

**ANDOVER REGIONAL SCHOOL DISTRICT**

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

**Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2015**

**Comprehensive Annual  
Financial Report**

**of the**

**ANDOVER REGIONAL SCHOOL DISTRICT**

**Andover, New Jersey**

**For the Fiscal Year Ended June 30, 2015**

**Prepared by**

**Andover Regional Board of Education  
Business Office**

ANDOVER REGIONAL SCHOOL DISTRICT  
TABLE OF CONTENTS  
FISCAL YEAR ENDED JUNE 30, 2015

INTRODUCTORY SECTION (UNAUDITED)

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

FINANCIAL SECTION..... 8

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

Required Supplementary Information .....	12
Management's Discussion and Analysis (Unaudited) .....	13

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

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

B. Fund Financial Statements.....	29
B-1 Balance Sheet – Governmental Funds .....	30
B-2 Statement of Revenue, Expenditures and Changes in Fund Balance – Governmental Funds.....	32
B-3 Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	34
B-4 Statement of Net Position – Proprietary Funds.....	36
B-5 Statement of Revenue, Expenses and Changes in Fund Net Position – Proprietary Funds.....	37
B-6 Statement of Cash Flows – Proprietary Fund .....	38
B-7 Statement of Fiduciary Net Position – Fiduciary Funds .....	39
B-8 Statement of Changes in Fiduciary Net Position – Fiduciary Funds .....	40

Notes to the Basic Financial Statements .....	41
---	----

Required Supplementary Information (Unaudited)

L. Schedules Related to Accounting and Reporting for Pensions (GASB 68) (Unaudited) .....	69
L-1 Schedule of District's Proportionate Share of the Net Liability – Public Employees Retirement System .....	69
L-2 Schedule of District's Contributions – Public Employees Retirement System.....	70
L-3 Schedule of District's Proportionate Share of the Net Liability – Teachers' Pension and Annuity Fund .....	71
Notes to Required Supplementary Information .....	72

C. Budgetary Comparison Schedules (Unaudited).....	73
C-1 Budgetary Comparison Schedule – General Fund .....	74
C-2 Budgetary Comparison Schedule –Budgetary Basis - Special Revenue Fund .....	86
C-3 Budgetary Comparison Schedule – Note to RSI .....	87

ANDOVER REGIONAL SCHOOL DISTRICT  
TABLE OF CONTENTS  
FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

FINANCIAL SECTION (Cont'd)

Other Supplementary Schedules (D.-I.)

D. School Level Schedules (Not Applicable).....	88
E. Special Revenue Fund .....	89
E-1 Combining Schedule of Revenue and Expenditures Special Revenue Fund – Budgetary Basis.....	90
E-2 Pre-School Education Aid Schedule of Expenditures – Budgetary Basis (Not Applicable).....	
F. Capital Projects Fund.....	91
F-1 Summary Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budgetary Basis .....	92
G. Proprietary Funds.....	93
Enterprise Funds:	
G-1 Combining Statement of Net Position.....	94
G-2 Combining Statement of Revenue, Expenses and Changes in Net Position .....	95
G-3 Combining Statement of Cash Flows.....	96
H. Fiduciary Funds .....	97
H-1 Combining Statement of Net Position.....	98
H-2 Statement of Changes in Net Position.....	99
H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements.....	100
H-4 Student Activity Agency Fund Statement of Activity .....	101
H-5 Payroll Agency Fund Schedule of Receipts and Disbursements .....	102
I. Long-Term Debt .....	103
I-1 Schedule of Serial Bonds .....	104
I-2 Schedule of Obligations Under Capital Leases.....	106
I-3 Debt Service Fund Budgetary Comparison Schedule (Unaudited).....	107

STATISTICAL SECTION

J. Statistical Section (Unaudited) .....	109
J-1 Net Position by Component.....	110
J-2 Changes in Net Position .....	111
J-3 Fund Balances – Governmental Funds .....	113
J-4 Changes in Fund Balances – Governmental Funds.....	114
J-5 General Fund Other Local Revenue by Source.....	116
J-6 Assessed Value and Actual Value of Taxable Property.....	117
J-7 Direct and Overlapping Property Tax Rates .....	118
J-8 Principal Property Tax Payers.....	119
J-9 Property Tax Levies and Collections .....	121
J-10 Ratios of Outstanding Debt by Type.....	122
J-11 Ratios of Net General Bonded Debt Outstanding .....	123
J-12 Ratios of Overlapping Governmental Activities Debt .....	124
J-13 Legal Debt Margin Information .....	125
J-14 Demographic and Economic Statistics.....	126
J-15 Principal Employers.....	127

ANDOVER REGIONAL SCHOOL DISTRICT  
TABLE OF CONTENTS  
FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

STATISTICAL SECTION (Continued)

J. Statistical Section (Unaudited) (Continued)	
J-16 Full-Time Equivalent District Employees by Function/Program .....	128
J-17 Operating Statistics .....	129
J-18 School Building Information.....	130
J-19 Schedule of Required Maintenance for School Facilities .....	131
J-20 Insurance Schedule .....	132

SINGLE AUDIT

K. Single Audit Section .....	133
K-1 Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	134
K-2 Independent Auditors' Report on Compliance For Each Major State Program and on Internal Control over Compliance Required by OMB Circular A-133 and New Jersey's OMB Circulars 04-04 and 15-08 .....	136
Schedule of Expenditures of Federal Awards.....	138
Schedule of Expenditures of State Awards.....	139
Notes to the Schedules of Expenditures of Federal and State Awards .....	140
Schedule of Findings and Questioned Costs.....	142
Summary Schedule of Prior Audit Findings.....	144

INTRODUCTORY SECTION



## Andover Regional School District Board of Education

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

Terry-Lee VanAuken  
School Business Administrator  
Board Secretary

November 22, 2015

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, 2015, 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 Circular A-133, "Audits of States, Local Governments and Non-profit Organizations", and New Jersey's OMB Circulars 04-04 and 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid". Information related to this single audit, including the auditor's report on the internal control and compliance with applicable laws, regulations contracts and grants and findings and questioned costs are included in the single audit section of this report.

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

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

The Honorable President and Members  
 Of the Board of Education  
 Andover Regional School District  
 Page 2  
 November 22, 2015

- 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's three-year average daily student attendance rate is 99.17%.

The District budget supports a considerable amount of Professional Development focusing on providing training opportunities for faculty and staff. Related to the above, major curriculum review and revision for the areas of English Language Arts and Mathematics was completed at the end of the 2014-2015 school year.

The success of the new English Language Arts curriculum, based on the Balanced Literacy Approach to teaching and learning reading and writing, is dependent on providing quality Professional Development throughout the school year. To fill the district need to provide quality supervision of curriculum and instruction, the district created and filled the position of Coordinator of Curriculum, Instruction and Assessment. The Basic Skills instructional program continues to be reviewed at both schools in order to provide necessary support and remediation for students demonstrating such a need.

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

The District continues to provide a host of cultural activities, which enriched the social experiences of all students. Award winning authors and storytellers shared many myths, legends, folk tales and a variety of genre with the students.

The District continues to support a shared services agreement with the Sussex County Educational Services Commission for child study team services. A fully staffed CST includes a full time Supervisor, Phycologist, Learning Disabilities Consultant and Social Worker.

- 4) INTERNAL ACCOUNTING CONTROLS: Management of the District is the responsible for establishing and maintaining an internal control system designed to ensure that the assets of the District are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP). The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

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.

The Honorable President and Members  
Of the Board of Education  
Andover Regional School District  
Page 3  
November 22, 2015

4. INTERNAL ACCOUNTING CONTROLS: (Cont'd)

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 reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as restrictions, commitments and assignments of fund balance at June 30, 2015.

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

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

8. 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 Nisivoccia LLP was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the related OMB Circular A-133 and New Jersey's OMB Circulars 04-04 and 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.

The Honorable President and Members  
of the Board of Education  
Andover Regional School District  
Page 4  
November 22, 2015

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.

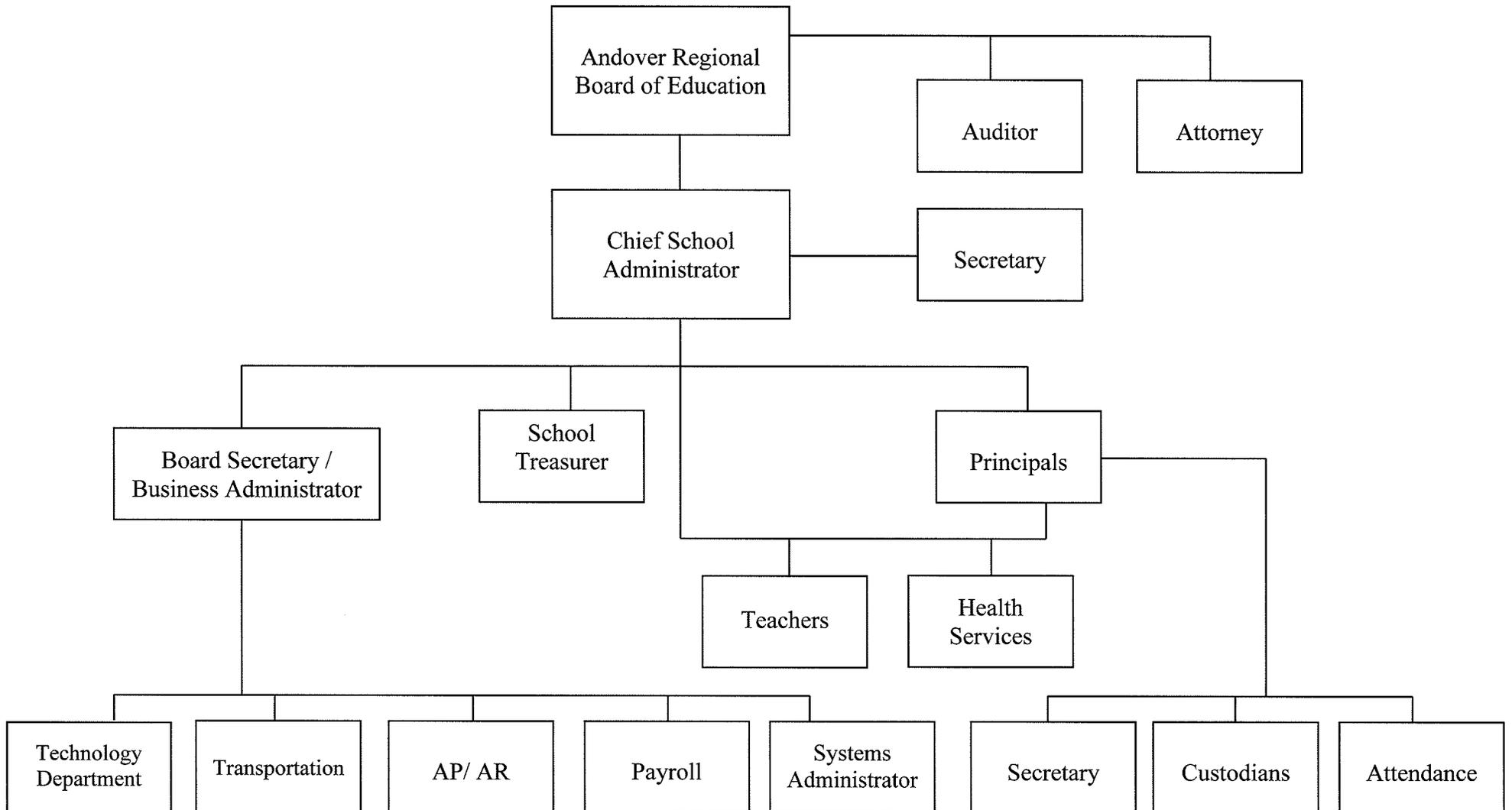
Respectfully submitted,



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Anthony Macerino  
Interim Superintendent

## Organization Chart of the Andover Regional School District



**ANDOVER REGIONAL SCHOOL DISTRICT  
ROSTER OF OFFICIALS  
JUNE 30, 2015**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Rod Mosner, President through June 23, 2015	2015
Michael Morel, Vice President	2015
Mr. Achille "Gil" Taglialatela	2017
Steven Minnick	2016
Carrie Kerrick	2015
June Bliss	2017
David Brothman	2017
Terri Ashworth	2016
Michael Fancher	2016

<u>Other Officers</u>	<u>Title</u>
Anthony Macerino	Interim Superintendent of Schools
Terry Lee VanAuken	Business Administrator/Board Secretary
Marie Goble	Treasurer of School Moneys
Isabel Machado, Esq.	Attorney

**ANDOVER REGIONAL SCHOOL DISTRICT  
Consultants and Advisors**

**Audit Firm**

Nisivoccia LLP, CPAs  
200 Valley Road, Suite 300  
Mount Arlington, New Jersey, 07856-1320  
and  
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Newton, New Jersey 07860

**Attorney**

Isabel Machado, Esq.  
Machado Law Group  
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Clark, New Jersey 07066

**Bond Counsel**

Anthony Pannella, Esq.  
Wilentz, Goldman & Spitzer P.A.  
90 Woodbridge Center Drive  
Suite 900 Box 10  
Woodbridge, New Jersey 07095

**Architect**

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

**Roofing Consultant**

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

**Official Depositories**

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

**First Hope Bank**

161 Newton-Sparta Road  
Newton, New Jersey 07860

New Jersey Cash Management  
CN 290

Trenton, New Jersey 08625

**New Jersey ARM**

224 Strawbridge Drive Suite 104  
Moorestown, New Jersey 08057

FINANCIAL SECTION



Mount Arlington Corporate Center  
 200 Valley Road, Suite 300  
 Mt. Arlington, NJ 07856  
 973-328-1825 | 973-328-0507 Fax

Lawrence Business Center  
 11 Lawrence Road  
 Newton, NJ 07860  
 973-383-6699 | 973-383-6555 Fax

## Independent Auditors' Report

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Andover Regional School District (the "District") in the County of Sussex, as of and for the fiscal year ended June 30, 2015, 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.

### ***Auditors' 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, 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 from 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. In making those risk assessments, the auditor considers internal control relevant to the District'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 District'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.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Andover Regional School District, in the County of Sussex, as of June 30, 2015, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 16 to the basic financial statements, the District implemented Governmental Accounting Standards Board (“GASB”) Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment to GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* during the fiscal year ended June 30, 2015. Our opinions are not modified with respect to this matter. The implementation resulted in the restatement of certain balances on the Statement of Net Position and the ending balance for Net Position for the Governmental Activities as of June 30, 2014 as detailed in Note 16 to the basic financial statements.

### ***Other Matters***

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

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District’s basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal and state awards, as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey’s OMB Circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary schedules such as the combining and individual non-major fund financial statements and the schedules of expenditures of federal and state awards 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

The Honorable President and Members  
of the Board of Education  
Andover Regional School District  
Page 3

statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying other information such as the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2015 on our consideration of the District'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 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.

November 22, 2015  
Mount Arlington, New Jersey

NISIVOCCIA LLP



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

REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Unaudited)**

This section of Andover Regional School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2015. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

**Financial Highlights**

- ❖ The Andover Regional Board of Education has maintained a shared services arrangement with the neighboring Sussex County Educational Services Commission for child study team professional services. The arrangement provided for a child study team director, social worker, learning disabled teaching consultant (LDTC) and school psychologist services to be provided on a routine basis during the months of September through June. There was limited coverage during the summer months. The shared services arrangement has allowed the District to manage some special education costs in an efficient and fiscally responsible to its students without the loss of any services.
- ❖ The Andover Regional Board of Education continues to provide courtesy/hazardous bussing for all Andover Regional students. In direct response to state wide declining enrollment figures, the Board of Education researched the possibility of eliminating courtesy/hazardous bussing. Due to many factors including, but not limited to traffic volume, limited site distance, speed limit, and lack of sidewalks the Board determined it was necessary to continue to include courtesy/hazardous bussing in the 2014-2015 General Fund Budget. The Andover Regional Board of Education will continue to monitor transportation services, costs and the possibility of introducing subscription bussing for courtesy/hazardous based students again in the future.
- ❖ The Andover Regional Board of Education continues to review its health insurance and the associated premium costs to the district. Medical insurance and prescription coverage are both provided through the New Jersey State Health Benefits Program. Dental coverage is still offered to all eligible employees through a private provider.
- ❖ The Andover Regional Board of Education and Andover Regional Education Association successfully negotiated successor agreements for all bargaining units for the 2014-2015, 2015-2016 and 2016-2017 school years. Major points included two percent increases and continued premium contributions by employees as per Chapter 78.

**Overview of the Financial Statements**

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

- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more* detail than the district-wide statements.

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Unaudited)**

**Overview of the Financial Statements (Cont’d)**

- The *governmental funds statements* tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- *Proprietary funds* statements offer *short-* and *long-term* financial information about the activities the District operates similar to a business, such as food services.
- *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

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

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

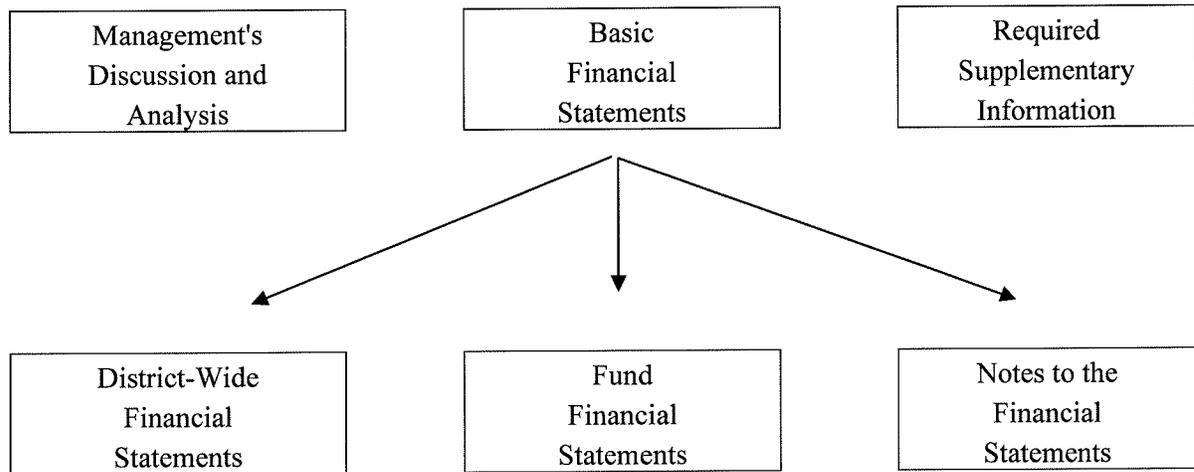


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights that structure and contents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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Unaudited)**

Figure A-2

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Unaudited)**

***District-wide Statements***

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

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

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

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

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.
- *Business-type activities:* The District charges fees to help it cover the costs of certain services it provides. The District's food service, after care and preschool programs are included here.

***Fund Financial Statements***

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

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

The District has three kinds of funds:

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Unaudited)**

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

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

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

*Net Position.* The District's combined net position increased by \$641,671. Net position in governmental activities increased by \$602,039 combined with an increase in net position from business activities of \$39,632. Net investment in capital assets increased by \$421,623, restricted net position increased by \$45,235, and unrestricted net position increased by \$142,974.

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

	Government Activities		Business-Type Activities		Total School District		Percentage
	2014/2015	2013/2014*	2014/2015	2013/2014	2014/2015	2013/2014*	2014/2015
Current and Other Assets	\$ 864,648	\$ 738,300	\$ 38,579		\$ 903,227	\$ 738,300	22.34%
Capital Assets	14,989,659	15,048,838	7,793		14,997,452	15,048,838	-0.34%
Total Assets	15,854,307	15,787,138	46,372		15,900,679	15,787,138	0.72%
Deferred Outflows of Resources	446,529	305,941			446,529	305,941	45.95%
Long-Term Debt Outstanding	12,469,461	12,923,308			12,469,461	12,923,308	-3.51%
Other Liabilities	452,186	545,848	6,740		458,926	545,848	-15.92%
Total Liabilities	12,921,647	13,469,156	6,740		12,928,387	13,469,156	-4.01%
Deferred Inflows of Resources	153,227				153,227		100.00%
Net Position:							
Net Investment in Capital							
Assets	5,644,839	5,231,009	7,793		5,652,632	5,231,009	8.06%
Restricted	55,948	10,713			55,948	10,713	422.24%
Unrestricted/(Deficit)	(2,474,825)	(2,617,799)	31,839		(2,442,986)	(2,617,799)	6.68%
Total Net Position	\$ 3,225,962	\$ 2,623,923	\$ 39,632	\$ -0-	\$ 3,265,594	\$ 2,623,923	24.45%

\* Restated

*Changes in Net Position.* The District's combined net position was \$3,265,594 on June 30, 2015, \$641,671 or 24.45% more than it was the year before. (See Figure A-3).

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Unaudited)**

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

	Governmental Activities		Business-Type Activities		Total School District		Percentage
	2014/2015	2013/2014	2014/2015	2013/2014	2014/2015	2013/2014	Change 2014/2015
<b>Revenue:</b>							
<b>Program Revenue:</b>							
Charges for Services	\$ 79,773		\$ 161,796		\$ 241,569		100.00%
Operating Grants & Contributions	3,492,716	\$ 2,184,736	41,033		3,533,749	\$ 2,184,736	61.75%
<b>General Revenue:</b>							
Property Taxes	13,018,404	12,693,311			13,018,404	12,693,311	2.56%
Unrestricted Federal and State Aid	1,497,933	1,471,989			1,497,933	1,471,989	1.76%
Other	68,396	351,566	39,664		108,060	351,566	-69.26%
<b>Total Revenue</b>	<b>18,157,222</b>	<b>16,701,602</b>	<b>242,493</b>		<b>18,399,715</b>	<b>16,701,602</b>	<b>10.17%</b>
<b>Expenses:</b>							
Instruction	7,670,043	5,960,815			7,670,043	5,960,815	28.67%
Tuition	3,937,232	4,069,844			3,937,232	4,069,844	-3.26%
Pupil and Instruction Services	1,655,822	1,575,167			1,655,822	1,575,167	5.12%
Administrative and Business	1,223,002	1,243,070			1,223,002	1,243,070	-1.61%
Maintenance and Operations	1,156,784	1,114,013			1,156,784	1,114,013	3.84%
Transportation	1,017,964	965,346			1,017,964	965,346	5.45%
Other	894,336	846,606	202,861		1,097,197	846,606	29.60%
<b>Total Expenses</b>	<b>17,555,183</b>	<b>15,774,861</b>	<b>202,861</b>		<b>17,758,044</b>	<b>15,774,861</b>	<b>12.57%</b>
<b>Increase/(Decrease) in Net Position</b>	<b>\$ 602,039</b>	<b>\$ 926,741</b>	<b>\$ 39,632</b>	<b>\$ -0-</b>	<b>\$ 641,671</b>	<b>\$ 926,741</b>	<b>-30.76%</b>

*Revenue Sources.* The District's total revenue for the 2014/2015 school year was \$18,399,715. (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$13,018,404 of the total, or 70.75 percent. (See Figure A-5). Another 12.97 percent came from state formula aid, 15.26 percent came from state and federal aid for specific programs and the remainder from miscellaneous sources. The Andover Regional School District basically conducts its operations from the revenues it receives from its local taxpayers and state funding.

**Figure A-5  
Sources of School District Revenue - Fiscal Year 2015**

	Amount	Percentage
<b>Sources of Income:</b>		
Charges for Services	\$ 79,773	0.43 %
State Formula Aid	2,385,542	12.97 %
Property Taxes	13,018,404	70.75 %
Federal and State Categorical Grants	2,807,936	15.26 %
Other	108,060	0.59 %
	<b>\$ 18,399,715</b>	<b>100.00 %</b>

*Expenses.* The total cost of all programs and services was \$17,758,044. The District's expenses are predominantly related to instruction, tuition, transportation, and, caring for students (pupil services) (80.41 percent). (See Figure A-6). The District's administrative and business activities accounted for 6.89 percent of total costs. Also, the Andover Regional School District operates 2 schools which results in high maintenance costs (6.51 percent). It is important to note that depreciation is included in other expenses for the year; expenses therefore include \$450,143 in depreciation.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Unaudited)**

**Figure A-6  
Sources of School District Expenses - Fiscal Year 2015**

Expense Category:	Amount	Percentage
Instruction	\$ 7,670,043	43.19%
Tuition	3,937,232	22.17%
Pupil and Instruction Services	1,655,822	9.32%
Administrative and Business	1,223,002	6.89%
Maintenance and Operations	1,156,784	6.51%
Transportation	1,017,964	5.73%
Other	1,097,197	6.19%
	\$ 17,758,044	100.00%

***Governmental Activities***

The District shall endeavor to continue maintaining existing programs despite declining enrollment to the best of its ability.

Even with much attention and scrutiny dedicated to improving the financial health of the district, the Andover Regional Board of Education and administration continued its commitment to preparing its students to successfully meet the challenges of today and tomorrow by fostering a love of learning through a safe, supportive and stimulating environment all the while encouraging students to reach their full potential.

Careful management of expenses and spending practices remain essential for the District to continue its path for a healthy financial future. The Andover Regional Board of Education operates as Committee as a Whole for all things financial and has adopted many energy savings practices taking a proactive approach to finances as well as identifying and establishing goals that will provide the best possible educational opportunities for all students.

Figure A-7 presents the cost of seven major District activities: instruction, tuition, pupil and instruction services, administrative and business, maintenance and operations, transportation, and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Unaudited)**

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

	Total Costs of Services		Net Cost of Services	
	2014/2015	2013/2014	2014/2015	2013/2014
Instruction	\$ 7,670,043	\$ 5,960,815	\$ 4,881,021	\$ 4,386,483
Tuition	3,937,232	4,069,844	3,937,232	4,069,844
Pupil and Instruction Services	1,655,822	1,575,167	1,530,284	1,515,821
Administrative and Business	1,223,002	1,243,070	1,115,461	1,308,175
Maintenance and Operations	1,156,784	1,114,013	1,156,784	1,114,013
Transportation	1,017,964	965,346	467,576	407,440
Other	894,336	846,606	894,336	808,843
	<u>\$ 17,555,183</u>	<u>\$ 15,774,861</u>	<u>\$ 13,982,694</u>	<u>\$ 13,610,619</u>

- The cost of all governmental activities this year was \$17,555,183.
- The federal and state governments subsidized certain programs with grants and contributions (\$3,492,716).
- Most of the District's costs, however, were financed by district taxpayers (\$13,018,404).
- A portion of governmental activities was financed with state aid not restricted (\$1,497,933).
- The remainder of funding came from tuition, charges for services, investment earnings and miscellaneous revenue (\$148,169).

***Business-Type Activities***

Net position from the District's business-type activity increased by \$39,632, (Refer to Figure A-4). Factors contributing to these results included:

- The increase is due to food services revenues and transfers exceeding expenses by \$37,306, after-school care revenues exceeding expenses by \$2,158 and Preschool Program revenues exceeding expenses by \$168. The increase is primarily a result of a one time transfer of start-up funds into the food service program of \$31,871.

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

Despite significant changes in rural Sussex County and extremely difficult economic times, the District was able to regain lost ground in the financial areas and its overall financial health has been labelled "stable" by Standard & Poor's Rating Service.

The majority of the general fund budget is salaries for instruction transportation expenses, health benefits, and tuition for its high school students via sending/receiving relationship. Other significant increases were seen in the areas of related services for those students with special needs. The District remains committed to reducing expenses wherever possible and will continue to look to joint curriculum development, coordinated purchasing practices, shared services and grant opportunities.

Student enrollment has been declining steadily over the past eight years and the Andover Regional Board of Education, together with its administration, continues to review student enrollment figures in grades K-8 and special education and adjusts faculty and staffing needs accordingly. The District will continue to monitor enrollment figures, special education requirements and/or services, associated health benefit premiums state aid, investments and sound fiscal spending habits.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Unaudited)**

**Financial Analysis of the District's Funds (Continued)**

The District will continue its practice of sound fiscal management which included but was not limited to substantial changes in its purchasing procedures, implementation of a financial remedial plan, strict adherence to purchasing practices and cooperative practices, continued review of all professional services including those related to special education related services and energy efficient savings. These changes were enacted to ensure the financial and educational health for the children of Andover Borough and Andover Township.

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

***General Fund Budgetary Highlights***

Despite significant changes in rural Sussex County and extremely difficult economic times, the District was able to regain lost ground in the financial areas and its overall financial health has been labelled "stable" by Standard & Poor's Rating Service.

The majority of the general fund budget is salaries for instruction, transportation expenses, health benefits, and tuition for its high school students via a send/receive relationship. Other significant increases were seen in the areas of related services for those students with special needs. The District remains committed to reducing expenses wherever possible and will continue to look to joint curriculum development, coordinated purchasing practices, shared services and grant opportunities.

Student enrollment has been declining steadily over the last several years and the Andover Regional Board of Education, together with its administration, continues to review student enrollment figures in grades K-8 and special education and adjusts faculty and staffing needs accordingly. The District will continue to monitor enrollment figures, special education requirements and/or services, associated health benefit premiums state aid, investments and sound fiscal spending habits.

The District will continue its practice of sound fiscal management which included but was not limited to substantial changes in its purchasing procedures, the continued implementation of a financial remedial plan, strict adherence to purchasing practices and cooperative practices, continued review of all professional services including those related to special education related services and energy efficient savings. These changes were enacted to ensure the financial and educational health for the children of Andover Borough and Andover Township.

**Capital Asset and Debt Administration**

The District purchased \$396,757 in capital assets, had disposals of \$3,169 and made a net transfer from governmental activities to business type activities of \$7,793 and \$450,143 of depreciation expense was recognized during the year.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Unaudited)**

**Capital Asset and Debt Administration (Cont'd)**

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

	Government Activities		Business-Type Activities		Total School District		Percentage
	2014/2015	2013/2014	2014/2015	2013/2014	2014/2015	2013/2014	Change 2014/2015
Land	\$ 265,016	\$ 265,016			\$ 265,016	\$ 265,016	0.00%
Buildings and Building Improvements	14,208,300	14,617,204			14,208,300	14,617,204	-2.80%
Machinery and Equipment	516,343	166,618	\$ 7,793		524,136	166,618	214.57%
Total Capital Assets (Net of Depreciation)	<u>\$ 14,989,659</u>	<u>\$ 15,048,838</u>	<u>\$ 7,793</u>	<u>\$ -0-</u>	<u>\$ 14,997,452</u>	<u>\$ 15,048,838</u>	-0.34%

**Long-term Debt**

At year-end, the District had \$9,385,000 in net general obligation bonds as shown in Figure A-9. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements.)

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

	Total School District		Percentage
	2014/2015	2013/2014*	Change
General Obligation Bonds (Financed with Property Taxes)	\$ 9,385,000	\$ 10,055,000	-6.66%
Capital Leases	316,978	68,770	360.92%
Net Pension Liability	2,571,151	2,614,520	-1.66%
Other Long-Term Liabilities	196,332	185,018	6.12%
	<u>\$ 12,469,461</u>	<u>\$ 10,308,788</u>	<u>20.96%</u>

\* Restated

- ❖ The District retired \$675,000 in bond principal during the year.
- ❖ The district refunded \$5,730,000 in bonds, and replaced with \$5,735,000 in bonds
- ❖ The District had a net increase of \$11,314 in compensated absences payable during the year.
- ❖ The District entered into a capital lease resulting in a payable of \$316,978.
- ❖ The District had a net decrease of \$43,369 in net pension liability.

**Factors Bearing on the District's Future**

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

- ❖ The District recognizes that health benefits represents approximately ten percent of its annual budget and struggles with the management of the high cost of health benefits for all eligible employees. The Andover Regional Board of Education is committed to constant review and analysis of health care costs and seeks comparable health coverage in an effort to control health benefit costs.
- ❖ Future finances are not without challenges with the continued local, state and national economic crisis and the passage of legislation which impacts the financial operation of the school district.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Unaudited)**

**Factors Bearing on the District's Future (Cont'd)**

- ❖ The District is actively working with the Newton Board of Education, the Green Township Board of Education and the Sussex County Educational Services Commission for a sending/receiving tuition arrangement for its high school students, to develop and provide curriculum and curriculum-related services, to provide additional special education transportation services, and child study team services for all Andover Regional students. These relationships have come under recent scrutiny and shall continue for the foreseeable future.

**Contacting the District's Financial Management**

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

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

Exhibit A-1

ANDOVER REGIONAL SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2015

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 588,017	\$ 28,691	\$ 616,708
Receivables From Federal Government	36,791	2,540	39,331
Receivables From State Government	215,048	116	215,164
Receivables From Other Governments			
Other Accounts Receivable	24,792	2,839	27,631
Inventories		4,393	4,393
Capital Assets, Net:			
Sites	265,016		265,016
Depreciable Building and Building Improvements and Machinery and Equipment	14,724,643	7,793	14,732,436
Total Assets	<u>15,854,307</u>	<u>46,372</u>	<u>15,900,679</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Amount on the Refunding	357,158		357,158
Changes in Assumptions - Pensions	80,851		80,851
Changes in Proportions - Pensions	8,520		8,520
Total Deferred Outflows of Resources	<u>446,529</u>		<u>446,529</u>
<b>LIABILITIES</b>			
Accrued Interest Payable	100,575		100,575
Accounts Payable - Vendors		5,866	5,866
Unamortized Bond Premium	335,023		335,023
Unearned Revenue	16,588	874	17,462
Noncurrent Liabilities:			
Due Within One Year	792,725		792,725
Due Beyond One Year	11,676,736		11,676,736
Total Liabilities	<u>12,921,647</u>	<u>6,740</u>	<u>12,928,387</u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Investment Gains - Pensions	153,227		153,227
<b>NET POSITION/(DEFICIT)</b>			
Net Investment in Capital Assets	5,644,839	7,793	5,652,632
Restricted for:			
Debt Service	55,948		55,948
Unrestricted/(Deficit)	<u>(2,474,825)</u>	<u>31,839</u>	<u>(2,442,986)</u>
Total Net Position	<u>\$ 3,225,962</u>	<u>\$ 39,632</u>	<u>\$ 3,265,594</u>

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

ANDOVER REGIONAL SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
<b>Governmental Activities:</b>						
<b>Instruction:</b>						
Regular	\$ 4,717,033		\$ 1,201,515	\$ (3,515,518)		\$ (3,515,518)
Special Education	2,478,544	\$ 79,773	1,382,765	(1,016,006)		(1,016,006)
Other Special Instruction	324,043		85,996	(238,047)		(238,047)
School-Sponsored Instruction	150,423		38,973	(111,450)		(111,450)
<b>Support Services:</b>						
Tuition	3,937,232			(3,937,232)		(3,937,232)
Student & Instruction Related Services	1,655,822		125,538	(1,530,284)		(1,530,284)
General Administrative Services	411,062			(411,062)		(411,062)
School Administrative Services	483,385		107,541	(375,844)		(375,844)
Central Services	243,264			(243,264)		(243,264)
Administration Information Technology	85,291			(85,291)		(85,291)
Plant Operations and Maintenance	1,156,784			(1,156,784)		(1,156,784)
Pupil Transportation	1,017,964		550,388	(467,576)		(467,576)
Food Service	30,895			(30,895)		(30,895)
Unallocated Depreciation	428,997			(428,997)		(428,997)
Interest on Long-Term Debt	369,640			(369,640)		(369,640)
Capital Outlay	53,791			(53,791)		(53,791)
Transfer of Funds to Charter Schools	11,013			(11,013)		(11,013)
<b>Total Governmental Activities</b>	<b>17,555,183</b>	<b>79,773</b>	<b>3,492,716</b>	<b>(13,982,694)</b>		<b>(13,982,694)</b>

ANDOVER REGIONAL SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Business-Type Activities:						
Proprietary Funds	\$ 202,861	\$ 161,796	\$ 41,033		\$ (32)	\$ (32)
Total Business-Type Activities	202,861	161,796	41,033		(32)	(32)
Total Primary Government	<u>\$ 17,758,044</u>	<u>\$ 241,569</u>	<u>\$ 3,533,749</u>	\$ (13,982,694)	(32)	(13,982,726)
General Revenue and Transfers:						
Property Taxes, Levied for General Purposes, Net				12,214,591		12,214,591
Taxes Levied for Debt Service				803,813		803,813
Federal and State Aid not Restricted				1,497,933		1,497,933
Miscellaneous Income				68,396		68,396
Transfers					39,664	39,664
Total General Revenue and Transfers				14,584,733	39,664	14,624,397
Change in Net Position				602,039	39,632	641,671
Net Position - Beginning (Restated)				2,623,923		2,623,923
Net Position - Ending				<u>\$ 3,225,962</u>	<u>\$ 39,632</u>	<u>\$ 3,265,594</u>

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

FUND FINANCIAL STATEMENTS

ANDOVER REGIONAL SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$ 534,062		\$ 1,463	\$ 52,492	\$ 588,017
Receivables From Federal Government		\$ 36,791			36,791
Receivables From State Government	215,048				215,048
Receivables From Other Governments	24,792				24,792
Interfund Receivables	20,203		1,993	3,456	25,652
<b>Total Assets</b>	<b>\$ 794,105</b>	<b>\$ 36,791</b>	<b>\$ 3,456</b>	<b>\$ 55,948</b>	<b>\$ 890,300</b>
<b>LIABILITIES AND FUND BALANCES:</b>					
<b>Liabilities:</b>					
Interfund Payable	\$ 1,993	\$ 20,203	\$ 3,456		25,652
Unearned Revenue		16,588			16,588
<b>Total Liabilities</b>	<b>1,993</b>	<b>36,791</b>	<b>3,456</b>		<b>42,240</b>
<b>Fund Balances:</b>					
<b>Restricted:</b>					
Debt Service Fund				\$ 55,948	\$ 55,948
<b>Assigned:</b>					
Year-End Encumbrances	254,804				254,804
Designated for Subsequent Year's Expenditures	524,918				524,918
Unassigned	12,390				12,390
<b>Total Fund Balances</b>	<b>792,112</b>			<b>55,948</b>	<b>848,060</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 794,105</b>	<b>\$ 36,791</b>	<b>\$ 3,456</b>	<b>\$ 55,948</b>	<b>\$ 890,300</b>

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

Total Fund Balances From Above	\$ 848,060
Capital assets used in Governmental Activities are not financial resources and therefore are not reported in the Funds. The cost of the assets is \$21,469,813 and the accumulated depreciation is \$6,480,154	14,989,659
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.	(9,898,310)
The Net Pension Liability for PERS is not Due and Payable in the Current Period and is not Reported in the Governmental Funds.	(2,571,151)
Certain Amounts Related to the Net Pension Liability are Deferred and Amortized in the Statement of Activities and are not Reported in the Governmental Funds:	
Changes in Assumptions - Pensions	80,851
Changes in Proportions - Pensions	8,520
Investment Gains - Pensions	(153,227)

ANDOVER REGIONAL SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(100,575)
Bond Premiums are Reported as revenue in the Governmental Funds. The Premium is \$384,811 and the Amortization is \$49,788.	(335,023)
Deferred Interest costs are not reported as expenditures in the Governmental Funds in the year of expenditure.	<u>357,158</u>
Net Position of Governmental Activities	<u><u>\$ 3,225,962</u></u>

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

ANDOVER REGIONAL SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUE:					
Local Sources:					
Local Tax Levy	\$ 12,214,591			\$ 803,813	\$ 13,018,404
Tuition Charges	79,773				79,773
Miscellaneous	68,395		\$ 1		68,396
Total - Local Sources	12,362,759		1	803,813	13,166,573
State Sources	3,464,770			210,251	3,675,021
Federal Sources		\$ 208,454			208,454
Total Revenue	15,827,529	208,454	1	1,014,064	17,050,048
EXPENDITURES:					
Current:					
Regular Instruction	3,038,005	36,456			3,074,461
Special Education Instruction	1,327,805	171,998			1,499,803
Other Instruction	203,656				203,656
School-Sponsored Instruction	95,864				95,864
Support Services and Undistributed Costs:					
Tuition	3,937,232				3,937,232
Student & Instruction Related Services	1,389,964				1,389,964
General Administrative Services	407,977				407,977
School Administrative Services	314,977				314,977
Central Services	207,216				207,216
Administration Information Technology	78,714				78,714
Plant Operations and Maintenance	1,007,232				1,007,232
Pupil Transportation	1,009,998				1,009,998
Allocated & Unallocated Benefits	2,417,981				2,417,981

ANDOVER REGIONAL SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
EXPENDITURES:					
Food Service	\$ 30,895				30,895
Debt Service:					
Principal				\$ 675,000	\$ 675,000
Interest and Other Charges				293,830	293,830
Capital Outlay	416,286				416,286
Transfer of Funds to Charter Schools	11,013				11,013
Total Expenditures	<u>15,894,815</u>	<u>\$ 208,454</u>		<u>968,830</u>	<u>17,072,099</u>
OTHER FINANCING SOURCES/(USES)					
Refunded Bonds Issued				5,735,000	5,735,000
Bonds Defeased				(5,730,000)	(5,730,000)
Bond Premium				189,385	189,385
Bond Issuance Cost				(117,012)	(117,012)
Deferred Interest				(77,373)	(77,373)
Transfers In	364,088			1	364,089
Transfers Out			\$ (1)		(1)
Total Other Financing Sources/(Uses)	<u>364,088</u>		<u>(1)</u>	<u>1</u>	<u>364,088</u>
Net Change in Fund Balances	296,802			45,235	342,037
Fund Balance/(Deficit)—July 1	<u>495,310</u>	<u>-0-</u>	<u>-0-</u>	<u>10,713</u>	<u>506,023</u>
Fund Balance/(Deficit)—June 30	<u>\$ 792,112</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 55,948</u>	<u>\$ 848,060</u>

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

ANDOVER REGIONAL SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ 342,037

Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are Different Because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation and deletions/adjustments of capital assets exceeds capital outlays in the period.

	Depreciation expense	\$ (450,143)	
	Deletions/Adjustments	(5,793)	
	Capital outlays	<u>396,757</u>	
			(59,179)

In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation. (+) (11,314)

Repayment of 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. 115,880

Debt issued for the advanced refunding less the amount of bonds defeased are are not recorded in the Governmental Funds.

	School Bonds Issued	5,735,000	
	School Bonds Defeased	(5,730,000)	
	School Bond Deferred Interest	189,385	
	School Bond Issuance Costs	(117,012)	
	School Bond Premium	<u>(77,373)</u>	
			-0-

ANDOVER REGIONAL SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Repayment of bond principal 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. (+)	\$ 675,000
In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. In the governmental funds, interest is reported when due. When the accrued interest exceeds the interest paid, the difference is a reduction in the reconciliation (-); when the interest paid exceeds the accrued interest, the difference is an addition to the reconciliation (+).	39,284
Capital Leases entered into by the district are other financing sources in the Governmental Funds, but the acquisition increases Long-Term Liabilities in the Statement of Net Position and is not reported in the Statement of Activities	(364,088)
Also, the governmental funds report the effect of deferred interest costs relative to an advance refunding when debt is first issued whereas these amounts are deferred and amortized in the statement of activities. (+)	51,217
The net pension liability reported in the statement of activities does not require the use of current financial resources and is not reported as an expenditure in the Governmental Funds:	
Change in Net Pension Liability	43,369
Deferred Outflows:	
Changes in Assumptions	80,851
Changes in Proportion	8,520
Deferred Inflows:	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	(153,227)
Finally, the governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. (-)	(166,311)
Change in Net Position of Governmental Activities (Exhibit A-2)	\$ 602,039

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

Exhibit B-4

ANDOVER REGIONAL SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2015

	Business-Type Activities - Enterprise Funds		
	Non-Major Programs	Major Program Food Service	Total
<b>ASSETS:</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 168	\$ 28,523	\$ 28,691
Intergovernmental Receivable:			
Federal		2,540	2,540
State		116	116
Other Receivables	2,839		2,839
Inventory		4,393	4,393
Total Current Assets	<u>3,007</u>	<u>35,572</u>	<u>38,579</u>
Non-Current Assets:			
Capital Assets		56,800	56,800
Less: Accumulated Depreciation		<u>(49,007)</u>	<u>(49,007)</u>
Total Non-Current Assets		<u>7,793</u>	<u>7,793</u>
Total Assets	<u>3,007</u>	<u>43,365</u>	<u>46,372</u>
<b>LIABILITIES:</b>			
Current Liabilities:			
Accounts Payable - Vendors	681	5,185	5,866
Unearned Revenue		<u>874</u>	<u>874</u>
Total Liabilities	<u>681</u>	<u>6,059</u>	<u>6,740</u>
<b>NET POSITION:</b>			
Net Investment in Capital Assets		7,793	7,793
Unrestricted	<u>2,326</u>	<u>29,513</u>	<u>31,839</u>
Total Net Position	<u>\$ 2,326</u>	<u>\$ 37,306</u>	<u>\$ 39,632</u>

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

Exhibit B-5

ANDOVER REGIONAL SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Non-Major Programs</u>	<u>Major Program Food Service</u>	<u>Total</u>
Operating Revenue:			
Charges for Services:			
Daily Sales		\$ 99,641	\$ 99,641
Tuition	\$ 49,631		49,631
Miscellaneous		12,524	12,524
<b>Total Operating Revenue</b>	<b>49,631</b>	<b>112,165</b>	<b>161,796</b>
Operating Expenses:			
Salaries, Benefits & Payroll Taxes	43,250	55,471	98,721
Cost of Sales		81,498	81,498
Supplies, Insurance & Other Costs	4,055	18,587	22,642
<b>Total Operating Expenses</b>	<b>47,305</b>	<b>155,556</b>	<b>202,861</b>
<b>Operating Income/(Loss)</b>	<b>2,326</b>	<b>(43,391)</b>	<b>(41,065)</b>
Non-Operating Revenue:			
Federal Sources:			
National School Lunch Program		28,772	28,772
Food Distribution Program		10,769	10,769
State Sources:			
State School Lunch Program		1,492	1,492
<b>Total Non-Operating Revenue</b>		<b>41,033</b>	<b>41,033</b>
<b>Net Income/(Loss) Before Other Items</b>	<b>2,326</b>	<b>(2,358)</b>	<b>(32)</b>
Transfer in of Net Fixed Assets		7,793	7,793
Operating Transfers In - Current Fund		31,871	31,871
<b>Total Other Items</b>		<b>39,664</b>	<b>39,664</b>
<b>Change in Net Position</b>	<b>2,326</b>	<b>37,306</b>	<b>39,632</b>
Net Position - Beginning of Year	-0-	-0-	-0-
<b>Net Position - End of Year</b>	<b>\$ 2,326</b>	<b>\$ 37,306</b>	<b>\$ 39,632</b>

ANDOVER REGIONAL SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Non-Major Programs</u>	<u>Major Program Food Service</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 46,792	\$ 112,165	\$ 158,957
Payments to Food Service Vendor	(46,624)	(143,121)	(189,745)
Net Cash Provided by/(Used for) Operating Activities	<u>168</u>	<u>(30,956)</u>	<u>(30,788)</u>
Cash Flows from Noncapital Financing Activities:			
Operating Transfer In - General Fund		31,871	31,871
State and Federal Subsidy Reimbursements		27,608	27,608
Net Cash Provided by Noncapital Financing Activities		<u>59,479</u>	<u>59,479</u>
Net Increase in Cash and Cash Equivalents	168	28,523	28,691
Cash and Cash Equivalents, July 1	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Cash and Cash Equivalents, June 30	<u>\$ 168</u>	<u>\$ 28,523</u>	<u>\$ 28,691</u>
Reconciliation of Operating Loss to			
Net Cash Provided by/(Used for) Operating Activities:			
Operating Loss	\$ 2,326	\$ (43,391)	\$ (41,065)
Adjustment to Reconcile Operating Loss to Net			
Cash Provided by Income/Operating Activities:			
Food Distribution Program		10,769	10,769
Changes in Assets and Liabilities:			
(Increase) in Interfund Receivable	(2,839)		(2,839)
(Increase) in Inventory		(4,393)	(4,393)
Increase in Accounts Payable	681	5,185	5,866
Increase in Unearned Revenue		874	874
Net Cash Provided by/(Used for) Operating Activities	<u>\$ 168</u>	<u>\$ (30,956)</u>	<u>\$ (30,788)</u>

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received U.S.D.A. Commodities through the Food Distribution Program valued at \$11,463 and utilized U.S.D.A. Commodities valued at \$10,769.

ANDOVER REGIONAL SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2015

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Totals</u>
<u>ASSETS:</u>			
Cash and Cash Equivalents	\$ 23,640	\$ 15,797	\$ 39,437
Total Assets	<u>23,640</u>	<u>15,797</u>	<u>39,437</u>
<u>LIABILITIES:</u>			
Payroll Deductions and Withholdings	6,033		6,033
Due to Student Groups	<u>17,607</u>		<u>17,607</u>
Total Liabilities	<u>23,640</u>		<u>23,640</u>
<u>NET POSITION:</u>			
Held in Trust for Unemployment Claims		<u>15,797</u>	<u>15,797</u>
Total Net Position	<u>\$ -0-</u>	<u>\$ 15,797</u>	<u>\$ 15,797</u>

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

## Exhibit B-8

ANDOVER REGIONAL SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Unemployment Compensation Trust</u>
Additions:	
Contributions:	
Board Contribution	<u>\$ 2,794</u>
Total Contributions	<u>2,794</u>
Investment Earnings:	
Interest	<u>32</u>
Net Investment Earnings	<u>32</u>
Total Additions	<u>2,826</u>
Deductions:	
State of New Jersey Unemployment Claims	<u>2,816</u>
Total Deductions	<u>2,816</u>
Change in Net Position	10
Net Position—Beginning of the Year	<u>15,787</u>
Net Position—End of the Year	<u><u>\$ 15,797</u></u>

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

ANDOVER REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

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

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

B. Basis of Presentation

District-Wide Financial Statements:

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

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

ANDOVER REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

(Continued)

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

B. Basis of Presentation: (Cont'd)

Fund Financial Statements:

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

The District reports the following governmental funds:

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

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

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

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

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

The District does not report any Proprietary Funds.

Additionally, the District reports the following fund type:

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

ANDOVER REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budget for the fiscal year ended June 30, 2015 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budget during the year).

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

ANDOVER REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

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

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

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

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

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 15,829,161	\$ 204,399
Differences - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not.		4,055
Prior Year State Aid Payments, not Recognized for Budgetary Purposes, Recognized for GAAP Statements	224,344	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(225,976)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 15,827,529	\$ 208,454
	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 15,894,815	\$ 204,399
Differences - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not.		4,055
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 15,894,815	\$ 208,454

ANDOVER REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

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

E. Cash and Cash Equivalents and Investments:

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

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

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

F. Interfund Transactions:

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

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

G. Allowance for Uncollectible Accounts:

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

H. Encumbrances:

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than the special revenue fund are reported as restricted, committed and/or assigned fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

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

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

ANDOVER REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

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

I. Short-term Interfund Receivables/Payables:

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

J. Inventories and Prepaid Expenses:

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

K. Capital Assets:

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

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

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

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

L. Long Term Liabilities:

In the district-wide and enterprise fund statements of net position, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or enterprise funds. Bond premium and discounts are reported as deferred charges and amortized over the term of the related debt using the straight-line method of amortization. In the fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

ANDOVER REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

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

M. Accrued Salaries and Wages:

The District does not allow employees who provide services over the ten-month academic year the option to have their salaries evenly distributed during the entire twelve-month year. Therefore, there are no accrued salaries and wages as of June 30, 2015.

N. Compensated Absences:

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

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

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

O. Unearned Revenue:

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

P. Fund Balance Appropriated:

General Fund: Of the \$792,112 General Fund fund balance at June 30, 2015, \$779,722 is assigned fund balance of which \$254,804 is for year-end encumbrances and \$524,918 has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2016; \$12,390 is unassigned fund balance which is \$225,976 less than the calculated maximum unassigned fund balance, on a GAAP basis, due to the final two state aid payments, which are not recognized until the fiscal year ended June 30, 2016.

Debt Service Fund: The \$55,948 in Debt Service Fund fund balance at June 30, 2015, is restricted.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7 as amended by P.L. 2004, c.73 (S1701), the designation for Restricted Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The District has no excess surplus as of June 30, 2015.

ANDOVER REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

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

P. Fund Balance Appropriated (Cont'd):

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$225,976 as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the related state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording these last two state aid payments in the subsequent fiscal year, the school district cannot recognize these last state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the final state aid payments and not the fund balance reported on the fund statement which excludes the last two state aid payments.

Q. Deficit Net Position:

The District has a deficit in unrestricted net position of \$2,474,825 in governmental activities, which is due to unamortized bond premium of \$335,023, accrued interest payable of \$100,575, compensated absences payable of \$196,332, investment gains in pensions of \$153,227 and net pension liability of \$2,571,151 offset by deferred outflows due to changes in assumptions in pensions of \$80,851 and changes in proportion in pensions of \$8,520 as well as assigned and unassigned General Fund balances of \$792,112. This deficit does not indicate that the District is in financial difficulties and is a permitted practice under generally accepted accounting principles.

R. Net Position:

Net Position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. This Statement provides guidance for reporting net position within a framework that includes deferred outflows of resources and deferred inflows of resources, in addition to assets and liabilities.

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District has deferred outflows of resources for the deferred amount on refunding related to the 2012 and 2014 refunding bonds, changes in assumptions in pensions and changes in proportions in pensions.

The District had deferred inflows of resources at June 30, 2015 for the changes in proportion in pension and the net difference between projected and actual investment earnings on pension plan investments.

Net position is displayed in three components - net investment in capital assets; restricted and unrestricted.

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also would be included in this component of net position.

The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

ANDOVER REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

(Continued)

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

R. Net Position: (Cont'd)

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

S. Fund Balance Restrictions, Commitments and Assignments:

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

A fund balance restriction has been established for debt service.

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has no committed resources for year-end encumbrances at June 30, 2015.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources for year-end encumbrances and for amounts designated for subsequent year's expenditures in the General Fund at June 30, 2015.

T. Revenue - Exchange and Nonexchange Transactions:

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

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

ANDOVER REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

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

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

reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

U. Operating Revenue and Expenses:

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

V. Management Estimates:

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

W. Pensions:

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 State of New Jersey Public Employees' Retirement System (PERS) and the State of New Jersey Teachers' Pension and Annuity Fund (TPAF) and additions to/deductions from the PERS's and TPAF's net position have been determined on the same basis as they are reported by the PERS and the TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Pension Plan investments are reported at fair value.

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

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

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

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

ANDOVER REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

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

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

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

Deposits:

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

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

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

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

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

Investments:

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

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

ANDOVER REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

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

Investments: (Cont'd)

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

As of June 30, 2015, cash and cash equivalents and investments of the District consisted of the following:

	<u>Cash and Cash Equivalents</u>	<u>Total</u>
Checking and Savings Accounts	\$ 637,162	\$ 637,162
New Jersey Cash Management Fund	17,664	17,664
New Jersey ARM	1,319	1,319
	<u>\$ 656,145</u>	<u>\$ 656,145</u>

During the period ended June 30, 2015, the District did not hold any investments. The carrying amount of the Board's total cash and cash equivalents at June 30, 2015, was \$656,145 and the bank balance was \$785,107. The \$17,664 with the New Jersey Cash Management Fund and the \$1,319 with the New Jersey ARM are uninsured and unregistered.

ANDOVER REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 4. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2015 were as follows:

	Beginning Balance	Adjustments/ Increases	Adjustments/ Decreases	Ending Balance
Governmental Activities:				
Capital Assets not being Depreciated:				
Sites (Land)	\$ 265,016			\$ 265,016
Total Capital Assets not Being Depreciated	265,016			265,016
Capital Assets Being Depreciated:				
Buildings and Building Improvements	20,474,590	\$ 5,775		20,480,365
Machinery and Equipment	393,419	390,982	\$ (59,969)	724,432
Total Capital Assets Being Depreciated	20,868,009	396,757	(59,969)	21,204,797
Governmental Activities Capital Assets	21,133,025	396,757	(59,969)	21,469,813
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(5,857,386)	(414,679)		(6,272,065)
Machinery and Equipment	(226,801)	(35,464)	54,176	(208,089)
Total Accumulated Depreciation	(6,084,187)	(450,143)	54,176	(6,480,154)
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 15,048,838</u>	<u>\$ (53,386)</u>	<u>\$ (5,793)</u>	<u>\$ 14,989,659</u>
Business Type Activities:				
Capital Assets Being Depreciated:				
Furniture and Equipment			56,800	56,800
Less Accumulated Depreciation			(49,007)	(49,007)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 7,793</u>	<u>\$ 7,793</u>

Depreciation expense was charged to governmental functions as follows:

Unallocated	\$ 428,997
Regular Instructional	14,184
Support/Administration	4,752
Maintenance / Custodial	2,210
	<u>\$ 450,143</u>

NOTE 5. TRANSFERS TO CAPITAL OUTLAY

During the fiscal year ended June 30, 2015, the school district had no transfers to the capital outlay accounts.

NOTE 6. OPERATING LEASES

The District had no operating leases in effect during the year ended June 30, 2015.

ANDOVER REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 7. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2015, the following changes occurred in liabilities reported in the district-wide financial statements:

	<u>Balance</u> <u>June 30, 2014</u>	<u>Accrued</u>	<u>Retired</u>	<u>Balance</u> <u>June 30, 2015</u>
Serial Bonds Payable	\$ 10,055,000	\$ 5,735,000	\$ 6,405,000	\$ 9,385,000
Capital Leases	68,770	364,088	115,880	316,978
Net Pension Liability	2,614,520		43,369	2,571,151
Compensated Absences Payable	185,018	41,840	30,526	196,332
	<u>\$ 12,923,308</u>	<u>\$ 6,140,928</u>	<u>\$ 6,594,775</u>	<u>\$ 12,469,461</u>

A. Bonds Payable:

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

The District has bonds outstanding as of June 30, 2015 as follows:

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount</u>
2/15/2031	2.00%-3.00%	5,270,000
2/15/2030	3.00%-4.00%	4,115,000

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

<u>Year</u>	<u>Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2016	\$ 705,000	\$ 268,200	\$ 973,200
2017	715,000	251,900	966,900
2018	725,000	236,475	961,475
2019	755,000	217,375	972,375
2020	765,000	202,275	967,275
2021-2025	4,120,000	689,625	4,809,625
2026-2030	1,600,000	192,050	1,792,050
	<u>\$ 9,385,000</u>	<u>\$ 2,057,900</u>	<u>\$ 11,442,900</u>

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

On September 1, 2014, the Andover Regional School District issued \$5,735,000 refunding bonds with interest rates ranging from 2.00% to 3.00% to advance refund \$5,730,000 school bonds with interest rates of 3.50% to 4.44%. The refunding bonds mature on February 15, 2015 through 2025. The advance refunding met the requirements of an in-substance debt defeasance and the school bonds were removed from the District's financial statements.

ANDOVER REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 7. LONG-TERM LIABILITIES (Cont'd)

As a result of the advance refunding, the District reduced its total debt service requirements by \$77,373, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$496,902 or 8.67 percent.

B. Bonds Authorized But Not Issued:

As of June 30, 2015, the Board has no bonds authorized but not issued.

C. Compensated Absences Payable:

The liability for compensated absences of the governmental fund types is recorded as a long-term liability. The current portion of the compensated absences balance of the governmental funds is \$-0-. The long-term liability balance of compensated absences is \$196,332. The General Fund will be used to liquidate Compensated Absences Payable.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2015, no liability existed for compensated absences in the Enterprise Funds.

D. Capital Leases Payable

The District entered into a capital lease to purchase equipment. The capital lease is for a term of three years and will be retired through the General Fund. The following is a schedule of the future minimum lease payments under the capital lease, and the present value of the net minimum lease payments at June 30, 2015.

Fiscal Year Ending June 30,	Amount
2016	\$ 94,065
2017	59,617
2018	59,617
2019	59,616
2020	59,616
	332,531
Less ; Amount representing interest	(15,553)
Present Value of Minimum Lease Payments	\$ 316,978

The current portion of capital leases payable at June 30, 2015 is \$87,725 and the long-term portion is \$229,253.

E. Net Pension Liability

The Public Employees' Retirement System's (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2015 is \$-0- and the long-term portion is \$2,571,151. See Note 8 for more information on the PERS.

ANDOVER REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 8. PENSION PLANS

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey; or the Defined Contribution Retirement Program (DCRP).

A. Public Employees' Retirement System (PERS)

Plan Description

The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions/annrpts.shtml](http://www.state.nj.us/treasury/pensions/annrpts.shtml).

Benefits Provided

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. The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a members retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$113,211 for fiscal year 2015.

ANDOVER REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Contributions (Cont'd)

The employee contribution rate was 6.92% effective July 1, 2014. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1<sup>st</sup> to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

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

At June 30, 2015, the District reported a liability of \$2,571,151 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013 which was rolled forward to June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2014, the District's proportion was 0.0137%, which was an increase of 0.0001% from its proportion measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the District recognized pension expense of \$127,767. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	\$ 80,851	
Changes in Proportion	8,520	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		\$ 153,227
	<u>\$ 89,371</u>	<u>\$ 153,227</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts including changes in proportion) related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Total</u>
2015	\$ (23,444)
2016	(23,444)
2017	(23,444)
2018	(23,444)
2019	14,861
Thereafter	6,539
	<u>\$ (72,376)</u>

ANDOVER REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Actuarial Assumptions

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

Inflation Rate	3.01%
Salary Increases:	
2012-2021	2.15 – 4.40% based on age
Thereafter	3.15 – 5.40% based on age
Investment Rate of Return	7.90%

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

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension 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' target asset allocation as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	6.00%	0.80%
Core Bonds	1.00%	2.49%
Intermediate-Term Bonds	11.20%	2.26%
Mortgages	2.50%	2.17%
High Yield Bonds	5.50%	4.82%
Inflation-Indexed Bonds	2.50%	3.51%
Broad U.S. Equities	25.90%	8.22%
Developed Foreign Equities	12.70%	8.12%
Emerging Market Equities	6.50%	9.91%
Private Equity	8.25%	13.02%
Hedge Funds/Absolute Return	12.25%	4.92%
Real Estate (Property)	3.20%	5.80%
Commodities	2.50%	5.35%

ANDOVER REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Discount Rate

The discount rate used to measure the total pension liability was 5.39% as of June 30, 2014. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9% and a municipal bond rate of 4.29% as of June 30, 2014 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the collective net pension liability as of June 30, 2014 calculated using the discount rate as disclosed below, 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:

	Fiscal Year Ended June 30, 2014		
	1% Decrease (4.39%)	Current Discount Rate (5.39%)	1% Increase (6.39%)
District's proportionate share of the Net Pension Liability	\$ 3,234,595	\$ 2,571,151	\$ 2,014,026

Pension plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial statements.

B. Teachers' Pension and Annuity Fund (TPAF)

Plan Description

The State of New Jersey, Teachers' Pension and Annuity Fund (TPAF), is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, by which the State of New Jersey (the State) is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. The TPAF is administered by the State of New Jersey Division of Pensions and Benefits (the Division). For additional information about the TPAF, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions/annrpts.shtml](http://www.state.nj.us/treasury/pensions/annrpts.shtml).

ANDOVER REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Benefits Provided

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. The following represents the membership tiers for TPAF:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which included the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2014, the State's pension contribution was less than the actuarially determined amount.

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are 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 local participating employers do 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 local participating employers, such as the District. This note discloses the portion of the District's total proportionate share of the net pension liability that is associated with the District. During the fiscal year ended 2015, the State of New Jersey contributed \$253,679 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$1,360,853.

The employee contribution rate was 6.92% effective July 1, 2014. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1<sup>st</sup> to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

ANDOVER REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

(Continued)

NOTE 8. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

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

At June 30, 2015, the State's proportionate share of the net pension liability associated with the District was \$25,290,246. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013 which was rolled forward to June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2014, the District's proportion was 0.047%, which was a decrease of 0.003% from its proportion measured as of June 30, 2013.

District's Proportionate Share of the Net Pension Liability	\$ -0-
State's Proportionate Share of the Net Pension Liability Associated with the District	<u>25,290,246</u>
Total	<u>\$ 25,290,246</u>

For the fiscal year ended June 30, 2014, the State recognized pension expense on behalf of the District in the amount of \$1,360,853 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2015 financial statements.

The State reported collective deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	\$ 2,306,623,861	
Difference Between Expected and Actual Experience		\$ 21,969,019
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		<u>1,741,236,574</u>
	<u>\$ 2,306,623,861</u>	<u>\$ 1,763,205,593</u>

The \$2,306,623,861 reported as deferred outflows of resources related to pensions resulting from changes in assumptions will be amortized over a period of 8.5 years. The \$21,969,019 reported as reported as deferred outflows of resources related to pensions resulting from changes in assumptions will be amortized over a period of 8.5 years. The \$1,741,236,574 reported as a deferred inflow of resources resulting from the difference between projected and actual investment earnings on pension plan investments will be amortized over 5 years.

ANDOVER REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Total</u>
2015	\$ (130,688,498)
2016	(130,688,498)
2017	(130,688,498)
2018	(130,688,498)
2019	304,620,647
Thereafter	761,551,613
	<u>\$ 543,418,268</u>

Actuarial Assumptions

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

Inflation Rate	2.50%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.90%

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

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2014 is summarized in the following table:

ANDOVER REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Long Term Expected Rate of Return (Cont'd)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	6.00%	0.50%
Core Fixed Income	0.00%	2.19%
Core Bonds	1.00%	1.38%
Short-Term Bonds	0.00%	1.00%
Intermediate-Term Bonds	11.20%	2.60%
Long-Term Bonds	0.00%	3.23%
Mortgages	2.50%	2.84%
High Yield Bonds	5.50%	4.15%
Non-U.S. Fixed Income	0.00%	1.41%
Inflation-Indexed Bonds	2.50%	1.30%
Broad U.S. Equities	25.90%	5.88%
Large CAP U.S. Equities	0.00%	5.62%
Mid CAP U.S. Equities	0.00%	6.39%
Small CAP U.S. Equities	0.00%	7.39%
Developed Foreign Equities	12.70%	6.05%
Emerging Market Equities	6.50%	8.90%
Private Equity	8.25%	9.15%
Hedge Funds/Absolute Return	12.25%	3.85%
Real Estate (Property)	3.20%	4.43%
Real Estate (REITS)	0.00%	5.58%
Commodities	2.50%	3.60%
Long Credit Bonds	0.00%	3.74%

Discount Rate – TPAF

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

ANDOVER REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the State as of June 30, 2014 calculated using the discount rate as disclosed 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:

	Fiscal Year Ended June 30, 2014		
	1%	Current	1%
	Decrease (3.68%)	Discount Rate (4.68%)	Increase (5.68%)
Total Net Pension Liability	\$ 64,722,984,539	\$53,813,067,539	\$44,738,870,539

NOTE 9. POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. Chapter 103 of Public Law amended the law to eliminate the funding of post-retirement medical benefits through TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2014, there were 103,432 retirees receiving post-retirement medical benefits, and the State contributed \$1.04 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c. 126, which provides employer paid benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$165.8 million toward Chapter 126 benefits for 18,122 eligible retired members in Fiscal Year 2014.

The State's on-behalf Post Retirement Medical Contributions to TPAF for the District amounted to \$402,717, \$328,215 and \$368,270 and for 2015, 2014, and 2013, respectively.

NOTE 10. RISK MANAGEMENT

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

Property and Liability

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

The Board is a member of the New Jersey School Insurance Group ("NJSIG") (the "Group"). The Group provides its members with Workers' Compensation, Comprehensive General Liability and Automobile Liability, Property, Boiler and Machinery, and School Board Legal Liability Insurance. The Group is a risk-sharing fund that is both an insured

ANDOVER REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 10. RISK MANAGEMENT (Cont'd)

Property and Liability (Cont'd)

and a self-administered group of school boards established for the purpose of providing low-cost insurance coverage for their members in order to keep local property taxes at a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the Group are elected.

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

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

The audit report for the fiscal year ended June 30, 2015 was not available as of the date of this report. Selected financial information for the Group as of June 30, 2014 is as follows:

	<u>New Jersey Schools Insurance Group</u>
Total Assets	\$ 293,795,686
Net Position	\$ 66,169,762
Total Revenue	\$ 120,623,875
Total Expenses	\$ 119,843,435
Change in Net Position	\$ 780,440
Member Dividends	\$ -0-

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

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

New Jersey Unemployment Compensation Insurance

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

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

ANDOVER REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 10. RISK MANAGEMENT (Cont'd)

New Jersey Unemployment Compensation Insurance (Cont'd)

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions and Interest</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2015	\$ 2,794	\$ 32	\$ 2,816	\$ 15,797
2014	21,559	7,817	33,094	15,787
2013	16,142	6,678	24,371	19,505

NOTE 11. INTERFUND RECEIVABLES AND PAYABLES

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 20,203	\$ 1,993
Special Revenue Fund		20,203
Capital Projects Fund	1,993	3,456
Debt Service Fund	3,456	
	<u>\$ 25,652</u>	<u>\$ 25,652</u>

The interfund between the General Fund and the Capital Projects Fund is due to an excess of cash turned over from the Capital Projects Fund to the General Fund. The interfund between the Capital Projects Fund and the Debt Service Fund represents the interest earned on the Capital Projects Fund due to the Debt Service Fund.

NOTE 12. ECONOMIC DEPENDENCY

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

NOTE 13. DEFERRED COMPENSATION

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

Lincoln National Insurance  
T Rowe Price  
Putnam Investments  
TransAmerica

Washington National Insurance  
AXA Equitable  
TIAA Cref  
VALIC

ANDOVER REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 14. TAX CALENDAR

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

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

NOTE 15. COMMITMENTS AND CONTINGENCIES

Grant Programs

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

Litigation

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

Encumbrances

At June 30, 2015, there were encumbrances as detailed below in the governmental funds. All of the governmental funds are considered to be major funds:

<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
\$ 254,804	\$ 4,196	\$ -0-	\$ 259,000

On the District's Governmental Funds balance Sheet as of June 30, 2015 \$-0- is assigned for year-end encumbrances in the Special Revenue fund, which is \$4,196 less than the actual year-end encumbrances on a budgetary basis. On the GAAP basis, encumbrances are not recognized until paid and this non-recognition of encumbrances on a GAAP basis is also reflected as either a reduction in grants receivable or an increase in unearned revenue in the Special Revenue Fund.

ANDOVER REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 15. COMMITMENTS AND CONTINGENCIES (Cont'd)

Agreement with the Town of Newton Board of Education

During the 2013-2014 the Town of Newton Board of Education and Andover Regional Board of Education entered into an agreement for the payment of a Turf Field installed at Newton High School. Andover Regional Board of Education is responsible for \$335,206, which will be paid in four equal payments of \$83,802 over four years starting in the 2014-2015 year.

NOTE 16. PRIOR PERIOD ADJUSTMENTS

The District made a prior year adjustment in the District Wide Financial Statements to record the net pension liability as of June 30, 2014 as a result of implementing Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment to GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.

	Balance 6/30/14 as Previously Reported	Retroactive Adjustments	Balance 6/30/14 as Restated
<u>Governmental Activities:</u>			
Statement of Net Position:			
Liabilities:			
Non-Current Liabilities	\$ 10,308,788	\$ 2,614,520	\$ 12,923,308
Total Liabilities	10,854,636	2,614,520	13,469,156
Net Position:			
Unrestricted/(Deficit)	(3,279)	(2,614,520)	(2,617,799)
Total Net Position	5,238,443	(2,614,520)	2,623,923

SCHEDULES OF REQUIRED  
SUPPLEMENTARY INFORMATION

ANDOVER REGIONAL SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
PUBLIC EMPLOYEES RETIREMENT SYSTEM  
LAST TWO FISCAL YEARS  
UNAUDITED

	<u>Fiscal Year Ending June 30,</u>	
	<u>2014</u>	<u>2015</u>
District's proportion of the net pension liability	0.0136799992%	0.0137327730%
District's proportionate share of the net pension liability	\$ 2,614,520	\$ 2,571,151
District's covered employee payroll	\$ 961,236	\$ 975,711
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	272.00%	263.52%
Plan fiduciary net position as a percentage of the total pension liability	48.72%	52.08%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

ANDOVER REGIONAL SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
PUBLIC EMPLOYEES RETIREMENT SYSTEM  
LAST TWO FISCAL YEARS  
UNAUDITED

	<u>Fiscal Year Ending June 30,</u>	
	<u>2014</u>	<u>2015</u>
Contractually required contribution	\$ 103,076	\$ 113,211
Contributions in relation to the contractually required contribution	<u>(103,076)</u>	<u>(113,211)</u>
Contribution deficiency/(excess)	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered employee payroll	\$ 961,236	\$ 975,711
Contributions as a percentage of covered employee payroll	10.72%	11.60%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

ANDOVER REGIONAL SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHERS' PENSION AND ANNUITY FUND  
LAST TWO FISCAL YEARS  
UNAUDITED

	<u>Fiscal Year Ending June 30,</u>	
	<u>2014</u>	<u>2015</u>
State's proportion of the net pension liability attributable to the District	0.0504038687%	0.0473185891%
State's proportionate share of the net pension liability attributable to the District	\$ 25,473,719	\$ 25,290,246
District's covered employee payroll	\$ 4,512,287	\$ 4,315,898
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	564.54%	585.98%
Plan fiduciary net position as a percentage of the total pension liability	33.76%	33.64%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

ANDOVER REGIONAL SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 5.55% as of June 30, 2013 to 5.39% as of June 30, 2014 in accordance with Paragraph 44 of GASB Statement No. 67.

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.95% as of June 30, 2013 to 4.68% as of June 30, 2014 in accordance with Paragraph 44 of GASB Statement No. 67.

BUDGETARY COMPARISON SCHEDULES

ANDOVER REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES:</b>					
<b>Local Sources:</b>					
Local Tax Levy	\$ 12,214,591		\$ 12,214,591	\$ 12,214,591	
Tuition	30,000		30,000	79,773	\$ 49,773
Miscellaneous	3,000		3,000	68,395	65,395
<b>Total - Local Sources</b>	<u>12,247,591</u>		<u>12,247,591</u>	<u>12,362,759</u>	<u>115,168</u>
<b>State Sources:</b>					
Categorical Special Education Aid	464,116		464,116	464,116	
Categorical Security Aid	61,304		61,304	61,304	
Adjustment Aid	1,182,448		1,182,448	1,182,448	
Equalization Aid	29,231		29,231	29,231	
Categorical Transportation Aid	542,362		542,362	542,362	
PARCC Readiness Aid/Per Pupil Growth Aid	16,320		16,320	16,320	
Extraordinary Aid				191,152	191,152
Nonpublic Transportation Aid				8,032	8,032
On-Behalf TPAF Pension Contributions (non-budgeted)				253,679	253,679
On-Behalf TPAF Post Retirement Medical Benefits (non-budgeted)				402,717	402,717
Reimbursed TPAF Social Security Contributions (non-budgeted)				315,041	315,041
<b>Total State Sources</b>	<u>2,295,781</u>		<u>2,295,781</u>	<u>3,466,402</u>	<u>1,170,621</u>
<b>TOTAL REVENUES</b>	<u>14,543,372</u>		<u>14,543,372</u>	<u>15,829,161</u>	<u>1,285,789</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
<b>Regular Programs - Instruction:</b>					
Kindergarten - Salaries of Teachers	138,896	\$ 20,841	159,737	159,737	
Grades 1-5 - Salaries of Teachers	1,248,133	(109,344)	1,138,789	1,133,920	4,869
Grades 6-8 - Salaries of Teachers	1,336,060	54,104	1,390,164	1,382,255	7,909

ANDOVER REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	\$ 52,225	\$ 5,376	\$ 57,601	\$ 57,601	
Other Purchased Services (400-500 series)	21,695	(13,989)	7,706		\$ 7,706
General Supplies	148,288	(8,981)	139,307	113,489	25,818
Textbooks	38,000	(281)	37,719	37,026	693
Other Objects	150,000	8,425	158,425	153,977	4,448
Total Regular Programs - Instruction	<u>3,133,297</u>	<u>(43,849)</u>	<u>3,089,448</u>	<u>3,038,005</u>	<u>51,443</u>
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	139,748	170,818	310,566	307,162	3,404
Other Salaries for Instruction	112,558	42,833	155,391	150,277	5,114
General Supplies	9,168		9,168	8,707	461
Total Learning and/or Language Disabilities	<u>261,474</u>	<u>213,651</u>	<u>475,125</u>	<u>466,146</u>	<u>8,979</u>
Multiple Disabilities:					
Salaries of Teachers	56,014	247	56,261	56,261	
Other Salaries for Instruction	22,909	90,756	113,665	113,665	
General Supplies	2,000	(247)	1,753	1,112	641
Total Multiple Disabilities	<u>80,923</u>	<u>90,756</u>	<u>171,679</u>	<u>171,038</u>	<u>641</u>
Resource Room/Resource Center:					
Salaries of Teachers	821,618	(261,260)	560,358	560,358	
Other Salaries for Instruction	80,388	(11,658)	68,730	68,730	
General Supplies	11,078		11,078	10,644	434
Total Resource Room/Resource Center	<u>913,084</u>	<u>(272,918)</u>	<u>640,166</u>	<u>639,732</u>	<u>434</u>

ANDOVER REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Behavioral Disabilites:					
Salaries of Teachers		\$ 46,940	\$ 46,940	\$ 46,750	\$ 190
General Supplies		3,989	3,989	3,989	
Total Behavioral Disabilities		50,929	50,929	50,739	190
Special Education - Home Instruction:					
Salaries of Teachers	\$ 7,000	(6,850)	150	150	
Total Special Education - Home Instruction	7,000	(6,850)	150	150	
Total Special Education Instruction	1,262,481	75,568	1,338,049	1,327,805	10,244
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	124,193	69,367	193,560	193,260	300
General Supplies	2,342		2,342	1,888	454
Total Basic Skills/Remedial - Instruction	126,535	69,367	195,902	195,148	754
Bilingual Education - Instruction:					
Salaries of Teachers	13,799	(5,291)	8,508	8,508	
General Supplies	1,264		1,264		1,264
Total Bilingual Education - Instruction	15,063	(5,291)	9,772	8,508	1,264
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	44,000	24,288	68,288	68,288	
Total School-Sponsored Cocurricular Activities - Instruction	44,000	24,288	68,288	68,288	
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	50,000	(18,116)	31,884	23,152	8,732
Purchased Services (300-500 series)	5,000		5,000	4,424	576
Total School-Sponsored Cocurricular Athletics - Instruction	55,000	(18,116)	36,884	27,576	9,308

ANDOVER REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Summer School - Instruction					
Salaries	\$ 1,616		\$ 1,616		\$ 1,616
Total Summer School - Instruction	1,616		1,616		1,616
Total Instruction	4,637,992	\$ 101,967	4,739,959	\$ 4,665,330	74,629
Instuction:					
Tuition to Other LEAs Within the State - Regular	3,319,457	13,137	3,332,594	3,332,594	
Tuition to Other LEAs Within the State - Special	295,591	45,555	341,146	341,146	
Tuition to County Vocational School District - Regular	105,300	(2,250)	103,050	89,250	13,800
Tuition to Private Schools for the Handicapped - Within State	173,976	266	174,242	174,242	
Total Undistributed Expenditures - Instruction:	3,894,324	56,708	3,951,032	3,937,232	13,800
Attendance & Social Work:					
Salaries	108,419	(50,267)	58,152	58,022	130
Purchased Professional and Technical Services	2,500	144	2,644	2,644	
Other Purchased Services (400-500 series)	24,000	455	24,455	24,455	
Total Attendance & Social Work	134,919	(49,668)	85,251	85,121	130
Health Services:					
Salaries	135,141	13,631	148,772	140,428	8,344
Purchased Professional and Technical Services	9,250	(797)	8,453	8,151	302
Other Purchased Services (400-500 series)	4,450	1,349	5,799	5,172	627
Supplies and Materials	2,310	(17)	2,293	2,133	160
Total Health Services	151,151	14,166	165,317	155,884	9,433

ANDOVER REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Speech, OT, PT & Related Services:					
Salaries	\$ 158,712	\$ 10,919	\$ 169,631	\$ 169,631	
Supplies and Materials	2,722	(991)	1,731	1,469	\$ 262
Total Speech, OT, PT & Related Services	<u>161,434</u>	<u>9,928</u>	<u>171,362</u>	<u>171,100</u>	<u>262</u>
Other Support Services - Students - Extraordinary Services:					
Purchased Professional - Educational Services	306,349	103,097	409,446	388,806	20,640
Total Other Support Services - Students - Extraordinary Services	<u>306,349</u>	<u>103,097</u>	<u>409,446</u>	<u>388,806</u>	<u>20,640</u>
Guidance:					
Salaries of Other Professional Staff	88,547		88,547	88,333	214
Salaries of Secretarial and Clerical Assistants		6,000	6,000	6,000	
Other Purchased Services (400-500 series)	6,500	(5,356)	1,144	478	666
Supplies and Materials	1,000		1,000	952	48
Total Guidance	<u>96,047</u>	<u>644</u>	<u>96,691</u>	<u>95,763</u>	<u>928</u>
Child Study Teams:					
Salaries of Secretarial and Clerical Assistants	43,268	6,565	49,833	49,833	
Other Purchased Professional and Technical Services	204,608	41,816	246,424	222,611	23,813
Miscellaneous Purchased Services (400-500 series)	8,088	5,664	13,752	13,152	600
Supplies and Materials	2,000	(512)	1,488	1,488	
Other Objects	3,225	(215)	3,010	2,981	29
Total Child Study Teams	<u>261,189</u>	<u>53,318</u>	<u>314,507</u>	<u>290,065</u>	<u>24,442</u>

ANDOVER REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Improvement of Instructional Services:					
Salaries of Supervisor of Instruction		\$ 1,835	\$ 1,835	\$ 335	\$ 1,500
Salaries of Other Professional Staff	\$ 5,000	(1,835)	3,165	3,000	165
Other Salaries	5,000	2,294	7,294	7,294	
Purchased Professional and Technical Services	6,000	(3,387)	2,613	2,613	
Other Purchased Services (400-500)	31,082	(715)	30,367	23,057	7,310
Supplies and Materials	4,000		4,000	4,000	
Other Objects	31,714	3,633	35,347	31,123	4,224
<b>Total Improvement of Instructional Services</b>	<b>82,796</b>	<b>1,825</b>	<b>84,621</b>	<b>71,422</b>	<b>13,199</b>
Educational Media Services/School Library:					
Salaries	63,580	19,573	83,153	83,153	
Salaries of Technology Coordinators	38,039	3,720	41,759	41,759	
Purchased Professional and Technical Services	5,150	(394)	4,756	4,756	
Other Purchased Services (400-500 series)	1,000	(800)	200	200	
Supplies and Materials	10,000	(6,083)	3,917	1,935	1,982
<b>Total Educational Media Services/School Library</b>	<b>117,769</b>	<b>16,016</b>	<b>133,785</b>	<b>131,803</b>	<b>1,982</b>
Support Services - General Administration:					
Salaries	205,455	7,600	213,055	200,725	12,330
Legal Services	18,353	44,838	63,191	59,845	3,346
Audit Fees	27,500	500	28,000	28,000	
Architecture/Engineering Services	3,058	9,500	12,558	6,437	6,121
Other Purchased Professional Services	10,000	(7,350)	2,650	2,650	
Purchased Technical Services	2,000	(2,000)			
Communications/Telephone	54,000	(463)	53,537	47,695	5,842

ANDOVER REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Support Services - General Administration (Cont'd):					
Miscellaneous Purchased Services (400-500)	\$ 39,244	\$ 2,365	\$ 41,609	\$ 39,733	\$ 1,876
General Supplies	2,097	951	3,048	2,868	180
BOE In-House Training / Meeting Supplies	2,000		2,000	2,000	
Miscellaneous Expenditures	4,400	5,184	9,584	9,554	30
BOE Membership Dues and Fees	8,470		8,470	8,470	
Total Support Services - General Administration	<u>376,577</u>	<u>61,125</u>	<u>437,702</u>	<u>407,977</u>	<u>29,725</u>
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	248,473	3,847	252,320	252,320	
Salaries of Secretarial and Clerical Assistants	40,000	20,657	60,657	60,657	
Supplies and Materials	2,000		2,000	2,000	
Total Support Services - School Administration	<u>290,473</u>	<u>24,504</u>	<u>314,977</u>	<u>314,977</u>	
Central Services:					
Salaries	170,673	25,992	196,665	186,078	10,587
Purchased Professional Services	4,600		4,600	4,600	
Miscellaneous Purchased Services (400-500 series)	15,000	(991)	14,009	13,678	331
Supplies and Materials	2,000	695	2,695	2,445	250
Miscellaneous Expenditures		415	415	415	
Total Central Services	<u>192,273</u>	<u>26,111</u>	<u>218,384</u>	<u>207,216</u>	<u>11,168</u>

ANDOVER REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Administration Information Technology:					
Salaries	\$ 25,392	\$ 13,656	\$ 39,048	\$ 38,586	\$ 462
Purchased Technical Services	16,624	22,504	39,128	39,128	
Supplies and Materials	1,000		1,000	1,000	
Total Administration Information Technology	<u>43,016</u>	<u>36,160</u>	<u>79,176</u>	<u>78,714</u>	<u>462</u>
Required Maintenance of School Facilities:					
Salaries	88,540	(9,800)	78,740	78,698	42
Cleaning, Repair and Maintenance Services	50,955	(5,397)	45,558	43,078	2,480
Total Required Maintenance of School Facilities	<u>139,495</u>	<u>(15,197)</u>	<u>124,298</u>	<u>121,776</u>	<u>2,522</u>
Custodial Services:					
Salaries	289,266	80,210	369,476	368,781	695
Salaries of Non-Instructional Aides		1,455	1,455	1,455	
Purchased Professional and Technical Services	139,036	(16,601)	122,435	122,040	395
Cleaning, Repair and Maintenance Services	5,000	(155)	4,845	4,766	79
Other Purchased Property Services	6,250		6,250	6,250	
Insurance	43,220		43,220	43,220	
Miscellaneous Purchased Services	59,000	(26,381)	32,619	31,539	1,080
General Supplies	23,106	3,219	26,325	25,325	1,000
Energy (Natural Gas)	65,590	(59,229)	6,361	6,361	
Energy (Electricity)	85,863	40,281	126,144	124,395	1,749
Energy (Oil)	60,000	43,880	103,880	103,680	200
Energy (Gasoline)	1,649	(224)	1,425	950	475
Total Custodial Services	<u>777,980</u>	<u>66,455</u>	<u>844,435</u>	<u>838,762</u>	<u>5,673</u>

ANDOVER REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Security:					
Cleaning, Repair and Maintenance Services	\$ 10,000		\$ 10,000	\$ 9,954	\$ 46
General Supplies	40,289	\$ (3,549)	36,740	36,740	
Total Security	<u>50,289</u>	<u>(3,549)</u>	<u>46,740</u>	<u>46,694</u>	<u>46</u>
Student Transportation Services:					
Salaries for Pupil Transportation:					
Between Home and School - Regular	34,010	(9,923)	24,087	24,087	
Between Home and School - Special	34,009	(11,363)	22,646	22,646	
Management Fee - ESC & CTSA Transportation Program	5,315	(1,115)	4,200	4,200	
Other Purchased Professional and Technical Services	2,500	(2,500)			
Contracted Services:					
Between Home and School - Vendors	713,084	(5,153)	707,931	707,302	629
Other Between Home and School - Vendors	3,164	4,322	7,486	6,673	813
Between Home and School - Joint Agreements	15,000	1,340	16,340	16,340	
Special Education Students - Vendors	115,000	86,787	201,787	201,787	
Aid in Lieu Payments - Nonpublic School	11,492	(349)	11,143	10,608	535
Aid in Lieu Payments - Charter School	9,724	(9,724)			
Aid in Lieu Payment - Choice School		16,355	16,355	16,355	
Total Student Transportation Services	<u>943,298</u>	<u>68,677</u>	<u>1,011,975</u>	<u>1,009,998</u>	<u>1,977</u>
Food Service:					
Maintenance Technical Services	2,500	28,395	30,895	30,895	
Total Food Service	<u>2,500</u>	<u>28,395</u>	<u>30,895</u>	<u>30,895</u>	

ANDOVER REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Allocated Benefits - Regular Instruction:					
Social Security Contributions	\$ 130,723	\$ 13,564	\$ 144,287	\$ 144,287	
Other Retirement Contributions - PERS	135,000	(5,103)	129,897	123,767	\$ 6,130
Unemployment Compensation	40,000		40,000	7,586	32,414
Workmen's Compensation	48,490		48,490	48,490	
Health Benefits	964,158	(256,297)	707,861	689,357	18,504
Tuition Reimbursement	49,745	(7,043)	42,702	23,595	19,107
Total Allocated Benefits - Regular Instruction	<u>1,368,116</u>	<u>(254,879)</u>	<u>1,113,237</u>	<u>1,037,082</u>	<u>76,155</u>
Allocated Health Benefits:					
Special Education	322,549	(55,673)	266,876	192,988	73,888
Attendance & Social Work	34,500		34,500	34,500	
Health Services	40,296	(37,822)	2,474		2,474
Speech, OT, PT & Related Services	20,088	(20,088)			
Guidance	23,000		23,000	23,000	
Child Study Teams	23,000	(20,210)	2,790	2,376	414
Educational Media Services/School Library	34,360	(5,694)	28,666		28,666
Support Services - General Administration	45,083	(45,083)			
Support Services - School Administration	75,958	(51,034)	24,924	7,521	17,403
Central Services	71,353	(34,028)	37,325		37,325
Administration Information Technology	32,008	(22,389)	9,619		9,619
Other Operations & Maintenance of Plant	149,077		149,077	149,077	
Student Transportation Services	32,007	(32,007)			
Total Allocated Health Benefits	<u>903,279</u>	<u>(324,028)</u>	<u>579,251</u>	<u>409,462</u>	<u>169,789</u>
Total Allocated Benefits	<u>2,271,395</u>	<u>(578,907)</u>	<u>1,692,488</u>	<u>1,446,544</u>	<u>245,944</u>

ANDOVER REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
TPAF Contributions:					
On-Behalf TPAF Pension Contributions (non-budgeted)				\$ 253,679	\$ (253,679)
On-Behalf TPAF Post Retirement Medical Benefits (non-budgeted)				402,717	(402,717)
Reimbursed TPAF Social Security Contributions (non-budgeted)				315,041	(315,041)
Total TPAF Contributions				971,437	(971,437)
Total Personal Services - Employee Benefits	\$ 2,271,395	\$ (578,907)	\$ 1,692,488	2,417,981	(725,493)
Total Undistributed Expenses	10,293,274	(80,192)	10,213,082	10,802,186	(589,104)
TOTAL GENERAL CURRENT EXPENSE	14,931,266	21,775	14,953,041	15,467,516	(514,475)
CAPITAL OUTLAY					
Facilities Acquisition and Construction Services:					
Architectural/Engineering Services	10,800	6,000	16,800	16,159	641
Construction Services	76,504	(6,000)	70,504		70,504
Assessment for Debt Service- SDA Funding	36,039		36,039	36,039	
Total Facilities Acquisition and Construction Services	123,343		123,343	52,198	71,145
Assets Acquired Under Capital Leases (non-budgeted):					
School Administration				364,088	(364,088)
Total Assets Acquired Under Capital Leases (non-budgeted)				364,088	(364,088)
TOTAL CAPITAL OUTLAY	123,343		123,343	416,286	(292,943)
Transfer of Funds to Charter Schools	32,788	(21,775)	11,013	11,013	

ANDOVER REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
TOTAL EXPENDITURES	\$ 15,087,397		\$ 15,087,397	\$ 15,894,815	\$ (807,418)
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(544,025)		(544,025)	(65,654)	478,371
Other Financing Sources:					
Capital Leases (non-budgeted)				364,088	364,088
Total Other Financing Sources/(Uses)				364,088	364,088
Excess/(Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(544,025)		(544,025)	298,434	842,459
Fund Balance, July 1	719,654		719,654	719,654	
Fund Balance/(Defidit), June 30	<u>\$ 175,629</u>	<u>\$ -0-</u>	<u>\$ 175,629</u>	<u>\$ 1,018,088</u>	<u>\$ 842,459</u>

Recapitulation:

Assigned Fund Balance:

    Year-End Encumbrances

    Designated for Subsequent Year's Expenditures

Unassigned Fund Balance

\$ 254,804  
524,918  
238,366  
1,018,088

Reconciliation to Governmental Funds Statements (GAAP):

    Last State Aid Payments not Recognized on GAAP Basis

(225,976)

Fund Balance per Governmental Funds (GAAP)

\$ 792,112

ANDOVER REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUE:					
Federal Sources	\$ 221,133	\$ 18,874	\$ 240,007	\$ 204,399	\$ (35,608)
Total Revenue	221,133	18,874	240,007	204,399	(35,608)
EXPENDITURES:					
Instruction:					
Salaries of Teachers	22,500	(4,477)	18,023	11,467	6,556
Other Salaries for Instruction	44,000		44,000	39,401	4,599
Purchased Professional Educational Services		4,599	4,599	4,599	
Other Purchased Services	39,000		39,000	37,363	1,637
General Supplies		16,362	16,362	10,031	6,331
Total Instruction	105,500	16,484	121,984	102,861	19,123
Support Services:					
Salaries of Other Professional Staff	2,500		2,500	2,500	
Personal Services - Employee Benefits		2,477	2,477	2,477	
Purchased Professional Educational Services	99,500	(7,259)	92,241	81,674	10,567
Other Purchased Professional Services		1,500	1,500	1,250	250
Supplies and Materials		18,805	18,805	13,137	5,668
Other Objects		500	500	500	
Total Support Services	102,000	16,023	118,023	101,538	16,485
Total Expenditures	\$ 207,500	\$ 32,507	\$ 240,007	\$ 204,399	\$ 35,608

ANDOVER REGIONAL SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTE TO RSI  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 15,829,161	\$ 204,399
Differences - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not.		4,055
Prior Year State Aid Payments Not Recognized for Budgetary Purposes, Recognized for GAAP Statements	224,344	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(225,976)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	\$ 15,827,529	\$ 208,454
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 15,894,815	\$ 204,399
Differences - Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		4,055
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 15,894,815	\$ 208,454

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budget for the fiscal year ended June 30, 2015 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)l. All budget amendments/transfers must be made by School Board resolution. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during year).

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

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

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

SCHOOL LEVEL SCHEDULES  
(NOT APPLICABLE)

SPECIAL REVENUE FUND

ANDOVER REGIONAL SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>No Child Left Behind</u>		<u>IDEA Part B</u>		<u>Totals</u>
	<u>Title I</u>	<u>Title II Part A</u>	<u>Basic</u>	<u>Preschool</u>	
REVENUE:					
Federal Sources	\$ 23,434	\$ 15,500	\$ 157,483	\$ 7,982	\$ 204,399
Total Revenue	<u>23,434</u>	<u>15,500</u>	<u>157,483</u>	<u>7,982</u>	<u>204,399</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers	11,467				11,467
Other Salaries for Instruction			39,401		39,401
Purchased Professional Educational Services			4,599		4,599
Other Purchased Services			37,363		37,363
General Supplies	5,240		4,791		10,031
Total Instruction	<u>16,707</u>		<u>86,154</u>		<u>102,861</u>
Support Services:					
Salaries of Other Professional Staff		2,500			2,500
Personal Services - Employee Benefits	2,477				2,477
Purchased Professional Educational Services	3,000	12,000	61,839	4,835	81,674
Other Purchased Professional Services	1,250				1,250
Supplies and Materials		1,000	8,990	3,147	13,137
Other Objects			500		500
Total Support Services	<u>6,727</u>	<u>15,500</u>	<u>71,329</u>	<u>7,982</u>	<u>101,538</u>
Total Expenditures	<u>\$ 23,434</u>	<u>\$ 15,500</u>	<u>\$ 157,483</u>	<u>\$ 7,982</u>	<u>\$ 204,399</u>

CAPITAL PROJECTS FUND

Exhibit F-1

ANDOVER REGIONAL SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2015

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

PROPRIETARY FUNDS

Exhibit G-1

ANDOVER REGIONAL SCHOOL DISTRICT  
FOOD SERVICE ENTERPRISE FUND  
STATEMENT OF NET POSITION  
JUNE 30, 2015

ASSETS:	Major Program	Non Major Programs		Total
	Food Service	After School Care	Preschool Program	
Current Assets:				
Cash and Cash Equivalents	\$ 28,523		\$ 168	\$ 28,691
Intergovernmental Receivable:				
Federal	2,540			2,540
State	116			116
Other Receivables		\$ 2,839		2,839
Inventory	4,393			4,393
Total Current Assets	<u>35,572</u>	<u>2,839</u>	<u>168</u>	<u>38,579</u>
Non-Current Assets:				
Capital Assets	56,800			56,800
Less: Accumulated Depreciation	<u>(49,007)</u>			<u>(49,007)</u>
Total Non-Current Assets	<u>7,793</u>			<u>7,793</u>
Total Assets	<u>43,365</u>	<u>2,839</u>	<u>168</u>	<u>46,372</u>
LIABILITIES:				
Accounts Payable - Vendors	5,185	681		5,866
Unearned Revenue	<u>874</u>			<u>874</u>
Total Liabilities	<u>6,059</u>	<u>681</u>		<u>6,740</u>
NET POSITION:				
Net Investment in Capital Assets	7,793			7,793
Unrestricted	<u>29,513</u>	<u>2,158</u>	<u>168</u>	<u>31,839</u>
Total Net Position	<u>\$ 37,306</u>	<u>\$ 2,158</u>	<u>\$ 168</u>	<u>\$ 39,632</u>

Exhibit G-2

ANDOVER REGIONAL SCHOOL DISTRICT  
FOOD SERVICE ENTERPRISE FUND  
STATEMENT OF REVENUE, EXPENSES  
AND CHANGES IN FUND NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Major Program	Non Major Programs		Total
	Food Service	After School Care	Preschool Program	
Operating Revenue:				
Charges for Services:				
Daily Sales	\$ 99,641			\$ 99,641
Tuition		\$ 33,171	\$ 16,460	49,631
Miscellaneous	12,524			12,524
<b>Total Operating Revenue</b>	<b>112,165</b>	<b>33,171</b>	<b>16,460</b>	<b>161,796</b>
Operating Expenses:				
Salaries, Benefits & Payroll Taxes	55,471	26,958	16,292	98,721
Cost of Sales	81,498			81,498
Supplies, Insurance & Other Costs	18,587	4,055		22,642
<b>Total Operating Expenses</b>	<b>155,556</b>	<b>31,013</b>	<b>16,292</b>	<b>202,861</b>
<b>Operating Income (Loss)</b>	<b>(43,391)</b>	<b>2,158</b>	<b>168</b>	<b>(41,065)</b>
Non-Operating Revenue:				
Federal Sources:				
National School Lunch Program	28,772			28,772
Food Distribution Program	10,769			10,769
State Sources:				
State School Lunch Program	1,492			1,492
<b>Total Non-Operating Revenue</b>	<b>41,033</b>			<b>41,033</b>
<b>Net Income/(Loss) Before Other Items</b>	<b>(2,358)</b>	<b>2,158</b>	<b>168</b>	<b>(32)</b>
Transfer in of Net Fixed Assets	7,793			7,793
Operating Transfers In - General Fund	31,871			31,871
<b>Total Other Items</b>	<b>39,664</b>			<b>39,664</b>
<b>Change in Net Position</b>	<b>37,306</b>	<b>2,158</b>	<b>168</b>	<b>39,632</b>
Net Position - Beginning of Year	-0-	-0-	-0-	-0-
<b>Net Position - End of Year</b>	<b>\$ 37,306</b>	<b>\$ 2,158</b>	<b>\$ 168</b>	<b>\$ 39,632</b>

ANDOVER REGIONAL SCHOOL DISTRICT  
FOOD SERVICE ENTERPRISE FUND  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Major Program	Non Major Programs		
	Food Service	After School Care	Preschool Program	
Cash Flows from Operating Activities:				
Receipts from Customers	\$ 112,165	\$ 30,332	\$ 16,460	\$ 158,957
Payments to Food Service Vendor	(143,121)	(30,332)	(16,292)	(189,745)
Net Cash (Used for) Operating Activities	(30,956)		168	(30,788)
Cash Flows from Noncapital Financing Activities:				
Operating Transfer In - Current Fund	31,871			31,871
State and Federal Subsidy Reimbursements	27,608			27,608
Net Cash Provided by Noncapital Financing Activities	59,479			59,479
Net Increase in Cash and Cash Equivalents	28,523		168	28,691
Cash and Cash Equivalents, July 1	-0-	-0-	-0-	-0-
Cash and Cash Equivalents, June 30	\$ 28,523	\$ -0-	\$ 168	\$ 28,691
Reconciliation of Operating Loss to				
Net Cash (Used for)/Provided By Operating Activities:				
Operating Loss/Excess	\$ (43,391)	\$ 2,158	\$ 168	\$ (41,065)
Adjustment to Reconcile Operating Loss to Net				
Cash Provided by Operating Activities:				
Food Distribution Program	10,769			10,769
Changes in Assets and Liabilities:				
(Increase) in Receivable		(2,839)		(2,839)
(Increase) in Inventory	(4,393)			(4,393)
Increase in Accounts Payable	5,185	681		5,866
Increase in Unearned Revenue	874			874
Net Cash (Used for) Operating Activities	\$ (30,956)	\$ -0-	\$ 168	\$ (30,788)

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received U.S.D.A. Commodities through the Food Distribution Program valued at \$11,643 and utilized U.S.D.A. Commodities valued at \$10,769.

FIDUCIARY FUNDS

ANDOVER REGIONAL SCHOOL DISTRICT  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2015

	<u>Agency</u>		<u>Unemployment Compensation Trust</u>	<u>Total</u>
	<u>Payroll</u>	<u>Student Activity</u>		
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 6,033	\$ 17,607	\$ 15,797	\$ 39,437
Total Assets	<u>6,033</u>	<u>17,607</u>	<u>15,797</u>	<u>39,437</u>
<u>LIABILITIES:</u>				
Liabilities:				
Payroll Deductions and Withholdings	6,033			6,033
Due to Student Groups		17,607		17,607
Total Liabilities	<u>6,033</u>	<u>17,607</u>		<u>23,640</u>
<u>NET POSITION:</u>				
Held in Trust for Unemployment Claims			15,797	15,797
Total Net Position	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 15,797</u>	<u>\$ 15,797</u>

Exhibit H-2

ANDOVER REGIONAL SCHOOL DISTRICT  
FIDUCIARY FUNDS  
STATEMENT OF CHANGE IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Unemployment Compensation Trust</u>
Additions:	
Contributions:	
Contribution	\$ 2,794
Total Contributions	<u>2,794</u>
Investment Earnings:	
Interest	<u>32</u>
Net Investment Earnings	<u>32</u>
Total Additions	<u>2,826</u>
Deductions:	
State of New Jersey Unemployment Claims	<u>2,816</u>
Total Deductions	<u>2,816</u>
Change in Net Position	10
Net Position—Beginning of the Year	<u>15,787</u>
Net Position—End of the Year	<u><u>\$ 15,797</u></u>

## Exhibit H-3

ANDOVER REGIONAL SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 20,457	\$ 138,890	\$ 141,740	\$ 17,607
Total Assets	<u>\$ 20,457</u>	<u>\$ 138,890</u>	<u>\$ 141,740</u>	<u>\$ 17,607</u>
 <u>LIABILITIES:</u>				
Due to Student Groups	\$ 20,457	\$ 138,890	\$ 141,740	\$ 17,607
Total Liabilities	<u>\$ 20,457</u>	<u>\$ 138,890</u>	<u>\$ 141,740</u>	<u>\$ 17,607</u>

Exhibit H-4

ANDOVER REGIONAL SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
STATEMENT OF ACTIVITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Balance</u> <u>July 1, 2014</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2015</u>
Elementary Schools:				
Florence M. Burd	\$ 4,248	\$ 11,539	\$ 11,374	\$ 4,413
Middle Schools:				
Long Pond	<u>16,209</u>	<u>127,351</u>	<u>130,366</u>	<u>13,194</u>
Total All Schools	<u>\$ 20,457</u>	<u>\$ 138,890</u>	<u>\$ 141,740</u>	<u>\$ 17,607</u>

Exhibit H-5

ANDOVER REGIONAL SCHOOL DISTRICT  
PAYROLL AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 4,112	\$ 6,875,552	\$ 6,873,631	\$ 6,033
Total Assets	<u>\$ 4,112</u>	<u>\$ 6,875,552</u>	<u>\$ 6,873,631</u>	<u>\$ 6,033</u>
 <u>LIABILITIES:</u>				
Payroll Deduction and Withholdings	\$ 4,112	\$ 6,875,552	\$ 6,873,631	\$ 6,033
Total Liabilities	<u>\$ 4,112</u>	<u>\$ 6,875,552</u>	<u>\$ 6,873,631</u>	<u>\$ 6,033</u>

LONG-TERM DEBT

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

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding June 30, 2015		Interest Rate	Balance July 1, 2014	Issued	Bonds Defeased	Retired or Matured	Balance June 30, 2015
			Date	Amount						
Refunding School Bonds	1/22/2004	\$ 8,410,000				\$ 5,730,000		\$ 5,730,000		
Refunding School Bonds	9/1/2014	\$ 5,735,000	2/15/2016	\$ 485,000	2.000%					
			2/15/2017	490,000	2.000%					
			2/15/2018	495,000	2.000%					
			2/15/2019	510,000	2.000%					
			2/15/2020	515,000	3.000%					
			2/15/2021	530,000	2.125%					
			2/15/2022	535,000	3.000%					
			2/15/2023	550,000	3.000%					
			2/15/2024	570,000	3.000%					
			2/15/2025	590,000	3.000%		\$ 5,735,000	\$ 465,000	\$ 5,270,000	

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

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding June 30, 2015		Interest Rate	Balance July 1, 2014	Issued	Bonds Defeased	Retired or Matured	Balance June 30, 2015
			Date	Amount						
Refunding School Bonds	6/15/2012	\$ 4,425,000	02/15/16	\$ 220,000	3.00%					
			02/15/17	225,000	2.50%					
			02/15/18	230,000	4.00%					
			02/15/19	245,000	2.00%					
			02/15/20	140,000	2.13%					
			02/15/20	110,000	3.00%					
			02/15/21	255,000	2.25%					
			02/15/22	260,000	2.38%					
			02/15/23	265,000	3.50%					
			02/15/24	280,000	3.50%					
			02/15/25	285,000	3.50%					
			02/15/26	300,000	3.50%					
			02/15/27	305,000	3.50%					
			02/15/28	320,000	4.00%					
			02/15/29	330,000	4.00%					
			02/15/30	345,000	4.00%			\$ 4,325,000		
					<u>\$ 10,055,000</u>	<u>\$ 5,735,000</u>	<u>\$ 5,730,000</u>	<u>\$ 675,000</u>	<u>\$ 9,385,000</u>	

Exhibit I-2

ANDOVER REGIONAL SCHOOL DISTRICT  
GENERAL LONG-TERM DEBT ACCOUNT GROUP  
STATEMENT OF OBLIGATIONS UNDER CAPITAL LEASES  
FISCAL YEAR ENDED JUNE 30, 2015

Item	Interest Rate	Original Issue	Balance June 30, 2014	Issued	Matured	Balance June 30, 2015
Phone System	13.07%	\$ 107,640	\$ 68,770		\$ 35,880	\$ 32,890
Natural Gas Equipment	1.77%	364,088		\$ 364,088	80,000	284,088
			<u>\$ 68,770</u>	<u>\$ 364,088</u>	<u>\$ 115,880</u>	<u>\$ 316,978</u>

ANDOVER REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUE:					
Local Sources:					
Local Tax Levy	\$ 803,813		\$ 803,813	\$ 803,813	
State Sources:					
Debt Service Aid Type II	210,251		210,251	210,251	
Total Revenue	<u>1,014,064</u>		<u>1,014,064</u>	<u>1,014,064</u>	
EXPENDITURES:					
Regular Debt Service:					
Redemption of Principal	645,000	\$ 30,000	675,000	675,000	
Interest	379,756	(30,000)	349,756	293,830	\$ 55,926
Total Regular Debt Service	<u>1,024,756</u>		<u>1,024,756</u>	<u>968,830</u>	<u>55,926</u>
Total Expenditures	<u>1,024,756</u>		<u>1,024,756</u>	<u>968,830</u>	<u>55,926</u>
Excess/(Deficiency) of Revenue Over/(Under) Expenditures	<u>(10,692)</u>		<u>(10,692)</u>	<u>45,234</u>	<u>55,926</u>
Other Financing Sources/(Uses):					
Operating Transfers In:					
Transfer from Capital Projects Fund				1	\$ 1
Refunded Bonds Issued				5,735,000	5,735,000
Bonds Defeased				(5,730,000)	(5,730,000)
Bond Premium				189,385	189,385
Bond Issuance Costs				(117,012)	(117,012)
Deferred Interest				(77,373)	(77,373)
Total Other Financing Sources/(Uses)				<u>1</u>	<u>1</u>

ANDOVER REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Excess/(Deficiency) of Revenues and Other Financing Sources					
Over/(Under) Expenditures and Other Financing Uses	\$ (10,692)		\$ (10,692)	\$ 45,235	\$ 55,927
Fund Balance, July 1	10,713		10,713	10,713	
Fund Balance, June 30	<u>\$ 21</u>	<u>\$ -0-</u>	<u>\$ 21</u>	<u>\$ 55,948</u>	<u>\$ 55,927</u>
Recapitulation:					
Restricted - Designated for Subsequent Year's Expenditures				\$ 51,020	
Restricted - Other Purposes				<u>4,928</u>	
				<u>\$ 55,948</u>	

STATISTICAL SECTION

**STATISTICAL SECTION**  
**(UNAUDITED)**

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

**Contents**

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

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

ANDOVER REGIONAL SCHOOL DISTRICT  
NET POSITION BY COMPONENT  
LAST TEN FISCAL YEARS  
UNAUDITED  
(accrual basis of accounting)

	June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014*	2015
Governmental Activities:										
Net Investment in Capital										
Assets/(Deficit)	\$ 504,325	\$ 3,381,001	\$ 3,426,915	\$ 3,648,725	\$ 3,774,869	\$ 3,983,531	\$ 4,424,513	\$ 5,005,336	\$ 5,231,009	\$ 5,644,839
Restricted	820,770	176,815	259,807	464,613	180,988	63,321	163,583	10,692	10,713	55,948
Unrestricted/(Deficit)	(95,620)	(107,539)	(131,331)	(297,425)	(242,026)	(182,125)	(184,735)	(704,326)	(2,617,799)	(2,474,825)
Total Governmental Activities Net Position	<u>\$ 1,229,475</u>	<u>\$ 3,450,277</u>	<u>\$ 3,555,391</u>	<u>\$ 3,815,913</u>	<u>\$ 3,713,831</u>	<u>\$ 3,864,727</u>	<u>\$ 4,403,361</u>	<u>\$ 4,311,702</u>	<u>\$ 2,623,923</u>	<u>\$ 3,225,962</u>
Business-Type Activities										
Net Investment in Capital Assets										\$ 7,793
Unrestricted										31,839
Total Business-Type Activities Net Assets	<u>\$ -</u>	<u>\$ 39,632</u>								
District-Wide:										
Net Investment in Capital										
Assets/(Deficit)	\$ 504,325	\$ 3,381,001	\$ 3,426,915	\$ 3,648,725	\$ 3,774,869	\$ 3,983,531	\$ 4,424,513	\$ 5,005,336	\$ 5,231,009	\$ 5,652,632
Restricted	820,770	176,815	259,807	464,613	180,988	63,321	163,583	10,692	10,713	55,948
Unrestricted/(Deficit)	(95,620)	(107,539)	(131,331)	(297,425)	(242,026)	(182,125)	(184,735)	(704,326)	(2,617,799)	(2,442,986)
Total District Net Position	<u>\$ 1,229,475</u>	<u>\$ 3,450,277</u>	<u>\$ 3,555,391</u>	<u>\$ 3,815,913</u>	<u>\$ 3,713,831</u>	<u>\$ 3,864,727</u>	<u>\$ 4,403,361</u>	<u>\$ 4,311,702</u>	<u>\$ 2,623,923</u>	<u>\$ 3,265,594</u>

\* Restated

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

	Fiscal Year Ended June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses:										
Governmental Activities:										
Instruction:										
Regular	\$ 4,349,238	\$ 4,984,965	\$ 4,990,504	\$ 4,673,864	\$ 4,949,245	\$ 4,662,425	\$ 4,319,982	\$ 4,261,677	\$ 4,044,977	\$ 4,717,033
Special Education	1,056,706	1,143,592	1,110,096	1,489,794	1,570,687	1,620,569	1,522,533	1,939,673	1,574,939	2,478,544
Other Special Education	227,972	258,345	253,562	301,600	355,444	256,626	241,482	285,811	248,007	324,043
School-Sponsored Instruction	45,730	55,196	49,549	86,439	75,533	69,714	88,209	124,638	92,892	150,423
Support Services:										
Tuition	3,530,722	3,473,191	3,306,613	3,001,669	3,283,485	3,355,576	4,026,415	4,284,945	4,069,844	3,937,232
Student & Instruction Related Services	1,207,612	1,323,934	1,419,631	1,503,440	1,593,454	1,428,132	1,653,323	1,509,797	1,575,167	1,655,822
General Administrative Services	399,024	452,511	448,001	494,226	448,732	502,532	504,308	474,029	464,606	411,062
School Administrative Services	459,875	500,857	516,630	411,014	440,301	442,415	430,579	430,040	416,409	483,385
Central Services	254,558	260,309	275,159	240,249	219,333	220,900	276,791	254,899	287,059	243,264
Administrative Information Technology	46,259	46,735	37,156	42,674	67,310	29,272	38,787	60,544	74,996	85,291
Plant Operations And Maintenance	835,826	935,854	1,112,292	1,200,693	1,176,924	1,076,074	968,317	951,266	1,114,013	1,156,784
Pupil Transportation	789,978	806,311	875,011	916,604	885,978	906,194	886,254	814,146	965,346	1,017,964
Food Service	949	2,814	1,687	1,500						30,895
Capital Outlay	215		85,764	42,662	67,897	160,342			37,763	53,791
Unallocated Depreciation	259,518	242,886	460,328	286,084	385,699	385,055	386,157	402,689	409,118	428,997
Interest On Long-Term Debt	580,033	605,230	541,320	522,718	507,149	490,928	418,980	427,617	388,937	369,640
Charter Schools	25,914	17,903	17,028	17,842			8,862	20,546	10,788	11,013
Total Governmental Activities Expenses	<u>\$ 14,070,129</u>	<u>\$ 15,110,633</u>	<u>\$ 15,500,331</u>	<u>\$ 15,233,072</u>	<u>\$ 16,027,171</u>	<u>\$ 15,606,754</u>	<u>\$ 15,770,979</u>	<u>\$ 16,242,317</u>	<u>\$ 15,774,861</u>	<u>\$ 17,555,183</u>
Business-type activities:										
Enterprise Funds										202,861
Total Business-Type Activities Expense										<u>202,861</u>
Total District Expenses	<u>\$ 14,070,129</u>	<u>\$ 14,070,129</u>	<u>\$ 14,070,129</u>	<u>\$ 14,070,129</u>	<u>\$ 14,070,129</u>	<u>\$ 14,070,129</u>	<u>\$ 14,070,129</u>	<u>\$ 14,070,129</u>	<u>\$ 14,070,129</u>	<u>\$ 17,758,044</u>

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

	For Fiscal Year Ended June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Program Revenues:										
Governmental Activities:										
Charges For Services	\$ 27,744	\$ 20,219						\$ 33,000	\$ 87,146	\$ 79,773
Operating Grants and Contributions	2,080,733	2,461,780	\$ 2,428,935	\$ 1,918,065	\$ 2,058,339	\$ 2,246,452	\$ 2,182,184	2,405,851	2,184,736	3,492,716
Capital Grants and Contributions		2,434,122	253,593							
Total Governmental Activities Program Revenues	\$ 2,108,477	\$ 4,916,121	\$ 2,682,528	\$ 1,918,065	\$ 2,058,339	\$ 2,246,452	\$ 2,182,184	\$ 2,438,851	\$ 2,271,882	\$ 3,572,489
Business-Type Activities:										
Charges for Services:										
Food Service										161,796
Operating Grants and Contributions										41,033
Total Business Type Activities Program Revenues										202,829
Total District Program Revenues										3,775,318
Net (Expense)/Revenue Governmental Activities	\$ (11,961,652)	\$ (10,194,512)	\$ (12,817,803)	\$ (13,315,007)	\$ (13,968,832)	\$ (13,360,302)	\$ (13,588,795)	\$ (13,803,466)	\$ (13,502,979)	\$ (13,982,694)
Business-Type Activities										(32)
Total District-Wide Net (Expense)/Revenue	\$ (11,961,652)	\$ (10,194,512)	\$ (12,817,803)	\$ (13,315,007)	\$ (13,968,832)	\$ (13,360,302)	\$ (13,588,795)	\$ (13,803,466)	\$ (13,502,979)	\$ (13,982,726)
General Revenues and Other Changes in Net Position:										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	\$ 9,111,988	\$ 9,854,369	\$ 10,383,923	\$ 10,799,280	\$ 11,231,250	\$ 11,258,929	\$ 11,439,030	\$ 11,667,811	\$ 11,889,498	\$ 12,214,591
Taxes Levied for Debt Service	667,328	688,964	627,066	771,241	779,298	817,293	839,355	815,079	803,813	803,813
Federal and State Aid not Restricted	1,886,794	1,775,185	1,878,820	1,971,826	1,810,595	1,429,996	1,670,979	1,393,977	1,471,989	1,497,933
Miscellaneous Income	210,723	96,796	33,108	33,182	45,607	4,980	178,065	24,526	264,420	68,396
Total Governmental Activities	11,876,833	12,415,314	12,922,917	13,575,529	13,866,750	13,511,198	14,127,429	13,901,393	14,429,720	14,584,733
Business-Type Activities:										
Transfers										39,664
Total Business-Type Activities										39,664
Total District-Wide	\$ 11,876,833	\$ 12,415,314	\$ 12,922,917	\$ 13,575,529	\$ 13,866,750	\$ 13,511,198	\$ 14,127,429	\$ 13,901,393	\$ 14,429,720	\$ 14,624,397
Change in Net Position:										
Governmental Activities	(84,819)	2,220,802	105,114	260,522	(102,082)	150,896	538,634	97,927	926,741	602,039
Business -Type Activities										39,632
Total District	\$ (84,819)	\$ 2,220,802	\$ 105,114	\$ 260,522	\$ (102,082)	\$ 150,896	\$ 538,634	\$ 97,927	\$ 926,741	\$ 641,671

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund:										
Reserved/Restricted	\$ 484,376	\$ 218,480	\$ 253,945	\$ 459,887	\$ 177,540	\$ 59,869	\$ 160,130			
Assigned						60,273	23,655		\$ 495,310	\$ 779,722
Unassigned/(Deficit)						49,870	55,249	\$ (177,406)		12,390
Unreserved	144,283	148,492	138,311	6,618	26,338					
Total General Fund/(Deficit)	<u>\$ 628,659</u>	<u>\$ 366,972</u>	<u>\$ 392,256</u>	<u>\$ 466,505</u>	<u>\$ 203,878</u>	<u>\$ 170,012</u>	<u>\$ 239,034</u>	<u>\$ (177,406)</u>	<u>\$ 495,310</u>	<u>\$ 792,112</u>
All Other Governmental Funds:										
Reserved/Restricted	\$ 2,755,288	\$ 4,000				\$ 3,452	\$ 3,453	\$ 10,692	\$ 10,713	\$ 55,948
Unreserved, Reported In:										
Capital Projects Fund/(Deficit)	(2,608,695)	(216,377)	\$ 4,574	\$ 4,574	\$ 3,448	(20,594)				
Debt Service Fund	189,801	149,809	1,288	152						
Total All Other Governmental Funds/(Deficit)	<u>\$ 336,394</u>	<u>\$ (62,568)</u>	<u>\$ 5,862</u>	<u>\$ 4,726</u>	<u>\$ 3,448</u>	<u>\$ (17,142)</u>	<u>\$ 3,453</u>	<u>\$ 10,692</u>	<u>\$ 10,713</u>	<u>\$ 55,948</u>

Source: School District Financial Reports

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Revenues:</b>										
Tax Levy	\$ 9,779,316	\$ 10,543,333	\$ 11,010,989	\$ 11,570,521	\$ 12,010,548	\$ 12,076,222	\$ 12,255,301	\$ 12,482,890	\$ 12,693,311	\$ 13,018,404
Tuition Charges	27,744	20,219		33,182	45,607	12,524	188,975	33,000	87,146	79,773
Miscellaneous	211,473	96,796	33,108	33,182	45,607	12,524	188,975	24,669	264,420	68,396
State Sources	3,714,637	6,402,009	4,362,823	3,642,932	3,592,098	3,206,876	3,518,635	3,547,053	3,437,726	3,675,021
Federal Sources	252,141	269,078	198,525	246,959	276,836	462,027	346,702	252,632	218,999	208,454
<b>Total Revenue</b>	<b>13,985,311</b>	<b>17,331,435</b>	<b>15,605,445</b>	<b>15,493,594</b>	<b>15,925,089</b>	<b>15,757,649</b>	<b>16,309,613</b>	<b>16,340,244</b>	<b>16,701,602</b>	<b>17,050,048</b>
<b>Expenditures:</b>										
<b>Instruction:</b>										
Regular Instruction	3,015,960	3,247,136	3,245,476	3,493,429	3,584,026	3,346,529	3,032,481	2,938,267	3,042,620	3,074,461
Special Education Instruction	919,706	998,932	1,078,043	1,209,052	1,330,867	1,374,122	1,218,824	1,500,665	1,197,474	1,499,803
Other Instruction	227,972	258,345	253,562	223,561	256,571	219,420	200,380	216,678	185,045	203,656
School-Sponsored Instruction	45,730	55,196	49,549	72,996	60,873	66,091	72,167	95,635	69,698	95,864
<b>Support Services:</b>										
Tuition	3,530,722	3,473,191	3,306,613	3,001,669	3,283,485	3,355,576	4,026,415	4,284,945	4,069,844	3,937,232
Student & Instruction Related Services	994,699	1,091,952	1,120,576	1,267,711	1,271,618	1,164,002	1,382,268	1,302,745	1,303,107	1,389,964
General Administrative Services	347,643	396,916	411,867	424,826	428,379	451,109	486,297	439,812	435,868	407,977
School Administrative Services	295,138	295,893	306,888	311,773	345,497	321,704	310,330	293,487	264,260	314,977
Central Services	172,658	173,533	185,476	189,215	196,662	199,105	199,282	208,161	203,992	207,216
Administrative Information Technology	34,259	32,157	37,156	35,392	55,400	28,344	37,507	38,176	42,898	78,714
Plant Operations And Maintenance	720,475	798,384	869,795	957,289	983,248	899,084	786,638	820,328	888,108	1,007,232
Pupil Transportation	789,978	806,311	860,387	900,825	875,815	883,652	873,052	791,778	930,334	1,009,998

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenditures:										
Employee Benefits	\$ 2,066,976	\$ 2,533,834	\$ 2,619,974	\$ 2,219,150	\$ 2,410,438	\$ 2,247,384	\$ 2,477,651	\$ 2,431,757	\$ 2,330,000	\$ 2,417,981
Food Service	949	2,814	1,687	1,500						30,895
Principal	380,000	395,000	485,000	500,000	525,000	540,000	555,000	650,000	620,000	675,000
Interest And Other Charges	584,507	603,518	540,543	519,948	504,668	488,618	472,108	367,973	393,705	293,830
Capital Outlay	4,590,998	2,811,069	122,111	74,303	76,447	227,365	80,734	348,492	148,764	416,286
Charter Schools	25,914	17,903	17,028	17,842			8,862	20,546	10,788	11,013
Total Expenditures	<u>18,744,284</u>	<u>17,992,084</u>	<u>15,511,731</u>	<u>15,420,481</u>	<u>16,188,994</u>	<u>15,812,105</u>	<u>16,219,996</u>	<u>16,749,445</u>	<u>16,136,505</u>	<u>17,072,099</u>
Excess/(Deficiency) Of Revenues Over/(Under) Expenditures	<u>(4,758,973)</u>	<u>(660,649)</u>	<u>93,714</u>	<u>73,113</u>	<u>(263,905)</u>	<u>(54,456)</u>	<u>89,617</u>	<u>(409,201)</u>	<u>565,097</u>	<u>(22,051)</u>
Other Financing Sources/(Uses):										
Capital Leases (Non-Budgeted)	33,800									
Refunded Bonds Issued							4,425,000			5,735,000
Bonds Defeased							(4,179,000)			(5,730,000)
Bond Premium							195,426			189,385
Bond Issuance Cost							(97,243)			(117,012)
Deferred Interest							(344,183)			(77,373)
Transfers In	148,625	46,058	105	47	1,136	40,644	1	1	107,642	364,089
Transfers Out	<u>(148,625)</u>	<u>(46,058)</u>	<u>(105)</u>	<u>(47)</u>	<u>(1,136)</u>	<u>(40,644)</u>	<u>(1)</u>	<u>(1)</u>	<u>(2)</u>	<u>(1)</u>
Total Other Financing Sources/(Uses)	<u>33,800</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>107,640</u>	<u>364,088</u>
Net Change In Fund Balances	<u>\$ (4,725,173)</u>	<u>\$ (660,649)</u>	<u>\$ 93,714</u>	<u>\$ 73,113</u>	<u>\$ (263,905)</u>	<u>\$ (54,456)</u>	<u>\$ 89,617</u>	<u>\$ (409,201)</u>	<u>\$ 672,737</u>	<u>\$ 342,037</u>
Debt Service As A Percentage of Noncapital Expenditures	6.81%	6.58%	6.66%	6.65%	6.39%	6.60%	6.36%	6.21%	6.34%	5.82%

Source: School District Financial Reports

## Exhibit J-5

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

Fiscal Year Ended June 30,	Interest on Investments	Tuition	Prior Year Refunds	Other	Total
2006	\$ 56,182	\$ 27,744		\$ 5,916	\$ 89,842
2007	50,418	20,219		320	70,957
2008	29,568			3,435	33,003
2009	7,332	12,760		13,043	33,135
2010	10,616		\$ 9,688	25,293	45,597
2011	3,773		610	592	4,975
2012	2,038		1,068	174,958 *	178,064
2013	2,023	33,000	4,347	17,655	57,025
2014	1,577	87,146	5,847	256,974	351,544
2015	3,052	79,773	46,319	19,365	148,509

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

Source: Andover Regional School District records

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

**BOROUGH OF ANDOVER**

Year Ended December 31,	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Industrial	Apartment	Total Assessed Value	Tax-Exempt Property	Public Utilities <sup>a</sup>	Net Valuation Taxable	Total Direct School Tax Rate <sup>b</sup>	Estimated Actual (County Equalized Value)
2005	\$ 1,602,600	\$ 28,766,000	\$ 751,700	\$ 113,400	\$ 12,887,200	\$ 150,200	\$ 968,100	\$ 45,239,200	\$ 3,056,600	\$ 384,485	\$ 45,423,685	\$ 2.02	\$ 69,317,516
2006	1,523,200	29,024,000	751,700	113,400	12,707,700	150,200	968,100	45,238,300	3,056,600	417,464	45,655,764	2.14	76,499,863
2007	1,521,300	29,165,300	751,700	113,400	12,511,500	150,200	968,100	45,181,500	3,058,500	406,231	45,587,731	1.99	77,190,656
2008	1,587,500	29,130,500	751,700	113,400	12,518,900	150,200	968,100	45,220,300	3,058,500	467,014	45,687,314	2.18	77,509,143
2009	1,587,500	29,083,400	751,700	113,400	12,579,100	150,200	968,100	45,233,400	3,058,500	344,541	45,577,941	2.06	79,662,312
2010	1,587,500	29,287,600	751,700	113,400	12,579,100	150,200	968,100	45,437,600	3,058,500	304,352	45,741,952	2.25	86,718,562
2011	1,587,500	29,293,800	745,700	113,400	12,901,400	150,200	968,100	45,760,100	3,058,500	321,018	46,081,118	2.24	77,498,853
2012	1,635,900	29,312,300	745,700	107,600	12,952,400	150,200	968,100	45,872,200	3,058,500	300,263	46,172,463	2.30	77,595,697
2013	1,330,200	29,312,300	745,700	113,400	13,057,900	150,200	968,100	45,677,800	3,315,800	268,916	45,946,716	2.53	76,857,630
2014	1,330,200	29,344,000	745,700	113,400	13,477,900	150,200	968,100	46,129,500	3,315,800	283,579	46,413,079	2.65	70,893,559

**TOWNSHIP OF ANDOVER**

Year Ended December 31,	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Industrial	Apartment	Total Assessed Value	Tax-Exempt Property	Public Utilities <sup>a</sup>	Net Valuation Taxable	Total Direct School Tax Rate <sup>b</sup>	Estimated Actual (County Equalized Value)
2005	\$ 20,822,300	\$ 456,099,400	\$ 20,911,900	\$ 1,223,370	\$ 84,388,200	\$ 5,999,000	\$ 1,700,000	\$ 591,144,170	\$ 57,555,500	\$ 1,630,366	\$ 592,774,536	\$ 1.47	\$ 680,600,334
2006	17,075,300	468,861,000	20,911,900	1,224,770	84,287,000	5,831,400	1,700,000	599,891,370	58,117,800	1,613,054	601,157,940	1.54	764,940,834
2007	14,274,900	486,203,200	20,997,500	1,226,770	84,839,600	6,829,200	1,700,000	616,071,170	59,812,400	1,088,695	617,159,865	1.60	876,787,696
2008	13,583,100	492,553,999	20,394,300	1,218,870	85,229,300	6,854,400	1,700,000	621,533,969	60,125,000	991,137	622,525,106	1.75	907,696,531
2009	13,773,800	491,014,199	23,252,600	1,221,670	82,169,700	6,854,400	1,700,000	619,986,369	60,084,100	808,750	620,795,119	1.75	900,544,085
2010	12,736,200	491,554,599	23,687,000	1,242,370	79,712,600	6,883,300	1,700,000	617,516,069	60,246,100	524,167	618,040,236	1.80	882,694,272
2011	12,445,000	490,626,600	23,645,700	1,257,270	79,866,600	5,233,500	1,700,000	614,774,670	60,246,100	602,091	615,376,761	1.79	841,278,247
2012	12,447,400	486,442,600	24,539,100	1,247,370	79,530,500	5,233,500	1,700,000	611,140,470	60,539,000	676,736	611,817,206	1.85	787,520,336
2013	11,734,500	486,040,500	24,118,500	1,259,370	79,362,400	5,575,900	1,700,000	609,791,170	60,539,300	717,415	610,508,585	1.87	723,921,710
2014	11,739,900	483,478,000	24,967,700	1,259,370	79,531,000	5,575,900	1,700,000	608,251,870	60,699,200	733,063	608,984,933	1.91	684,777,001

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

b Tax rates are per \$100

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.

Source: Municipal Tax Assessor

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

**BOROUGH OF ANDOVER**

Year Ended December 31,	Andover Regional School District Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate <sup>a</sup>	General		Borough of Andover	Sussex County	
		Obligation Debt Service <sup>b</sup>	Total Direct			
2005	\$ 1.90	\$ 0.12	\$ 2.02	\$ 0.29	\$ 0.71	\$ 3.02
2006	2.01	0.13	2.14	0.39	0.74	3.27
2007	1.88	0.11	1.99	0.41	0.69	3.09
2008	2.04	0.15	2.18	0.43	0.47	3.08
2009	1.93	0.13	2.06	0.57	0.66	3.29
2010	2.09	0.15	2.25	0.62	0.77	3.63
2011	2.09	0.15	2.24	0.63	0.73	3.60
2012	2.15	0.15	2.30	0.69	0.78	3.77
2013	2.37	0.16	2.53	0.70	0.83	4.06
2014	2.49	0.16	2.65	0.68	0.86	4.19

**TOWNSHIP OF ANDOVER**

Year Ended December 31,	Andover Regional School District Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate <sup>a</sup>	General		Township of Andover	Sussex County	
		Obligation Debt Service <sup>b</sup>	Total Direct			
2005	\$ 1.43	\$ 0.09	\$ 1.47	\$ 0.60	\$ 0.51	\$ 2.58
2006	1.49	0.05	1.54	0.71	0.56	2.81
2007	1.51	0.09	1.60	0.72	0.58	2.90
2008	1.64	0.12	1.75	0.78	0.47	3.00
2009	1.64	0.11	1.75	0.82	0.55	3.12
2010	1.68	0.12	1.80	0.83	0.57	3.20
2011	1.67	0.12	1.79	0.86	0.59	3.24
2012	1.73	0.12	1.85	0.88	0.60	3.32
2013	1.75	0.12	1.87	0.91	0.59	3.37
2014	1.79	0.12	1.91	0.96	0.61	3.48

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

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

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

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

**BOROUGH OF ANDOVER**

2015			2006		
Taxpayer	Taxable Assessed Value	% of Total District Net Assessed Value	Taxpayer	Taxable Assessed Value	% of Total District Net Assessed Value
Woodborne Lane, Incorporated	\$ 1,766,100	3.83%	Woodborne-Lane, Inc.	\$ 1,766,100	3.85%
Andover Estates	947,800	2.06%	Andover Estates	947,800	2.07%
Sussex Properties, Ltd.	718,000	1.56%	Sussex Properties, Ltd.	718,000	1.76%
Cox Living Trust	620,200	1.35%	Individual Taxpayer #1	714,500	1.56%
Hanlan Midgette Scriven, LP	560,000	1.22%	Westby Corporation	640,800	1.39%
DVJ Associates, LLC	510,000	1.11%	Cox Living Trust	620,200	1.35%
Individual Taxpayer #1	495,400	1.08%	Felicetti-Murphy, LLC	560,000	1.22%
J Nechamkin Family, LLC	440,000	0.95%	Individual Taxpayer #2	495,400	1.08%
2 Lenape Trail, LLC	431,400	0.94%	Individual Taxpayer #3	450,000	0.98%
Black River Holdings, LLC	414,500	0.90%	J. Nechamkin Family, LLC	440,000	0.96%
<b>Total</b>	<b>\$ 6,903,400</b>	<b>14.98%</b>	<b>Total</b>	<b>\$ 7,352,800</b>	<b>16.22%</b>

Note: Individual Taxpayers listed may be different in 2015 and 2006

Source: Municipal Tax Assessor

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

TOWNSHIP OF ANDOVER

2015			2006		
Taxpayer	Taxable Assessed Value	% of Total District Net Assessed Value	Taxpayer	Taxable Assessed Value	% of Total District Net Assessed Value
Andover Subacute & Rehab Center	\$ 11,517,200	1.87%	Andover Nursing Home	\$ 14,172,900	2.47%
Andover Nursing Home	5,233,200	0.85%	Young Realty Association	14,009,300	2.44%
Young Realty Associates	4,343,000	0.71%	Newton Country Club	6,704,300	1.17%
Perona Realty Corp	3,161,600	0.51%	Life Care Mews, Inc	6,179,000	1.08%
Newton Country Club	3,149,000	0.51%	Perona Realty Corporation	4,947,100	0.86%
St. Paul's Abby, Inc.	2,709,000	0.44%	St. Paul's Abbey	4,856,700	0.85%
Alex Cable, Inc.	2,526,400	0.41%	Individual Taxpayer #1	4,715,400	0.82%
MMK Reinsurance (Bermuda) Ltd.	2,025,800	0.33%	Morel Builders Inc	4,162,200	0.72%
Individual Taxpayer	1,901,500	0.31%	Individual Taxpayer #2	3,857,600	0.67%
Martin & Faul Ltd.	1,700,000	0.28%	Martin & Faul LTD	3,079,800	0.05%
Total	<u>\$ 38,266,700</u>	<u>6.22%</u>		<u>\$ 66,684,300</u>	<u>11.13%</u>

Note: Individual Taxpayers listed may be different in 2015 and 2006

Source: Municipal Tax Assessor

## Exhibit J-9

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

**BOROUGH OF ANDOVER**

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy <sup>a</sup>		Collections in Subsequent Years
		Amount	Percentage of Levy	
2006	\$ 919,026	\$ 919,026	100.00%	-0-
2007	959,074	959,074	100.00%	-0-
2008	909,645	909,645	100.00%	-0-
2009	911,622	911,622	100.00%	-0-
2010	969,933	969,933	100.00%	-0-
2011	1,067,784	1,067,784	100.00%	-0-
2012	1,017,924	1,017,924	100.00%	-0-
2013	1,107,230	1,107,230	100.00%	-0-
2014	1,216,642	1,216,642	100.00%	-0-
2015	1,245,758	1,245,758	100.00%	-0-

**TOWNSHIP OF ANDOVER**

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy <sup>a</sup>		Collections in Subsequent Years
		Amount	Percentage of Levy	
2006	\$ 8,860,290	\$ 8,860,290	100.00%	-0-
2007	9,584,259	9,584,259	100.00%	-0-
2008	10,101,344	10,101,344	100.00%	-0-
2009	10,658,899	10,658,899	100.00%	-0-
2010	11,040,615	11,040,615	100.00%	-0-
2011	11,008,438	11,008,438	100.00%	-0-
2012	11,237,377	11,237,377	100.00%	-0-
2013	11,375,660	11,375,660	100.00%	-0-
2014	11,476,669	11,476,669	100.00%	-0-
2015	11,772,646	11,772,646	100.00%	-0-

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

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

Fiscal Year Ended June 30,	Governmental Activities			Total District	Percentage of Personal Income <sup>a</sup>	Per Capita <sup>a</sup>
	General Obligation Bonds	Capital Leases	Bond Anticipation Notes (BANs)			
2006	\$ 14,079,000	\$ 28,844	\$ 1,000,000	\$ 15,107,844	4.69%	\$ 2,131
2007	13,684,000	22,562		13,706,562	3.99%	1,921
2008	13,199,000	15,895		13,214,895	3.73%	1,848
2009	12,699,000	8,814		12,707,814	3.73%	1,773
2010	12,174,000	1,940		12,175,940	3.58%	1,760
2011	11,634,000			11,634,000	3.39%	1,688
2012	11,325,000			11,325,000	3.16%	1,646
2013	10,675,000			10,675,000	3.02%	1,576
2014	10,055,000	68,770		10,123,770	2.87%	1,495
2015	9,385,000	316,978		9,701,978	2.73%	1,443

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

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

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value <sup>a</sup> of Property	Per Capita <sup>b</sup>
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2006	\$ 14,079,000	\$ -0-	\$ 14,079,000	4.41%	\$ 1,985
2007	13,684,000	-0-	13,684,000	4.23%	1,918
2008	13,199,000	-0-	13,199,000	3.98%	1,846
2009	12,699,000	-0-	12,699,000	3.80%	1,772
2010	12,174,000	-0-	12,174,000	3.65%	1,759
2011	11,634,000	-0-	11,634,000	3.51%	1,688
2012	11,325,000	-0-	11,325,000	3.42%	1,646
2013	10,675,000	-0-	10,675,000	3.24%	1,576
2014	10,055,000	-0-	10,055,000	3.06%	1,485
2015	9,385,000	-0-	9,385,000	2.86%	1,396

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

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

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

Exhibit J-12

ANDOVER REGIONAL SCHOOL DISTRICT  
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF DECEMBER 31, 2014  
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>a</sup></u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid With Property Taxes			
Borough of Andover	\$ 480,212	100.00%	\$ 480,212
Township of Andover	2,507,000	100.00%	2,507,000
Sussex County General Obligation Debt (Borough Share)	68,100,067	0.44% <sup>a</sup>	299,473
Sussex County General Obligation Debt (Township Share)	68,100,067	4.09% <sup>a</sup>	<u>2,784,517</u>
Subtotal, Overlapping Debt			6,071,202
Andover Regional School District Direct Debt			<u>9,385,000</u>
Total Direct And Overlapping Debt			<u><u>\$ 15,456,202</u></u>

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

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

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

Exhibit J-13

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

Legal Debt Margin Calculation for Fiscal Year 2015

Equalized Valuation Basis	Andover	Andover	Total
	Borough	Township	
2012	\$ 76,351,864	\$ 722,388,262	\$ 798,740,126
2013	74,490,868	705,776,817	780,267,685
2014	70,609,980	684,043,938	754,653,918
	<u>\$ 221,452,712</u>	<u>\$2,112,209,017</u>	<u>\$2,333,661,729</u>
Average Equalized Valuation of Taxable Property			\$ 777,887,243
Debt Limit (3% of Average Equalization Value) <sup>a</sup>			23,336,617
Net Bonded School Debt as of June 30, 2015			9,385,000
Legal Debt Margin			<u>\$ 13,951,617</u>

Fiscal Year Ended June 30,

	2006	2007	2008	2009	2010
Debt Limit	\$ 21,963,738	\$ 24,830,385	\$ 27,261,615	\$ 28,757,409	\$ 29,120,164
Total Net Debt Applicable to Limit	14,079,000	13,684,000	13,199,000	12,699,000	12,174,000
Legal Debt Margin	<u>\$ 7,884,738</u>	<u>\$ 11,146,385</u>	<u>\$ 14,062,615</u>	<u>\$ 16,058,409</u>	<u>\$ 16,946,164</u>
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	64.10%	55.11%	48.42%	44.16%	41.81%

Fiscal Year Ended June 30,

	2011	2012	2013	2014	2015
Debt Limit	\$ 28,633,384	\$ 27,511,880	\$ 25,817,718	\$ 24,649,220	\$ 23,336,617
Total Net Debt Applicable to Limit	11,634,000	11,325,000	10,675,000	10,055,000	9,385,000
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>
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	40.63%	41.16%	41.35%	40.79%	40.22%

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

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

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

**BOROUGH OF ANDOVER**

Year	Population <sup>a</sup>	Personal Income <sup>b</sup>	Sussex County		Unemployment Rate <sup>d</sup>
			Per Capita Personal Income <sup>c</sup>		
2006	646	\$ 29,351,656	\$ 45,436		5.90%
2007	641	30,896,841	48,201		5.70%
2008	636	31,529,700	49,575		7.20%
2009	634	30,101,686	47,479		11.90%
2010	605	29,770,235	49,207		12.60%
2011	603	30,018,546	49,782		12.30%
2012	595	31,002,475	52,105		12.20%
2013	592	30,846,160	52,105		6.50%
2014	592	30,846,160 *	52,105 *		6.50%
2015	587 **	31,086,346 *	52,958 *		6.00%

**TOWNSHIP OF ANDOVER**

Year	Population <sup>a</sup>	Personal Income <sup>b</sup>	Sussex County		Unemployment Rate <sup>d</sup>
			Per Capita Personal Income <sup>c</sup>		
2006	6,445	\$ 292,835,020	\$ 45,436		2.80%
2007	6,494	313,017,294	48,201		2.60%
2008	6,514	322,931,550	49,575		3.40%
2009	6,534	310,227,786	47,479		5.70%
2010	6,315	310,742,205	49,207		6.10%
2011	6,290	313,128,780	49,782		5.90%
2012	6,286	327,532,030	52,105		5.90%
2013	6,181	322,061,005	52,105		7.50%
2014	6,181	322,061,005 *	52,105 *		7.50%
2015	6,135 **	324,897,330 *	52,958 *		5.50%

\* - Latest Sussex County per capita personal income available (2013) was used for calculation purposes.

\*\* - Latest population data available is from 2014.

N/A - Information Unavailable

Source:

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

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

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

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

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

<u>2015</u>			<u>2006</u>		
<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total Employment</u>	<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total Employment</u>
Crystal Springs Gold & Spa Resort	2,000	2.66%	Selective Insurance	954	2.44%
Newton Memorial Hosptial	1,200	1.59%	Andover Subacute & Rehab Center	900	2.30%
Selective Insurance	900	1.20%	County of Sussex	800	2.04%
County of Sussex	830	1.10%	Newton Memorial Hospital	800	2.04%
Mountain Creek Resort	800	1.06%	Ronetco Supermarkets	757	1.93%
Ames Rubber Corp.	445	0.59%	Vernon Township Board of Education	629	1.61%
Shop Rite Supermarkets	301	0.40%	F.O. Phoenix, Inc.	600	1.53%
Andover Subacute & Rehab Center	300	0.40%	Mountain Creek Resort	450	1.15%
Sussex County Community College	300	0.40%	Hopatcong Board of Education	380	0.97%
SCARC, Inc.	287	0.38%	Wal-Mart	300	0.77%
Total	<u>7,363</u>	<u>9.78%</u>		<u>6,570</u>	<u>16.78%</u>

N/A - Not Available

Source: Sussex County Economic Development Partnership

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

<u>Function/Program</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Instruction:										
Regular	45.0	45.0	45.0	45.0	45.0	44.0	41.0	48.0	48.0	48.0
Special Education	16.5	17.0	18.0	18.0	18.0	15.5	16.0	18.0	13.0	13.0
Other Special Education	5.0	5.0	5.0	5.0	5.0	5.0	5.0	8.0	8.0	8.0
Other Instruction	32.5	34.0	35.0	35.0	35.0	33.0	32.0	21.0	25.0	25.0
Support Services:										
Student & Instruction Related Services	11.0	11.0	11.0	11.0	11.0	10.0	9.0	10.0	10.0	10.0
School Administrative Services	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
General Administrative Services	3.5	3.5	3.5	3.5	3.5	3.5	2.0	2.0	2.0	2.0
Plant Operations and Maintenance	9.0	9.0	9.0	9.0	9.0	8.0	7.0	7.0	7.0	7.0
Pupil Transportation	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Business and Other Support Services	2.0	2.0	2.0	2.0	2.5	2.5	2.0	2.0	2.0	2.0
Total	<u>131.5</u>	<u>133.5</u>	<u>135.5</u>	<u>135.5</u>	<u>136.0</u>	<u>128.5</u>	<u>121.0</u>	<u>123.0</u>	<u>122.0</u>	<u>122.0</u>

Source: District Personnel Records

ANDOVER REGIONAL SCHOOL DISTRICT  
OPERATING STATISTICS  
LAST TEN FISCAL YEARS  
UNAUDITED

Fiscal Year	Enrollment <sup>e</sup>	Operating Expenditures <sup>a</sup>	Cost Per Pupil <sup>d</sup>	Percentage Change	Teaching Staff <sup>b</sup>	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle				
2006	986	\$ 13,188,779	\$ 13,376	4.22%	72	15.1 : 1	11.6 : 1	723.0	721.0	-2.17%	99.72%
2007	1,019	14,182,497	13,918	4.05%	73	15.1 : 1	10.8 : 1	721.6	691.9	-0.19%	95.88%
2008	985	14,364,077	14,583	4.78%	75	18.1 : 1	10.8 : 1	704.0	703.0	-2.44%	99.86%
2009	947	14,326,230	15,128	3.74%	75	18.1 : 1	10.8 : 1	689.0	662.2	-2.13%	96.11%
2010	935	15,082,879	16,131	6.63%	75	10.4 : 1	8.8 : 1	651.0	622.3	-5.52%	95.59%
2011	916	14,556,122	15,891	-1.49%	70	9.8 : 1	8.8 : 1	652.6	624.5	0.25%	95.69%
2012	903	15,112,154	16,735	5.31%	62	9.8 : 1	8.8 : 1	609.4	582.2	-6.62%	95.54%
2013	867	15,382,980	17,743	6.02%	66	11.0 : 1	10.3 : 1	609.8	581.1	0.07%	95.29%
2014	848	14,974,036	17,658	-0.48%	61	11.0 : 1	13.0 : 1	606.0	601.0	-0.62%	99.17%
2015	825	15,686,983	19,015	7.68%	61	11.0 : 1	13.0 : 1	604.0	600.0	-0.33%	99.34%

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

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

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

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

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

Note: Enrollment based on annual October district count.

Source: Andover Regional School District records

ANDOVER REGIONAL SCHOOL DISTRICT  
SCHOOL BUILDING INFORMATION  
LAST TEN FISCAL YEARS

<u>District Building</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Long Pond School										
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	400	321	329	316	310	311	318	295	298	298
Florence M. Burd School										
Square Feet	38,915	46,419	46,419	46,419	46,419	46,419	46,419	46,419	46,419	46,419
Capacity (students)	299	500	500	500	500	500	500	500	500	500
Enrollment	323	402	374	361	345	342	306	306	306	306

Number of Schools at June 30, 2015  
 Elementary = 1  
 Middle School = 1

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

Source: Andover Regional School District Facilities Office

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

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

<u>School Facilities</u>	<u>Project #</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Long Pond School	N/A	\$ 55,780	\$ 29,067	\$ 52,898	\$ 61,289	\$ 78,434	\$ 52,183	\$ 52,124	\$ 57,583	\$ 71,153	\$ 60,888
Florence M. Burd School	N/A	55,752	87,201	52,898	61,289	78,434	91,335	52,125	57,584	71,153	60,888
<b>Total</b>		<u>\$ 111,531</u>	<u>\$ 116,268</u>	<u>\$ 105,796</u>	<u>\$ 122,578</u>	<u>\$ 156,868</u>	<u>\$ 143,518</u>	<u>\$ 104,249</u>	<u>\$ 115,167</u>	<u>\$ 142,306</u>	<u>\$ 121,776</u>

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

Source: Andover Regional School District records

Exhibit J-20

ANDOVER REGIONAL SCHOOL DISTRICT  
INSURANCE SCHEDULE  
JUNE 30, 2015  
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
NJSIG:		
School Package Policy:		
Building and Personal Property	\$ 15,864,272	\$ 5,000
EDP	446,757	
Liability:		
General Liability Each Occurance	11,000,000	\$ 1,000
Employee Benefit Liability		
Product/Completed Ops		
Personal Injury		
Fire Damage	100,000	
Medical Expenses	5,000	
(excluding students taking part in athletics)		
Automobile Coverage		
Combined Single Limit	11,000,000	
Hired / Non-owned		
Auto Physical Damage		1,000
Environmental Impairment Liability	1,000,000	10,000
Underground Storage Tanks	1,000,000	10,000
Forgery / Alteration	100,000	500
Money / Securities / Money Orders / Counterfeit	10,000	500
Faithful Performance	500,000	1,000
Computer Fraud	500,000	1,000
Boiler and Machinery	100,000,000	5,000
Valuable Papers	10,000,000	5,000
School Leaders E&O Coverage A	NJSIG \$6,000,000	5,000
School Leaders E&O Coverage B	\$100,000 / \$300,000	5,000
Workers' Compensation	NJSIG Statutory Workers	
Employer's Liability	Compensation	
Bond for School Administrator	Selective Insurance limit \$350,000	
Bond for Treasurer of School Monies	Selective Insurance limit \$350,000	

Source: Andover Regional School District records

SINGLE AUDIT SECTION



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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 Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Andover Regional School District, in the County of Sussex (the "District") as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 22, 2015.

**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 District'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.

Our consideration of the 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.

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

### **Compliance and Other Matters**

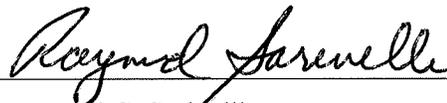
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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*.

### **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 result of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

November 22, 2015  
Mount Arlington, New Jersey

NISIVOCIA LLP



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



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Report on Compliance For Each Major State Program;  
 Report on Internal Control Over Compliance Required by OMB Circular A-133  
 and New Jersey OMB's Circulars 04-04 and 15-08

Independent Auditors' Report

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

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

We have audited the Andover Regional School District (the "District's") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *New Jersey State Aid/ Grant Compliance Supplement* that could have a direct and material effect on each of the District's major state programs for the fiscal year ended June 30, 2015. The District's major state programs are identified in the summary of auditors' 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 federal and state programs.

***Auditors' 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey's OMB Circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, OMB Circular A-133 and New Jersey's OMB Circulars 04-04 and 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.

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 District 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 fiscal year ended June 30, 2015.

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

### Report on Internal Control Over Compliance

Management of the District 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 OMB Circular A-133 and NJOMB 04-04 and 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 District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. *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 federal or 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 that the testing based on the requirements of OMB Circular A-133 or NJOMB 04-04 and 15-08. Accordingly, this report is not suitable for any other purpose.

November 22, 2015  
Mount Arlington, New Jersey

NISIVOCCIA LLP



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

ANDOVER REGIONAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2014			Balance at June 30, 2015		
					Budgetary Accounts Receivable	Budgetary Unearned Revenue	Cash Received	Budgetary Expenditures	Budgetary Accounts Receivable	Budgetary Unearned Revenue
U.S. Department of Education Passed-through State Department of Education:										
Special Revenue Fund:										
No Child Left Behind Consolidated Grant:		14-495-034-5120-078								
Title I	84.010A	NCLB009014	7/1/13-6/30/14	24,958	\$ (572)				\$ (572)	
Title I	84.010A	NCLB009015	7/1/14-6/30/15	36,043			\$ 18,672	\$ (23,434)	(4,762)	
Title II, Part A	84.278A	NCLB009014	7/1/13-6/30/14	15,262		\$ 5,262			\$ 5,262	
Title II, Part A	84.278A	NCLB009015	7/1/14-6/30/15	15,600			14,000	(15,500)	(1,500)	
Special Education Cluster:										
IDEA Combined Grant:										
I.D.E.A. Part B, Basic	84.027	IDEA009014	7/1/13-6/30/14	191,133		(117,945)	126,601		8,656	
I.D.E.A. Part B, Basic	84.027	IDEA009015	7/1/14-6/30/15	166,924			126,878	(157,483)	(30,605)	
I.D.E.A. Part B, Preschool	84.173	IDEA009014	9/1/13-8/31/14	7,584	(78)				(78)	
I.D.E.A. Part B, Preschool	84.173	IDEA009015	9/1/14-8/31/15	13,888			4,512	(7,982)	(3,470)	
Total Special Education Cluster					(78)		257,991	(165,465)	(34,153)	8,656
Total Special Revenue Fund					(650)	(112,683)	290,663	(204,399)	(40,987)	13,918
Total U.S. Department of Education					(650)	(112,683)	290,663	(204,399)	(40,987)	13,918
U.S. Department of Agriculture:										
Passed-through State Department of Agriculture:										
Child Nutrition Cluster:										
U.S.D.A Commodities Program	10.555	N/A	7/1/14-6/30/15	11,643			11,643	(10,769)	874	
National School Lunch Program	10.555	N/A	7/1/14-6/30/15	28,772			26,232	(28,772)	(2,540)	
Total Child Nutrition Cluster - Total U.S. Department of Agriculture							37,875	(39,541)	(2,540)	874
Total Federal Financial Awards					\$ (650)	\$ (112,683)	\$ 328,538	\$ (243,940)	\$ (43,527)	\$ 14,792

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

ANDOVER REGIONAL SCHOOL DISTRICT  
SCHEDULE OF THE EXPENDITURE OF STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2014		Cash Received	Budgetary Expenditures	Cancellations	Balance at June 30, 2015		MEMO Cumulative Total Expenditures
				Budgetary Accounts Receivable					GAAP Accounts Receivable	Budgetary Accounts Receivable	
New Jersey Department of Education											
General Fund:											
Transportation Aid	14-495-034-5120-014	7/1/13 - 6/30/14	\$ 542,362	\$ (53,379)	\$ 53,379						\$ 542,362
Special Education Categorical Aid	14-495-034-5120-089	7/1/13 - 6/30/14	464,116	(45,678)	45,678						464,116
Security Aid	14-495-034-5120-084	7/1/13 - 6/30/14	61,304	(6,034)	6,034						61,304
Adjustment Aid	14-495-034-5120-085	7/1/13 - 6/30/14	1,182,448	(116,376)	116,376						1,182,448
Equalization Aid	14-495-034-5120-078	7/1/13 - 6/30/14	29,231	(2,877)	2,877						29,231
Extraordinary Aid	14-100-034-5120-473	7/1/13 - 6/30/14	80,213	(80,213)	80,213						80,213
Nonpublic Transportation	14-495-034-5120-014	7/1/13 - 6/30/14	15,019	(15,019)	15,019						15,019
Reimbursed TPAF Social Security Contributions	14-495-034-5095-002	7/1/13 - 6/30/14	336,194	(16,394)	16,394						336,194
Transportation Aid	15-495-034-5120-014	7/1/14 - 6/30/15	542,362		488,977	\$ (542,362)			\$ (53,385)		542,362
Special Education Categorical Aid	15-495-034-5120-089	7/1/14 - 6/30/15	464,116		418,433	(464,116)			(45,683)		464,116
Security Aid	15-495-034-5120-084	7/1/14 - 6/30/15	61,304		55,270	(61,304)			(6,034)		61,304
Adjustment Aid	15-495-034-5120-085	7/1/14 - 6/30/15	1,182,448		1,066,058	(1,182,448)			(116,390)		1,182,448
Equalization Aid	15-495-034-5120-078	7/1/14 - 6/30/15	29,231		26,354	(29,231)			(2,877)		29,231
Extraordinary Aid	15-100-034-5120-473	7/1/14 - 6/30/15	191,152			(191,152)		\$ (191,152)	(191,152)		191,152
Nonpublic Transportation	15-495-034-5120-014	7/1/14 - 6/30/15	8,032			(8,032)		(8,032)	(8,032)		8,032
Reimbursed TPAF Social Security Contributions	15-495-034-5095-002	7/1/14 - 6/30/15	315,041		299,176	(315,041)		(15,865)	(15,865)		315,041
PARCC Readiness	15-495-034-5120-098	7/1/14 - 6/30/15	8,160		7,357	(8,160)			(803)		8,160
Per Pupil Growth	15-495-034-5120-097	7/1/14 - 6/30/15	8,160		7,357	(8,160)			(803)		8,160
<b>Total General Fund State Aid</b>				<u>(335,970)</u>	<u>2,704,952</u>	<u>(2,810,006)</u>		<u>(215,049)</u>	<u>(441,024)</u>		<u>5,520,893</u>
New Jersey Department of Education (Cont'd)											
Debt Service Fund:											
Debt Service Aid Type II	15-495-034-5120-125	7/1/14 - 6/30/15	210,251		210,251	(210,251)					210,251
<b>Total Debt Service Fund</b>					<u>210,251</u>	<u>(210,251)</u>					<u>210,251</u>
Enterprise Fund											
State School Lunch Program	15-100-010-3350-023	7/1/14-6/30/15	1,492		1,376	(1,492)			(116)		1,492
<b>Total Enterprise Fund</b>					<u>1,376</u>	<u>(1,492)</u>			<u>(116)</u>		<u>1,492</u>
<b>Total State Financial Assistance</b>				<u>\$ (335,970)</u>	<u>\$ 2,915,203</u>	<u>\$ (3,020,257)</u>	<u>\$ -0-</u>	<u>\$ (215,049)</u>	<u>\$ (441,024)</u>		<u>\$ 5,731,144</u>

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

ANDOVER REGIONAL SCHOOL DISTRICT  
NOTES TO SCHEDULES OF THE EXPENDITURE OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards includes the federal and state grant activity of the Board of Education, Andover Regional School District under programs of the federal and state governments for the fiscal year ended June 30, 2015. The information in these schedules are presented in accordance with the Federal Office of Management and Budget (OMB), *Audits of States, Local Governments and Non-Profit Organizations* and New Jersey's OMB Circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net position or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$(1,632) for the general fund and \$4,055 for the special revenue fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. The schedule of expenditures of state awards does not include the TPAF Pension and Post Retirement Medical contributions paid by the State on behalf of the District of \$253,679 and \$402,717, respectively. Awards and financial assistance revenue are reported on the Board's basic financial statements on a GAAP basis as presented on the following page:

ANDOVER REGIONAL SCHOOL DISTRICT  
NOTES TO SCHEDULES OF THE EXPENDITURE OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 3,464,770	\$ 3,464,770
Special Revenue Fund	\$ 208,454		208,454
Debt Service Fund		210,251	210,251
Enterprise Funds	39,541	1,492	41,033
Total Awards	<u>\$ 247,995</u>	<u>\$ 3,676,513</u>	<u>\$ 3,924,508</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the year ended June 30, 2015. Revenue and expenditures reported under the Federal Food Distribution Program represent current year value received and current year distributions, respectively.

ANDOVER REGIONAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the District.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
- No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- There were no material weaknesses or significant deficiencies in internal control over major state programs disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance Required by OMB Circular A-133 and New Jersey's OMB Circulars 04-04 and 15-08*.
- The auditor's report on compliance for the major state programs for the District expresses an unmodified opinion on all major state programs.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circulars 04-04 and 15-08 or Section 510(a) of Federal OMB Circular A-133.
- The District was not subject to the single audit provisions of Federal OMB Circular A-133 for fiscal year end June 30, 2015 as federal grant expenditures were less than the single audit threshold of \$500,000 identified in the Circular.
- The District's programs tested as major state programs for the current fiscal year consisted of the following state aid:

	<u>Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
State:				
State Aid - Public:				
Special Education				
Categorical Aid	15-495-034-5120-089	7/1/14-6/30/15	\$ 464,116	\$ 464,116
Security Aid	15-495-034-5120-084	7/1/14-6/30/15	61,304	61,304
Adjustment Aid	15-495-034-5120-085	7/1/14-6/30/15	1,182,448	1,182,448
Equalization Aid	15-495-034-5120-078	7/1/14-6/30/15	29,231	29,231
PARCC Readiness	15-495-034-5120-098	7/1/14-6/30/15	8,160	8,160
Per Pupil Growth Aid	15-495-034-5120-097	7/1/14-6/30/15	8,160	8,160

- The threshold for distinguishing between Type A and Type B state programs was \$300,000.
- The District was determined to be a "low-risk" auditee for state programs under the provisions of section 530 of the federal Circular.

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

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

ANDOVER REGIONAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

Findings and Questioned Costs for Federal Awards:

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

Findings and Questioned Costs for State Awards:

- The audit did not disclose any findings or questioned costs for state awards as defined in section 510(a) of the federal circular and NJ OMB 04-04 and 15-08.

ANDOVER REGIONAL SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015

Status of Prior Year Findings:

There were no findings or questioned costs for the year ended June 30, 2014.