANY LLC



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

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, 2020, 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, 2020, 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.

Emphasis of Matter

As discussed in Note 20, the spread of the COVID 19 coronavirus is affecting the United States and global economies and may have an impact on the District's subsequent operational and financial performance. At this point, the District cannot reasonably estimate the impact on its subsequent operations or financial results. The accompanying financial statements do not include any adjustments related to subsequent events. Our opinion is not modified with respect to this matter.

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.

-Continued-

Other Information

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

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2020, 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 & COMPANY LLC
December 9, 2020



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, 2020
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, 2020. 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 2020 are as follows:

- ◆ In total, Net Position increased \$2,044,396 which represents a 33.8% increase from 2019.
- ◆ General revenues accounted for \$14,609,236 in revenue or 74.3% of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$5,064,852 or 25.7% of total revenues of \$19,674,088.
- ◆ Total assets of governmental activities increased by \$818,593, as cash and cash equivalents increased by \$628,395, receivables increased by \$53,845, and capital assets increased by \$135,211.
- ◆ The School District had \$17,629,692 in expenses; only \$5,064,852 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) of \$14,609,236 were available to provide for these programs.
- ◆ Among major funds, the General Fund had \$17,784,505 in revenues and \$16,819,979 in expenditures. The General Fund's surplus balance increased \$934,526 over 2019, which compares favorably to the budgeted decrease of \$1,344,798.

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, 2020
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 2020?” 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, 2020
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 2020 compared to 2019.

**Table 1
Net Position**

	<u>2020</u>	<u>2019</u>
Assets		
Current and Other Assets	\$ 4,406,189	\$ 3,722,807
Capital Assets	<u>13,216,568</u>	<u>13,081,357</u>
Total Assets	<u>17,622,757</u>	<u>16,804,164</u>
Deferred Outflows of Resources	<u>380,447</u>	<u>629,306</u>
Liabilities		
Long-Term Liabilities	8,161,282	9,450,843
Other Liabilities	<u>572,594</u>	<u>841,619</u>
Total Liabilities	<u>8,733,876</u>	<u>10,292,462</u>
Deferred Inflows of Resources	<u>1,176,692</u>	<u>1,092,768</u>
Net Position		
Invested in Capital Assets, Net of Debt	7,496,568	6,596,357
Restricted	3,587,981	2,704,917
Unrestricted	<u>(2,991,913)</u>	<u>(3,253,034)</u>
Total Net Position	<u>\$ 8,092,636</u>	<u>\$ 6,048,240</u>

ANDOVER REGIONAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
UNAUDITED

Total assets of governmental activities increased by \$818,593, as cash and cash equivalents increased by \$628,395, receivables increased by \$53,845, and capital assets increased by \$135,211.

The cash increase was mainly due to tuition program revenue increases and operational efficiencies towards the budget. Capital assets increased because of building roof improvements, net of depreciation expense for the fiscal year.

Table 2 shows the changes in Net Position from fiscal year 2019.

Table 2
Changes in Net Position

	<u>2020</u>	<u>2019</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 295,209	\$ 175,438
Operating Grants and Contributions	4,769,643	5,539,199
General Revenues:		
Property Taxes	14,402,300	14,142,489
Investment Earnings	10,568	8,100
Other	<u>196,368</u>	<u>21,310</u>
Total Revenues	<u>19,674,088</u>	<u>19,886,536</u>
Program Expenses		
Instruction	6,940,160	6,800,415
Support Services:		
Tuition	4,607,833	4,976,000
Pupils and Instructional Staff	1,924,874	1,960,845
General Administration, School Administration, Business	1,268,404	1,318,569
Operations and Maintenance of Facilities	1,191,504	1,873,602
Pupil Transportation	1,182,875	1,616,631
Transfer to Charter School	128,346	75,511
Business-Type Activities	108,476	150,148
Interest and Fiscal Charges	<u>277,220</u>	<u>291,972</u>
Total Expenses	<u>17,629,692</u>	<u>19,063,693</u>
Increase in Net Position	<u>\$ 2,044,396</u>	<u>\$ 822,843</u>

ANDOVER REGIONAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
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 73.2% percent of revenues for governmental activities for the Andover Regional School District for the fiscal year 2020.

Instruction comprises 39.4% of district expenses. Support services expenses make up 57.7% of the expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services compared to 2019. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3

	<u>Total Cost of Services 2020</u>	<u>Net Cost of Services 2020</u>	<u>Total Cost of Services 2019</u>	<u>Net Cost of Services 2019</u>
Instruction	\$ 6,940,160	\$ 4,244,482	\$ 6,800,415	\$4,064,954
Support Services:				
Tuition	4,607,833	4,607,833	4,976,000	4,976,000
Pupils and Instructional Staff	1,924,874	1,152,485	1,960,845	1,159,290
General Admin., School Admin., Business	1,268,404	811,374	1,318,569	813,485
Operation and Maintenance of Facilities	1,191,504	762,182	1,873,602	1,155,910
Pupil Transportation	1,182,875	756,662	1,616,631	997,373
Charter	128,346	128,346	75,511	75,511
Business-Type Activities	108,476	16,209	150,148	8,153
Interest and Fiscal Charges	<u>277,220</u>	<u>85,267</u>	<u>291,972</u>	<u>98,380</u>
Total Expenses	<u>\$ 17,629,692</u>	<u>\$ 12,564,840</u>	<u>\$ 19,063,693</u>	<u>\$13,349,056</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, 2020
UNAUDITED

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

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

The dependence upon tax revenues is apparent. Over 61.2% of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 79.8%. 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 \$19,025,573 and expenditures of \$18,065,104. The General Fund's surplus balance increased \$934,526 over 2019, which compares favorably to the budgeted decrease of \$1,344,798.

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 2020 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 \$16,343,119, \$573,101 over original budgeted estimates of \$15,770,018. This difference was due primarily to an increases in tuition based programs and extraordinary aid.

General fund revenues exceeded expenditures by \$923,848. Again this surplus compares to a budgeted deficit of \$1,344,798, which was due to the budgeted use of surplus needed to balance the 2019-2020 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 \$4,057,869, and amounts ear-marked and reserved for future purposes were \$3,587,981, creating a surplus in unreserved fund balance of \$469,888. 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, 2020
UNAUDITED

Capital Assets

At the end of the fiscal year 2020, the School District had \$13,216,568 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal 2020 balances compared to 2019.

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

	<u>2020</u>	<u>2019</u>
Land	\$ 265,016	\$ 265,016
Land Improvements	21,042	26,161
Buildings and Improvements	12,768,810	12,569,703
Machinery and Equipment	<u>161,700</u>	<u>220,477</u>
 Totals	 <u>\$ 13,216,568</u>	 <u>\$ 13,081,357</u>

Overall capital assets increased \$135,211 from fiscal year 2019 to fiscal year 2020. The increase in capital assets was due to depreciation expense for the year.

Capital improvements of \$605,739 were purchased during fiscal year 2020 and included building improvements to the school roof.

Debt Administration

At June 30, 2020, the School District had \$6,040,941 as outstanding long term debt. Of this amount, \$320,941 is for compensated absences, and \$5,720,000 is for bonds payable outstanding.

At June 30, 2020, the School District's overall legal debt margin was \$26,773,442 and the unvoted debt margin was \$21,053,442.

ANDOVER REGIONAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
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 Nicole Sylvester, 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, 2020

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and Cash Equivalents	\$ 2,093,569	\$ 42,502	\$ 2,136,071
Receivables, Net	306,376	1,838	308,214
Interfund Receivables			
Inventory		5,017	5,017
Restricted Assets:			
Capital, Tuition and Maint. Reserve - Cash	1,956,887		1,956,887
Capital Assets, Net (Note 6)	13,216,568		13,216,568
Total Assets	17,573,400	49,357	17,622,757
DEFERRED OUTFLOWS OF RESOURCES			
Pension Deferred Outflows	380,447		380,447
LIABILITIES			
Accounts Payable	395,032	2,751	397,783
Interfund Payables			
Net Pension Liability (Note 8)	2,120,341		2,120,341
Accrued Interest	67,706		67,706
Unearned Revenue	106,142	963	107,105
Noncurrent Liabilities (Note 7):			
Due Within One Year	785,000		785,000
Due Beyond One Year	5,255,941		5,255,941
Total Liabilities	8,730,162	3,714	8,733,876
DEFERRED INFLOWS OF RESOURCES			
Pension Deferred Inflows	1,176,692		1,176,692
NET POSITION			
Invested in Capital Assets, Net of Related Debt	7,496,568		7,496,568
Restricted for:			
Other Purposes	3,587,981		3,587,981
Unrestricted	(3,037,556)	45,643	(2,991,913)
Total Net Position	\$ 8,046,993	\$ 45,643	\$ 8,092,636

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, 2020

	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	\$ 4,654,211	\$ 88,437	\$ 1,783,569		\$ (2,782,205)	\$ (2,782,205)
Special Education	1,960,973	37,262	669,315		(1,254,396)	(1,254,396)
Other Special Instruction	17,412	331	5,943		(11,138)	(11,138)
Other Instruction	307,564	5,844	104,977		(196,743)	(196,743)
Support Services:						
Tuition	4,607,833				(4,607,833)	(4,607,833)
Student & Instruction Related Serv.	1,924,874	36,576	735,813		(1,152,485)	(1,152,485)
School Administrative Services	314,571	5,977	107,369		(201,225)	(201,225)
General and Business Admin. Serv.	953,833	18,124	325,560		(610,149)	(610,149)
Plant Operations and Maintenance	1,191,504	22,641	406,681		(762,182)	(762,182)
Pupil Transportation	1,182,875	22,477	403,736		(756,662)	(756,662)
Charter School	128,346				(128,346)	(128,346)
Interest and Other Fiscal Charges	277,220		191,953		(85,267)	(85,267)
Total Governmental Activities	17,521,216	237,669	4,734,916		(12,548,631)	(12,548,631)
Business-Type Activities:						
Food Service	108,476	57,540	34,727		\$ (16,209)	(16,209)
Preschool/Child Care	-				-	-
Total Business-Type Activities	108,476	57,540	34,727	-	-	(16,209)
Total Primary Government	\$ 17,629,692	\$ 295,209	\$ 4,769,643		\$ (12,548,631)	\$ (16,209)
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes,Net				\$ 13,630,980		\$ 13,630,980
Taxes Levied for Debt Service				771,320		771,320
Investment Earnings				10,568		10,568
Miscellaneous Income				196,368	-	196,368
Transfers				(30,000)	\$ 30,000	
Total General Revenues, Special Items, Extraordinary Items and Transfers				14,579,236	30,000	14,609,236
Change in Net Position				2,030,605	13,791	2,044,396
Net Position—Beginning (as restated)				6,016,388	31,852	6,048,240
Net Position—Ending				\$ 8,046,993	\$ 45,643	\$ 8,092,636

The accompanying Notes to Basic Financial Statements are an integral part of this statement. 22

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, 2020

	GENERAL FUND	SPECIAL REVENUE FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash and Cash Equivalents	\$ 4,050,456		\$ 4,050,456
Receivables from Other Governments	177,649	\$ 112,821	290,470
Other Accounts Receivable	15,906		15,906
Interfund Receivables	2,074		2,074
TOTAL ASSETS	<u>\$ 4,246,085</u>	<u>\$ 112,821</u>	<u>\$ 4,358,906</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 390,427	\$ 4,605	\$ 395,032
Due State Government			-
Interfund Payable		2,074	2,074
Deferred Revenue		106,142	106,142
Total Liabilities	<u>390,427</u>	<u>112,821</u>	<u>503,248</u>
Fund Balances:			
<u>Restricted for:</u>			
Excess Surplus - Designated for			
Subsequent Year's Expenditures	850,503		850,503
Excess Surplus	780,591		780,591
Capital Reserve Account	1,146,471		1,146,471
Tuition Reserve	398,000		398,000
Maintenance Reserve	412,416		412,416
<u>Unassigned:</u>			
General Fund	267,677		267,677
Total Fund Balances	<u>3,855,658</u>		<u>3,855,658</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 4,246,085</u>	<u>\$ 112,821</u>	<u>\$ 4,358,906</u>

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$21,789,579 and the accumulated depreciation is \$8,573,011.

\$ 13,216,568

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)

380,447

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)

(1,176,692)

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)

(2,120,341)

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)

(6,040,941)

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)

(67,706)

Net Position of governmental activities (Exhibit A-1)

\$ 8,046,993

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, 2020

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	\$ 13,630,980			\$ 771,320	\$ 14,402,300
Tuition	237,669				237,669
Miscellaneous	203,029	\$ 3,962	\$ 9		207,000
Total - Local Sources	<u>14,071,678</u>	<u>3,962</u>	<u>9</u>	<u>771,320</u>	<u>14,846,969</u>
State Sources	3,712,827			191,953	3,904,780
Federal Sources	-	273,824			273,824
Total Revenues	<u>17,784,505</u>	<u>277,786</u>	<u>9</u>	<u>963,273</u>	<u>19,025,573</u>
EXPENDITURES					
Current:					
Regular Instruction	3,073,732	198,967			3,272,699
Special Education Instruction	1,557,320				1,557,320
Other Special Instruction	13,828				13,828
Other Instruction	244,254				244,254
Support services and undistributed costs:					
Tuition	4,607,833				4,607,833
Student and Instruction Related Services	1,449,833	78,819			1,528,652
School Administrative Services	249,819				249,819
Other Administrative Services	757,493				757,493
Plant Operations and Maintenance	946,241				946,241
Pupil Transportation	939,388				939,388
Unallocated Benefits	2,210,114				2,210,114
Transfer to Charter School	128,346				128,346
Debt Service:					
Principal				765,000	765,000
Interest and Other Charges				202,275	202,275
Capital Outlay	641,778		64		641,842
Total Expenditures	<u>16,819,979</u>	<u>277,786</u>	<u>64</u>	<u>967,275</u>	<u>18,065,104</u>
Excess (Deficiency) of Revenues Over Expend.	<u>964,526</u>		<u>(55)</u>	<u>(4,002)</u>	<u>960,469</u>
OTHER FINANCING SOURCES (USES)					
Transfer - Interfund Transfer	(30,000)				(30,000)
Total Other Financing Sources and Uses	<u>(30,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,000)</u>
Net Change in Fund Balances	934,526	-	(55)	(4,002)	930,469
Fund Balance—July 1	2,921,132		55	4,002	2,925,189
Fund Balance—June 30	<u>\$ 3,855,658</u>		<u>-</u>	<u>-</u>	<u>\$ 3,855,658</u>

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, 2020**

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ 930,469

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	\$ (470,528)	
Capital Outlays	<u>605,739</u>	135,211

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.

86,142

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.

765,000

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.

105,636

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.

8,147

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

\$ 2,030,605

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

STATEMENT OF PROPRIETARY NET POSITION
 PROPRIETARY FUNDS

June 30, 2020

	<u>Business-Type Activities - Enterprise Funds</u>	
	<u>Food Service</u>	<u>Totals</u>
ASSETS		
Current assets:		
Cash and Cash Equivalents	\$ 42,502	\$ 42,502
Accounts Receivable-Federal and State	1,838	1,838
Inventories	<u>5,017</u>	<u>5,017</u>
Total Current Assets	<u>49,357</u>	<u>49,357</u>
Noncurrent Assets:		
Furniture, Machinery and Equipment	56,800	56,800
Less Accumulated Depreciation	<u>(56,800)</u>	<u>(56,800)</u>
Total Noncurrent Assets	<u>-</u>	<u>-</u>
Total Assets	<u>49,357</u>	<u>49,357</u>
LIABILITIES		
Current liabilities:		
Accounts Payable	2,751	2,751
Deferred Revenue	<u>963</u>	<u>963</u>
Total Current Liabilities	<u>3,714</u>	<u>3,714</u>
Total Liabilities	<u>3,714</u>	<u>3,714</u>
NET POSITION		
Invested in Capital Assets Net of Related Debt	-	-
Unrestricted	<u>45,643</u>	<u>45,643</u>
Total Net Position	<u>\$ 45,643</u>	<u>\$ 45,643</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, 2020**

	Business-type Activities - Enterprise Fund	
	Food Service	Total Enterprise
Operating Revenues:		
Charges for Services:		
Daily Sales - Reimbursable Programs	\$ 55,012	\$ 55,012
Daily Sales - Non-Reimb. Programs	2,528	2,528
Miscellaneous Income	-	-
Total Operating Revenues	<u>57,540</u>	<u>57,540</u>
Operating Expenses:		
Cost of Sales - Reimbursable Programs	26,314	26,314
Cost of Sales - Non-reimbursable Programs	23,819	23,819
Salaries	32,488	32,488
Employee Benefits	9,268	9,268
Purchased Property Service	10,600	10,600
Cleaning, Repair and Maintenance Services	5,987	5,987
Depreciation	-	-
Total Operating Expenses	<u>108,476</u>	<u>108,476</u>
Operating Income (Loss)	<u>(50,936)</u>	<u>(50,936)</u>
Nonoperating Revenues (Expenses):		
State Sources:		
State School Lunch Program	1,069	1,069
Federal Sources:		
National School Lunch Program	28,161	28,161
Food Distribution Program	5,497	5,497
Total Nonoperating Revenues (Expenses)	<u>34,727</u>	<u>34,727</u>
Income (Loss) Before Contributions and Transfers	(16,209)	(16,209)
Transfers In (Out)	<u>30,000</u>	<u>30,000</u>
Change in Net Position	13,791	13,791
Total Net Position—Beginning	<u>31,852</u>	<u>31,852</u>
Total Net Position—Ending	<u>\$ 45,643</u>	<u>\$ 45,643</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, 2020

	Business-Type Activities - Enterprise Funds	
	<u>Food Service</u>	<u>Total Enterprise</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 57,540	\$ 57,540
Payments to Employees	(32,488)	(32,488)
Payments for Employee Benefits	(9,268)	(9,268)
Payments to Suppliers	<u>(59,565)</u>	<u>(59,565)</u>
Net Cash Provided by (used for) Operating Activities	<u>(43,781)</u>	<u>(43,781)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Sources	1,313	1,313
Federal Sources	31,811	31,811
Transfers to Other Funds	<u>30,000</u>	<u>30,000</u>
Net Cash Provided by (used for) Non-Capital Financing Activities	<u>63,124</u>	<u>63,124</u>
Net Increase (Decrease) in Cash and Cash Equivalents	19,343	19,343
Balances—Beginning of Year	<u>23,159</u>	<u>23,159</u>
Balances—End of Year	<u>\$ 42,502</u>	<u>\$ 42,502</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (used) by Operating Activities:		
Operating Income (Loss)	\$ (50,936)	\$ (50,936)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:		
Depreciation and Net Amortization	-	-
Federal Commodities	5,497	5,497
(Increase) Decrease in Accounts Receivable	-	-
(Increase) Decrease in Inventories	(1,142)	(1,142)
Increase (Decrease) in Accounts Payable	<u>2,800</u>	<u>2,800</u>
Total Adjustments	<u>7,155</u>	<u>7,155</u>
Net Cash Provided by (used for) Operating Activities	<u>\$ (43,781)</u>	<u>\$ (43,781)</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, 2020

	Unemployment Compensation <u>Trust</u>	Agency <u>Fund</u>
ASSETS		
Cash and Cash Equivalents	\$ 40,461	\$ 33,605
Total Assets	<u>\$ 40,461</u>	<u>\$ 33,605</u>
LIABILITIES		
Payable to Student Groups		33,605
Payroll Deductions and Withholdings		
Health Account		
Total Liabilities	<u>-</u>	<u>\$ 33,605</u>
NET POSITION		
Held in Trust for Unemployment Claims & Other Purposes	<u>\$ 40,461</u>	

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

ANDOVER REGIONAL SCHOOL DISTRICT

Exhibit B-8

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

For the Year Ended June 30, 2020

	Unemployment Compensation <u>Trust</u>
ADDITIONS	
Contributions:	
Plan Member	\$ 10,781
Other	<u>-</u>
Total Contributions	<u>10,781</u>
Investment Earnings:	
Interest	<u>277</u>
Net Investment Earnings	<u>277</u>
Total Additions	<u>11,058</u>
DEDUCTIONS	
Unemployment Claims	2,958
Scholarship Awards	<u>-</u>
Total Deductions	<u>2,958</u>
Change in Net Position	8,100
Net Position—Beginning of the Year	<u>\$ 32,361</u>
Net Position—End of the Year	<u>\$ 40,461</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, 2020

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, 2019.

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, 2020, of 455 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, 2020

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, 2020

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, 2020

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, 2020

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, 2020

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, 2020

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, 2020, but which were levied to finance fiscal year 2020 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, 2020

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, 2020

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, 2020

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, 2020, 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, 2020, 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	\$4,074,231	\$74,066	\$4,148,297
	\$4,074,231	\$74,066	\$4,148,297

The carrying amount of the Board's cash and cash equivalents at June 30, 2020, was \$4,148,297 and the bank balance was \$4,859,220. 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, \$331,609 was covered by federal depository insurances and \$4,527,611 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, 2020, the district's balance was \$18,727.

ANDOVER REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 3: RECEIVABLES

Receivables at June 30, 2020, 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	\$177,649	\$177,677
Federal Aid	112,821	114,631
Other Local Receivables	15,906	15,906
Gross Receivable	\$306,376	\$308,214
Less: Allow. for Uncollectibles	-	-
Total Receivables, Net	\$306,376	\$308,214

NOTE 4: INVENTORY

Inventory in the Food Service Fund at June 30, 2020, consisted of the following:

Food	\$ <u>5,017</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, 2020

NOTE 6: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2020, 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	\$ 605,739		20,719,615
Machinery and Equipment	475,001			475,001
Total at Historical Cost	20,918,824	605,739	-	21,524,563
Less Accumulated Depreciation for:				
Land Improvements	(303,786)	(5,118)		(308,905)
Building and Improvements	(7,544,173)	(406,632)		(7,950,805)
Equipment	(254,524)	(58,777)		(313,301)
Total Accumulated Depreciation	(8,102,483)	(470,527)	-	(8,573,011)
Total Capital Assets Being Depreciated, net of Accumulated Depreciation	12,816,341	135,212		12,951,552
Government Activity Capital Assets, Net	\$ 13,081,357	\$ 135,212		\$ 13,216,568

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	\$ 423,475
Direct Expenses of Various Functions	47,053
Total	\$ 470,528

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, 2020

NOTE 7: LONG-TERM OBLIGATIONS (Continued)

A. Long-Term Obligation Activity:

Changes in long-term obligations for the year ended June 30, 2020, are as follows:

	Balance <u>7/1/19</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>6/30/20</u>	Amounts Due Within <u>One Year</u>
Governmental Activities:					
Bonds Payable:					
General Obligation Debt	\$6,485,000		(\$765,000)	\$5,720,000	\$785,000
Other Liabilities:					
Compensated Absences Payable	426,577		(105,636)	320,941	
Total	<u>\$6,911,577</u>	<u>\$0</u>	<u>(\$870,636)</u>	<u>\$6,040,941</u>	<u>\$785,000</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, 2020, it is not necessary for the Board to establish a liability for arbitrage rebate.

	Government Activities			Balance
	<u>Issue Dates</u>	<u>Interest Rates</u>	<u>Date of Maturity</u>	<u>6/30/20</u>
Series 2012 Refunding Bonds	6/15/12	2.1-4.0%	2/15/30	\$ 2,945,000
Series 2014 Refunding Bonds	9/1/14	2.0-3.0%	2/15/25	<u>2,775,000</u>
Total Bonds				<u>\$ 5,720,000</u>

ANDOVER REGIONAL SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 7: LONG-TERM OBLIGATIONS (Continued)

B. Debt Service Requirements:

Debt Service requirements on serial bonds payable at June 30, 2020, is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 785,000	\$ 180,550	\$ 965,550
2022	795,000	163,550	958,550
2023	815,000	141,325	956,325
2024	850,000	115,550	965,550
2025	875,000	88,650	963,650
Thereafter	<u>1,600,000</u>	<u>192,050</u>	<u>1,792,050</u>
	<u>\$ 5,720,000</u>	<u>\$ 881,675</u>	<u>\$ 6,601,675</u>

NOTE 8: PENSION PLANS

Description of Plans - All required employees of the District are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pension and Benefits, PO Box 295, Trenton, New Jersey, 08625 or on the internet at <http://www.state.nj.us/treasury/pensions/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, 2020

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 \$27,279,753 as measured on June 30, 2019 and \$28,932,174 measured on June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$1,609,033 and revenue of \$1,609,033 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, 2020 is based upon changes in the collective net pension liability with a measurement period of June 30, 2018 through June 30, 2019. 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, 2018 and June 30, 2019.

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>6/30/2018</u>	<u>6/30/2019</u>
Collective deferred outflows of resources	\$12,599,296,329	\$10,077,460,797
Collective deferred inflows of resources	\$16,171,861,734	\$17,525,379,167
Collective net pension liability (Nonemployer-State of New Jersey)	\$63,617,852,031	\$61,370,943,870
State's portion of the net pension liability that was associated with the district	\$28,932,174	\$27,279,753
State's portion of the net pension liability that was associated with the district as a percentage of the collective net pension liability	0.045478%	0.044451%

ANDOVER REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 8: PENSION PLANS (Continued)

Actuarial assumptions - The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation:	2.75%
Salary Increases:	
Through 2026	1.55-4.45%
Therafter	2.75-5.65%
Investment Rate of Return:	7.00%

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

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.

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, 2019) 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, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk mitigation	3.00%	4.67%
Cash equivalents	5.00%	2.00%
US Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
US Equity	28.00%	8.26%
Non-US developed markets]	12.50%	9.00%
Emerging markets equity	6.50%	11.37%
Private Equity	12.00%	10.85%

ANDOVER REGIONAL SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 8: PENSION PLANS (Continued)

Discount rate - The discount rate used to measure the total pension liability was 5.60% as of June 30, 2019. 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 3.50% as of June 30, 2019 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 based on 70% of the actuarially determined contributions for the State. 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 2054.

Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2054 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, 2019, 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:

	1% Decrease (4.60%)	Current Discount Rate (5.60%)	1% Increase (6.60%)
State's Collective Net Pension Liability	\$ 72,544,649,801	\$ 61,519,112,443	\$ 52,371,397,951

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, 2019 was \$22,696,734,276

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:

	Year Ended June 30:
2020	(\$272,405,510)
2021	(704,260,700)
2022	(630,562,767)
2023	(1,216,378,743)
2024	(2,381,316,232)
Thereafter	<u>(2,402,153,865)</u>
Total	<u>(\$7,607,077,817)</u>

ANDOVER REGIONAL SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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, 2019 are as follows:

Service cost	\$1,882,081,572
Interest on total pension liability	4,201,672,382
Member contributions	(846,166,328)
Administrative expenses	13,922,385
Expected investment return net of investment expenses	(1,542,884,759)
Pension expense related to specific liabilities of individual employers	(300,112)
Recognition (amortization) of deferred inflows/outflows:	
Recognition of economic/demographic gains/losses	178,228,412
Recognition of assumption changes or inputs	(596,671,173)
Recognition of investment gains/losses	<u>338,679,314</u>
Total pension expense	<u>\$3,628,561,693</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, 2020, the District reported a liability of \$2,120,341 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. The total pension liability for the June 30, 2018 valuation was determined by an experience study for the period July 1, 2014 to June 30, 2018. 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, 2019 and 2018. At June 30, 2019, the District's proportion was 0.0177% which was a decrease of 0.00113% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$14,487. At June 30, 2020, 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, 2020

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	\$ 38,057	\$ 9,367
Changes of assumptions	211,724	735,964
Net difference between projected and actual earnings on pension plan investments	-	33,470
Changes in proportion and differences between District contributions and proportionate share of contributions	15,747	397,891
District contributions subsequent to the measurement date	114,919	
Total	<u>\$ 380,447</u>	<u>\$ 1,176,692</u>

\$114,919 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, 2020, the plan measurement date is June 30, 2019) will be recognized as a reduction of the net pension liability measured as of June 30, 2020. 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>
2020	(\$105,453)
2021	(342,088)
2022	(305,464)
2023	(143,431)
2024	<u>(14,728)</u>
Total	<u>(\$911,164)</u>

	<u>6/30/2018</u>	<u>6/30/2019</u>
Collective deferred outflows of resources	\$4,684,852,302	\$3,149,522,616
Collective deferred inflows of resources	7,646,736,226	7,645,087,574
Collective net pension liability (Non State - Local Group)	\$19,689,501,539	\$18,018,482,972
District's portion of net pension liability	\$2,539,266	\$2,120,341
District's proportion %	0.01289655%	0.01176759%

Actuarial assumptions - The collective total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions:

Inflation:	2.75%
Salary Increases:	
Through 2026	2.00%-6.00% based on years of service
Thereafter	3.00%-7.00% based on years of service
Investment Rate of Return:	7.00%

ANDOVER REGIONAL SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 8: PENSION PLANS (Continued)

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

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, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk mitigation	3.00%	4.67%
Cash equivalents	5.00%	2.00%
US Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
US Equity	28.00%	8.26%
Non-US developed markets]	12.50%	9.00%
Emerging markets equity	6.50%	11.37%
Private Equity	12.00%	10.85%

Discount rate - he discount rate used to measure the total pension liability was 6.28% as of June 30, 2019. 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 3.50% as of June 30, 2019 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 based on 70% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers.

ANDOVER REGIONAL SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 8: PENSION PLANS (Continued)

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 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate - The following presents the District's proportionate share of the net pension liability measured as of June 30, 2019, 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>Current Discount</u>	<u>1% Increase</u>
	<u>(5.28%)</u>	<u>Rate (6.28%)</u>	<u>(7.28%)</u>
District's proportionate share of the net pension liability	\$ 2,678,335	\$2,120,341	\$ 1,650,152

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, 2019 are as follows:

Service cost	\$12,035
Interest on total ension liability	35,670
Member contributions	(8,289)
Administrative expens	220
Expected investment return net of investment expenses	(22,133)
Pension expense related to specific liabilities of individual employers	(104)
Recognition (amortization) of deferred inflows/outflows:	0
Recognition of economic/demographic gains/losses	2,685
Recognition of assumption changes or inputs	(8,208)
Recognition of investment gains/losses	<u>2,611</u>
Total pension expense	<u>\$14,487</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, 2020

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, 2020

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>
6/30/2020	\$114,919	100 %	-0-
6/30/2019	\$128,753	100 %	-0-
6/30/2018	\$132,704	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>
6/30/2020	\$834,222	100 %	-0-
6/30/2019	\$893,268	100 %	-0-
6/30/2018	\$686,758	100 %	-0-

During the fiscal year ended June 30, 2020, the State of New Jersey did contribute \$1,143,443 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 \$287,265 during the year ended June 30, 2020, 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, 2020

NOTE 9: POST-RETIREMENT BENEFITS

Plan description and benefits provided

The State provides post-retirement medical (PRM) benefits for certain State and other retired employees meeting the service credit eligibility requirements.

The State of New Jersey reports a liability as a result of its statutory requirements to pay other post-employment (health) benefit 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.

The total nonemployer OPEB liability does not include certain other postemployment benefit obligations that are provided by the local education employers. The reporting of these benefits are the responsibility of the individual local education employers.

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 June 30, 2020 GASB 75 reporting is based on a measurement date of June 30, 2019. The total nonemployer OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. The total nonemployer OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2018. 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:

ANDOVER REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 9: POST-RETIREMENT BENEFITS-(Continued)

Inflation rate	2.50%
Salary Increases Through 2026:	1.55-3.05% TPAF 2.00-6.00% PERS Based on service years
Salary Increases Thereafter:	1.55-3.05% TPAF 2.00-7.00% PERS Based on service years
Discount rate (2019)	3.50%
Discount rate (2018)	3.87%
Healthcare cost trend rates (PPO Plans)	5.7% decreasing to 4.5% after eight years
Healthcare cost trend rates (Self-insured post 65 PPO Plans)	4.50%
Healthcare cost trend rates (HMO Plans)	5.8% decreasing to 5.0% after eight years
Healthcare cost trend rates (Prescription Drug Benefits)	7.5% decreasing to 4.5% 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, 2019 and 2018 was 3.50% and 3.87%, 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.

Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2018 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2018 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2018 scale.

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 6/30/2018	\$46,110,832,982
<u>Changes for the year:</u>	
Service Cost	1,734,404,850
Interest	1,827,787,206
Change in Benefit Terms	-
Differences Between Expected and Actual Experience	(7,323,140,818)
Changes of Assumptions	622,184,027
Benefit Payments	(1,280,958,373)
Contributions from Members	<u>37,971,171</u>
Net changes	<u>(4,381,751,937)</u>
The State's Total OPEB Liability Balance at 6/30/2019	<u>\$41,729,081,045</u>
The State's total OPEB liability attributable to the District:	\$19,743,269

ANDOVER REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 9: POST-RETIREMENT BENEFITS-(Continued)

There were no changes of benefit terms.

Changes of assumptions and other inputs reflects a change in the discount rate from 3.87 percent in 2018 to 3.50 percent in 2019 and other changes.

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, 2019		
	At 1% Decrease <u>2.50%</u>	At Discount Rate <u>3.50%</u>	At 1% Increase <u>4.50%</u>
Total OPEB Liability (School Retirees)	\$49,298,534,898	\$41,729,081,045	\$35,716,321,820

	June 30, 2018		
	At 1% Decrease <u>2.87%</u>	At Discount Rate <u>3.87%</u>	At 1% Increase <u>4.87%</u>
Total OPEB Liability (School Retirees)	\$54,512,391,175	\$46,110,832,982	\$39,432,461,816

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, 2019		
	At 1% Decrease	Health Care Cost Trend Rate	At 1% Increase
Total OPEB Liability (School Retirees)	\$34,382,902,820	\$41,729,081,045	\$51,453,912,586

	June 30, 2018		
	At 1% Decrease	Health Care Cost Trend Rate	At 1% Increase
Total OPEB Liability (School Retirees)	\$38,113,289,045	\$46,110,832,982	\$56,687,891,003

ANDOVER REGIONAL SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 11: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2020:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	
General Fund	\$ 2,074	-	
Special Revenue Fund		\$ 2,074	
	<u>\$ 2,074</u>	<u>\$ 2,074</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.

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>
2019-2020	\$277	\$10,781	\$2,958	\$40,461
2018-2019	\$379	\$58,117	\$50,045	\$32,361
2017-2018	\$35,420	\$27,111	\$56,403	\$23,910

NOTE 13: CONTINGENT LIABILITIES

GRANT PROGRAMS

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

LITIGATION

The Board is not involved in any know claims or lawsuits.

ANDOVER REGIONAL SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 14: CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the Andover Regional School District Board of Education for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the district's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line-item appropriation amounts, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6A:23A-14.1(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the July 1, 2019 to June 30, 2020 fiscal year is as follows:

Beginning balance July 1, 2019	\$ 1,052,160
Interest	50
Withdrawal	(605,739)
Deposits: June Board resolution June 23, 2020	<u>700,000</u>
Ending balance June 30, 2020	<u>\$ 1,146,471</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, 2019 to June 30, 2020 fiscal year is as follows:

Beginning balance July 1, 2019	\$ 412,366
Interest	<u>50</u>
Ending balance June 30, 2020	<u>\$ 412,416</u>

NOTE 16: TUITION RESERVE ACCOUNT

A tuition reserve account was established by the School District Board of Education in fiscal year 2020, for the accumulation of funds for use in fiscal year 2022, respectively, in accordance with NJAC 6A:23A17.1(f). The tuition reserve account is maintained in the general fund and enables the district to reserve fund balance for an anticipated large tuition adjustment for the current contract year. A maximum reserve for the current year is restricted to ten percent of the formal sending/receiving contract amount. Upon certification of rates in the second year following the contract year, full appropriation of the applicable year's reserve must be liquidated and any remaining balance related to that year must be reserved and budgeted for tax relief.

ANDOVER REGIONAL SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 16: TUITION RESERVE ACCOUNT - (Continued)

The activity of the tuition reserve for the July 1, 2019 to June 30, 2020 fiscal year is as follows:

Deposits: June Board resolution June 23, 2020	\$ 398,000
Ending balance June 30, 2020	<u>\$ 398,000</u>

NOTE 17: FUND BALANCE APPROPRIATED

General Fund (Exhibit B-1) - Of the \$3,855,658 General Fund fund balance at June 30, 2020, \$1,631,094 is reserved as excess surplus in accordance with N.J.S.A.18A:7F-7 (\$850,503 of the excess surplus was appropriated and included as anticipated revenue for the year ending June 30, 2021); \$1,146,471 is reserved in the Capital Reserve Account; \$412,416 is reserved in the Maintenance Reserve Account; \$398,000 is reserved in the Tuition Reserve Account; and \$267,677 is unreserved and undesignated.

NOTE 18: 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, 2020 is \$780,591.

NOTE 19: 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 20: SUBSEQUENT EVENTS

The District's operations may be affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19) which was declared a pandemic by the World Health Organization in March 2020 and continues subsequent to June 30, 2020. Additionally, New Jersey Governor Murphy has declared a state of emergency via Executive Order in response to the coronavirus outbreak. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on the District's financial position, operations and cash flows. Possible effects may include, but are not limited to, disruption to the District's tax base revenue, absenteeism in the District's labor workforce, unavailability of supplies used in operations, and a decline in value of assets held by the District.

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, 2020

	<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	\$ 13,630,980		\$ 13,630,980	\$ 13,630,980	
Tuition from Individuals	24,000		24,000	21,600	\$ (2,400)
Tuition from Other LEA's				216,069	216,069
Miscellaneous	5,100		5,100	203,029	197,929
Total - Local Sources	<u>13,660,080</u>	<u>-</u>	<u>13,660,080</u>	<u>14,071,678</u>	<u>411,598</u>
State Sources:					
Equalization Aid	28,208		28,208	28,208	
School Choice	53,132		53,132	53,132	
Transportation Aid	542,672		542,672	542,672	
Special Education Aid	532,625		532,625	532,625	
Security Aid	61,429		61,429	61,429	
Adjustment Aid	891,872		891,872	891,872	
Extraordinary Aid				153,425	153,425
Other State Aid				8,078	8,078
TPAF Pension (On-Behalf - Non-Budgeted)				833,522	833,522
TPAF Post Retirement Medical (On-Behalf - Non-Budgeted)				309,221	309,221
TPAF Pension LTD Insurance (On-Behalf - Non-Budgeted)				700	700
TPAF Social Security (Reimbursed - Non-Budgeted)				287,265	287,265
Total State Sources	<u>2,109,938</u>	<u>-</u>	<u>2,109,938</u>	<u>3,702,149</u>	<u>1,592,211</u>
TOTAL REVENUES	<u>15,770,018</u>	<u>-</u>	<u>15,770,018</u>	<u>17,773,827</u>	<u>2,003,809</u>

ANDOVER REGIONAL SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2020

	<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:					
Kindergarten - Salaries of Teachers	212,909	(5,906)	207,003	163,880	43,123
Grades 1-5 - Salaries of Teachers	1,103,800	5,543	1,109,343	960,961	148,382
Grades 6-8 - Salaries of Teachers	914,459	363	914,822	853,576	61,246
Regular Programs - Home Instruction:					
Salaries of Teachers	5,000		5,000	2,225	2,775
Purchased Professional-Educational Services	3,000	255	3,255	3,255	
Regular Programs - Undistributed Instruction:					
Purchased Professional - Educational Services	25,000	6,867	31,867	31,867	
Purchased Technical Services	8,280	(255)	8,025	3,530	4,495
Other Purchased Services (400-500 series)	20,000		20,000	19,020	980
General Supplies	201,362	(19,457)	181,905	154,136	27,769
Textbooks	66,460	(40,016)	26,444	26,444	
TOTAL REGULAR PROGRAMS - INSTRUCTION	2,560,270	(52,606)	2,507,664	2,218,894	288,770
SPECIAL EDUCATION - INSTRUCTION					
Learning or Language Disabilities:					
Salaries of Teachers	141,482	9,042	150,524	150,524	
Other Salaries for Instruction	67,925	43,466	111,391	111,391	
General Supplies	5,498	98	5,596	5,596	
Total Learning or Language Disabilities	214,905	52,606	267,511	267,511	
Special Education - Multiple Disabilities:					
Salaries of Teachers	63,294	513	63,807	63,807	
Other Salaries for Instruction		14,268	14,268	14,268	
General Supplies	700	426	1,126	1,126	
Total Special Education - Multiple Disabilities	63,994	15,207	79,201	79,201	

ANDOVER REGIONAL SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2020

	<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	206,499	(54,309)	152,190	152,190	
Other Salaries for Instruction	123,652	(7,165)	116,487	116,487	
General Supplies	2,988	(118)	2,870	2,870	
Total Special Education - Multiple Disabilities	333,139	(61,592)	271,547	271,547	
Resource Room/Resource Center:					
Salaries of Teachers	439,870	132,957	572,827	572,827	
Other Salaries for Instruction	113,963	(3,216)	110,747	110,747	
General Supplies	8,220	(2,303)	5,917	5,917	
Total Resource Room/Resource Center	562,053	127,438	689,491	689,491	
Preschool Disabilities - Part Time:					
Salaries of Teachers	141,307	18,547	159,854	159,854	
Other Salaries for Instruction	44,950	27,877	72,827	72,827	
General Supplies	2,419	4,620	7,039	7,039	
Total Preschool Disabilities - Part Time	188,676	51,044	239,720	239,720	
Home Instruction:					
Salaries of Teachers	5,000	4,850	9,850	9,850	
Purchased Professional-Educational Services	3,000	(3,000)			
Total Home Instruction	8,000	1,850	9,850	9,850	
TOTAL SPECIAL EDUCATION - INSTRUCTION	1,370,767	186,553	1,557,320	1,557,320	
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	139,975	(18,455)	121,520	121,520	
General Supplies	3,300	(3,001)	299	299	
Total Basic Skills/Remedial - Instruction	143,275	(21,456)	121,819	121,819	

ANDOVER REGIONAL SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2020

	<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	14,618	(790)	13,828	13,828	
General Supplies	500	(500)			
Total Bilingual Education - Instruction	<u>15,118</u>	<u>(1,290)</u>	<u>13,828</u>	<u>13,828</u>	
School-Spon. Co/Extra Curricular Actvts. - Inst.:					
Salaries	66,000	(16,512)	49,488	49,488	
General Supplies	4,000	(3,469)	531	531	
Total School-Spon. Cocurricular Actvts. - Inst.	<u>70,000</u>	<u>(19,981)</u>	<u>50,019</u>	<u>50,019</u>	
School-Spon. Athletics - Instruction:					
Salaries	30,000		30,000	29,400	600
Purchased Services (300-500 series)	3,000		3,000	2,078	922
General Supplies	300		300	285	15
Total School-Spon. Athletics - Inst.	<u>33,300</u>		<u>33,300</u>	<u>31,763</u>	<u>1,537</u>
Summer School - Instruction:					
Salaries	60,000		60,000	40,653	19,347
Other Salaries of Instruction	11,000	(7,821)	3,179		3,179
General Supplies	27,000	(11,718)	15,282		15,282
Total Summer School - Instruction	<u>98,000</u>	<u>(19,539)</u>	<u>78,461</u>	<u>40,653</u>	<u>37,808</u>
TOTAL INSTRUCTION	<u>4,290,730</u>	<u>71,681</u>	<u>4,362,411</u>	<u>4,034,296</u>	<u>328,115</u>

ANDOVER REGIONAL SCHOOL DISTRICT

Exhibit C-1

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Fiscal Year Ended June 30, 2020

	<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	3,353,056	2,462	3,355,518	3,355,518	
Tuition to Other LEAs Within the State - Special	511,691	290,095	801,786	801,786	
Tuition to County Voc. District - Regular	100,215	(22,715)	77,500	77,500	
Tuition to County Voc. District - Special	26,723	(7,571)	19,152	19,152	
Tuition to Private Schools for the Disabled - Within State	577,420	(275,335)	302,085	302,085	
Tuition - State Facilities		51,792	51,792	51,792	
Total Instruction	4,569,105	38,728	4,607,833	4,607,833	
Attendance and Social Work:					
Salaries	113,869		113,869	99,737	14,132
Other Purchased Services (400-500 series)	10,576		10,576	10,576	
Total Attendance and Social Work	124,445		124,445	110,313	14,132
Health Services:					
Salaries	125,968	1,875	127,843	127,686	157
Purchased Professional and Technical Services	33,400	(1,584)	31,816	15,569	16,247
Supplies and Materials	4,322	(266)	4,056	3,987	69
Total Health Services	163,690	25	163,715	147,242	16,473
Speech, OT, PT and Related Services:					
Salaries	149,826	1,860	151,686	151,342	344
Purchased Professional - Educational Services	14,000	(2,420)	11,580	11,580	
Supplies and Materials	2,665	535	3,200	2,745	455
Total Speech, OT, PT and Related Services	166,491	(25)	166,466	165,667	799

ANDOVER REGIONAL SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2020

	<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.					
Purchased Professional - Educational Services	160,000	71,636	231,636	231,636	
Supplies and Materials	1,300	(528)	772	772	
Total Undist. Expend. - Other Supp. Serv. Students - Extra Serv.	<u>161,300</u>	<u>71,108</u>	<u>232,408</u>	<u>232,408</u>	
Guidance:					
Salaries of Other Professional Staff	186,301	(2,587)	183,714	183,714	
Other Purchased Prof. and Tech. Services	2,900	(500)	2,400	2,400	
Supplies and Materials	3,113	(715)	2,398	2,398	
Total Guidance	<u>192,314</u>	<u>(3,802)</u>	<u>188,512</u>	<u>188,512</u>	
Child Study Teams:					
Salaries of Other Professional Staff	225,075	5,922	230,997	230,997	
Salaries of Secretarial and Clerical Assistants	45,306	4,949	50,255	50,255	
Other Purchased Prof. and Tech. Services	8,000	(2,197)	5,803	5,803	
Supplies and Materials	9,600	1,419	11,019	11,019	
Other Objects	1,600	(272)	1,328	1,328	
Total Child Study Teams	<u>289,581</u>	<u>9,821</u>	<u>299,402</u>	<u>299,402</u>	

ANDOVER REGIONAL SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2020

	<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	100,709	6,572	107,281	107,281	
Other Salaries		600	600	600	
Purchased Professional-Educational Services	75,801	(33,116)	42,685	1,550	41,135
Supplies and Materials	500		500	54	446
Total Improvement of Instruction Services	177,010	(25,944)	151,066	109,485	41,581
Educational Media Services/School Library:					
Salaries	61,580	33,046	94,626	94,626	
Salaries of Technology Coordinator	70,132	(9,299)	60,833	60,833	
Purchased Professional and Technical Services	6,000	6,698	12,698	12,698	
Other Purchased Services (400-500 series)		1,195	1,195	1,195	
Supplies and Materials	20,519	(15,541)	4,978	4,978	
Total Educational Media Services/School Library	158,231	16,099	174,330	174,330	
Instructional Staff Training Services:					
Purchased Professional-Educational Services	68,100	(19,416)	48,684	22,059	26,625
Other Purchased Services (400-500 series)		415	415	415	
Supplies and Materials	750		750		750
Total Instructional Staff Training Services	68,850	(19,001)	49,849	22,474	27,375

ANDOVER REGIONAL SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2020

	<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	181,911		181,911	175,382	6,529
Legal Services	40,000	31,311	71,311	71,311	
Audit Fees	26,225	1	26,226	26,225	1
Architectural/Engineering Services	15,000	(12,326)	2,674		2,674
Other Professional Services	11,352	(7,672)	3,680	2,362	1,318
Communications/Telephone	53,600	(11,523)	42,077	42,077	
BOE Other Purchased Services	9,837	(8,420)	1,417	1,417	
Other Purchased Services (400-500 series)	26,000	4,903	30,903	30,903	
General Supplies	4,900	(1,380)	3,520	2,773	747
BOE In-House Training/Meeting Supplies	2,000		2,000		2,000
Miscellaneous Expenditures	1,900	3,688	5,588	5,460	128
BOE Membership Dues and Fees	9,700		9,700	9,329	371
Total Supp. Services - General Administration	382,425	(1,418)	381,007	367,239	13,768
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	182,994	5,536	188,530	188,530	
Salaries of Secretarial and Clerical Assistants	55,431	(1,190)	54,241	53,741	500
Supplies and Materials	3,000		3,000	2,560	440
Other Objects	12,050	(4,346)	7,704	4,988	2,716
Total Support Services - School Administration	253,475		253,475	249,819	3,656

ANDOVER REGIONAL SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Central Services:					
Salaries	165,650	10,111	175,761	175,761	
Purchased Professional Services	24,250	(2,449)	21,801	21,801	
Misc. Purchased Services (400-500 series)	8,700	(8,400)	300	300	
Supplies and Materials	11,100	(4,542)	6,558	6,558	
Miscellaneous Expenditures	3,650	(1,503)	2,147	2,147	
Total Central Services	213,350	(6,783)	206,567	206,567	
Admin. Information Technology:					
Salaries	45,000	(12,805)	32,195	32,195	
Purchased Technical Services	50,072	13,580	63,652	63,652	
Supplies and Materials	34,540	53,300	87,840	87,840	
Total Admin. Information Technology	129,612	54,075	183,687	183,687	
Required Maintenance for School Facilities:					
Salaries	70,995	9,900	80,895	80,895	
Cleaning, Repair, and Maintenance Services	500,225	(84,866)	415,359	87,926	327,433
General Supplies	74,100	(42,997)	31,103	10,638	20,465
Total Required Maintenance for School Facilities	645,320	(117,963)	527,357	179,459	347,898

ANDOVER REGIONAL SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Other Operations and Maintenance of Plant:					
Salaries	294,583	11,314	305,897	282,888	23,009
Purchased Professional and Technical Services	87,500	(11,314)	76,186	43,553	32,633
Cleaning, Repair and Maintenance Services	95,914		95,914	11,292	84,622
Other Purchased Property Services	8,000		8,000	8,000	
Insurance	70,000		70,000	70,000	
General Supplies	131,950	(27,000)	104,950	86,888	18,062
Energy (Natural Gas)	75,000		75,000	75,000	
Energy (Electricity)	165,000		165,000	122,179	42,821
Energy (Gasoline)	5,000		5,000	528	4,472
Other Objects	13,910		13,910	1,629	12,281
Total Other Operations and Maintenance of Plant	946,857	(27,000)	919,857	701,957	217,900
Care and Upkeep of Grounds:					
Salaries	75,266		75,266	44,458	30,808
Cleaning, Repair, and Maintenance Services	10,000		10,000	575	9,425
General Supplies	10,000		10,000	8,620	1,380
Total Care and Upkeep of Grounds	95,266		95,266	53,653	41,613
Security:					
Cleaning, Repair, and Maintenance Services	10,000		10,000	1,559	8,441
General Supplies	11,300		11,300	9,613	1,687
Total Security	21,300		21,300	11,172	10,128

ANDOVER REGIONAL SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2020

	<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.	38,522		38,522	36,916	1,606
Salary for Pupil Trans. (Bet. Home & Sch) - Spec Ed.	27,225		27,225	23,585	3,640
Other Purchased Professional and Technical Services	5,400		5,400	4,442	958
Contract Services - Aid in Lieu of Payments-Nonpub.Sch.	21,000		21,000	15,832	5,168
Contract Services - Aid in Lieu of Payments-School Choice	20,000		20,000	19,678	322
Contract Services - (Between Home and School) - Vendors	525,000		525,000	473,177	51,823
Contract Services (Other than Between Home & School)-Vendors	20,000		20,000	6,470	13,530
Contract Services - (Between Home and School) - Joint Agreements	6,000		6,000	1,194	4,806
Contract Services - (Special Ed. Students) - Vendors	635,400		635,400	358,094	277,306
Transportation Supplies	2,000		2,000		2,000
Total Student Transportation Services	1,300,547		1,300,547	939,388	361,159
ALLOCATED BENEFITS REGULAR PROG INSTRUCTION:					
Social Security Contributions	201,600	(111,836)	89,764	88,377	1,387
Unemployment Compensation	28,800		28,800	28,800	
Workmen's Compensation	38,160		38,160	35,980	2,180
Health Benefits	854,120	(94,992)	759,128	672,709	86,419
Tuition Reimbursement	42,500		42,500	26,744	15,756
Other Employee Benefits	216		216	159	57
Unused Vacation Payment to Terminated/Retired Staff	28,800		28,800	2,069	26,731
TOTAL ALLOCATED BENEFITS - REG. PROG. INSTRUCTION	1,194,196	(206,828)	987,368	854,838	132,530

ANDOVER REGIONAL SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2020

	<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	78,400	172,398	250,798	250,798	
Other Retirement Contributions - DCRP	50,000	(35,593)	14,407	14,407	
Other Retirement Contributions - Regular	145,000	(3,969)	141,031	123,372	17,659
Unemployment Compensation	11,200		11,200		11,200
Workmen's Compensation	14,840		14,840	14,840	
Health Benefits	354,058	14,438	368,496	368,496	
Tuition Reimbursement	21,000	(21,000)			
Other Employee Benefits	11,284	(777)	10,507	7,493	3,014
TOTAL UNALLOCATED BENEFITS	685,782	125,497	811,279	779,406	31,873
On-behalf TPAF pension Contrib. (non-budgeted)				833,522	(833,522)
On-behalf TPAF PRM Contrib. (non-budgeted)				309,221	(309,221)
On-behalf TPAF pension LTD Ins. (non-budgeted)				700	(700)
Reimbursed TPAF Social Security Contributions (non-budgeted)				287,265	(287,265)
TOTAL ON-BEHALF CONTRIBUTIONS				1,430,708	(1,430,708)
TOTAL PERSONAL SERVICES - EMPLOYEE BENEFITS	1,879,978	(81,331)	1,798,647	3,064,952	(1,266,305)
TOTAL UNDISTRIBUTED EXPENDITURES	11,939,147	(93,411)	11,845,736	12,015,559	(169,823)
TOTAL GENERAL CURRENT EXPENSE	16,229,877	(21,730)	16,208,147	16,049,855	158,292

ANDOVER REGIONAL SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
CAPITAL OUTLAY					
Equipment					
Undistributed Expenditures-Req. for School Maintenance	50,000		50,000		50,000
Undistributed Expenditures-Security	25,000		25,000		25,000
Total Equipment	75,000		75,000		75,000
Facilities Acquisition and Construction Services					
Architectural/Engineering Services	30,000		30,000		30,000
Purchased Professional Services	327,000	27,000	354,000	354,000	
Construction Services	90,010	(43,739)	46,271		46,271
Supplies and Materials	208,000	43,739	251,739	251,739	
Assessment for Debt Service on SDA Funding	36,039		36,039	36,039	
Total Facilities Acquisition and Construction Services	691,049	27,000	718,049	641,778	76,271
TOTAL CAPITAL OUTLAY	766,049	27,000	793,049	641,778	151,271
Transfer of Funds to Charter Schools	118,890		118,890	128,346	(9,456)
TOTAL EXPENDITURES	17,114,816	5,270	17,120,086	16,819,979	300,107
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,344,798)	(5,270)	(1,350,068)	953,848	2,303,916
Other Financing Sources (Uses):					
Operating Transfer In/(Out):					
Transfer to Food Service Fund		(30,000)	(30,000)	(30,000)	
Total Transfer In/(Out)		(30,000)	(30,000)	(30,000)	
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	(1,344,798)	(35,270)	(1,380,068)	923,848	2,303,916
Fund Balance, July 1	3,134,021		3,134,021	3,134,021	
Fund Balance, June 30	\$ 1,789,223	(35,270)	\$ 1,753,953	\$ 4,057,869	\$ 2,303,916

ANDOVER REGIONAL SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2020

	<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 - Designated for Subsequent Year's Expenditures				\$ 850,503	
Excess Surplus				780,591	
Capital Reserve				1,146,471	
Tuition Reserve				398,000	
Maintenance Reserve				412,416	
 Unassigned:					
Unrestricted Fund Balance				<u>469,888</u>	
Fund Balance per Governmental Funds(Budgetary Basis)				<u>4,057,869</u>	
Reconciliation to Governmental Funds Statement(GAAP Basis):					
Last State Aid Payment not recognized on GAAP basis				<u>(202,211)</u>	
Fund Balance per Governmental Funds(GAAP Basis B-2)				<u><u>\$ 3,855,658</u></u>	

ANDOVER REGIONAL SCHOOL DISTRICT

Exhibit C-2

**BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND**

For the Fiscal Year Ended June 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
REVENUES:					
Local Sources		\$ 11,470	\$ 11,470	\$ 3,962	\$ (7,508)
Federal Sources	\$ 186,787	185,671	372,458	273,824	(98,634)
Total Revenues	186,787	197,141	383,928	277,786	(106,142)
EXPENDITURES:					
Instruction					
Other Salaries	118,684	(101,875)	16,809	16,809	
Tuition		170,859	170,859	154,148	16,711
General Supplies	44,162	50,929	95,091	28,010	67,081
Total Instruction	162,846	119,913	282,759	198,967	83,792
Support Services					
Purchased Educational Services	23,941	76,228	100,169	78,248	21,921
Supplies and Materials		1,000	1,000	571	429
Total Support Services	23,941	77,228	101,169	78,819	22,350
Total Expenditures	186,787	197,141	383,928	277,786	106,142
Total Outflows	\$ 186,787	\$ 197,141	\$ 383,928	\$ 277,786	\$ 106,142
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, 2020

**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)	\$17,773,827	\$277,786
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	N/A
Adjustment for: Prior Year Final State Aid Payment not included in Budgetary State Source Revenues and is considered a revenue for GAAP reporting purposes	212,889	
Adjustment for: Current Year Final State Aid Payment included in State Source Revenues that is not considered a revenue for GAAP reporting purposes	<u>(202,211)</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>\$17,784,505</u>	<u>\$ 277,786</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedules (Exhibits C-1 and C-2, respectively)	\$16,819,979	\$277,786
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>N/A</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (Exhibit B-2)	<u>\$16,819,979</u>	<u>\$277,786</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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
District's proportion of the net pension liability (asset) **	N/A	N/A	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	N/A	N/A			
State's proportionate share of the net pension liability (asset) associated with the District	\$ 27,279,763	\$ 28,932,174	\$ 29,105,333	\$ 35,097,072	\$ 29,656,882	\$ 25,290,246	\$ 25,473,719			
Total	\$ 27,279,763	\$ 28,932,174	\$ 29,105,333	\$ 35,097,072	\$ 29,656,882	\$ 25,290,246	\$ 25,473,719			
District's covered employee payroll	\$ 3,939,681	\$ 3,698,743	\$ 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	N/A	N/A			
Plan fiduciary net position as a percentage of the total pension liability	26.95%	26.49%	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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
District's proportion of the net pension liability (asset)	0.011767591%	0.012896550%	0.014211676%	0.014175037%	0.014152204%	0.013732773%	0.013679999%			
District's proportionate share of the net pension liability (asset)	\$ 2,120,341	\$ 2,539,266	\$ 3,308,251	\$ 4,198,239	\$ 3,176,886	\$ 2,571,151	\$ 2,614,520			
District's covered employee payroll	\$ 837,736	\$ 846,111	\$ 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	253.10%	300.11%	402.49%	491.05%	336.66%	263.52%	272.00%			
Plan fiduciary net position as a percentage of the total pension liability (Local)	56.27%	53.60%	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)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution **	N/A	N/A	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	N/A	N/A			
Contribution deficiency (excess)	N/A	N/A	N/A	N/A	N/A	N/A	N/A			
District's covered employee payroll	\$ 3,939,681	\$ 3,698,743	\$ 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	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)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 114,919	\$ 128,753	\$ 132,704	\$ 125,929	\$ 134,273	\$ 113,211	\$ 103,076			
Contributions in relation to the contractually required contribution	(114,919)	(128,753)	(132,704)	(125,929)	(134,273)	(113,211)	(103,076)			
Contribution deficiency (excess)	-	-	-	-	-	-	-			
District's covered employee payroll	\$ 837,736	\$ 846,111	\$ 821,946	\$ 854,943	\$ 943,638	\$ 975,711	\$ 961,236			
Contributions as a percentage of covered-employee payroll	13.72%	15.22%	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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Service Cost	\$ 1,734,404,850	\$ 1,984,642,729	\$ 2,391,878,884	\$ 1,723,999,319						
Interest	1,827,787,206	1,970,236,232	1,699,441,736	1,823,643,792						
Change in Benefit Terms										
Differences Between Expected and Actual Experience	(7,323,140,818)	(5,002,065,740)								
Benefit Payments	(1,280,958,373)	(1,232,987,247)	(1,242,412,566)	(1,223,298,019)						
Contributions from Members	37,971,171	42,614,005	45,748,749	46,273,747						
Changes of Assumptions or other inputs	622,184,027	\$ (5,291,448,855)	\$ (7,086,599,129)	8,611,513,521						
Net change in total OPEB liability	(4,381,751,937)	(7,529,008,876)	(4,191,942,326)	10,982,132,360						
Total OPEB Liability - Beginning	\$ 46,110,832,982	\$ 53,639,841,858	\$ 57,831,784,184	\$ 46,849,651,824						
Total OPEB Liability - Ending	\$ 41,729,081,045	\$ 46,110,832,982	\$ 53,639,841,858	\$ 57,831,784,184						
The State of New Jersey's total OPEB liability **	\$ 41,729,081,045	\$ 46,110,832,982	\$ 53,639,841,858	\$ 57,831,784,184						
The State of New Jersey's OPEB liability attributable to the District **	\$ 19,743,269	\$ 22,948,282	\$ 27,407,589	\$ 29,599,949						
The District's proportionate share of the total OPEB liability	Zero	Zero	Zero	Zero						
District's covered employee payroll	\$ 4,777,417	\$ 4,544,854	\$ 4,793,980	\$ 5,493,888						
Total District's OPEB liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%						
District's contribution	None	None	None	None						
State's covered employee payroll ***	\$ 13,929,083,479	\$ 13,640,275,833	\$ 13,493,400,208	\$ 13,493,400,208						
Total State's OPEB liability as a percentage of its covered-employee payroll	299.58%	338.05%	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.

*** Covered payroll for the Measurement Period ending June 30, 2018 and June 30, 2019 is based on the payroll on the June 30, 2017 and June 30, 2018 census data, respectively

* - 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, 2020

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 3.87 percent in 2018 to 3.50 percent in 2019.

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. Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019

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 3.87 percent in 2018 to 3.50 percent in 2019.

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, 2020

	Title I	Title II (A)	Title IV	IDEA Part B	IDEA Preschool	Local	Totals
REVENUES							
Local Sources						\$ 3,962	\$ 3,962
Federal Sources	\$ 85,035	\$ 12,047	\$ 15,785	\$ 154,148	\$ 6,809		273,824
TOTAL REVENUES	85,035	12,047	15,785	154,148	6,809		277,786
EXPENDITURES:							
Instruction:							
Other Salaries	10,000				6,809		16,809
Tuition				154,148			154,148
General Supplies	24,048					3,962	28,010
Total Instruction	34,048			154,148	6,809	3,962	198,967
Support Services:							
Purchased Educational Services	50,987	12,047	15,214				78,248
Supplies and Materials			571				571
Total Support Services	50,987	12,047	15,785				78,819
TOTAL EXPENDITURES	85,035	12,047	15,785	154,148	6,809	3,962	277,786
Total Outflows	\$ 85,035	\$ 12,047	\$ 15,785	\$ 154,148	\$ 6,809	\$ 3,962	\$277,786
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, 2020

Revenues and Other Financing

Sources

Interest Earnings	\$ 9
Total Revenues	<u>9</u>

Expenditures and Other Financing

Uses

Miscellaneous	<u>64</u>
Total Expenditures	<u>64</u>

Excess(deficiency) of revenues over(under) expenditures	(55)
--	------

Fund Balance - Beginning	<u>55</u>
--------------------------	-----------

Fund Balance - Ending	<u><u>-</u></u>
-----------------------	-----------------

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

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

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

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

<p style="text-align: center;">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, 2020

	UNEMPLOYMENT COMPENSATION		<u>AGENCY FUNDS</u>		<u>TOTALS</u>
	INSURANCE <u>TRUST</u>		STUDENT <u>ACTIVITY</u>	PAYROLL <u>AGENCY</u>	
ASSETS:					
Cash and Cash Equivalents	\$ 40,461	\$	33,605	-	\$ 74,066
TOTAL ASSETS	\$ 40,461	\$	33,605	-	\$ 74,066
LIABILITIES:					
Liabilities:					
Payable to Student Groups		\$	33,605		\$ 33,605
Total Liabilities			33,605	-	33,605
NET POSITION					
Held in Trust for Unemployment					
Claims and Other Purposes	\$ 40,461	\$			\$ 40,461
TOTAL LIABILITIES AND NET POSITION	\$ 40,461	\$	33,605	-	\$ 74,066

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020**

	UNEMPLOYMENT COMPENSATION INSURANCE	
	<u>TRUST</u>	<u>TOTALS</u>
ADDITIONS		
Contributions:		
Plan Member	\$ 10,781	\$ 10,781
Employer	-	-
Total Contributions	<u>10,781</u>	<u>10,781</u>
Investment Earnings:		
Interest	277	277
Net Investment Earnings	<u>277</u>	<u>277</u>
Total Additions	<u>11,058</u>	<u>11,058</u>
DEDUCTIONS		
Unemployment Claims	2,958	2,958
Total Deductions	<u>2,958</u>	<u>2,958</u>
Change in Net Position	8,100	8,100
Net Position—Beginning of the Year	\$ 32,361	\$ 32,361
Net Position—End of the Year	<u>\$ 40,461</u>	<u>\$ 40,461</u>

ANDOVER REGIONAL SCHOOL DISTRICT

Exhibit H-3

**STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<u>BALANCE</u> <u>July 1, 2019</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>June 30, 2020</u>
Florance M. Burd	\$ 3,493	\$ 2,863	\$ 2,241	\$ 4,115
Long Pond	21,201	29,230	20,941	29,490
	<u>\$ 24,694</u>	<u>\$ 32,093</u>	<u>\$ 23,182</u>	<u>\$ 33,605</u>

ANDOVER REGIONAL SCHOOL DISTRICT

Exhibit H-4

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS
PAYROLL AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	BALANCE <u>July 1, 2019</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	BALANCE <u>June 30, 2020</u>
ASSETS:				
Cash and Cash Equivalents		\$ 6,695,482	\$ 6,695,482	-
Total Assets	-	\$ 6,695,482	\$ 6,695,482	-
LIABILITIES:				
Accrued Salaries and Wages		\$ 2,784,401	\$ 2,784,401	-
Payroll Deductions and Withholdings		3,910,980	3,910,980	-
Health Benefits Account		101	101	-
Total Liabilities	-	\$ 6,695,482	\$ 6,695,482	-

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, 2020**

<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, 2019</u>	<u>RETIRED</u>	<u>BALANCE June 30, 2020</u>
			<u>DATE</u>	<u>AMOUNT</u>				
Series 2014 Refunding Bonds	9/1/14	\$ 5,735,000	02/15/21	\$ 530,000	2.13%	\$ 3,290,000	\$ 515,000	\$ 2,775,000
			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	02/15/21	255,000	2.25%	3,195,000	250,000	2,945,000
			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					
						\$ 6,485,000	\$ 765,000	\$ 5,720,000

ANDOVER REGIONAL SCHOOL DISTRICT

Exhibit I-3

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND**

For the Fiscal Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive/ (Negative) Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 771,320		\$ 771,320	\$ 771,320	
Total - Local Sources	<u>771,320</u>		<u>771,320</u>	<u>771,320</u>	
State Sources:					
Debt Service Aid Type II	191,953		191,953	191,953	
Total - State Sources	<u>191,953</u>		<u>191,953</u>	<u>191,953</u>	
TOTAL REVENUES	<u>963,273</u>		<u>963,273</u>	<u>963,273</u>	
EXPENDITURES:					
Regular Debt Service:					
Interest	202,275		202,275	202,275	-
Redemption of Principal	765,000		765,000	765,000	-
Total Regular Debt Service	<u>967,275</u>		<u>967,275</u>	<u>967,275</u>	
TOTAL EXPENDITURES	<u>967,275</u>		<u>967,275</u>	<u>967,275</u>	
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,002)	-	(4,002)	(4,002)	-
Fund Balance, July 1	<u>4,002</u>		<u>4,002</u>	<u>4,002</u>	-
Fund Balance, June 30	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures					
Budgeted Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	

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.	100-105
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.	106-112
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.	113-116
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.	117-118
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.	119-123

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
(accrual basis of accounting)

Exhibit J-1

	2011		2012		2013		2014		Fiscal Year Ending June 30,		2017		2018		2019		2020	
									2015	2016								
Governmental activities																		
Invested in capital assets, net of related debt	\$ 3,983,531	\$ 4,424,513	\$ 5,005,336	\$ 5,231,009	\$ 5,644,839	\$ 5,411,694	\$ 5,720,801	\$ 6,251,208	\$ 6,596,357	\$ 7,496,568								
Restricted	63,321	163,583	10,692	10,713	55,948	305,000	726,000	1,615,888	2,704,917	3,587,981								
Unrestricted	182,125	(184,735)	(704,326)	(2,617,799)	(2,474,825)	(3,005,929)	(3,109,617)	(2,681,704)	(3,284,886)	(3,037,556)								
Total governmental activities net position	<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>	<u>\$ 6,016,388</u>	<u>\$ 8,046,993</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	\$ 31,852	\$ 45,643								
Total business-type activities net position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,632</u>	<u>\$ 48,308</u>	<u>\$ 41,653</u>	<u>\$ 40,005</u>	<u>\$ 31,852</u>	<u>\$ 45,643</u>								
District-wide																		
Invested in capital assets, net of related debt	\$ 3,983,531	\$ 4,424,513	\$ 5,005,336	\$ 5,231,009	\$ 5,652,632	\$ 5,415,700	\$ 5,720,801	\$ 6,251,208	\$ 6,596,357	\$ 7,496,568								
Restricted	63,321	163,583	10,692	10,713	55,948	305,000	726,000	1,615,888	2,704,917	3,587,981								
Unrestricted	182,125	(184,735)	(704,326)	(2,617,799)	(2,442,986)	(2,961,627)	(3,067,964)	(2,641,699)	(3,253,034)	(2,991,913)								
Total district net position	<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>	<u>\$ 6,048,240</u>	<u>\$ 8,092,636</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,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses										
Governmental activities										
Instruction										
Regular	\$ 4,662,425	\$ 4,319,982	\$ 4,261,677	\$ 4,044,977	\$ 4,717,033	\$ 5,618,275	\$ 5,764,771	\$ 6,154,705	\$ 4,904,544	\$ 4,654,211
Special education	1,620,569	1,522,533	1,939,673	1,574,939	2,478,544	2,113,018	1,845,126	1,843,625	1,610,376	1,960,973
Other instruction	326,340	329,691	410,449	340,899	474,466	377,201	397,197	335,088	285,495	324,976
Support Services:										
Tuition	3,355,576	4,026,415	4,284,945	4,069,844	3,937,232	4,621,849	4,468,513	4,461,200	4,976,000	4,607,833
Student & instruction related services	1,428,132	1,653,323	1,509,797	1,575,167	1,655,822	2,076,766	2,120,608	1,959,118	1,960,845	1,924,874
School administrative services	442,415	430,579	430,040	416,409	483,385	472,650	440,972	382,264	419,303	314,571
General administrative services	752,704	819,886	789,472	826,661	739,617	907,266	940,834	1,108,679	899,266	953,833
Plant operations and maintenance	1,076,074	968,317	951,266	1,114,013	1,187,679	1,075,138	1,628,635	984,128	1,873,602	1,191,504
Pupil transportation	906,194	886,254	814,146	965,346	1,017,964	1,343,962	1,443,594	1,401,334	1,616,631	1,182,875
Capital Outlay	160,342			37,763	53,791					
Unallocated Depreciation	385,055	386,157	402,689	409,118	428,997					
Transfer to Charter School		8,862	20,546	10,788	11,013	68,611	12,770	29,934	75,511	128,346
Interest on long-term debt	490,928	418,980	427,617	388,937	369,640	363,063	287,368	308,796	291,972	277,220
Total governmental activities expenses	<u>15,606,754</u>	<u>15,770,979</u>	<u>16,242,317</u>	<u>15,774,861</u>	<u>17,555,183</u>	<u>19,037,799</u>	<u>19,350,388</u>	<u>18,968,871</u>	<u>18,913,545</u>	<u>17,521,216</u>
Business-type activities:										
Food service					202,861	150,563	148,004	147,168	139,910	108,476
Preschool/Child Care						36	-	-	10,238	-
Total business-type activities expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>202,861</u>	<u>150,599</u>	<u>148,004</u>	<u>147,168</u>	<u>150,148</u>	<u>108,476</u>
Total district expenses	<u>\$ 15,606,754</u>	<u>\$ 15,770,979</u>	<u>\$ 16,242,317</u>	<u>\$ 15,774,861</u>	<u>\$ 17,758,044</u>	<u>\$ 19,188,398</u>	<u>\$ 19,498,392</u>	<u>\$ 19,116,039</u>	<u>\$ 19,063,693</u>	<u>\$ 17,629,692</u>
Program Revenues										
Governmental activities:										
Charges for services:										
Instruction (regular & special education)			\$ 33,000	\$ 87,146	\$ 79,773	\$ 79,044	\$ 10,056	\$ 13,890	\$ 69,947	\$ 237,669
Operating grants and contributions	3,676,448	3,853,163	3,799,828	3,656,725	4,990,649	5,566,587	6,336,055	6,592,521	5,502,695	4,734,916
Capital Grants and contributions										
Total governmental activities program revenues	<u>3,676,448</u>	<u>3,853,163</u>	<u>3,832,828</u>	<u>3,743,871</u>	<u>5,070,422</u>	<u>5,645,631</u>	<u>6,346,111</u>	<u>6,606,411</u>	<u>5,572,642</u>	<u>4,972,585</u>
Business-type activities:										
Charges for services										
Food service					161,796	106,665	102,926	109,176	105,491	57,540
Preschool/Child Care						7,948	-	-	-	-
Operating grants and contributions					41,033	43,145	38,404	36,150	36,504	34,727
Total business type activities program revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>202,829</u>	<u>157,758</u>	<u>141,330</u>	<u>145,326</u>	<u>141,995</u>	<u>92,267</u>
Total district program revenues	<u>\$ 3,676,448</u>	<u>\$ 3,853,163</u>	<u>\$ 3,832,828</u>	<u>\$ 3,743,871</u>	<u>\$ 5,273,251</u>	<u>\$ 5,803,389</u>	<u>\$ 6,487,441</u>	<u>\$ 6,751,737</u>	<u>\$ 5,714,637</u>	<u>\$ 5,064,852</u>
Net (Expense)/Revenue										
Governmental activities	\$ (11,930,306)	\$ (11,917,816)	\$ (12,409,489)	\$ (12,030,990)	\$ (12,484,761)	\$ (13,392,168)	\$ (13,004,277)	\$ (12,362,460)	\$ (13,340,903)	\$ (12,548,631)
Business-type activities	-	-	-	-	(32)	7,159	(6,674)	(1,842)	(8,153)	(16,209)
Total district-wide net expense	<u>\$ (11,930,306)</u>	<u>\$ (11,917,816)</u>	<u>\$ (12,409,489)</u>	<u>\$ (12,030,990)</u>	<u>\$ (12,484,793)</u>	<u>\$ (13,385,009)</u>	<u>\$ (13,010,951)</u>	<u>\$ (12,364,302)</u>	<u>\$ (13,349,056)</u>	<u>\$ (12,564,840)</u>

"Continued"

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

Exhibit J-2

	Fiscal Year Ending June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes levied for general purposes, net	\$ 11,258,929	\$ 11,439,030	\$ 11,667,811	\$ 11,889,498	\$ 12,214,591	\$ 12,592,919	\$ 12,844,777	\$ 13,101,673	\$ 13,363,706	\$ 13,630,980
Taxes levied for debt service	817,293	839,355	815,079	803,813	803,813	742,684	768,477	773,491	778,783	771,320
Tuition Received										
Investment earnings						3,361	4,955	5,859	8,100	10,568
Miscellaneous income	4,980	178,065	24,526	264,420	68,396	16,956	12,487	307,698	21,310	196,368
Adjustment to Capital Assets										
NJ SDA Grants for Capital Projects										
Transfers										
Total governmental activities	<u>12,081,202</u>	<u>12,456,450</u>	<u>12,507,416</u>	<u>12,957,731</u>	<u>13,086,800</u>	<u>13,355,920</u>	<u>13,630,696</u>	<u>14,188,721</u>	<u>14,171,899</u>	<u>14,609,236</u>
Business-type activities:										
Miscellaneous Income						1,517	19	194	-	-
Transfers					39,664					
Total business-type activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,664</u>	<u>1,517</u>	<u>19</u>	<u>194</u>	<u>-</u>	<u>-</u>
Total district-wide	<u>\$ 12,081,202</u>	<u>\$ 12,456,450</u>	<u>\$ 12,507,416</u>	<u>\$ 12,957,731</u>	<u>\$ 13,126,464</u>	<u>\$ 13,357,437</u>	<u>\$ 13,630,715</u>	<u>\$ 14,188,915</u>	<u>\$ 14,171,899</u>	<u>\$ 14,609,236</u>
Change in Net Position										
Governmental activities	\$ 150,896	\$ 538,634	\$ 97,927	\$ 926,741	\$ 602,039	\$ (36,248)	\$ 626,419	\$ 1,826,261	\$ 830,996	\$ 2,060,605
Business-type activities	-	-	-	-	39,632	8,676	(6,655)	(1,648)	(8,153)	(16,209)
Total district	<u>\$ 150,896</u>	<u>\$ 538,634</u>	<u>\$ 97,927</u>	<u>\$ 926,741</u>	<u>\$ 641,671</u>	<u>\$ (27,572)</u>	<u>\$ 619,764</u>	<u>\$ 1,824,613</u>	<u>\$ 822,843</u>	<u>\$ 2,044,396</u>

Source: CAFR Schedule A-2

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

Exhibit J-3

	Fiscal Year Ending June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund										
Reserved	\$ 120,142	\$ 183,785		\$ 495,310	\$ 779,722	\$ 155,000	\$ 576,000	\$ 1,465,888	\$ 2,704,917	\$ 3,587,981
Unreserved	49,870	55,249	(177,406)		12,390	544,430	920,764	989,337	216,215	267,677
Total general fund	<u>\$ 170,012</u>	<u>\$ 239,034</u>	<u>\$ (177,406)</u>	<u>\$ 495,310</u>	<u>\$ 792,112</u>	<u>\$ 699,430</u>	<u>\$ 1,496,764</u>	<u>\$ 2,455,225</u>	<u>\$ 2,921,132</u>	<u>\$ 3,855,658</u>
All Other Governmental Funds										
Reserved	\$ 3,452	\$ 3,453	10,692	10,713	\$ 55,948					-
Unreserved, reported in:										
Special revenue fund				-	-					-
Capital projects fund	(20,594)					2	9	25	55	-
Debt service fund						4,928	2	4,002	4,002	-
Total all other governmental funds	<u>\$ (17,142)</u>	<u>\$ 3,453</u>	<u>\$ 10,692</u>	<u>\$ 10,713</u>	<u>\$ 55,948</u>	<u>\$ 4,930</u>	<u>\$ 11</u>	<u>\$ 4,027</u>	<u>\$ 4,057</u>	<u>-</u>

Source: CAFR Schedule B-1

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

Exhibit J-4

	<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>2019</u>	<u>2020</u>
Revenues										
Tax levy	\$ 12,076,222	\$ 12,255,301	\$ 12,482,890	\$ 12,693,311	\$ 13,018,404	\$ 13,335,603	\$ 13,613,254	\$ 13,875,164	\$ 14,142,489	\$ 14,402,300
Tuition charges			33,000	87,146	79,773	79,044	10,056	13,890	69,948	237,669
Miscellaneous	12,524	188,975	24,669	264,420	68,396	20,317	17,442	8,365	29,410	207,000
State sources	3,206,876	3,518,635	3,547,053	3,437,726	3,675,021	3,868,470	3,978,535	4,067,795	4,151,965	3,904,780
Federal sources	462,027	346,702	252,632	218,999	208,454	244,502	206,688	203,563	180,976	273,824
Total revenue	15,757,649	16,309,613	16,340,244	16,701,602	17,050,048	17,547,936	17,825,975	18,168,777	18,574,788	19,025,573
Expenditures										
Instruction										
Regular Instruction	3,346,529	3,032,481	2,938,267	3,042,620	3,074,461	4,106,907	3,561,296	3,679,698	3,102,775	3,272,699
Special education instruction	1,374,122	1,218,824	1,500,665	1,197,474	1,499,803	1,677,493	1,258,694	1,219,368	1,149,454	1,557,320
Other instruction	285,511	272,547	312,313	254,743	299,520	299,454	270,957	221,626	203,781	258,082
Support Services:										
Tuition	3,355,576	4,026,415	4,284,945	4,069,844	3,937,232	4,621,849	4,468,513	4,461,200	4,976,000	4,607,833
Student & instruction related services	1,164,002	1,382,268	1,302,745	1,303,107	1,389,964	1,648,713	1,446,620	1,295,755	1,399,612	1,528,652
School Administrative services	321,704	310,330	293,487	264,260	314,977	375,230	300,819	252,828	299,290	249,819
General administrative services	678,558	723,086	686,149	682,758	693,907	699,961	641,811	733,277	641,878	757,493
Plant operations and maintenance	899,084	786,638	820,328	888,108	1,007,232	853,536	717,819	818,724	896,520	946,241
Pupil transportation	883,652	873,052	791,778	930,334	1,009,998	1,066,951	984,780	926,838	1,153,919	939,388
Unallocated employee benefits	2,247,384	2,477,651	2,431,757	2,330,000	2,417,981	1,146,665	2,188,441	2,409,712	2,728,516	2,210,114
Charter Schools		8,862	20,546	10,788	11,013	68,611	12,770	29,934	75,511	128,346
Capital outlay	227,365	80,734	348,492	148,764	416,286	153,066	214,140	195,865	509,220	641,842
Debt service:										
Principal	540,000	555,000	650,000	620,000	675,000	705,000	715,000	725,000	755,000	765,000
Interest and other charges	488,618	472,108	367,973	393,705	324,725	268,200	251,900	236,475	217,375	202,275
Total expenditures	15,812,105	16,219,996	16,749,445	16,136,505	17,072,099	17,691,636	17,033,560	17,206,300	18,108,851	18,065,104
Excess (Deficiency) of revenues over (under) expenditures	(54,456)	89,617	(409,201)	565,097	(22,051)	(143,700)	792,415	962,477	465,937	960,469
Other Financing Sources (uses)										
NJ SDA Grants for Capital Projects						-	-	-	-	-
Transfers in	40,644	1	1	107,642	364,089					
Transfers out	(40,644)	(1)	(1)	(2)	(1)					(30,000)
Total other financing sources (uses)	-	-	-	107,640	364,088	-	-	-	-	(30,000)
Net change in fund balances	\$ (54,456)	\$ 89,617	\$ (409,201)	\$ 672,737	\$ 342,037	\$ (143,700)	\$ 792,415	\$ 962,477	\$ 465,937	\$ 930,469
Debt service as a percentage of noncapital expenditures	6.6%	6.4%	6.2%	6.3%	6.0%	5.5%	5.7%	5.7%	5.5%	5.6%

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>
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
2019	8,100	10,843	69,948	9,437	98,328
2020	10,568	188,681	237,669	3,780	440,698

SOURCE: District Records

* - includes \$150,000 of insurance proceeds

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

Exhibit J-6

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Less: Tax-Exempt Property	Public Utilities a	Net Valuation Taxable	Total Direct School Tax Rate b	Estimated Actual (County Equalized Value)
2011	\$1,587,500	\$29,293,800	\$745,700	\$113,400	\$12,901,400	\$150,200	\$968,100	\$49,139,618	\$3,058,500	\$321,018	\$46,081,118	\$2.240	\$77,498,853
2012	1,635,900	29,312,300	745,700	107,600	12,952,400	150,200	968,100	49,230,963	3,058,500	300,263	46,172,463	2.300	77,595,697
2013	1,330,200	29,312,300	745,700	113,400	13,057,900	150,200	968,100	49,262,516	3,315,800	268,916	45,946,716	2.530	76,857,630
2014	1,330,200	29,344,000	745,700	113,400	13,477,900	150,200	968,100	49,728,879	3,315,800	283,579	46,413,079	2.650	70,893,559
2015	1,330,200	29,344,000	745,700	113,400	13,477,900	150,200	968,100	49,728,879	3,315,800	283,579	46,413,079	2.650	70,893,559
2016	1,697,500	43,840,600	595,300	44,900	20,488,200	256,000	1,683,700	77,473,500	8,867,300	-	68,606,200	1.820	69,334,605
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
2019	1,472,000	43,729,000	460,700	27,000	20,401,400	256,000	1,686,100	77,135,600	9,103,400	-	68,032,200	1.947	67,136,768
2020	1,080,600	43,484,700	460,700	27,000	20,288,500	256,000	1,686,100	76,910,900	9,627,300	-	67,283,600	1.936	66,068,662

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)
2011	\$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	\$1.790	\$882,694,272
2012	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	1.850	841,278,247
2013	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	1.870	787,520,336
2014	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	1.910	723,921,710
2015	11,739,900	483,478,000	24,967,700	1,259,370	79,531,000	5,575,900	1,700,000	669,684,133	60,699,200	733,063	608,984,933	1.910	684,777,001
2016	11,739,900	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	1.974	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	1.882	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	1.971	667,740,551
2019	11,419,200	507,656,100	29,291,400	1,119,200	64,104,500	6,933,400	22,129,500	701,921,002	58,340,500	927,202	643,580,502	1.971	679,423,689
2020	10,756,000	507,964,500	29,092,900	1,118,900	97,356,300	6,933,400	2,244,700	714,842,812	58,476,200	899,912	656,366,612	1.976	709,965,823

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	
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
2019	\$1.838	\$0.109	\$1.947	\$0.525	\$0.573	\$3.045
2020	\$1.836	\$0.100	\$1.936	\$0.525	\$0.567	\$3.028

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	
2011	\$1.680	\$0.120	\$1.800	\$0.830	\$0.575	\$3.205
2012	\$1.670	\$0.120	\$1.790	\$0.860	\$0.590	\$3.240
2013	\$1.730	\$0.120	\$1.850	\$0.880	\$0.600	\$3.330
2014	\$1.750	\$0.120	\$1.870	\$0.910	\$0.590	\$3.370
2015	\$1.790	\$0.120	\$1.910	\$0.960	\$0.610	\$3.480
2016	\$1.790	\$0.120	\$1.910	\$0.960	\$0.610	\$3.480
2017	\$1.854	\$0.120	\$1.974	\$1.007	\$0.580	\$3.561
2018	\$1.772	\$0.110	\$1.882	\$0.956	\$0.565	\$3.403
2019	\$1.862	\$0.109	\$1.971	\$1.008	\$0.614	\$3.593
2020	\$1.869	\$0.107	\$1.976	\$1.032	\$0.642	\$3.650

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	2020			2007		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
Black River Holdings, LLC	\$ 1,174,800	1	1.7%	\$ 1,766,100	1	3.85%
49 Main Street % Crown Castle	1,069,200	2	1.6%	947,800	2	2.07%
SGP Century, LLC	900,000	3	1.3%	718,000	3	1.76%
Cox Living Trust	785,200	4	1.2%	620,200	6	1.35%
UNZ Tiger Mart, Inc	709,200	5	1.1%			
136 Hwy 206, LLC	706,400	6	1.1%			
Shade Tree Enterprises, LLC	683,200	7	1.0%	714,500	4	1.56%
J. Nechamkin Family, LLC	646,800	8	1.0%	440,000	10	0.96%
Sunn Kis, LLC	638,800	9	1.0%			
Pio Costa Enterprises, LP	592,400	10	0.9%			
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	\$ 7,906,000		11.74%	\$ 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	2020			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	\$ 26,599,700	1	4.1%			
Andover Nursing home	8,528,600	2	1.3%	\$ 14,172,900	1	2.47%
Young Realty Association	2,786,700	6	0.4%	14,009,300	2	2.44%
Perona Realty Corporation	4,310,900	3	0.7%	4,947,100	5	0.86%
Newton Country Club	3,109,000	5	0.5%	6,704,300	3	1.17%
St. Paul's Abbey	2,063,900	9	0.3%	4,856,700	6	0.85%
Alex Cable, Inc.	3,374,500	4	0.5%			
MMK Reinsurance (Bermuda) Ltd.	-		0.0%			
Individual Taxpayer #1	-		0.0%	4,715,400	7	0.82%
Martin & Faul LTD	2,244,700	7	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%
Individual Taxpayer # 3	2,236,100	8	0.3%			
CCOM, LLC	1,850,000	10	0.3%			
Total	\$ 57,104,100		8.70%	\$38,502,100		11.13%

**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	
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%	-
2019	\$14,142,489	\$14,142,489	100.00%	-
2020	\$14,402,300	\$14,402,300	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				
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	1.89%	1,117.80	
2019	6,485,000	-	-	-	-0-	6,485,000	1.69%	1,001.24	
2020	5,720,000	-	-	-	-0-	5,720,000	1.44%	889.17	

*

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
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%	\$ 1,117.80
2019	\$ 6,485,000	-0-	\$ 6,485,000	0.91%	\$ 1,001.24
2020	\$ 5,720,000	-0-	\$ 5,720,000	0.79%	\$ 889.17 *

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, 2020**

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	\$ 992,000	100%	\$ 992,000
Other debt			
Sussex County	99,441,765	4.57%	<u>4,546,708</u>
Subtotal, overlapping debt			5,538,708
Andover Regional School District Direct Debt	5,720,000	100%	<u>5,720,000</u>
Total direct and overlapping debt			<u><u>\$ 11,258,708</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 2020

Equalized valuation basis

2019	\$	789,001,320
2018		759,803,294
2017		746,061,885
[A]	\$	<u>2,294,866,499</u>

Average equalized valuation of taxable property	[A/3]	\$	764,955,500
Debt limit (3.5 % of average equalization value)	[B]		26,773,442
Net bonded school debt	[C]		<u>5,720,000</u>
Legal debt margin	[B-C]	\$	<u>21,053,442</u>

Fiscal Year

	<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>2019</u>	<u>2020</u>
Debt limit	\$28,633,384	\$27,511,880	\$25,817,718	\$24,649,220	\$23,336,617	\$26,762,444	\$26,337,400	\$26,237,159	\$26,333,422	\$26,773,442
Total net debt applicable to limit	<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>	<u>6,485,000</u>	<u>5,720,000</u>
Legal debt margin	<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>	<u>\$19,848,422</u>	<u>\$21,053,442</u>
Total net debt applicable to the limit as a percentage of debt limit	40.63%	41.16%	41.35%	40.79%	40.22%	32.43%	30.24%	27.59%	24.63%	21.36%

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>
2011	6,890	\$ 335,264,384	\$47,429 R	9.1%
2012	6,864	\$ 345,122,137	\$49,093 R	7.0%
2013	6,806	\$ 346,112,508	\$50,844 R	7.0%
2014	6,744	\$ 356,715,394	\$51,456 R	5.8%
2015	6,686	\$ 366,451,674	\$53,818 R	4.4%
2016	6,615	\$ 370,976,349	\$55,677 R	4.2%
2017	6,559	\$ 369,515,591	\$56,914 R	4.0%
2018	6,503	\$ 367,717,735	\$61,757 R	3.8%
2019	6,483	\$ 383,393,061	\$61,757 *	3.1%
2020	6,433	\$ 397,282,781	\$61,757 *	*

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

Exhibit J-16

<u>Function/Program</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>2019</u>	<u>2020</u>
Instruction										
Regular	44.0	41.0	48.0	48.0	48.0	48.0	47.0	47.0	47.0	47.0
Special education	15.5	16.0	18.0	13.0	13.0	13.0	12.0	12.0	12.0	12.0
Other special education	5.0	5.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
Other Instruction	33.0	32.0	21.0	25.0	25.0	26.0	25.0	25.0	25.0	25.0
Support Services:										
Student & instruction related services	10.0	9.0	10.0	10.0	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	5.0	5.0
General administrative services	3.5	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Plant operations and maintenance	8.0	7.0	7.0	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	2.5	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Total	128.5	121.0	123.0	122.0	122.0	123.0	120.0	120.0	119.0	119.0

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				
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%
2019	653	16,627,256	25,463	6.94%	59	11.5:1	12.3:1	653.0	620.0	-2.87%	94.9%
2020	594	16,455,987	27,704	8.80%	59	10.1:1	10.1:1	594.0	575.0	-9.04%	96.8%

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>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</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	311	318	295	298	298	236	241	221	225	211
<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	342	306	306	306	306	277	251	249	232	244

Number of Schools at June 30, 2020
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, 2020

Exhibit J-19

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

<u>School Facilities</u>	<u>Project #</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>2019</u>	<u>2020</u>	<u>Total</u>
Long Pond School		\$ 52,183	\$ 52,124	\$ 57,583	\$ 71,153	\$ 60,888	\$ 69,737	\$ 57,923	\$ 61,137	\$ 84,136	\$ 89,730	\$ 656,592
Florence M. Burd School		<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>84,136</u>	<u>89,730</u>	<u>695,746</u>
Total School Facilities		104,249	115,167	142,306	121,776	139,474	139,474	115,845	122,273	168,271	179,459	1,348,294
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>\$ 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>\$ 168,271</u>	<u>\$ 179,459</u>	<u>\$ 1,348,294</u>

ANDOVER REGIONAL SCHOOL DISTRICT

INSURANCE SCHEDULE

June 30, 2020

UNAUDITED

Exhibit J-20

<u>POLICY TYPE</u>	<u>COVERAGE</u>	<u>DEDUCTIBLE</u>
<u>NJ SCHOOL INSURANCE GROUP</u>		
<u>PROPERTY SECTION -</u>		
Property-Blanket Building and Contents	\$ 32,630,500	\$ 5,000
<u>LIABILITY SECTION -</u>		
Comprehensive General Liability	11,000,000	1,000
Automobile Liability	11,000,000	1,000
Environmental Impairment Liability	1,000,000	50,000
Underground Storage Tanks	1,000,000	100,000
Equipment Breakdown/Boiler	100,000,000	5,000
Beazley Breach Response	1,000,000	varies
Employee Benefits Liability	11,000,000	1,000
<u>WORKERS' COMPENSATION -</u>		
(a) Statutory Benefits	Statutory	None
(b) Employers Liability	2,000,000	None
Supplemental Coverage	Statutory	None
<u>SCHOOL BOARD LEGAL LIABILITY POLICY -</u>		
School Leader's Professional Liability	11,000,000	5,000
Coverage B	100,000/300,000	5,000
<u>CRIME -</u>		
Faithful Performance	500,000	1,000
Computer Fraud	500,000	1,000
Forgery	100,000	500
<u>OTHER COVERAGE</u>		
Boiler and Machinery	100,000,000	5,000
Valuable Papers	10,000,000	5,000
<u>INDIVIDUAL BONDS:</u>		
School Business Administrator (NJSIG)	350,000	None
Treasurer of School Monies (Selective Insurance)	350,000	None

SOURCE: District Records

Single Audit Section

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Anthony Ardito, CPA, RMA, CMFO, 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, 2020, 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 December 9, 2020.

Internal Control Over Financial Reporting

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

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

-Continued-

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

Compliance and Other Matters

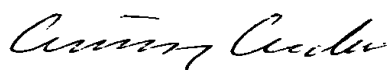
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect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

Purpose of this Report

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



ARDITO & COMPANY LLC
December 9, 2020



Licensed Public School Accountant No.2369



ARDITO & COMPANY LLC

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Anthony Ardito, CPA, RMA, CMFO, 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, 2020. 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, 2020.

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.

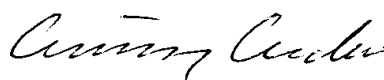
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any 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 & COMPANY LLC

December 9, 2020



Licensed Public School Accountant No.2369

ANDOVER REGIONAL SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards
for the Fiscal Year ended June 30, 2020

K-3

Schedule A

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA No.	FAIN Number	Grant or State Project Number	Program or Award Amount	Grant Period		Balance At June 30, 2019	Carryover/ Walkover Amount	Cash Received	Budgetary Expend.	Adjust.	Repayment of Prior Years' Balances	Balance at June 30, 2020			Cumulative Total Expenditures
					From	To							Accounts Receivable	Deferred Revenue	Due to Grantor	
U.S. Department of Education																
Passed-through State																
Department of Education:																
Special Revenue Fund:																
I.D.E.A. Part B, Basic Regular	84.027	H027A190100	N/A	\$144,583	7/1/19	6/30/20			\$ 133,917	\$ (127,871)		\$ (10,666)	\$ 16,712		\$ 127,871	
I.D.E.A. Part B, Basic Regular	84.027	H027A180100	N/A	146,750	7/1/18	6/30/19	\$ 16,712		9,565	(26,277)					146,750	
I.D.E.A. Part B, Preschool	84.173	H173A190114	N/A	6,809	7/1/19	6/30/20			6,809	(6,809)					6,809	
Special Education Cluster							16,712	-	150,291	(160,957)	-	-	(10,666)	16,712	-	281,430
Title I	84.010A	S010A190030	N/A	51,895	7/1/19	6/30/20			24,014	(34,048)		(27,881)	17,847		34,048	
Title I	84.010A	S010A180030	N/A	55,202	7/1/18	6/30/19	-		50,987	(50,987)					55,202	
Title II Part A	84.367A	S367B190027	N/A	11,319	7/1/19	6/30/20						(11,319)	11,319		-	
Title II Part A	84.367A	S367B180027	N/A	13,126	7/1/18	6/30/19	2,873		5,099	(10,310)		(5,154)	2,816		13,126	
Title II Part A	84.367A	S367B170027	N/A	15,358	7/1/17	6/30/18	1,737			(1,737)					15,358	
Title IV	84.424A	S424A190027	N/A	10,000	7/1/19	6/30/20				(1,785)		(10,000)	8,215		1,785	
Title IV	84.424A	S424A180027	N/A	10,000	7/1/18	6/30/19	-		3,925	(10,000)		(6,075)			6,000	
Title IV	84.424A	S424A170027	N/A	10,000	7/1/17	6/30/18	-		4,000	(4,000)					6,000	
ESEA							4,610	-	88,025	(112,867)	-	-	(60,429)	40,197	-	131,519
CARES Emergency Relief Grant	84.425D	S425D200027	CARES	41,726	3/13/20	9/30/22				-		(41,726)	41,726		-	
Total CARES							-		-	-		(41,726)	41,726		-	
Total Special Revenue Fund							21,322	-	238,316	(273,824)	-	-	(112,821)	98,635	-	412,949
U.S. Dept. of Agricul. Passed-Through																
Passed Through State Dept. of Ed.																
Enterprise Fund:																
Child Nutrition Cluster:																
National School Lunch Program (Food Distribution)	10.555	191NJ304N1099	N/A		7/1/18	6/30/19	914			(914)					914	
National School Lunch Program (Food Distribution)	10.555	201NJ304N1099	N/A	5,546	7/1/19	6/30/20			5,546	(4,583)			963		4,583	
National School Lunch Program	10.555	191NJ304N1099	N/A		7/1/18	6/30/19	(5,460)		5,460							
National School Lunch Program	10.555	201NJ304N1099	N/A	28,161	7/1/19	6/30/20			26,351	(28,161)		(1,810)			28,161	
Total Enterprise Fund							(4,546)		37,357	(33,658)	-	(1,810)	963	-	33,658	
Total Federal Financial Awards							\$ 16,776	-	\$ 275,673	\$ (307,482)	-	-	\$ (114,631)	\$ 99,598	-	\$ 446,607

The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule.
Note: This Schedule was not subject to an audit in accordance with OMB Uniform Guidance.

ANDOVER REGIONAL SCHOOL DISTRICT

Schedule of Expenditures of State Financial Assistance
for the Fiscal Year ended June 30, 2020

K-4

Schedule B

STATE GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	GRANT PERIOD	AWARD AMOUNT	BALANCE 6/30/2019	CARRY- OVER AMOUNT	CASH RECEIVED	BUDGET. EXPEND.	ADJUST.	REPAYMENT OF PRIOR YEARS' BALANCES	BALANCE AT JUNE 30, 2020			MEMO		
										(ACCTS. RECEIV.)	DEFER. REVENUE/ PAYABLE	DUE TO GRANTOR	BUDGETARY RECEIVABLE	CUMULATIVE TOTAL EXPEND.	
State Department of Education:															
General Fund:															
Equalization Aid	20-495-034-5120-078	7/1/19-6/30/20	\$ 28,208			\$ 28,208	\$ (28,208)							* \$ 2,703	\$ 28,208
School Choice Aid	20-495-034-5120-068	7/1/19-6/30/20	53,132			53,132	(53,132)							* 5,092	53,132
Transportation Aid	20-495-034-5120-014	7/1/19-6/30/20	542,672			542,672	(542,672)							* 52,008	542,672
Special Education Aid	20-495-034-5120-089	7/1/19-6/30/20	532,625			532,625	(532,625)							* 51,046	532,625
Security Aid	20-495-034-5120-084	7/1/19-6/30/20	61,429			61,429	(61,429)							* 5,887	61,429
Adjustment Aid	20-495-034-5120-085	7/1/19-6/30/20	891,872			891,872	(891,872)							* 85,475	891,872
Extra-Ordinary Aid	20-495-034-5120-044	7/1/19-6/30/20	153,425			153,425	(153,425)			\$ (153,425)				* 153,425	153,425
Extra-Ordinary Aid	19-495-034-5120-044	7/1/18-6/30/19	113,832	\$ (113,832)		113,832								* -	-
Non-Public Transportation Aid	20-100-034-5120-068	7/1/19-6/30/20	8,078			-	(8,078)			(8,078)				* 8,078	8,078
Non-Public Transportation Aid	19-100-034-5120-068	7/1/18-6/30/19	7,458	(7,458)		7,458								* -	-
On Behalf TPAF Pension	20-495-034-5094-002	7/1/19-6/30/20	833,522			833,522	(833,522)							* 833,522	833,522
On Behalf TPAF Pension PMR	20-495-034-5094-001	7/1/19-6/30/20	309,221			309,221	(309,221)							* 309,221	309,221
On Behalf TPAF Pension LTD Ins	20-495-034-5094-004	7/1/19-6/30/20	700			700	(700)							* 700	700
Reimb.TPAF Soc.Sec.Contrib.	20-495-034-5094-003	7/1/19-6/30/20	287,265	(13,320)		284,439	(287,265)			(16,146)				* 287,265	287,265
Total General Fund				(134,610)		3,659,110	(3,702,149)			(177,649)				* 202,211	3,702,149
Debt Service Fund															
Debt Service Aid Type 2	20-100-034-5120-124	7/1/19-6/30/20	191,953			191,953	(191,953)							* 191,953	191,953
Total Debt Service				-	-	191,953	(191,953)	-	-	-	-	-	-	* -	191,953
State Department of Agriculture:															
Enterprise Fund:															
Nat. School Lunch Prog. (State Share)	19-100-010-3350-023	7/1/18-6/30/19		(272)		272								* 1,069	1,069
Nat. School Lunch Prog. (State Share)	20-100-010-3350-023	7/1/19-6/30/20	1,069			1,041	(1,069)			(28)				* 1,069	1,069
Total Enterprise Fund				(272)		1,313	(1,069)	-	-	(28)				* 1,069	1,069
Total State Financial Assistance				\$ (134,882)	-	\$ 3,852,376	\$ (3,895,171)	-	-	\$ (177,677)	-	-	-	* \$ 202,211	\$ 3,895,171
Less On-behalf TPAF Pension Amounts:															
On Behalf TPAF Pension 833,522															
On Behalf TPAF Pension PMR 309,221															
On Behalf TPAF Pension LTD Ins 700															
Total State Expenditures Subject to Major Program Determination \$ (2,751,728)															

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, 2020

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 \$10,678 for the general fund and -0- 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, 2020

NOTE 3. (Continued)

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	-	\$ 3,712,827	\$ 3,712,827
Special Revenue Fund	\$ 273,824	-	273,824
Debt Service Fund		191,953	191,953
Food Service Fund	<u>33,658</u>	<u>1,069</u>	<u>34,727</u>
Total Financial Assistance	<u>\$ 307,482</u>	<u>\$ 3,905,849</u>	<u>\$ 4,213,331</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, 2020. 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, 2020.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Section II-Financial Statement Findings

None

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

None

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

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

None

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

