

ANDOVER REGIONAL SCHOOL DISTRICT

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

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2010**

**Comprehensive Annual
Financial Report**

of the

ANDOVER REGIONAL SCHOOL DISTRICT

Andover, New Jersey

For the Fiscal Year Ended June 30, 2010

Prepared by

**Andover Regional Board of Education
Business Office**

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INTRODUCTORY SECTION



Andover Regional School District Board of Education

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Telephone (973) 383-8454 Fax (973) 383-8348
tvanauken@andoverregional.org

Terry-Lee VanAuken
School Business Administrator
Board Secretary

September 7, 2010

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, 2010, 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 general-purpose financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information generally presented on a multi-year basis. The District is subject to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Nonprofit Organizations", and New Jersey's OMB Circular NJOMB 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid". Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

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

The District provides a full range of educational services appropriate to grade levels K through 8. These include regular, as well as special education for handicapped youngsters preschool through grade 8. Additionally, the District provides for the education of regular and special education high school level students through a sending-receiving relationship with the Newton Board of Education, as well as transportation services or aid in lieu of transportation for all resident public and nonpublic students. The District completed the 2009-2010 fiscal year with an enrollment of 651 students, which is a decrease of 38 students from the previous year's enrollment. We anticipate that this trend will stabilize. The following details the changes in the student enrollment of the District over the last five years.

"Our Students Catch the Learning Spirit"

The Honorable President and Members
 Of the Board of Education
 Andover Regional School District
 Page 2
 September 7, 2010

Fiscal Year	Average Daily Enrollment	
	Student Enrollment	Percentage Change
2009-2010	651	-5.52 %
2008-2009	689	-2.13 %
2007-2008	704	-2.49 %
2006-2007	722	-0.14 %
2005-2006	723	-2.17 %

- 2) ECONOMIC CONDITION AND OUTLOOK: The Andover Regional School District serves the municipalities of Andover Borough and Andover Township. During the past few years, these mainly suburban bedroom communities 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 11% across all grade levels. The District anticipates enrollment figures to stabilize under the current housing and commercial infrastructures. The Borough of Andover continues to oppose the development of the old "Francisco Farm" through legal proceedings. The property owner is now challenging the municipality over the stalled development of the property. The District continues to monitor the development project as its approval would likely change the District's enrollment substantially.

The District continues to attempt to collect the outstanding grant funds of approximately \$115,000 from the New Jersey School Developments Authority. The project has been transferred again to another project manager. However, collection of the outstanding grant funds is anticipated no later than December 31, 2010.

3) MAJOR INITIATIVES:

- A. Students continued to demonstrate excellent progress on national and state assessment measures.
1. 72.3% of students in Grades 4 scored above the state's minimum level of proficiency in reading and language arts, 93.1% scored above the minimum level of proficiency in mathematics, and 98.6% of students scored at or above the minimum science proficiency.
 2. 98.6% of students in Grade 8 scored above the state's minimum level of proficiency in reading and language arts, 85.7% scored above the minimum level of proficiency in mathematics, and 94.3% of students scored at or above the minimum science proficiency.
- B. The District's three-year average daily student attendance rate is 96%.

The Honorable President and Members
 Of the Board of Education
 Andover Regional School District
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 September 7, 2010

- C. The District, working with the Tri-District Consortium, revised the Social Studies curriculum for grades K-8. The Social Studies curriculum was the first joint curriculum initiative for the consortium. Consortium members consist of the following school districts: Andover Regional, Green Township and Town of Newton. The three school districts send students to Newton High School for grades 9-12 under a sending/receiving arrangement. The consortium promotes a unified curriculum thus ensuring students entering high school from any of the three elementary/middle schools have the same knowledge base. Three curriculum initiatives are planned for the 2010/2011 school year in cooperation with the Consortium.
- D. The District continues to provide a host of cultural activities, which enriched the social experiences of all students. Award winning authors and storytellers shared many myths, legends, folk tales and a variety of genre with the students.
- E. The Andover Regional Educational Foundation, a group of concerned citizens, continues to support the District by way of providing goods, services and activities for our students to enjoy during recess and other co-curricular events.

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

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2010.

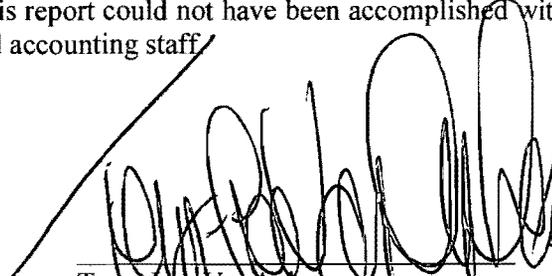
The Honorable President and Members
of the Board of Education
Andover Regional School District
Page 4
September 7, 2010

- 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. DEBT ADMINISTRATION: As of June 30, 2010, the District’s outstanding debt, including bonded debt and capital leases, totals \$12,175,940.
- 9. RISK MANAGEMENT: The Board carries various forms of insurance, including, but not limited to, general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. The School Alliance Insurance Fund and New Jersey School Boards Insurance Group oversees risk management for the District. A schedule of insurance coverage is found on Exhibit J-20.
- 10. OTHER INFORMATION: Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia & Company LLP, CPAs, was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the related OMB Circular A-133 and New Jersey’s OMB Circular NJOMB 04-04. The auditor’s report on the general-purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor’s reports related specifically to the single audit are included in the single audit section of this report.
- 11. ACKNOWLEDGEMENTS: We would like to express our appreciation to the members of the Andover Regional School District for their concern in providing fiscal accountability to the citizens and taxpayers of the district and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial and accounting staff

Respectfully submitted,

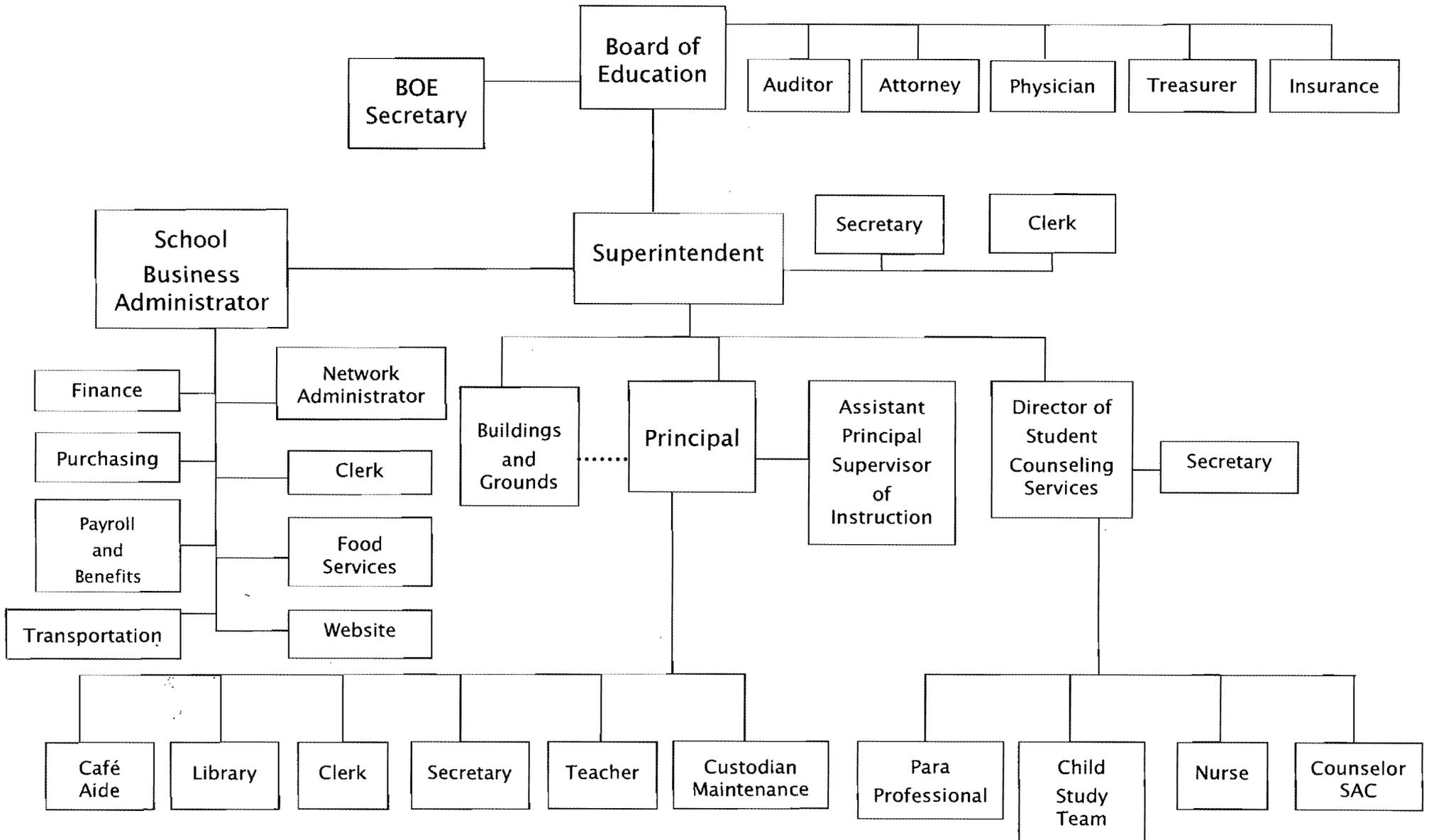
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 Bernard T. Baggs
 Superintendent



 Terry-Lee VanAuken
 School Business Administrator/
 Board Secretary

Andover Regional School District Organization Chart 11.17.09



**ANDOVER REGIONAL SCHOOL DISTRICT
ROSTER OF OFFICIALS
JUNE 30, 2010**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Linda Gianni, President	2011
Ed Conrads, Vice President	2011
Cheryl Bailey	2013
Ida Machuca	2011
Sarah McGowan	2013
Ronald Marshall	2012
K. Chris Pierson	2012
Christine Weiss	2012
David Wilder	2013

<u>Other Officers</u>	<u>Title</u>
Bernard T. Baggs	Superintendent of Schools
Terry Lee VanAuken	Business Administrator/Board Secretary
Marie Goble	Treasurer of School Moneys
Allan P. Dzwilewski, Esq.	Attorney

**ANDOVER REGIONAL SCHOOL DISTRICT
Consultants and Advisors**

Audit Firm

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

Attorney

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Schwartz, Simon, Edelstein, Celso and Kessler
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Florham Park, New Jersey 07932

Bond Counsel

Anthony Pannella, Esq.
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
 Mount Arlington, NJ 07856
 Phone: 973-328-1825
 Fax: 973-328-0507

Lawrence Business Park
 11 Lawrence Road
 Newton, NJ 07860
 Phone: 973-383-6699
 Fax: 973-383-6555

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Board of Education of the Andover Regional School District in the County of Sussex as of and for the fiscal year ended June 30, 2010 which collectively comprise the Board of Education's basic financial statements, as listed in the foregoing table of contents. These financial statements are the responsibility of the Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Board of Education of the Andover Regional School District in the County of Sussex as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof, for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2010 on our consideration of the Board of Education of the Andover Regional School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

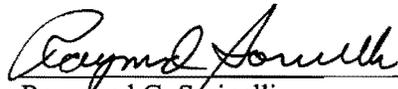
The Honorable President and Members
of the Board of Education
Andover Regional School District
Page 2

The Management's Discussion and Analysis and the Budgetary Comparison Information on Schedules C-1 through C-3 and I-3 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board of Education of the Andover Regional School District's basic financial statements. The accompanying introductory section, other supplementary information such as the combining and individual fund financial statements, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Additionally, the schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*; and New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and are not a required part of the basic financial statements. The combining and individual fund financial statements, and other supplementary schedules and schedules of expenditures of federal and state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

September 7, 2010
Mount Arlington, New Jersey

NISIVOCIA & COMPANY 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, 2010
(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, 2010. 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 District experienced a budget defeat during the April 2010 annual school election and budget vote. The budget defeat, coupled with the devastating announcement of a 25% reduction in state aid forced the Andover Regional Board of Education to eliminate positions throughout the entire District without impacting on programs for students. Several positions were saved through retirements. The Andover Regional Board of Education remains committed to its students, programs, faculty, staff and taxpayers in offering the best possible educational product during a very difficult time.

The 25% reduction in state aid, coupled with the budget defeat, brought the District's budget to a level not seen since the 2005-2006 school year. Many consumable lines, including heat, energy and custodial supplies, were slashed by more than fifty percent.

- ❖ Over the past eighteen months the Andover Regional Board of Education, together with its administration, conducted detailed reviews and analysis of child study team services and I.E.P. requirements for its students currently offered by its in-house team. In an effort to control costs and deliver related services as required by law, the Andover Regional Board of Education made the difficult decision to eliminate its in-house team and enter into a shared services agreement for the 2010-2011 school year with the Sussex County Educational Services Commission. The Andover Regional Board of Education will monitor the arrangement throughout the course of the school year for services rendered, code requirements and cost savings.
- ❖ The Andover Regional Board of Education struggled with its courtesy/hazardous busing for all Andover Regional students. As a direct result of declining enrollment, Andover Regional eliminated one 54-passenger bus route and placed those affected students on five other routes saving the District approximately \$25,000. The Andover Regional Board of Education will continue to monitor transportation services, costs and the possibility of introducing subscription busing for courtesy/hazardous bused students.
- ❖ The Andover Regional Board of Education as a direct result of trimming expenses eliminated one part-time administrative position. The change in administrative personnel affected Guidance and a Vice Principal position. The Supervisor of Public Personnel Services was returned to a full-time guidance counselor position and the vice principal is now a full-time Supervisor of Curriculum, Instruction and Assessment. The administrative changes made by the Andover Regional Board of Education should have no impact on student services, but rather a positive impact on administrative costs.
- ❖ The Andover Regional Board of Education has been working actively on a solar project, together with a power purchasing agreement, for the Florence M. Burd Elementary School and the Long Pond Middle School. It is anticipated that the solar project will take the Long Pond Middle School off of the electrical grid for approximately seven months thus reducing the District's energy consumption and its associated costs. The Andover Regional Board of Education also approved two mini energy-lighting replacement projects for the gymnasiums for the Florence M. Burd Elementary School and Long Pond Middle School. The work is scheduled to be completed during the 2010-2011 school year.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Unaudited)**

- ❖ The Andover Regional Board of Education is still struggling to collect its outstanding school construction grant funds in the amount of \$115,000. The District anticipates collection of these grant funds by the end of the 2010 calendar year. Sadly, the District's inability to collect the outstanding grant funds in a timely manner has greatly impacted the District's cash flow.
- ❖ Due to revisions in state aid payments, as well as payment deferrals, the Andover Regional Board of Education was forced to borrow its two June state aid payments. The reductions and deferrals adversely impacted the District's cash flow as well as the District's ability to invest funds.
- ❖ The national and state economic crisis forced the Andover Regional Board of Education to examine facility structures draining the District's resources. An in-depth review and analysis of a wastewater treatment plant at the middle school required serious protocol changes. While these changes require some "upfront" dollars, overall, the District anticipates that these changes should greatly reduce annual expenditures for the upkeep and maintenance of the plant. The Andover Regional Board of Education also examined enrollment at each building and its respective capacity. The District will continue to review and analyze the operation of each school building during its normal budgetary process in an effort to reduce annual expenditures.
- ❖ The Andover Regional Board of education also conducted an energy audit at its middle school. The audit revealed that tremendous heat and energy was being lost due to inefficient and outdated windows and exterior doors. The District was able to fund the two projects as a result of capital reserve funds. The exterior door replacement project was completed during the 2009-2010 school year and it is anticipated that the windows will be completed during the fall of the 2010-2011 school year. With these two capital upgrades, the District anticipates reducing its monthly heat and energy consumption.

Overview of the Financial Statements

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

- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more* detail than the district-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- *Proprietary funds* statements offer *short- and long-term* financial information about the activities the District operates similar to a business, such as food services.
- *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Unaudited)**

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

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

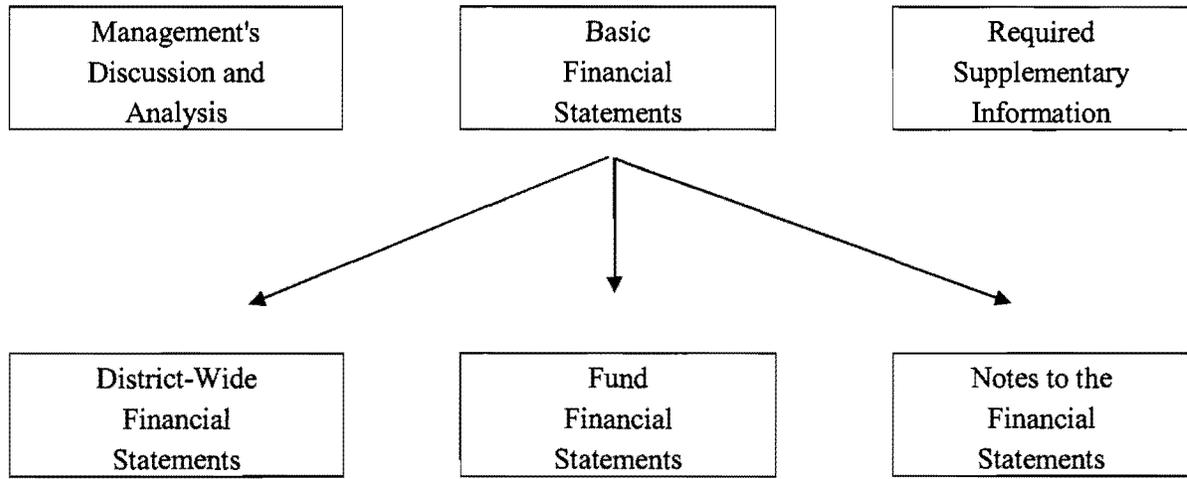


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Unaudited)**

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Unaudited)**

District-wide Statements

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

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

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

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

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.
- *Business-type activities:* The District charges fees to help it cover the costs of certain services it provides. The District currently does not operate any business-type activities.

Fund Financial Statements

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

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

The District has three kinds of funds:

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Unaudited)**

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

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

Financial Analysis of the District as a Whole

Net Assets. The District's combined net assets decreased \$102,082. Net assets invested in capital assets, net of related debt increased by \$126,144, restricted net assets decreased by \$283,625, and unrestricted net assets increased by \$55,399.

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

	Government Activities		Business-Type Activities		Total School District		Percentage
	2009/2010	2008/2009	2009/2010	2008/2009	2009/2010	2008/2009	Change 2009/2010
Current and Other Assets	\$ 663,132	\$ 883,366			\$ 663,132	\$ 883,366	-24.93%
Capital Assets	15,950,809	16,356,539			15,950,809	16,356,539	-2.48%
Total Assets	16,613,941	17,239,905			16,613,941	17,239,905	-3.63%
Long-Term Debt Outstanding	12,384,318	12,954,352			12,384,318	12,954,352	-4.40%
Other Liabilities	515,792	469,640			515,792	469,640	9.83%
Total Liabilities	12,900,110	13,423,992			12,900,110	13,423,992	-3.90%
Net Assets:							
Invested in Capital Assets, Net of Related Debt	3,774,869	3,648,725			3,774,869	3,648,725	3.46%
Restricted	180,988	464,613			180,988	464,613	-61.05%
Unrestricted/(Deficit)	(242,026)	(297,425)			(242,026)	(297,425)	-18.63%
Total Net Assets	\$ 3,713,831	\$ 3,815,913	\$ -0-	\$ -0-	\$ 3,713,831	\$ 3,815,913	-2.68%

Changes in Net Assets. The District's combined net assets were \$3,713,831 on June 30, 2010, \$102,082 or 2.68% less than they were the year before. (See Figure A-3).

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Unaudited)**

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

	Governmental Activities		Business-Type Activities		Total School District		Percentage
	2009/2010	2008/2009	2009/2010	2008/2009	2009/2010	2008/2009	Change 2009/2010
Revenue:							
Program Revenue:							
Operating Grants & Contributions	\$ 2,058,339	\$ 1,918,065			\$ 2,058,339	\$ 1,918,065	7.31%
General Revenue:							
Property Taxes	12,010,548	11,570,521			12,010,548	11,570,521	3.80%
Federal and State Aid	1,810,595	1,971,826			1,810,595	1,971,826	-8.18%
Other	45,607	33,182			45,607	33,182	37.45%
Total Revenue	15,925,089	15,493,594			15,925,089	15,493,594	2.78%
Expenses:							
Instruction	6,950,909	6,551,697			6,950,909	6,551,697	6.09%
Tuition	3,283,485	3,001,669			3,283,485	3,001,669	9.39%
Pupil and Instruction Services	1,593,454	1,503,440			1,593,454	1,503,440	5.99%
Administrative and Business	1,175,676	1,188,163			1,175,676	1,188,163	-1.05%
Maintenance and Operations	1,176,924	1,200,693			1,176,924	1,200,693	-1.98%
Transportation	885,978	916,604			885,978	916,604	-3.34%
Other	960,745	870,806			960,745	870,806	10.33%
Total Expenses	16,027,171	15,233,072			16,027,171	15,233,072	5.21%
Increase/(Decrease) in Net Assets	\$ (102,082)	\$ 260,522	\$ -0-	\$ -0-	\$ (102,082)	\$ 260,522	-139.18%

Revenue Sources. The District's total revenue for the 2009/2010 school year was \$15,925,089. (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$12,010,548 of the total, or 75.42 percent. (See Figure A-5). Another 15.87 percent came from state formula aid, 8.43 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 2010**

	Amount	Percentage
Sources of Income:		
State Formula Aid	\$ 2,527,125	15.87%
Property Taxes	12,010,548	75.42%
Federal and State Categorical Grants	1,341,809	8.43%
Other	45,607	0.29%
	\$ 15,925,089	100.00%

Expenses. The total cost of all programs and services was \$16,027,171. The District's expenses are predominantly related to instruction, transportation, and, caring for students (pupil services) (73.80 percent). (See Figure A-6). The District's administrative and business activities accounted for 7.34 percent of total costs. Also, the Andover Regional School District operates 2 schools and a child study team office which results in high maintenance costs (7.34 percent). It is important to note that depreciation is included in expenses for the year; expenses therefore include \$414,280 in depreciation.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Unaudited)**

**Figure A-6
Sources of School District Expenses - Fiscal Year 2010**

Expense Category:	Amount	Percentage
Instruction	\$ 6,950,909	43.37%
Tuition	3,283,485	20.49%
Pupil and Instruction Services	1,593,454	9.94%
Administrative and Business	1,175,676	7.34%
Maintenance and Operations	1,176,924	7.34%
Transportation	885,978	5.53%
Other	960,745	5.99%
	<u>\$ 16,027,171</u>	<u>100.00%</u>

Governmental Activities

As discussed elsewhere in this commentary, the financial position of the District as a direct result of the national and state economic crisis was shaken, but remains stable. The District is able to maintain existing programs with changing regular pupil enrollment, and still offer a multitude of special programs and services for the disabled pupils.

While the District's carefully crafted budget takes into consideration its students' needs, the District's goals and objectives, as well as constant technology upgrades, the District struggles each day to cover the cost of special education programs, increased utility costs, increased transportation costs as well as increased health benefit costs. In direct response to a reduction in state aid and reducing expenditures, the District voted to eliminate its in-house child study team at the end of the 2009-2010 school year. Commencing on July 1, 2010, child study team services will be delivered through a shared service agreement between the District and the Sussex County Educational Services Commission. It is anticipated that this shared service will save the District tremendous money due to the direct elimination of health benefit premiums and significantly reduced salaries.

Another area that the District reviewed and addressed was the replacement of original exterior doors and windows at its middle school. An energy audit conducted by the District revealed that tremendous heat and energy was being lost due to inefficient and outdated windows and exterior doors. The District was able to fund the two projects as a result of capital reserve funds. The exterior door replacement project was completed during the 2009-2010 school year and it is anticipated that the windows will be completed during the fall of the 2010-2011 school year. It is anticipated that these two capital projects will greatly reduce heat and energy loss thus reducing monthly expenditures.

Careful management of expenses remains essential for the District to sustain its financial health. A Strategic Planning Committee has been established to help the District to be as pro-active as possible in dealing with the ever changing needs of the District. The Committee identifies and establishes goals and direction permitting the District to provide the best possible education for its students.

It is crucial that the District continually examines its expenditures carefully. Increasing parental and student demands for new activities and programs are evaluated thoroughly. District revenues are at their tightest level in a decade.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Unaudited)**

General Fund Budgetary Highlights

Over the course of the year, the District reviewed and revised the following practices and procedures:

- ❖ Social Studies curriculum development through a joint effort as a member of the Tri-District Consortium;
- ❖ Revisions to the District's Purchasing Manual;
- ❖ Re-structuring of the Business Office/Human Resource including the creation of a separate purchasing clerk and transferring all student activity account responsibilities to Business Office personnel thereby ensuring compliance;
- ❖ Revisions and updates to the District's Internal Control Manual;
- ❖ Membership in several consortiums to strengthen the District's purchasing power;
- ❖ Replacement of original exterior doors at the middle school to improve security and reduce loss of energy and heat;
- ❖ Review and analysis of the in-house child study team. The in-house team was eliminated at the end of the 2009-2010 school year. Child Study Team services will be supplied to the District for the 2010-2011 school year through a shared services agreement between the Andover Regional Board of Education and Sussex County Educational Services Commission.

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

	Total Costs of Services		Net Cost of Services	
	2009/2010	2008/2009	2009/2010	2008/2009
Instruction	\$ 6,950,909	\$ 6,551,697	\$ 5,493,147	\$ 5,130,665
Tuition	3,283,485	3,001,669	3,283,485	3,001,669
Pupil and Instruction Services	1,593,454	1,503,440	1,554,367	1,465,206
Administrative and Business	1,175,676	1,188,163	1,135,400	1,151,666
Maintenance and Operations	1,176,924	1,200,693	1,176,924	1,200,693
Transportation	885,978	916,604	364,764	494,302
Other	960,745	870,806	960,745	870,806
	<u>\$ 16,027,171</u>	<u>\$ 15,233,072</u>	<u>\$ 13,968,832</u>	<u>\$ 13,315,007</u>

Business-Type Activities

The District does not operate any business-type activities.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Unaudited)**

Financial Analysis of the District's Funds

Despite significant changes in rural Sussex County and extremely difficult economic times in the State of New Jersey, throughout the entire United States, and the reduction in state aid, the District's financial position remains stable. The bulk of the General Fund budget is expended on tuition to other schools via a sending/receiving relationship, salaries for instruction, transportation expenses, health benefits and energy (electrical and heat). Other significant increases were seen in the areas of related services for those students with special needs. The District remains committed to reducing expenses in order to remain stable including constant enrollment projections, special education needs and requirements, joint curriculum development, consortium purchasing and additional shared services agreements.

Student enrollment has steadily declined over the past five years with an overall enrollment reduction of greater than ten percent. The Andover Regional Board of Education, together with its administration, reviewed student enrollment in grades K-8 and special education and adjusted its faculty and staffing needs accordingly. While the District will continue to monitor enrollment figures, health benefit premiums and receipt of state aid remain a constant concern to the District.

The District was able to finish the 2009-2010 school year with a fund balance as a direct result of cooperative purchasing and aggressive investing. The District is still collecting outstanding grant funds from the New Jersey School Development Authority which will be returned to the taxpayers of Andover Borough and Andover Township during the next budget cycle.

The District will continue its practice of sound fiscal management which included but was not limited to substantial changes in its purchasing procedures and internal controls. 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 \$8,550 in capital assets and had \$414,280 of depreciation expense recognized during the year.

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

	Government Activities		Business-Type Activities		Total School District		Percentage
	2009/2010	2008/2009	2009/2010	2008/2009	2009/2010	2008/2009	Change
Land	\$ 265,016	\$ 265,016			\$ 265,016	\$ 265,016	0.00%
Buildings and Building Improvements	15,562,826	15,950,710			15,562,826	15,950,710	-2.43%
Machinery and Equipment	122,967	140,813			122,967	140,813	-12.67%
Total Net Assets	\$ 15,950,809	\$ 16,356,539	\$ -0-	\$ -0-	\$ 15,950,809	\$ 16,356,539	-2.48%

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Unaudited)**

Long-term Debt

At year-end, the District had \$12,174,000 in 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 Change
	2009/2010	2008/2009	
General Obligation Bonds (Financed with Property Taxes)	\$ 12,174,000	\$ 12,699,000	-4.13%
Other Long-Term Liabilities	210,318	255,352	-17.64%
	<u>\$ 12,384,318</u>	<u>\$ 12,954,352</u>	-4.40%

- ❖ The District retired \$525,000 in bond principal during the year.
- ❖ The District retired \$6,874 in capital leases during the year.
- ❖ The District had a net change of \$38,160 in compensated absences payable during the year.

Factors Bearing on the District's Future Revenue/Expense Changes

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 state and national economic crisis and the passage of legislation which impacts the financial operation of the school district.
- ❖ While the District wrestles on a daily basis with shrinking funds, it prides itself on delivering an excellent education to the students in the Andover Borough and Andover Township communities. The educational product is not only limited to academics, but also cutting edge technology. The District continues to experience overwhelming support by its parents, community members and taxpayers, which it hopes, will continue for decades to come.
- ❖ The District is actively working with the Town of 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.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Unaudited)**

Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

ANDOVER REGIONAL SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 116,073		\$ 116,073
Receivables From Federal Government	67,579		67,579
Receivables From State Government	190,459		190,459
Receivables From Other Governments	30		30
Unamortized Bond Issuance Costs	123,245		123,245
Restricted Assets:			
Capital Reserve Account - Cash	165,746		165,746
Capital Assets:			
Site (Land)	265,016		265,016
Depreciable Building and Building Improvements and Machinery and Equipment	15,685,793		15,685,793
Total Assets	<u>16,613,941</u>		<u>16,613,941</u>
LIABILITIES			
Accrued Interest Payable	183,231		183,231
Accounts Payable - Vendors	20,318		20,318
Loan Payable	278,685		278,685
Payable to Federal Government	33,558		33,558
Noncurrent Liabilities:			
Due Within One Year	568,040		568,040
Due Beyond One Year	11,816,278		11,816,278
Total Liabilities	<u>12,900,110</u>		<u>12,900,110</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	3,774,869		3,774,869
Restricted for:			
Capital Projects	169,194		169,194
Other Purposes	11,794		11,794
Unrestricted/(Deficit)	(242,026)		(242,026)
Total Net Assets	<u>\$ 3,713,831</u>	<u>\$ -0-</u>	<u>\$ 3,713,831</u>

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

ANDOVER REGIONAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities:						
Instruction:						
Regular	\$ 4,949,245		\$ 548,481	\$ (4,400,764)		\$ (4,400,764)
Special Education	1,570,687		875,486	(695,201)		(695,201)
Other Special Instruction	355,444		33,795	(321,649)		(321,649)
School-Sponsored Instruction	75,533			(75,533)		(75,533)
Support Services:						
Tuition	3,283,485			(3,283,485)		(3,283,485)
Student & Instruction Related Services	1,593,454		39,087	(1,554,367)		(1,554,367)
General Administrative Services	448,732			(448,732)		(448,732)
School Administrative Services	440,301		40,276	(400,025)		(400,025)
Central Services	219,333			(219,333)		(219,333)
Administration Information Technology	67,310			(67,310)		(67,310)
Plant Operations and Maintenance	1,176,924			(1,176,924)		(1,176,924)
Pupil Transportation	885,978		521,214	(364,764)		(364,764)
Unallocated Depreciation	385,699			(385,699)		(385,699)
Interest on Long-Term Debt	507,149			(507,149)		(507,149)
Capital Outlay	67,897			(67,897)		(67,897)
Total Governmental Activities	16,027,171		2,058,339	(13,968,832)		(13,968,832)

ANDOVER REGIONAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

<u>Functions/Programs</u>	<u>Program Revenue</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Total Primary Government	<u>\$ 16,027,171</u>	<u>\$ -0-</u>	<u>\$ 2,058,339</u>	\$ (13,968,832)		\$ (13,968,832)
General Revenue:						
Property Taxes, Levied for General Purposes, Net				11,231,250		\$ 11,231,250
Taxes Levied for Debt Service				779,298		779,298
Federal and State Aid not Restricted				1,810,595		1,810,595
Miscellaneous Income				<u>45,607</u>		<u>45,607</u>
Total General Revenue				13,866,750		13,866,750
Change in Net Assets				(102,082)		(102,082)
Net Assets - Beginning				<u>3,815,913</u>		<u>3,815,913</u>
Net Assets - Ending				<u>\$ 3,713,831</u>	<u>\$ -0-</u>	<u>\$ 3,713,831</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, 2010

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS:					
Cash and Cash Equivalents	\$ 114,479		\$ 1,594		\$ 116,073
Receivables From Federal Government		\$ 67,579			67,579
Receivables From State Government	75,117		115,342		190,459
Receivables From Other Governments	30				30
Interfund Receivables	142,272			\$ 47	142,319
Restricted Cash and Cash Equivalents	165,746				165,746
Total Assets	\$ 497,644	\$ 67,579	\$ 116,936	\$ 47	\$ 682,206
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable - Vendors	\$ 15,081	\$ 5,237			\$ 20,318
Interfund Payable		28,784	\$ 113,488	\$ 47	142,319
Loans Payable	278,685				278,685
Payable to Federal Government		33,558			33,558
Total Liabilities	293,766	67,579	113,488	47	474,880
Fund Balances:					
Reserved for:					
Encumbrances	1,925				1,925
Capital Reserve Account	165,746				165,746
Excess Surplus	9,869				9,869

ANDOVER REGIONAL SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
LIABILITIES AND FUND BALANCES (Cont'd):					
Fund Balances (Cont'd):					
Unreserved Reported in:					
General Fund	\$ 26,338				\$ 26,338
Capital Projects Fund			\$ 3,448		3,448
Total Fund Balances	<u>203,878</u>		<u>3,448</u>		<u>207,326</u>
Total Liabilities and Fund Balances	<u>\$ 497,644</u>	<u>\$ 67,579</u>	<u>\$ 116,936</u>	<u>\$ 47</u>	<u>\$ 682,206</u>

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

Total Fund Balances From Above	\$ 207,326
Capital assets used in Governmental Activities are not financial resources and therefore are not reported in the Funds. The cost of the assets is \$20,362,156 and the accumulated depreciation is \$4,411,347.	15,950,809
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.	(12,384,318)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(183,231)
Bond issuance costs are reported as expenditures in the governmental funds in the year of the expenditure. The cost is \$178,495 and accumulated amortization is \$55,250.	<u>123,245</u>
Net Assets of Governmental Activities	<u>\$ 3,713,831</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, 2010

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUE:					
Local Sources:					
Local Tax Levy	\$ 11,231,250			\$ 779,298	\$ 12,010,548
Miscellaneous	45,597		\$ 10		45,607
Total - Local Sources	11,276,847		10	779,298	12,056,155
State Sources	3,343,016			249,082	3,592,098
Federal Sources		\$ 276,836			276,836
Total Revenue	14,619,863	276,836	10	1,028,380	15,925,089
EXPENDITURES:					
Current:					
Regular Instruction	3,546,629	37,397			3,584,026
Special Education Instruction	1,097,391	233,476			1,330,867
Other Instruction	256,571				256,571
School-Sponsored Instruction	60,873				60,873
Support Services and Undistributed Costs:					
Tuition	3,283,485				3,283,485
Student & Instruction Related Services	1,271,618				1,271,618
General Administrative Services	428,379				428,379
School Administrative Services	345,497				345,497
Central Services	196,662				196,662
Administration Information Technology	55,400				55,400
Plant Operations and Maintenance	983,248				983,248
Pupil Transportation	875,815				875,815

ANDOVER REGIONAL SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
EXPENDITURES:					
Support Services and Undistributed Costs:					
Allocated Benefits	\$ 1,637,989				\$ 1,637,989
Unallocated Benefits	772,449				772,449
Debt Service:					
Principal				\$ 525,000	525,000
Interest and Other Charges				504,668	504,668
Capital Outlay	70,484	\$ 5,963			76,447
Total Expenditures	14,882,490	276,836		1,029,668	16,188,994
OTHER FINANCING SOURCES/(USES)					
Transfers In				1,136	1,136
Transfers Out			\$ (1,136)		(1,136)
Total Other Financing Sources/(Uses)			(1,136)	1,136	
Net Change in Fund Balances	(262,627)		(1,126)	(152)	(263,905)
Fund Balance—July 1	466,505		4,574	152	471,231
Fund Balance—June 30	\$ 203,878	\$ -0-	\$ 3,448	\$ -0-	\$ 207,326

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, 2010

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ (263,905)

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

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

	Depreciation expense	\$ (414,280)	
	Capital outlays	<u>8,550</u>	
			(405,730)

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. (+) 38,160

Repayment of a capital lease is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities. (+) 6,874

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities. (+) 525,000

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. The decrease in accrued interest is an increase in the reconciliation. (+) 6,019

The governmental funds report the effect of issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. (-) (8,500)

\$ (102,082)

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

ANDOVER REGIONAL SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

NOT APPLICABLE

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

ANDOVER REGIONAL SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOT APPLICABLE

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

ANDOVER REGIONAL SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOT APPLICABLE

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

ANDOVER REGIONAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>
<u>ASSETS:</u>		
Cash and Cash Equivalents	\$ 44,846	\$ 86,357
Total Assets	<u>44,846</u>	<u>86,357</u>
<u>LIABILITIES:</u>		
Payroll Deductions and Withholdings Due to Student Groups	14,065 <u>30,781</u>	
Total Liabilities	<u>44,846</u>	
<u>NET ASSETS:</u>		
Held in Trust for Unemployment Claims		<u>86,357</u>
Total Net Assets	<u>\$ -0-</u>	<u>\$ 86,357</u>

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

ANDOVER REGIONAL SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Unemployment Compensation Trust</u>
Additions:	
Contributions:	
Board Contribution	\$ 50,000
Employee State Unemployment Insurance Deductions	<u>14,942</u>
Total Contributions	<u>64,942</u>
Investment Earnings:	
Interest	<u>266</u>
Net Investment Earnings	<u>266</u>
Total Additions	<u>65,208</u>
Deductions:	
State of New Jersey Unemployment Claims	<u>25,110</u>
Total Deductions	<u>25,110</u>
Change in Net Assets	40,098
Net Assets—Beginning of the Year	<u>46,259</u>
Net Assets—End of the Year	<u>\$ 86,357</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, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

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

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

District-Wide Financial Statements:

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

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

ANDOVER REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(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 all expendable financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the capital outlay subfund.

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 fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to current expense by Board resolution.

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

Capital Projects Fund: The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

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

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, 2010
(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.

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

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budgets are submitted to the County office and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting. 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 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 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.

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.

ANDOVER REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

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

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

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 14,627,043	\$ 298,631
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.		(21,795)
Prior Year State Aid Payment, not Recognized for Budgetary Purposes, Recognized for GAAP Statements	271,505	
State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(278,685)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 14,619,863</u>	<u>\$ 276,836</u>
	<u>General Fund</u>	<u>Special Revenue Fund</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 14,882,490	\$ 298,631
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.		<u>(21,795)</u>
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 14,882,490</u>	<u>\$ 276,836</u>

ANDOVER REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(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 source/uses in governmental funds and after non-operating revenues/expenses in the enterprise fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

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

G. Allowance for Uncollectible Accounts:

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

H. Encumbrances:

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

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

ANDOVER REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

H. Encumbrances:

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.

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.

ANDOVER REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

L. Long Term Liabilities:

In the government-wide and enterprise fund statements of net assets, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or enterprise funds. Bond issuance costs, as well as applicable bond premium and discounts, are reported as deferred charges and amortized over the term of the related debt using the straight-line method of amortization. In the fund financial statements, governmental fund types recognize bond discounts, as well as bond issuance costs, as expenditures in the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

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, 2010.

N. Compensated Absences:

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

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

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

O. Deferred Revenue:

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

P. Fund Balance Appropriated:

General Fund: Of the \$203,878 General Fund fund balance at June 30, 2010, \$1,925 is reserved for encumbrances; \$165,746 is reserved in the capital reserve account; \$9,869 is reserved as excess surplus in accordance with N.J.S.A. 18A:7F-7 as amended by P.L. 2004, c.73 (S1701) and will be appropriated and included as anticipated revenue for the year ended June 30, 2012; and \$26,338 is unreserved and undesignated which is \$278,685 less than the calculated maximum unreserved fund balance, on a GAAP basis, due to the last two state aid payments, which are not recognized until the fiscal year ended June 30, 2011.

ANDOVER REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

P. Fund Balance Appropriated:

Capital Projects Fund: The \$3,448 in Capital Projects Fund fund balance at June 30, 2010, is unreserved and undesignated.

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 Reserved 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 reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The excess fund balance at June 30, 2010 is \$9,869. The excess surplus at June 30, 2009 was \$240,925. Pursuant to the provisions of Executive Order No. 14, \$240,925 of that amount was approved by the Commissioner of the Department of Education for withdrawal to address any budget shortfall in the General Fund account group due to the 2009-2010 withholding of state aid.

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

Q. Net Assets:

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

R. Deficit in Net Assets

The District had a \$242,090 deficit in net assets from its governmental activities at June 30, 2010, primarily due to the accrual of \$123,245 of unamortized bond issuance costs, \$189,231 of accrued interest payable, and \$208,378 in compensated absences payable. This deficit does not indicate that the District is having financial difficulties and is permitted practice under generally accepted accounting principles.

ANDOVER REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

S. Fund Balance Reserves:

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. Fund balance reserves have been established for a capital reserve account, encumbrances, and excess surplus as defined by State law.

T. Revenue - Exchange and Nonexchange Transactions:

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

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

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

U. Operating Revenue and Expenses:

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

The District does not have an Enterprise Fund.

V. Management Estimates:

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

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

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

ANDOVER REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

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

Deposits:

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

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;

ANDOVER REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

Investments: (Cont'd)

- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund; or
- (7) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in statute; and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

As of June 30, 2010, cash and cash equivalents and investments of the District consisted of the following:

	<u>Cash and Cash Equivalents</u>	<u>Capital Reserve Account</u>	<u>Total</u>
Checking and Savings Accounts	\$ 178,457	\$ 165,746	\$ 344,203
New Jersey Cash Management Fund	67,503		67,503
New Jersey ARM	1,316		1,316
	<u>\$ 247,276</u>	<u>\$ 165,746</u>	<u>\$ 413,022</u>

During the period ended June 30, 2010, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2010, was \$413,022 and the bank balance was \$482,694. The \$67,503 with the New Jersey Cash Management Fund and the \$1,316 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, 2010
(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the Andover Regional School District by inclusion of \$1 on July 1, 2000 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line item appropriation amounts, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-5.1(d)7, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

Beginning Balance, July 1, 2009		\$	184,000
Transfer by Board Resolution - June 1, 2010			50,000
			234,000
Less: State Aid Withholding	\$	34,254	
2009/2010 Budgeted Withdrawal		34,000	
			68,254
Ending Balance, June 30, 2010		\$	165,746

The balance in the Capital Reserve at June 30, 2010 did not exceed the balance of local support costs of uncompleted projects in the District's LRFP

NOTE 5. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2010 were as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Adjustments/</u> <u>Decreases</u>	<u>Ending</u> <u>Balance</u>
Governmental Activities:				
Capital Assets not being Depreciated:				
Sites (Land)	\$ 265,016			\$ 265,016
Total Capital Assets not Being Depreciated	265,016			265,016
Capital Assets Being Depreciated:				
Buildings and Building Improvements	19,827,491			19,827,491
Machinery and Equipment	261,099	\$ 8,550		269,649
Total Capital Assets Being Depreciated	20,088,590	8,550		20,097,140
Governmental Activities Capital Assets	20,353,606	8,550		20,362,156
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(3,876,781)	(387,884)		(4,264,665)
Machinery and Equipment	(120,286)	(26,396)		(146,682)
Total Accumulated Depreciation	(3,997,067)	(414,280)		(4,411,347)
Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 16,356,539	\$ (405,730)	\$ -0-	\$ 15,950,809

ANDOVER REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 5. CAPITAL ASSETS (Cont'd)

Depreciation expense was charged to governmental functions as follows:

Unallocated	\$ 385,699
Instructional	25,943
Support/Administration	305
Maintenance / Custodial	<u>2,333</u>
	<u>\$ 414,280</u>

NOTE 6. TRANSFERS TO CAPITAL OUTLAY

During the fiscal year ended June 30, 2010, the school district had no transfers to the capital outlay accounts.

NOTE 7. OPERATING LEASES

The District had no operating leases in effect during the year ended June 30, 2010.

NOTE 8. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2010, the following changes occurred in liabilities reported in the district-wide financial statements:

	Balance June 30, 2009	Accrued	Retired	Balance June 30, 2010
Compensated Absences Payable	\$ 246,538	\$ 32,115	\$ 70,275	\$ 208,378
Serial Bonds Payable	12,699,000		525,000	12,174,000
Capital Leases Payable	<u>8,814</u>		<u>6,874</u>	<u>1,940</u>
	<u>\$ 12,954,352</u>	<u>\$ 32,115</u>	<u>\$ 602,149</u>	<u>\$ 12,384,318</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.

ANDOVER REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

A. Bonds Payable:

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

<u>Year</u>	<u>Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2011	\$ 540,000	\$ 488,618	\$ 1,028,618
2012	555,000	472,108	1,027,108
2013	575,000	453,163	1,028,163
2014	595,000	432,783	1,027,783
2015	620,000	412,535	1,032,535
2016-2020	3,460,000	1,691,897	5,151,897
2021-2025	4,200,000	924,124	5,124,124
2026-2030	1,629,000	223,613	1,852,613
	<u>\$ 12,174,000</u>	<u>\$ 5,098,841</u>	<u>\$ 17,272,841</u>

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

B. Bonds Authorized But Not Issued:

As of June 30, 2010, the Board has no bonds authorized but not issued.

C. Capital Leases Payable:

The District, in the 2006/2007 school year, entered into a lease for a 1 Ton Pickup Truck valued at \$33,800 of which \$31,860 has been amortized by year end. The following is a schedule of the future minimum lease payments under this capital lease, and the present value of the net minimum lease payments at June 30, 2010.

<u>Year</u>	<u>Amount</u>
2011	\$ 1,960
Less: Amount representing Interest	<u>(20)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 1,940</u>

The General Fund will be used to liquidate Capital Leases Payable.

D. 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 \$26,100. The long-term liability balance of compensated absences is \$182,278.

The General Fund will be used to liquidate Compensated Absences Payable.

ANDOVER REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

(Continued)

NOTE 9. PENSION PLANS

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey. These systems are sponsored and administered by the State of New Jersey. The TPAF is considered a cost-sharing, multiple employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Board and the system's other non-contribution employers. The PERS is also considered a cost-sharing, multiple-employer plan.

Employees who are members of TPAF or PERS and retire at or after age 55 are entitled to a retirement benefit based upon a formula which takes 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Vesting occurs after 8 to 10 years of service.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey regulation. Employee contributions are based on percentages of 5.50% for TPAF and 5.50% for PERS of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate.

The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits, and post-retirement medical premiums. Under current statute, the District is a noncontributing employer of the TPAF.

<u>Three-Year Trend for TPAF (Paid On-Behalf of District)</u>			
<u>Year Funding</u> <u>June 30,</u>	<u>Annual</u> <u>Pension Cost</u> <u>(APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
2010	\$ -0-	100.00%	\$ -0-
2009	-0-	100.00%	-0-
2008	355,403	100.00%	355,403

Effective July 1, 2003, Chapter 108, P.L. 2003 provides for a reduction or "phase-in" of the required pension contribution to PERS for local employers for State fiscal years 2005-2008. The local employer PERS normal and accrued liability contributions required for State fiscal years 2005-2008 were as follows:

- 20% for payments due in State fiscal year 2005
- Not more than 40% for payments due in State fiscal year 2006
- Not more than 60% for payments due in State fiscal year 2007
- Not more than 80% for payments due in State fiscal year 2008

ANDOVER REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

<u>Three-Year Trend for PERS</u>			
<u>Year Funding</u> <u>June 30,</u>	<u>Annual</u> <u>Pension Cost</u> <u>(APC)</u>	<u>Percentage of</u> <u>APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
2010	\$ 87,911	100.00%	\$ 87,911
2009	74,890	100.00%	74,890
2008	72,263	80.00%	57,810

The annual pension cost differs from the annual required contribution due to the enactment of Chapter 114, P.L. 1997.

NOTE 10. POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. Chapter 103 of Public Laws 2007 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2009, there were 84,590 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, of Public Laws 1994. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to Chapter 126 of Public Laws 1992, which provides free health benefits to members of PERS, TPAF and the Alternate Benefit Program who retired from a Board of Education or County College with 25 years of service. The State paid \$116.9 million toward Chapter 126 benefits for 13,320 eligible retired members in Fiscal Year 2009.

The State's on behalf Post Retirement Medical Contributions to TPAF for the District amounted to \$338,155, \$310,188, and \$338,903 for 2010, 2009, and 2008, respectively.

NOTE 11. RISK MANAGEMENT

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

Property and Liability

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

ANDOVER REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 11. RISK MANAGEMENT (Cont'd)

The Board is a member of the School Alliance Insurance Fund ("SAIF"). The SAIF provides its members with Workers' Compensation, Comprehensive General Liability and Automobile Liability, Property, Boiler and Machinery, and School Board Legal Liability Insurance. The SAIF is a risk-sharing fund that is both an insured and self-administered group of school districts 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 district for the purpose of creating a governing body from which officers for the SAIF are elected.

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

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

Selected financial information for the SAIF as of June 30, 2009 is as follows:

	<u>School Alliance Insurance Fund</u>
Total Assets	\$ 33,656,794
Net Assets	\$ 14,417,326
Total Revenue	\$ 28,042,089
Total Expenses	\$ 25,015,943
Change in Net Assets	\$ 3,026,146
Net Assets Distribution to Participating Members	\$ 3,005,614

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

Public Entity Group Administrative Services
51 Everett Drive
Suite B-40
West Windsor, NJ 08550
(609) 275-1155

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.

ANDOVER REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 11. RISK MANAGEMENT (Cont'd)

New Jersey Unemployment Compensation Insurance (Cont'd)

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

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions and Interest</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2009	\$ 50,000	\$ 15,208	\$ 25,110	\$ 86,357
2009	-0-	15,109	11,290	46,259
2008	-0-	14,668	7,590	42,440

NOTE 12. INTERFUND RECEIVABLES AND PAYABLES

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 142,272	
Special Revenue Fund		\$ 28,784
Capital Projects Fund		113,488
Debt Service Fund	47	47
	<u>\$ 142,319</u>	<u>\$ 142,319</u>

The interfund between the General Fund and the Capital Projects Fund represents a cash advance due to a delay in the collection of the final state aid payment from the School Development Authority. The interfund between the Capital Projects Fund and the Debt Service Fund represents the interest earned on the Capital Projects Fund due to the Debt Service Fund. The interfund between the General Fund and the Special Revenue Fund represents the deficit in cash due to the grant receivable in Special Revenue Fund. The interfund between the General Fund and the Debt Service Fund represents the deficit in cash due to the interfund receivable in the Debt Service Fund.

NOTE 13. ECONOMIC DEPENDENCY

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

ANDOVER REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 14. DEFERRED COMPENSATION

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

Lincoln National Insurance	Washington National Insurance
T Rowe Price	AXA Equitable
Putnam Investments	TIAA Cref
TransAmerica	VALIC

NOTE 15. TAX CALENDAR

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

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

NOTE 16. CONTINGENT LIABILITIES

Grant Programs

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

Litigation

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

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

Due to the deferral of a second state aid payment and state aid withholding, the District borrowed \$278,685 for cash flow purposes pursuant to N.J.S.A. 18A:22-44.2. The State remitted the two June state aid payments to the District in early July 2010. The State is responsible for any interest due on the short term loan.

BUDGETARY COMPARISON SCHEDULES

ANDOVER REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 11,231,250		\$ 11,231,250	\$ 11,231,250	
Miscellaneous	20,000		20,000	45,597	\$ 25,597
Total - Local Sources	11,251,250		11,251,250	11,276,847	25,597
State Sources:					
Categorical Transportation Aid	520,270		520,270	520,270	
Categorical Special Education Aid	444,290		444,290	444,290	
Categorical Security Aid	57,939		57,939	57,939	
Extraordinary Aid	31,541		31,541	43,442	11,901
Adjustment Aid	1,780,392		1,780,392	1,500,885	(279,507)
Nonpublic Transportation				10,921	10,921
On-Behalf TPAF Noncontributory Insurance (non-budgeted)				18,005	18,005
On-Behalf TPAF Post Retirement Medical Benefits (non-budgeted)				338,155	338,155
Reimbursed TPAF Social Security Contributions (non-budgeted)				416,289	416,289
Total State Sources	2,834,432		2,834,432	3,350,196	515,764
TOTAL REVENUES	14,085,682		14,085,682	14,627,043	541,361
EXPENDITURES:					
CURRENT EXPENSE					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	107,833		107,833	106,920	913
Grades 1-5 - Salaries of Teachers	1,716,964	(16,456)	1,700,508	1,700,508	
Grades 6-8 - Salaries of Teachers	1,262,657	109,798	1,372,455	1,372,455	

ANDOVER REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<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	\$ 48,441	\$ 7,996	\$ 56,437	\$ 51,101	\$ 5,336
Other Purchased Services (400-500 series)	18,500	(5,059)	13,441	13,441	
General Supplies	297,914	(30,518)	267,396	249,880	17,516
Textbooks	59,000	(6,643)	52,357	52,324	33
Other Objects	1,388		1,388		1,388
Total Regular Programs - Instruction	3,512,697	59,118	3,571,815	3,546,629	25,186
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	342,705	(43,605)	299,100	299,100	
Other Salaries for Instruction	45,707	22,033	67,740	67,417	323
General Supplies	8,470		8,470	6,908	1,562
Total Learning and/or Language Disabilities	396,882	(21,572)	375,310	373,425	1,885
Resource Room/Resource Center:					
Salaries of Teachers	443,001	112,316	555,317	555,317	
General Supplies	10,848	(4,263)	6,585	6,211	374
Total Resource Room/Resource Center	453,849	108,053	561,902	561,528	374
Autism:					
Salaries of Teachers	109,360	(58,918)	50,442	50,442	
Other Salaries for Instruction	19,795	(7,462)	12,333	12,333	
General Supplies	1,271	(1,271)			
Total Autism	130,426	(67,651)	62,775	62,775	

ANDOVER REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Preschool Disabilities - Part Time:					
Salaries of Teachers	\$ 57,864	\$ 7,860	\$ 65,724	\$ 65,685	\$ 39
Other Salaries for Instruction	36,147	(5,071)	31,076	31,076	
General Supplies	2,845	57	2,902	2,902	
Total Preschool Disabilities - Part Time	96,856	2,846	99,702	99,663	39
Total Special Education Instruction	1,078,013	21,676	1,099,689	1,097,391	2,298
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	185,359	4,212	189,571	189,571	
Other Salaries for Instruction	32,834	8,190	41,024	41,024	
General Supplies	2,722		2,722	2,284	438
Total Basic Skills/Remedial - Instruction	220,915	12,402	233,317	232,879	438
Bilingual Education - Instruction:					
Salaries of Teachers	25,330	(2,154)	23,176	23,176	
General Supplies	1,917		1,917	516	1,401
Total Bilingual Education - Instruction	27,247	(2,154)	25,093	23,692	1,401
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	20,550	8,985	29,535	29,535	
Purchased Services (300-500 series)	5,250	(5,250)			
Supplies and Materials	4,500	(3,492)	1,008	1,007	1
Other Objects	9,500	(9,070)	430	430	
Total School-Sponsored Cocurricular Activities - Instruction	39,800	(8,827)	30,973	30,972	1

ANDOVER REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	\$ 22,305	\$ 5,325	\$ 27,630	\$ 27,630	
Purchased Services (300-500 series)	4,000	(2,609)	1,391	1,391	
Supplies and Materials	2,003	(1,123)	880	880	
Total School-Sponsored Cocurricular Athletics - Instruction	28,308	1,593	29,901	29,901	
Total Instruction	4,906,980	83,808	4,990,788	4,961,464	\$ 29,324
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Regular	2,821,090	3,200	2,824,290	2,824,290	
Tuition to Other LEAs Within the State - Special	346,487	(59,001)	287,486	287,486	
Tuition to Private Schools for the Handicapped - Within State	197,533	(25,824)	171,709	171,709	
Total Undistributed Expenditures - Instruction:	3,365,110	(81,625)	3,283,485	3,283,485	
Attendance & Social Work:					
Salaries	83,254	2,101	85,355	85,355	
Purchased Professional and Technical Services	15,948		15,948	15,863	85
Other Purchased Services (400-500 series)	850		850	850	
Total Attendance & Social Work	100,052	2,101	102,153	102,068	85
Health Services:					
Salaries	152,385	899	153,284	153,284	
Purchased Professional and Technical Services	9,000		9,000	8,814	186
Other Purchased Services (400-500 series)	7,700	(7,400)	300	300	
Supplies and Materials	2,745		2,745	2,743	2
Other Objects	750	(449)	301	271	30
Total Health Services	172,580	(6,950)	165,630	165,412	218

ANDOVER REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Other Support Services - Students - Related Services:					
Salaries	\$ 155,235	\$ 27,256	\$ 182,491	\$ 182,491	
Supplies and Materials	4,373	(450)	3,923	2,876	\$ 1,047
Total Other Support Services - Students - Related Services	159,608	26,806	186,414	185,367	1,047
Other Support Services - Students - Extraordinary Services:					
Purchased Services (300-500 series)	95,000	(5,962)	89,038	88,135	903
Total Other Support Services - Students - Extraordinary Services	95,000	(5,962)	89,038	88,135	903
Other Support Services - Students - Regular Services:					
Salaries of Other Professional Staff	138,226	628	138,854	138,854	
Other Purchased Services (400-500 series)	22,700	(17,302)	5,398	5,398	
Supplies and Materials	1,471		1,471	1,464	7
Other Objects	2,850		2,850	2,282	568
Total Other Support Services - Students - Regular Services	165,247	(16,674)	148,573	147,998	575
Other Support Services - Students - Special Services:					
Salaries of Other Professional Staff	223,017	(2,317)	220,700	220,700	
Salaries of Secretarial and Clerical Assistants	21,680	4,424	26,104	26,104	
Miscellaneous Purchased Services (400-500 series)	11,000		11,000	10,952	48
Supplies and Materials	5,342		5,342	5,342	
Other Objects	1,955		1,955	1,924	31
Total Other Support Services - Students - Special Services	262,994	2,107	265,101	265,022	79

ANDOVER REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Improvement of Instructional Services:					
Salaries of Supervisor of Instruction	\$ 91,099	\$ (4,000)	\$ 87,099	\$ 86,759	\$ 340
Other Salaries	5,000	1,498	6,498	6,498	
Other Purchased Services (400-500)	18,350	(17,110)	1,240		1,240
Supplies and Materials	11,400	4,151	15,551	13,351	2,200
Other Objects		7,400	7,400	6,397	1,003
Total Improvement of Instructional Services	125,849	(8,061)	117,788	113,005	4,783
Educational Media Services/School Library:					
Salaries	156,602	2,700	159,302	159,302	
Salaries of Technology Coordinators	17,350	(1,856)	15,494	15,494	
Purchased Professional and Technical Services	5,150		5,150	5,150	
Other Purchased Services (400-500 series)	1,000		1,000	709	291
Supplies and Materials	24,550	(1,272)	23,278	22,063	1,215
Other Objects	2,850		2,850	1,893	957
Total Educational Media Services/School Library	207,502	(428)	207,074	204,611	2,463
Support Services - General Administration:					
Salaries	213,130	(1,004)	212,126	211,327	799
Legal Services	10,000	7,432	17,432	17,432	
Audit Fees	34,500	425	34,925	34,925	
Other Purchased Professional Services	2,000	(2,000)			
Purchased Technical Services	11,448		11,448	11,448	
Communications/Telephone	67,158	(10,774)	56,384	56,348	36
Other Purchased Services (400-500 series)	72,850	(12,642)	60,208	60,114	94
General Supplies	4,000	509	4,509	4,509	
Miscellaneous Expenditures	12,030	12,216	24,246	24,109	137
BOE Membership Dues and Fees	8,470	(249)	8,221	8,167	54
Total Support Services - General Administration	435,586	(6,087)	429,499	428,379	1,120

ANDOVER REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	\$ 251,514	\$ 2,034	\$ 253,548	\$ 253,548	
Salaries of Secretarial and Clerical Assistants	50,986	9,860	60,846	60,846	
Purchased Professional and Technical Services	12,300	(8,720)	3,580	3,069	\$ 511
Other Purchased Services (400-500 series)	23,000	(478)	22,522	22,522	
Supplies and Materials	3,570	(11)	3,559	3,350	209
Other Objects	4,000	(1,252)	2,748	2,162	586
Total Support Services - School Administration	345,370	1,433	346,803	345,497	1,306
Central Services:					
Salaries	166,642	7,224	173,866	173,866	
Purchased Professional Services	4,000		4,000	2,925	1,075
Miscellaneous Purchased Services (400-500 series)	15,350		15,350	15,350	
Supplies and Materials	3,000	250	3,250	3,246	4
Miscellaneous Expenditures	3,350	(1,992)	1,358	1,275	83
Total Central Services	192,342	5,482	197,824	196,662	1,162
Administration Information Technology:					
Salaries	25,000	21,442	46,442	46,442	
Purchased Technical Services	8,900		8,900	8,900	
Supplies and Materials	3,675	(3,617)	58	58	
Total Administration Information Technology	37,575	17,825	55,400	55,400	
Required Maintenance of School Facilities:					
Salaries	72,953	625	73,578	73,578	
Cleaning, Repair and Maintenance Services	54,500	574	55,074	55,074	
Other Purchased Property Services		15,150	15,150	15,150	
Total Required Maintenance of School Facilities	127,453	16,349	143,802	143,802	

ANDOVER REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Other Operations & Maintenance of Plant:					
Salaries	\$ 315,195	\$ (8,999)	\$ 306,196	\$ 306,196	
Salaries of Non-Instructional Aides	35,000	4,965	39,965	39,965	
Purchased Professional and Technical Services	57,293	75,079	132,372	132,372	
Cleaning, Repair and Maintenance Services	5,000	(169)	4,831	4,831	
Other Purchased Property Services	24,750	980	25,730	25,730	
Insurance	27,180	(22,248)	4,932	4,932	
Miscellaneous Purchased Services	20,500	(1,605)	18,895	18,695	\$ 200
General Supplies	54,000	(16,196)	37,804	37,804	
Energy (Heat and Electricity)	346,932	(78,011)	268,921	268,921	
Total Other Operations & Maintenance of Plant	885,850	(46,204)	839,646	839,446	200
Student Transportation Services:					
Salaries for Pupil Transportation:					
Between Home and School - Regular	17,500	(1,020)	16,480	16,480	
Between Home and School - Special	17,662	(439)	17,223	17,038	185
Management Fee - ESC & CTSA Transportation Program	7,315		7,315	7,315	
Other Purchased Professional and Technical Services	2,000		2,000	2,000	
Contracted Services:					
Between Home and School - Vendors	722,955	(353)	722,602	722,388	214
Other Between Home and School - Vendors	10,200	5,420	15,620	15,620	
Between Home and School - Joint Agreements	8,006		8,006	8,006	
Special Education Students - Vendors	160,900	(95,283)	65,617	65,617	
Aid in Lieu Payments - Nonpublic School	21,456	(2,008)	19,448	19,448	
Supplies and Materials	6,200	(3,395)	2,805	1,903	902
Total Student Transportation Services	974,194	(97,078)	877,116	875,815	1,301

ANDOVER REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Allocated Benefits - Regular Instruction:					
Social Security Contributions	\$ 144,940	\$ (30,543)	\$ 114,397	\$ 114,397	
Other Retirement Contributions	100,911	(13,000)	87,911	87,911	
Unemployment Compensation		50,000	50,000	50,000	
Workmen's Compensation	74,882	(33,567)	41,315	41,315	
Health Benefits	600,000	165,807	765,807	765,807	
Tuition Reimbursement	35,000		35,000	34,963	\$ 37
Total Allocated Benefits - Regular Instruction	955,733	138,697	1,094,430	1,094,393	37
Allocated Health Benefits:					
Special Education	39,120		39,120	39,120	
Attendance & Social Work	22,500		22,500	22,500	
Health Services	25,000		25,000	25,000	
Other Support Services - Students - Related Services	36,000		36,000	36,000	
Other Support Services - Students - Regular	21,000		21,000	21,000	
Other Support Services - Students - Special	72,000		72,000	72,000	
Improvement of Instruction Services	18,000		18,000	18,000	
Educational Media Services/School Library	42,000		42,000	42,000	
Support Services - General Administration	14,255		14,255	14,255	
Support Services - School Administration	41,000		41,000	41,000	
Central Services	26,000		26,000	26,000	
Other Operations & Maintenance of Plant	178,000		178,000	178,000	
Student Transportation Services	8,721		8,721	8,721	
Total Allocated Health Benefits	543,596		543,596	543,596	
Total Allocated Benefits	1,499,329	138,697	1,638,026	1,637,989	37

ANDOVER REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Employee Benefits:					
On-Behalf TPAF Non-Contributory Insurance (non-budgeted)				\$ 18,005	\$ (18,005)
On-Behalf TPAF Post Retirement Medical Benefits (non-budgeted)				338,155	(338,155)
Reimbursed TPAF Social Security Contributions (non-budgeted)				416,289	(416,289)
Total Unallocated Benefits				<u>772,449</u>	<u>(772,449)</u>
Total Undistributed Expenses	<u>\$ 9,151,641</u>	<u>\$ (58,269)</u>	<u>\$ 9,093,372</u>	<u>9,850,542</u>	<u>(757,170)</u>
TOTAL GENERAL CURRENT EXPENSE	<u>14,058,621</u>	<u>25,539</u>	<u>14,084,160</u>	<u>14,812,006</u>	<u>(727,846)</u>
CAPITAL OUTLAY					
Instruction:					
Grades 1-5	17,500	(5,266)	12,234	12,234	
Grades 6-8	17,500		17,500	17,500	
Undistributed Expenditures:					
Non-Instructional Equipment	<u>41,858</u>	<u>(1,108)</u>	<u>40,750</u>	<u>40,750</u>	
Total Equipment	<u>76,858</u>	<u>(6,374)</u>	<u>70,484</u>	<u>70,484</u>	
TOTAL CAPITAL OUTLAY	<u>76,858</u>	<u>(6,374)</u>	<u>70,484</u>	<u>70,484</u>	
Transfer of Funds to Charter Schools	<u>19,165</u>	<u>(19,165)</u>			
TOTAL EXPENDITURES	<u>14,154,644</u>		<u>14,154,644</u>	<u>14,882,490</u>	<u>(727,846)</u>

ANDOVER REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<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 Over/(Under) Expenditures	\$ (68,962)		\$ (68,962)	\$ (255,447)	\$ (186,485)
Fund Balance, July 1	738,010		738,010	738,010	
Fund Balance, June 30	<u>\$ 669,048</u>	<u>\$ -0-</u>	<u>\$ 669,048</u>	<u>\$ 482,563</u>	<u>\$ (186,485)</u>

Recapitulation:

Reserve for Encumbrances	\$ 1,925
Excess Surplus	9,869
Capital Reserve	165,746
Unreserved/Undesignated	<u>305,023</u>
	482,563
Reconciliation to Governmental Funds Statements (GAAP):	
Last State Aid Payment not Recognized on GAAP Basis	<u>(278,685)</u>
Fund Balance per Governmental Funds (GAAP)	<u>\$ 203,878</u>

ANDOVER REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenue:					
Federal Sources	\$ 205,000	\$ 155,174	\$ 360,174	\$ 298,631	\$ (61,543)
Total Revenue	205,000	155,174	360,174	298,631	(61,543)
Expenditures:					
Instruction:					
Other Salaries of Instruction		5,336	5,336	5,336	
Purchased Professional/Technical Services		141,674	141,674	125,654	16,020
Other Purchased Services (400-500 series)		3,719	3,719	3,719	
Tuition	175,000	(58,958)	116,042	83,407	32,635
General Supplies	30,000	(21,099)	8,901	8,567	334
Total Instruction	205,000	70,672	275,672	226,683	48,989
Support Services:					
Salaries of Secretarial and Clerical Assistants		24,700	24,700	15,945	8,755
Personal Services - Employee Benefits		471	471		471
Purchased Professional/Technical Services		52,852	52,852	49,561	3,291
Supplies and Materials		479	479	479	
Total Support Services		78,502	78,502	65,985	12,517
Facilities Acquisition and Construction:					
Instructional Equipment		6,000	6,000	5,963	37
Total Facilities Acquisition and Construction		6,000	6,000	5,963	37
Total Expenditures	205,000	155,174	360,174	298,631	61,543
Excess/(Deficiency) of Revenue Over/(Under) Expenditures	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

ANDOVER REGIONAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 14,627,043	\$ 298,631
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.		(21,795)
Prior Year State Aid Payment Not Recognized for Budgetary Purposes, Recognized for GAAP Statements	271,505	
State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(278,685)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	\$ 14,619,863	\$ 276,836
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 14,882,490	\$ 298,631
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.		(21,795)
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 14,882,490	\$ 276,836

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the County office and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting. 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). 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 or the annual budgets during the year).

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception for 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 state aid payment for the current year. Since the State is recording the last state aid payment in the subsequent fiscal year, the District cannot recognize this payment 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, 2010

	No Child Left Behind				
	Carryover Title I	Title I	Title II Part A	Title II Part D	Title IV
REVENUE:					
Federal Sources	\$ 7,149	\$ 20,427	\$ 17,328	\$ 204	\$ 1,197
Total Revenue	<u>7,149</u>	<u>20,427</u>	<u>17,328</u>	<u>204</u>	<u>1,197</u>
EXPENDITURES:					
Instruction:					
Other Salaries of Instruction		5,336			
Purchased Professional/Technical Services	2,680				
Other Purchased Services (400-500 series)	2,844	875			
Tuition					
General Supplies		7,166		204	1,197
Total Instruction	<u>5,524</u>	<u>13,377</u>		<u>204</u>	<u>1,197</u>
Support Services:					
Salaries of Secretarial and Clerical Assistants					
Purchased Professional/Technical Services	1,625	1,087	16,849		
Supplies and Materials			479		
Total Support Services	<u>1,625</u>	<u>1,087</u>	<u>17,328</u>		
Facilities Acquisition and Construction:					
Instructional Equipment		5,963			
Total Facilities Acquisition and Construction		<u>5,963</u>			
Total Expenditures	<u>\$ 7,149</u>	<u>\$ 20,427</u>	<u>\$ 17,328</u>	<u>\$ 204</u>	<u>\$ 1,197</u>

ANDOVER REGIONAL SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	IDEA Part B Basic	IDEA Part B Preschool	American Recovery and Reinvestment Act IDEA Part B Basic	Totals June 30, 2010
REVENUE:				
Federal Sources	\$ 178,345	\$ 5,036	\$ 68,945	\$ 298,631
Total Revenue	<u>178,345</u>	<u>5,036</u>	<u>68,945</u>	<u>298,631</u>
EXPENDITURES:				
Instruction:				
Other Salaries of Instruction				5,336
Purchased Professional/Technical Services	84,938	5,036	33,000	125,654
Other Purchased Services (400-500 series)				3,719
Tuition	83,407			83,407
General Supplies				8,567
Total Instruction	<u>168,345</u>	<u>5,036</u>	<u>33,000</u>	<u>226,683</u>
Support Services:				
Salaries of Secretarial and Clerical Assistants	10,000		5,945	15,945
Purchased Professional/Technical Services			30,000	49,561
Supplies and Materials				479
Total Support Services	<u>10,000</u>		<u>35,945</u>	<u>65,985</u>
Facilities Acquisition and Construction:				
Instructional Equipment				5,963
Total Facilities Acquisition and Construction				<u>5,963</u>
Total Expenditures	<u>\$ 178,345</u>	<u>\$ 5,036</u>	<u>\$ 68,945</u>	<u>\$ 298,631</u>

CAPITAL PROJECTS FUND

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, 2010

Revenue:		
Interest Earned	\$	10
Total Revenues		<u>10</u>
Excess/(Deficiency) of Revenue Over/(Under) Expenditures		10
Other Financing Sources/(Uses):		
Operating Transfers Out:		
Debt Service Fund - Project Proceeds		(1,126)
Interest Earned in Capital Projects Fund		<u>(10)</u>
Total Other Financing Sources/(Uses)		<u>(1,136)</u>
Excess/(Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing (Uses)		(1,126)
Fund Balance - Beginning Balance		<u>4,574</u>
Fund Balance - Ending Balance	\$	<u><u>3,448</u></u>

ANDOVER REGIONAL SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS
BUDGETARY BASIS
RENOVATION OF FLORENCE M. BURD AND LONG POND SCHOOLS
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010

	Prior Periods	Current Year	Total	Revised Authorized Cost
Revenue and Other Financing Sources:				
SDA Grant - Long Pond School	\$ 138,956		\$ 138,956	\$ 138,956
SDA Grant - Florence M. Burd School	2,562,265		2,562,265	2,562,265
Bond Proceeds	5,519,000		5,519,000	5,519,000
Total Revenue and Other Financing Sources	<u>8,220,221</u>		<u>8,220,221</u>	<u>8,220,221</u>
Expenditures and Other Financing Uses:				
Purchased Professional and Technical Services	1,054,214		1,054,214	1,056,853
Legal Services	26,956		26,956	27,000
Construction Services	6,236,746		6,236,746	6,237,000
Other Objects	897,731		897,731	897,868
Transfer to Debt Service Fund		\$ 1,126	1,126	1,500
Total Expenditures and Other Financing Uses	<u>8,215,647</u>	<u>1,126</u>	<u>8,216,773</u>	<u>8,220,221</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over/ (Under) Expenditures and Other Financing Uses	<u>\$ 4,574</u>	<u>\$ (1,126)</u>	<u>\$ 3,448</u>	<u>\$ -0-</u>

Additional Project Information:

Project Numbers	0090-010-01-1000 and 0090-040-04-1000
Grant Date	1/1/2005
Bond Authorization Date	2/1/2005
Bonds Authorized	\$ 5,519,000
Bonds Issued	5,519,000
Original Authorized Cost	8,220,221
Additional Authorized Cost	-0-
Revised Authorized Cost	8,220,221
Percentage Increase over Original Authorized Cost	0%
Percentage Completion	100%
Original Target Completion Date	07/01/07
Revised Target Completion Date	09/01/07

PROPRIETARY FUNDS
(NOT APPLICABLE)

FIDUCIARY FUNDS

ANDOVER REGIONAL SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2010

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Total</u>
<u>ASSETS:</u>			
Cash and Cash Equivalents	\$ 44,847	\$ 86,357	\$ 131,204
Total Assets	<u>44,847</u>	<u>86,357</u>	<u>131,204</u>
<u>LIABILITIES:</u>			
Liabilities:			
Payroll Deductions and Withholdings	14,065		14,065
Due to Student Groups	<u>30,782</u>		<u>30,782</u>
Total Liabilities	<u>44,847</u>		<u>44,847</u>
<u>NET ASSETS:</u>			
Held in Trust for Unemployment Claims		<u>86,357</u>	<u>86,357</u>
Total Net Assets	<u>\$ -0-</u>	<u>\$ 86,357</u>	<u>\$ 86,357</u>

ANDOVER REGIONAL SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF CHANGE IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Unemployment Compensation Trust</u>	<u>Totals</u>
Additions:		
Contributions:		
Board Contribution	\$ 50,000	\$ 50,000
Employee State Unemployment Insurance Deductions	14,942	14,942
	<u>64,942</u>	<u>64,942</u>
Investment Earnings:		
Interest	266	266
	<u>266</u>	<u>266</u>
	<u>65,208</u>	<u>65,208</u>
Deductions:		
State of New Jersey Unemployment Claims	25,110	25,110
	<u>25,110</u>	<u>25,110</u>
	40,098	40,098
Net Assets—Beginning of the Year	<u>46,259</u>	<u>46,259</u>
Net Assets—End of the Year	<u><u>\$ 86,357</u></u>	<u><u>\$ 86,357</u></u>

ANDOVER REGIONAL SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 28,309	\$ 162,915	\$ 160,442	\$ 30,782
Total Assets	<u>\$ 28,309</u>	<u>\$ 162,915</u>	<u>\$ 160,442</u>	<u>\$ 30,782</u>
 <u>LIABILITIES:</u>				
Due to Student Groups	\$ 28,309	\$ 162,915	\$ 160,442	\$ 30,782
Total Liabilities	<u>\$ 28,309</u>	<u>\$ 162,915</u>	<u>\$ 160,442</u>	<u>\$ 30,782</u>

ANDOVER REGIONAL SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2010</u>
Elementary Schools:				
Florence M. Burd	\$ 7,614	\$ 24,888	\$ 26,864	\$ 5,638
Middle Schools:				
Long Pond	<u>20,695</u>	<u>138,027</u>	<u>133,578</u>	<u>25,144</u>
Total All Schools	<u>\$ 28,309</u>	<u>\$ 162,915</u>	<u>\$ 160,442</u>	<u>\$ 30,782</u>

ANDOVER REGIONAL SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 59,020	\$ 7,471,742	\$ 7,516,697	\$ 14,065
Total Assets	<u>\$ 59,020</u>	<u>\$ 7,471,742</u>	<u>\$ 7,516,697</u>	<u>\$ 14,065</u>
 <u>LIABILITIES:</u>				
Payroll Deduction and Withholdings	\$ 59,020	\$ 7,471,742	\$ 7,516,697	\$ 14,065
Total Liabilities	<u>\$ 59,020</u>	<u>\$ 7,471,742</u>	<u>\$ 7,516,697</u>	<u>\$ 14,065</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, 2010		Interest Rate	Balance July 1, 2009	Retired or Matured	Balance June 30, 2010
			Date	Amount				
Refunding School Bonds	1/22/2004	\$ 8,410,000	2/15/2011	\$ 385,000	3.000%			
			2/15/2012	395,000	3.500%			
			2/15/2013	405,000	3.500%			
			2/15/2014	420,000	3.300%			
			2/15/2015	435,000	3.500%			
			2/15/2016	450,000	3.625%			
			2/15/2017	465,000	3.750%			
			2/15/2018	475,000	3.875%			
			2/15/2019	500,000	4.000%			
			2/15/2020	515,000	4.000%			
			2/15/2021	535,000	4.125%			
			2/15/2022	550,000	4.250%			
			2/15/2023	575,000	4.300%			
			2/15/2024	600,000	4.375%			
			2/15/2025	630,000	4.400%			
School District Bonds	2/1/2005	5,519,000	2/15/2011	155,000	3.200%			
			2/15/2012	160,000	3.200%			
			2/15/2013	170,000	3.650%			
			2/15/2014	175,000	3.650%			
			2/15/2015	185,000	4.000%			
			2/15/2016	195,000	4.000%			
			2/15/2017	200,000	4.200%			
			2/15/2018	210,000	4.200%			
2/15/2019	220,000	4.200%						

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

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding June 30, 2010		Interest Rate	Balance July 1, 2009	Retired or Matured	Balance June 30, 2010
			Date	Amount				
School District Bonds	2/1/2005	\$ 5,519,000	2/15/2020	\$ 230,000	4.250%			
			2/15/2021	240,000	4.250%			
			2/15/2022	250,000	4.300%			
			2/15/2023	260,000	4.300%			
			2/15/2024	275,000	4.350%			
			2/15/2025	285,000	4.350%			
			2/15/2026	300,000	4.450%			
			2/15/2027	310,000	4.450%			
			2/15/2028	325,000	4.450%			
			2/15/2029	340,000	4.450%			
			2/15/2030	354,000	4.450%			
					\$ 4,989,000	\$ 150,000	\$ 4,839,000	
					<u>\$ 12,699,000</u>	<u>\$ 525,000</u>	<u>\$ 12,174,000</u>	

ANDOVER REGIONAL SCHOOL DISTRICT
GENERAL LONG-TERM DEBT ACCOUNT GROUP
STATEMENT OF OBLIGATIONS UNDER CAPITAL LEASES
FISCAL YEAR ENDED JUNE 30, 2010

<u>Purpose</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Balance July 1, 2009</u>	<u>Matured</u>	<u>Balance June 30, 2010</u>
2006 Purchase of 1-Ton Pickup Truck	6.000%	\$ 33,800	\$ 8,814	\$ 6,874	\$ 1,940
			<u>\$ 8,814</u>	<u>\$ 6,874</u>	<u>\$ 1,940</u>

ANDOVER REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<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	\$ 779,298		\$ 779,298	\$ 779,298	
State Sources:					
Debt Service Aid Type II	249,082		249,082	249,082	
Total Revenue	<u>1,028,380</u>		<u>1,028,380</u>	<u>1,028,380</u>	
EXPENDITURES:					
Regular Debt Service:					
Redemption of Principal	525,000		525,000	525,000	
Interest	504,668		504,668	504,668	
Total Regular Debt Service	<u>1,029,668</u>		<u>1,029,668</u>	<u>1,029,668</u>	
Total Expenditures	<u>1,029,668</u>		<u>1,029,668</u>	<u>1,029,668</u>	
Excess/(Deficiency) of Revenue Over/(Under) Expenditures	<u>(1,288)</u>		<u>(1,288)</u>	<u>(1,288)</u>	
Other Financing Sources:					
Operating Transfers In:					
Capital Projects Fund - Project Proceeds	1,126		1,126	1,126	
Interest Earned in Capital Projects Fund	10		10	10	
Total Other Financing Sources	<u>1,136</u>		<u>1,136</u>	<u>1,136</u>	
Excess/(Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures	<u>(152)</u>		<u>(152)</u>	<u>(152)</u>	
Fund Balance, July 1	<u>152</u>		<u>152</u>	<u>152</u>	
Fund Balance, June 30	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

STATISTICAL SECTION

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

Contents

Exhibit

Financial Trends

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

J-1 thru J-5

Revenue Capacity

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

J-6 thru J-9

Debt Capacity

These schedules present information to help the reader assess the affordability of the School's current levels of outstanding debt and the School's ability to issue additional debt in the future.

J-10 thru J-13

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the School's financial activities take place and to help make comparisons over time and with other governments.

J-14 thru J-15

Operating Information

These schedules contain information about the School's operations and resources to help the reader understand how the School's financial information relates to the services the School provides and the activities it performs.

J-16 thru J-20

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year. The School implemented GASB Statement 34 in a previous fiscal year. Schedules presenting government-wide information include information beginning in the fiscal year ended June 30, 2005.

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

	Fiscal Year Ending June 30,					
	2005	2006	2007	2008	2009	2010
Governmental Activities:						
Invested in Capital Assets, Net of Related Debt	\$ (4,153,891)	\$ 504,325	\$ 3,381,001	\$ 3,426,915	\$ 3,648,725	\$ 3,774,869
Restricted	5,556,227	820,770	176,815	259,807	464,613	180,988
Unrestricted/(Deficit)	(88,042)	(95,620)	(107,539)	(131,331)	(297,425)	(242,026)
Total Governmental Activities Net Assets	<u>\$ 1,314,294</u>	<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>
District-Wide:						
Invested in Capital Assets, Net of Related Debt	\$ (4,153,891)	\$ 504,325	\$ 3,381,001	\$ 3,426,915	\$ 3,648,725	\$ 3,774,869
Restricted	5,556,227	820,770	176,815	259,807	464,613	180,988
Unrestricted/(Deficit)	(88,042)	(95,620)	(107,539)	(131,331)	(297,425)	(242,026)
Total District Net Assets	<u>\$ 1,314,294</u>	<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>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School District Financial Reports

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

	Fiscal Year Ending June 30,					
	2005	2006	2007	2008	2009	2010
Expenses:						
Governmental Activities:						
Instruction:						
Regular	\$ 4,292,691	\$ 4,349,238	\$ 4,984,965	\$ 4,990,504	\$ 4,673,864	\$ 4,949,245
Special Education	915,907	1,056,706	1,143,592	1,110,096	1,489,794	1,570,687
Other Special Education	181,812	227,972	258,345	253,562	301,600	355,444
School-Sponsored Instruction	50,941	45,730	55,196	49,549	86,439	75,533
Support Services:						
Tuition	3,503,198	3,530,722	3,473,191	3,306,613	3,001,669	3,283,485
Student & Instruction Related Services	1,073,599	1,207,612	1,323,934	1,419,631	1,503,440	1,593,454
General Administrative Services	472,191	399,024	452,511	448,001	494,226	448,732
School Administrative Services	442,993	459,875	500,857	516,630	411,014	440,301
Central Services	219,367	254,558	260,309	275,159	240,249	219,333
Administrative Information Technology	57,104	46,259	46,735	37,156	42,674	67,310
Plant Operations And Maintenance	852,232	835,826	935,854	1,112,292	1,200,693	1,176,924
Pupil Transportation	797,935	789,978	806,311	875,011	916,604	885,978
Food Service		949	2,814	1,687	1,500	
Capital Outlay		215		85,764	42,662	67,897
Unallocated Depreciation	269,345	259,518	242,886	460,328	286,084	385,699
Interest On Long-Term Debt	458,463	580,033	605,230	541,320	522,718	507,149
Charter Schools	8,744	25,914	17,903	17,028	17,842	
Total Governmental Activities Expenses	\$ 13,596,522	\$ 14,070,129	\$ 15,110,633	\$ 15,500,331	\$ 15,233,072	\$ 16,027,171

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

	Fiscal Year Ending June 30,					
	2005	2006	2007	2008	2009	2010
Program Revenues:						
Governmental Activities:						
Charges For Services	\$ 31,545	\$ 27,744	\$ 20,219			
Operating Grants and Contributions	1,961,220	2,080,733	2,461,780	\$ 2,428,935	\$ 1,918,065	\$ 2,058,339
Capital Grants and Contributions	13,506		2,434,122	253,593		
Total Governmental Activities Program Revenues	<u>\$ 2,006,271</u>	<u>\$ 2,108,477</u>	<u>\$ 4,916,121</u>	<u>\$ 2,682,528</u>	<u>\$ 1,918,065</u>	<u>\$ 2,058,339</u>
Total District-Wide Net Expense	<u>\$ (11,590,251)</u>	<u>\$ (11,961,652)</u>	<u>\$ (10,194,512)</u>	<u>\$ (12,817,803)</u>	<u>\$ (13,315,007)</u>	<u>\$ (13,968,832)</u>
General Revenues and Other Changes in Net Assets:						
Governmental Activities:						
Property Taxes Levied for General Purposes, Net	\$ 9,249,097	\$ 9,111,988	\$ 9,854,369	\$ 10,383,923	\$ 10,799,280	\$ 11,231,250
Taxes Levied for Debt Service	441,407	667,328	688,964	627,066	771,241	779,298
Federal and State Aid not Restricted	1,764,815	1,886,794	1,775,185	1,878,820	1,971,826	1,810,595
Miscellaneous Income	121,807	210,723	96,796	33,108	33,182	45,607
Total Governmental Activities	<u>11,577,126</u>	<u>11,876,833</u>	<u>12,415,314</u>	<u>12,922,917</u>	<u>13,575,529</u>	<u>13,866,750</u>
Change in Net Assets:						
Governmental Activities	<u>(13,125)</u>	<u>(84,819)</u>	<u>2,220,802</u>	<u>105,114</u>	<u>260,522</u>	<u>(102,082)</u>
Total District	<u>\$ (13,125)</u>	<u>\$ (84,819)</u>	<u>\$ 2,220,802</u>	<u>\$ 105,114</u>	<u>\$ 260,522</u>	<u>\$ (102,082)</u>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School District Financial Reports

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

	Fiscal Year Ending June 30,					
	2005	2006	2007	2008	2009	2010
General Fund:						
Reserved	\$ 670,725	\$ 484,376	\$ 218,480	\$ 253,945	\$ 459,887	\$ 177,540
Unreserved	283,474	144,283	148,492	138,311	6,618	26,338
Total General Fund	<u>\$ 954,199</u>	<u>\$ 628,659</u>	<u>\$ 366,972</u>	<u>\$ 392,256</u>	<u>\$ 466,505</u>	<u>\$ 203,878</u>
All Other Governmental Funds:						
Reserved	\$ 1,165,347	\$ 2,755,288	\$ 4,000			
Unreserved, Reported In:						
Capital Projects Fund/(Deficit)	3,513,886	(2,608,695)	(216,377)	\$ 4,574	\$ 4,574	\$ 3,448
Debt Service Fund	56,794	189,801	149,809	1,288	152	
Total All Other Governmental Funds/(Deficit)	<u>\$ 4,736,027</u>	<u>\$ 336,394</u>	<u>\$ (62,568)</u>	<u>\$ 5,862</u>	<u>\$ 4,726</u>	<u>\$ 3,448</u>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School District Financial Reports

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

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

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

	Fiscal Year Ending June 30,					
	2005	2006	2007	2008	2009	2010
Expenditures:						
Benefits	\$ 1,790,205	\$ 2,066,976	\$ 2,533,834	\$ 2,619,974	\$ 2,219,150	\$ 2,410,438
Food Service		949	2,814	1,687	1,500	
Principal	245,000	380,000	395,000	485,000	500,000	525,000
Interest And Other Charges	363,995	584,507	603,518	540,543	519,948	504,668
Capital Outlay	856,773	4,590,998	2,811,069	122,111	74,303	76,447
Charter Schools	8,744	25,914	17,903	17,028	17,842	
Total Expenditures	<u>14,210,406</u>	<u>18,744,284</u>	<u>17,992,084</u>	<u>15,511,731</u>	<u>15,420,481</u>	<u>16,188,994</u>
Excess/(Deficiency) Of Revenues Over/(Under) Expenditures	<u>(627,007)</u>	<u>(4,758,973)</u>	<u>(660,649)</u>	<u>93,714</u>	<u>73,113</u>	<u>(263,905)</u>
Other Financing Sources/(Uses):						
Capital Leases (Non-Budgeted)		33,800				
Bond Proceeds	5,519,000					
Transfers In	41,175	148,625	46,058	105	47	1,136
Transfers Out	(41,175)	(148,625)	(46,058)	(105)	(47)	(1,136)
Total Other Financing Sources/(Uses)	<u>5,519,000</u>	<u>33,800</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Net Change In Fund Balances	<u>\$ 4,891,993</u>	<u>\$ (4,725,173)</u>	<u>\$ (660,649)</u>	<u>\$ 93,714</u>	<u>\$ 73,113</u>	<u>\$ (263,905)</u>
Debt Service As A Percentage Of Noncapital Expenditures	4.56%	6.81%	6.58%	6.66%	6.65%	6.39%

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School District Financial Reports

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

<u>Fiscal Year Ended June 30,</u>	<u>Interest on Investments</u>	<u>Prior Year Refunds</u>	<u>Other</u>	<u>Total</u>
2001	\$ 19,795		\$ 4,998	\$ 37,471
2002	9,817		10,566	20,383
2003	8,115		7,424	32,239
2004	26,275		3,881	67,278
2005	69,165		52,994	153,704
2006	56,182		5,916	89,842
2007	50,418		320	70,957
2008	29,568		3,435	33,003
2009	7,332		13,043	33,135
2010	10,616	\$ 9,688	25,293	45,597

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

BOROUGH OF ANDOVER

Year Ended December 31,	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Industrial	Apartment	Total Assessed Value	Tax-Exempt Property	Public Utilities ^a	Net Valuation Taxable	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2004	\$ 1,602,600	\$ 28,741,500	\$ 751,700	\$ 113,400	\$ 12,645,600	\$ 150,200	\$ 968,100	\$ 44,973,100	\$ 3,056,600	\$ 460,544	\$ 45,433,644	1.95	\$ 60,428,339
2005	1,602,600	28,766,000	751,700	113,400	12,887,200	150,200	968,100	45,239,200	3,056,600	384,485	45,423,685	2.02	69,317,516
2006	1,523,200	29,024,000	751,700	113,400	12,707,700	150,200	968,100	45,238,300	3,056,600	417,464	45,655,764	2.14	76,499,863
2007	1,521,300	29,165,300	751,700	113,400	12,511,500	150,200	968,100	45,181,500	3,058,500	406,231	45,587,731	1.99	77,190,656
2008	1,587,500	29,130,500	751,700	113,400	12,518,900	150,200	968,100	45,220,300	3,058,500	467,014	45,687,314	2.18	77,509,143
2009	1,587,500	29,083,400	751,700	113,400	12,579,100	150,200	968,100	45,233,400	3,058,500	344,541	45,577,941	2.06	79,662,312

TOWNSHIP OF ANDOVER

Year Ended December 31,	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Industrial	Apartment	Total Assessed Value	Tax-Exempt Property	Public Utilities ^a	Net Valuation Taxable	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2004	\$ 17,795,500	\$ 448,624,200	\$ 19,024,900	\$ 1,222,600	\$ 82,714,600	\$ 5,999,000	\$ 1,877,000	\$ 577,257,800	\$ 57,753,800	\$ 1,852,517	\$ 579,110,317	1.40	\$ 588,249,470
2005	20,822,300	456,099,400	20,911,900	1,223,370	84,388,200	5,999,000	1,700,000	591,144,170	57,555,500	1,630,366	592,774,536	1.47	680,600,334
2006	17,075,300	468,861,000	20,911,900	1,224,770	84,287,000	5,831,400	1,700,000	599,891,370	58,117,800	1,613,054	601,157,940	1.54	764,940,834
2007	14,274,900	486,203,200	20,997,500	1,226,770	84,839,600	6,829,200	1,700,000	616,071,170	59,812,400	1,088,695	617,159,865	1.60	876,787,696
2008	13,583,100	492,553,999	20,394,300	1,218,870	85,229,300	6,854,400	1,700,000	621,533,969	60,125,000	991,137	622,525,106	1.75	907,696,531
2009	13,773,800	491,014,199	23,252,600	1,221,670	82,169,700	6,854,400	1,700,000	619,986,369	60,084,100	808,750	620,795,119	1.75	900,544,085

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

b Tax rates are per \$100

Reassessment occurs when ordered by the County Board of Taxation

Note: Real property is required to be assessed at some percentage of true value (fair or market value) established by each county board of taxation.

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: Municipal Tax Assessor

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

BOROUGH OF ANDOVER

Year Ended December 31,	Andover Regional School District Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General		Borough of Andover	Sussex County	
		Obligation Debt Service ^b	Total Direct			
2000	\$ 1.26	\$ 0.08	\$ 1.34	\$ 0.25	\$ 0.52	\$ 2.10
2001	1.33	0.05	1.38	0.25	0.60	2.23
2002	1.66	0.10	1.76	0.25	0.63	2.64
2003	1.85	0.09	1.94	0.28	0.65	2.87
2004	1.92	0.03	1.95	0.28	0.66	2.89
2005	1.90	0.12	2.02	0.29	0.71	3.02
2006	2.01	0.13	2.14	0.39	0.74	3.27
2007	1.88	0.11	1.99	0.41	0.69	3.09
2008	2.04	0.15	2.18	0.43	0.47	3.08
2009	1.93	0.13	2.06	0.57	0.66	3.29

TOWNSHIP OF ANDOVER

Year Ended December 31,	Andover Regional School District Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General		Township of Andover	Sussex County	
		Obligation Debt Service ^b	Total Direct			
2000	1.70	\$ 0.11	1.70	0.70	0.59	2.99
2001	1.63	0.06	1.74	0.71	0.61	3.06
2002	1.66	0.10	1.72	0.74	0.68	3.14
2003	1.86	0.04	1.96	0.79	0.72	3.47
2004	1.36	0.04	1.40	0.60	0.49	2.49
2005	1.43	0.09	1.47	0.60	0.51	2.58
2006	1.49	0.05	1.54	0.71	0.56	2.81
2007	1.51	0.09	1.60	0.72	0.58	2.90
2008	1.64	0.12	1.75	0.78	0.47	3.00
2009	1.64	0.11	1.75	0.82	0.55	3.12

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

2009			2000		
Taxpayer	Taxable Assessed Value	% of Total District Net Assessed Value	Taxpayer	Taxable Assessed Value	% of Total District Net Assessed Value
Woodborn-Lane, Inc.	\$ 1,766,100	3.87%	Woodborne-Lane Enterprises	\$ 2,091,100	4.79%
Andover Estates	947,800	2.08%	Individual Taxpayer #1	495,400	1.14%
Sussex Properties, LTD	718,000	1.58%	Individual Taxpayer #2	472,700	1.08%
Cox Living Trust	620,200	1.36%	L. Gouger-Newton Trust	450,000	1.03%
Hanlan Midgette Scriven, LP	560,000	1.23%	R&M Realty	413,300	0.95%
Individual Taxpayer #1	495,400	1.09%	W. Morris-Exxon	407,400	0.93%
J.Nechamkin Family, LLC	440,000	0.97%	Borough of Andover Estate I	405,200	0.93%
2 Lenape Trail, LLC	431,400	0.95%	Individual Taxpayer #3	397,900	0.91%
Black River Holdings, LLC	414,500	0.91%	Andover Office Building	391,500	0.90%
R&M Realty Corporation	413,300	0.91%	J. Nechamikin Family Trust	360,000	0.83%
Total	\$ 6,806,700	14.93%		\$ 5,884,500	13.49%

Note: Individual Taxpayers listed may be different in 2009 and 2000

Source: Municipal Tax Assessor

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

TOWNSHIP OF ANDOVER

2009			2000		
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	1.86%	Andover Nursing Home, Mimi Holding	\$ 11,252,600	2.88%
Andover Nursing Home	5,233,200	0.84%	Andover Nursing Home	4,775,400	1.22%
Young Realty Assoc. C/O Phoebus	4,177,600	0.67%	Young Realty Assoc c/o B. Phoebus	2,854,200	0.73%
Newton Country Club	3,138,200	0.51%	Life Care Mews, Inc.	2,295,700	0.59%
Perona Realty Corp.	3,079,800	0.50%	Newton Country Club	2,269,400	0.58%
St Pauls Abby Inc	2,554,800	0.41%	Perona Realty Corp.	2,010,900	0.51%
Individual Taxpayer #1	1,901,500	0.31%	St. Paul's Abbey	1,610,200	0.41%
Alex Cablel, Inc	1,871,300	0.30%	Individual Taxpayer #1	1,378,700	0.35%
First Hope Bank	1,812,200	0.29%	Martin & Faul LTD	1,212,500	0.31%
Martin & Faul LTD C/O Goldberg Realty	1,700,000	0.27%	Occhifinto, Robert DBA NVE Enterprises	1,109,900	0.28%
Total	\$ 36,985,800	5.96%		\$ 30,769,500	7.87%

Note: Individual Taxpayers listed may be different in 2009 and 2000

Source: Municipal Tax Assessor

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

BOROUGH OF ANDOVER

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
2001	\$ 606,715	\$ 606,715	100.00%	\$ -0-
2002	653,953	653,953	100.00%	-0-
2003	863,194	863,194	100.00%	-0-
2004	919,587	919,587	100.00%	-0-
2005	912,440	912,440	100.00%	-0-
2006	919,026	919,026	100.00%	-0-
2007	959,074	959,074	100.00%	-0-
2008	909,645	909,645	100.00%	-0-
2009	911,622	911,622	100.00%	-0-
2010	969,933	969,933	100.00%	-0-

TOWNSHIP OF ANDOVER

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
2001	\$ 5,988,011	\$ 5,988,011	100.00%	\$ -0-
2002	6,454,233	6,454,233	100.00%	-0-
2003	7,826,093	7,826,093	100.00%	-0-
2004	8,523,939	8,523,939	100.00%	-0-
2005	8,777,175	8,777,175	100.00%	-0-
2006	8,860,290	8,860,290	100.00%	-0-
2007	9,584,259	9,584,259	100.00%	-0-
2008	10,101,344	10,101,344	100.00%	-0-
2009	10,658,899	10,658,899	100.00%	-0-
2010	11,040,615	11,040,615	100.00%	-0-

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

Fiscal Year Ended June 30,	Governmental Activities			Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Capital Leases	Bond Anticipation Notes (BANs)			
2005	\$ 14,459,000			\$ 14,459,000	4.82%	\$ 2,047
2006	14,079,000	\$28,844	\$ 1,000,000	15,107,844	4.69%	2,131
2007	13,684,000	22,562		13,706,562	3.96%	1,921
2008	13,199,000	15,895		13,214,895	3.71%	1,848
2009	12,699,000	8,814		12,707,814	3.56%	1,773
2010	12,174,000	1,940		12,175,940	3.41%	1,699

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

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

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School District Financial Reports

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2005	\$ 14,459,000	\$ -0-	\$ 14,459,000	4.63%	\$ 2,047
2006	14,079,000	-0-	14,079,000	4.41%	1,985
2007	13,684,000	-0-	13,684,000	4.23%	1,918
2008	13,199,000	-0-	13,199,000	3.98%	1,846
2009	12,699,000	-0-	12,699,000	3.80%	1,772
2010	12,174,000	-0-	12,174,000	3.65%	1,698

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

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

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

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School District Financial Reports

ANDOVER REGIONAL SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2009
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid With Property Taxes			
Borough of Andover	\$ 202,522	100.00%	\$ 202,522
Township of Andover	4,267,523	100.00%	4,267,523
Sussex County General Obligation Debt (Borough Share)	77,111,415	0.37% ^a	284,081
Sussex County General Obligation Debt (Township Share)	77,111,415	4.16% ^a	<u>3,211,400</u>
Subtotal, Overlapping Debt			7,965,526
Andover Regional School District Direct Debt			<u>12,174,000</u>
Total Direct And Overlapping Debt			<u><u>\$ 20,139,526</u></u>

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

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

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

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

Legal Debt Margin Calculation for Fiscal Year 2010

Equalized Valuation Basis	Andover Borough	Andover Township	Total
2007	\$ 76,294,326	\$ 895,712,664	\$ 972,006,990
2008	78,602,990	898,949,912	977,552,902
2009	79,662,312	882,794,203	962,456,515
	<u>\$ 234,559,628</u>	<u>\$ 2,677,456,779</u>	<u>\$ 2,912,016,407</u>
Average Equalized Valuation of Taxable Property			\$ 970,672,136
Debt Limit (3% of Average Equalization Value) ^a			29,120,164
Net Bonded School Debt as of June 30, 2010			12,174,000
Legal Debt Margin			<u>\$ 16,946,164</u>

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debt Limit	\$11,950,857	\$12,495,076	\$13,406,802	\$14,755,569	\$16,739,653	\$21,963,738	\$ 24,830,385	\$ 27,261,615	\$ 28,757,409	\$ 29,120,164
Total Net Debt Applicable to Limit	<u>8,727,000</u>	<u>8,542,000</u>	<u>8,347,000</u>	<u>9,185,000</u>	<u>14,459,000</u>	<u>14,079,000</u>	<u>13,684,000</u>	<u>13,199,000</u>	<u>12,699,000</u>	<u>12,174,000</u>
Legal Debt Margin	<u>\$ 3,223,857</u>	<u>\$ 3,953,076</u>	<u>\$ 5,059,802</u>	<u>\$ 5,570,569</u>	<u>\$ 2,280,653</u>	<u>\$ 7,884,738</u>	<u>\$ 11,146,385</u>	<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	73.02%	68.36%	62.26%	62.25%	86.38%	64.10%	55.11%	48.42%	44.16%	41.81%

^a Limit set by NJSA 18A:24-19 for a K through 12 district; other % limits would be applicable for other districts

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

BOROUGH OF ANDOVER

Year	Population ^a	Personal Income ^b	Sussex County		Unemployment Rate ^d
			Per Capita Personal Income ^c		
2001	656	\$ 25,306,512	\$ 38,577		3.70%
2002	657	25,441,011	38,723		5.40%
2003	656	25,804,416	39,336		5.80%
2004	652	26,613,988	40,819		4.30%
2005	652	27,677,400	42,450		5.50%
2006	646	29,359,408	45,448		5.90%
2007	641	31,071,834	48,474		5.70%
2008	636	31,649,268	49,763 *		7.20%
2009	634 **	31,549,742	49,763 *		11.90%
2010	634 **	31,549,742	49,763 *		N/A

TOWNSHIP OF ANDOVER

Year	Population ^a	Personal Income ^b	Sussex County		Unemployment Rate ^d
			Per Capita Personal Income ^c		
2001	6,176	\$ 238,251,552	\$ 38,577		3.10%
2002	6,281	243,219,163	38,723		4.40%
2003	6,363	250,294,968	39,336		4.70%
2004	6,397	261,119,143	40,819		3.50%
2005	6,411	272,146,950	42,450		2.60%
2006	6,445	292,912,360	45,448		2.80%
2007	6,494	314,790,156	48,474		2.60%
2008	6,514	324,156,182	49,763 *		3.40%
2009	6,534 **	325,151,442	49,763 *		5.70%
2010	6,534 **	325,151,442	49,763 *		N/A

* - Latest Sussex County per capita personal income available (2008) was used for calculation purposes.

** - Latest population data available (2009) was used for calculation purposes.

N/A - Information Unavailable

Source:

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

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

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

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

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

<u>2010</u>			<u>2001*</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 Resort	2,000	Not Available	Selective Insurance	954	Not Available
Newton Memorial Hospital	1,490	Not Available	Andover Subacute & Rehab Center	906	Not Available
Selective Insurance Co.	900	Not Available	County of Sussex	815	Not Available
County of Sussex	830	Not Available	Mountain Creek Resort	800	Not Available
Mountain Creek Resort	800	Not Available	Newton Memorial Hospital	757	Not Available
Ames Rubber Corp	445	Not Available	Ronetco Supermarkets, Inc.	711	Not Available
Shop Rite Supermarkets (Ronetco)	301	Not Available	Vernon Township Board of Education	629	Not Available
Andover Subacute and Rehab Center	300	Not Available	F.O. Phoenix, Inc.	600	Not Available
Sussex County Community College	300	Not Available	Hopatcong Board of Education	450	Not Available
Raider Express	250	Not Available	Wal-Mart	380	Not Available
Total	<u>7,616</u>	Not Available		<u>7,002</u>	Not Available

* 2001 Employment information is used as employment information is unavailable for 2000.

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

<u>Function/Program</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Instruction:						
Regular	45.0	45.0	45.0	45.0	45.0	45.0
Special Education	14.0	16.5	17.0	18.0	18.0	18.0
Other Special Education	4.0	5.0	5.0	5.0	5.0	5.0
Other Instruction	32.5	32.5	34.0	35.0	35.0	35.0
Support Services:						
Student & Instruction Related Services	7.5	11.0	11.0	11.0	11.0	11.0
School Administrative Services	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
Plant Operations and Maintenance	9.0	9.0	9.0	9.0	9.0	9.0
Pupil Transportation	0.5	1.0	1.0	1.0	1.0	1.0
Business and Other Support Services	2.0	2.0	2.0	2.0	2.0	2.5
Total	<u>124.0</u>	<u>131.5</u>	<u>133.5</u>	<u>135.5</u>	<u>135.5</u>	<u>136.0</u>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: District Personnel Records

ANDOVER REGIONAL SCHOOL DISTRICT
OPERATING STATISTICS
LAST SIX FISCAL YEARS
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil ^d	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle				
2005	739	\$ 12,744,638	\$ 17,246	2.68%	67	12.8/ 1	11.6/ 1	739	738	-3.27%	95.50%
2006	723	13,188,779	18,242	5.78%	72	15.1/ 1	11.6/ 1	723	721	-2.17%	95.80%
2007	727	14,182,497	19,508	6.94%	73	15.1/ 1	10.8/1	722	692	-0.14%	95.90%
2008	703	14,364,077	20,433	4.74%	75	18.1/1	10.8/1	704	703	-2.49%	95.63%
2009	677	14,326,230	21,161	3.57%	75	18.1/1	10.8/1	689	662	-2.13%	96.10%
2010	655	15,082,879	23,027	8.82%	75	10.4/1	8.8/1	651	622	-5.52%	95.60%

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.

Note: Enrollment based on annual October district count.

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006

Source: Andover Regional School District records

ANDOVER REGIONAL SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST SIX FISCAL YEARS

<u>District Building</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Long Pond School						
Square Feet	91,000	91,000	91,000	91,000	91,000	91,000
Capacity (students)	554	554	554	554	554	554
Enrollment	413	400	321	329	316	310
Florence M. Burd School						
Square Feet	38,915	38,915	46,419	46,419	46,419	46,419
Capacity (students)	299	299	500	500	500	500
Enrollment	326	323	402	374	361	345

Number of Schools at June 30, 2010
 Elementary = 1
 Middle School = 1

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

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: Andover Regional School District Facilities Office

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

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

<u>School Facilities</u>	<u>Project #</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Long Pond School	N/A	\$ 24,481	\$ 22,497	\$ 32,883	\$ 50,697	\$ 67,943	\$ 55,780	\$ 29,067	\$ 50,813	\$ 61,290	\$ 71,901
Florence M. Burd School	N/A	24,480	30,701	32,884	50,698	67,943	55,752	87,201	50,814	61,289	71,901
Total		<u>\$ 48,961</u>	<u>\$ 53,198</u>	<u>\$ 65,767</u>	<u>\$ 101,395</u>	<u>\$ 135,886</u>	<u>\$ 111,531</u>	<u>\$ 116,268</u>	<u>\$ 101,627</u>	<u>\$ 122,579</u>	<u>\$ 143,802</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

ANDOVER REGIONAL SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2010
UNAUDITED

	Coverage	Deductible
School Alliance Insurance Fund:		
School Package Policy:	\$ 250,000,000	\$ 1,000
Building & Personal Property		
Inland Marine - Auto Physical Damage		
General Liability Including Auto and		
Employee Benefits:	5,000,000	
Each Occurrence		
General Aggregate	50,000,000 Fund Aggregate	
Product/Completed Ops		
Personal Injury		
Fire Damage	2,500,000	
Medical Expenses (Excluding Students		
Taking Part In Athletics)	10,000	
Automobile Coverage		
Combined Single Limit		
Hired/Non-Owned		
Environmental Impairment Liability	1,000,000/25,000,000	5,000
Crime Coverage	50,000 Inside/Outside	1,000
Blanket Dishonesty Bond	500,000	1,000
Boiler & Machinery	100,000,000	1,000
Excess Liability (AL/GL)	5,000,000	
School Board Legal - NJSBAIG	6,000,000	5,000
Workers' Compensation Employer's Liability	NJSBAIG Statutory Workers Compensation	
Selective Insurance Surety Bonds:		
School Administrator	350,000	
Treasurer of School Monies	350,000	

Source: Andover Regional School District records

SINGLE AUDIT SECTION

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Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Andover Regional School District, in the County of Sussex (the "Board") as of, and for the fiscal year ended June 30, 2010, which collectively comprise the School District's basic financial statements and have issued our report thereon dated September 7, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey (the "Department"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of providing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Board's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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

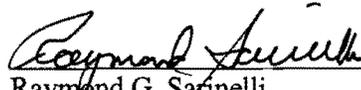
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. However, we noted a certain matter that we have reported in the Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance, a separate report dated September 7, 2010.

This report is intended solely for the information and use of management, the members of the Board of Education, and to meet the requirements for filing with the New Jersey State Department of Education, and other state and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

September 7, 2010
Mount Arlington, New Jersey

NISIVOCIA & COMPANY LLP



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

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Independent Auditors' Report on Compliance with Requirements
That Could Have a Direct and Material Effect on Each Major Program and on
Internal Control Over Compliance in Accordance with OMB Circular A-133 and
New Jersey's OMB Circular NJOMB 04-04

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

Compliance

We have audited the compliance of the Board of Education of the Andover Regional School District in the County of Sussex (the "Board") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the *New Jersey State Aid/ Grant Compliance Supplement* that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2010. The Board's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major state programs is the responsibility of the Board's management. Our responsibility is to express an opinion on the Board's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey (the "Department"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*, and New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, OMB Circular A-133, and New Jersey's OMB Circular NJOMB 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Board's compliance with those requirements.

In our opinion, the Board complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2010.

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

Internal Control Over Compliance

The management of the Board is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Board's internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the *New Jersey State Aid/Grant Compliance Supplement*, but not for the purpose of expressing our opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

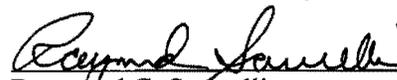
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of management, the members of the Board of Education, and to meet the requirements for filing with the New Jersey State Department of Education, and other federal or state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

September 7, 2010
Mount Arlington, New Jersey

NISIVOCIA & COMPANY 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, 2010

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, 2009		Cash Received	Budgetary Expenditures	Cancellation of Prior Year Encumb.	Balance at June 30, 2010	
					Budgetary Accounts Receivable	Budgetary Deferred Revenue				Budgetary Accounts Receivable	Due to Grantor
U.S. Department of Education Passed-through State Department of Education:											
No Child Left Behind Consolidated Grant:											
Title I	84.010A	NCLB009008	9/1/07-8/31/09	\$ 15,710		\$ 1,645			\$ 1,425		\$ 3,070
Title II, Part A	84.278A	NCLB009008	9/1/07-8/31/09	17,874		767					767
No Child Left Behind Consolidated Grant:											
Title I	84.010A	NCLB009009	9/1/08-8/31/09	28,719		11,270		\$ (7,149)			4,121
Title II, Part A	84.278A	NCLB009009	9/1/08-8/31/09	18,784	\$ (3,061)					\$ (3,061)	
Title II, Part D	84.318A	NCLB009009	9/1/08-8/31/09	240		240					240
No Child Left Behind Consolidated Grant:											
Title I	84.010A	NCLB009010	9/1/09-8/31/10	20,428			\$ 13,338	(20,427)			(7,089)
Title II, Part A	84.278A	NCLB009010	9/1/09-8/31/10	18,879			16,849	(17,328)			(479)
Title II, Part D	84.278A	NCLB009010	9/1/09-8/31/10	204				(204)			(204)
Title IV	84.186A	NCLB009010	9/1/09-8/31/10	1,197			643	(1,197)			(554)
Special Education Cluster:											
IDEA Combined Grant:											
I.D.E.A. Part B, Basic	84.027	IDEA009009	9/1/08-8/31/09	202,442	(11,738)	17,967	11,738				17,967
I.D.E.A. Part B, Preschool	84.173	IDEA009009	9/1/08-8/31/09	7,393		7,393					7,393
I.D.E.A. Part B, Basic	84.027	IDEA009010	9/1/09-8/31/10	198,898			128,366	(178,345)			(49,979)
I.D.E.A. Part B, Preschool	84.173	IDEA009010	9/1/09-8/31/10	7,351				(5,036)			(5,036)
American Recovery and Reinvestment Act:											
I.D.E.A. Part B, Basic	84.391	IDEA009010	9/1/09-8/31/10	193,652			28,407	(68,945)			(40,538)
I.D.E.A. Part B, Preschool	84.392	IDEA009010	9/1/09-8/31/10	7,006							
Total Special Education Cluster					(11,738)	25,360	168,511	(252,326)			(95,553)
Total U.S. Department of Education					(14,799)	39,282	199,341	(298,631)	1,425		(106,940)
Total Federal Financial Awards					\$ (14,799)	\$ 39,282	\$ 199,341	\$ (298,631)	\$ 1,425	\$ (106,940)	\$ 33,558

ANDOVER REGIONAL SCHOOL DISTRICT
SCHEDULE OF THE EXPENDITURE OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2009			Budgetary Expenditures	Balance at June 30, 2010		MEMO	
				Budgetary Accounts Receivable	Budgetary Deferred Revenue	Cash Received		GAAP Accounts Receivable	Budgetary Deferred Revenue	Budgetary Accounts Receivable	Cumulative Total Expenditures
New Jersey Department of Education											
General Fund:											
Transportation Aid	10-495-034-5120-014	7/1/09 - 6/30/10	\$ 520,270			\$ 468,541	\$ (520,270)			\$ 51,729	\$ 520,270
Special Education Categorical Aid	10-495-034-5120-089	7/1/09 - 6/30/10	444,290			400,115	(444,290)			44,175	444,290
Security Aid	10-495-034-5120-084	7/1/09 - 6/30/10	57,939			52,178	(57,939)			5,761	57,939
Adjustment Aid	10-495-034-5120-085	7/1/09 - 6/30/10	1,500,885			1,323,865	(1,500,885)			177,020	1,500,885
Extraordinary Aid	10-100-034-5120-473	7/1/09 - 6/30/10	43,442				(43,442)	\$ 43,442		43,442	43,442
Nonpublic Transportation	10-495-034-5120-005	7/1/09 - 6/30/10	10,921				(10,921)	10,921		10,921	10,921
Reimbursed TPAF Social Security Contributions	10-495-034-5095-002	7/1/09 - 6/30/10	416,289			395,535	(416,289)	20,754		20,754	416,289
Transportation Aid	09-495-034-5120-014	7/1/08 - 6/30/09	431,027	\$ 41,752		41,752					1,357,614
Special Education Categorical Aid	09-495-034-5120-089	7/1/08 - 6/30/09	457,158	44,283		44,283					478,741
Security Aid	09-495-034-5120-084	7/1/08 - 6/30/09	60,244	5,836		5,836					635,984
Equalization Aid	09-495-034-5120-078	7/1/08 - 6/30/09	356,323	37,606		37,606					3,486
Adjustment Aid	09-495-034-5120-085	7/1/08 - 6/30/09	1,412,812	142,028		142,028					116,303
Extraordinary Aid	09-100-034-5120-473	7/1/08 - 6/30/09	84,960	31,541		31,541					157,861
Nonpublic Transportation	09-495-034-5120-005	7/1/08 - 6/30/09	9,441	9,441		9,441					36,192
Reimbursed TPAF Social Security Contributions	09-495-034-5095-002	7/1/08 - 6/30/09	393,017	19,854		19,854					371,443
Total General Fund State Aid				332,341		2,972,575	(2,994,036)	75,117		353,802	6,151,660
Capital Projects Fund:											
School Development Authority:											
Florence M. Burd School	0090-010-04-1000	06/1/04 - 6/30/10	2,562,265	115,332				115,332		115,332	2,562,265
Long Pond School	0090-040-04-1000	06/1/04 - 6/30/10	138,956	10				10		10	138,956
Total Capital Projects Fund				115,342				115,342		115,342	2,701,221
Debt Service Fund:											
Debt Service Aid Type II	10-495-034-5120-125	7/1/09 - 6/30/10	249,082			249,082	(249,082)				249,082
Total Debt Service Fund						249,082	(249,082)				249,082
Total State Financial Assistance				\$ 447,683	\$ -0-	\$ 3,221,657	\$ (3,243,118)	\$ 190,459	\$ -0-	\$ 469,144	\$ 9,101,963

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, 2010

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of the expenditure of federal and state financial awards are presented using the budgetary basis of accounting. These bases of accounting are described in Note 1 to the Board's basic financial statements. The information in these schedules are presented in accordance with the requirements of OMB Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations* and New Jersey OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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 (\$7,180) for the general fund and (\$21,795) 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 Non-Contributory Insurance and Post Retirement Medical contributions paid by the State on behalf of the District of \$18,005 and \$338,155, respectively. Awards and financial assistance revenue are reported on the Board's basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 3,343,016	\$ 3,343,016
Special Revenue Fund	\$ 276,836		276,836
Debt Service Fund		249,082	249,082
Total Awards	<u>\$ 276,836</u>	<u>\$ 3,592,098</u>	<u>\$ 3,868,934</u>

ANDOVER REGIONAL SCHOOL DISTRICT
NOTES TO SCHEDULES OF THE EXPENDITURE OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

(Continued)

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. NJ SCHOOLS DEVELOPMENT AUTHORITY (NJSDA) GRANT

Through the NJ Educational Facilities Construction and Financing Act, the Andover Regional School District has been awarded \$2,701,221 towards their referendum project. As of June 30, 2010, \$2,585,879 has been received and \$115,342 is recorded as an intergovernmental accounts receivable in the Capital Projects Fund.

NOTE 6. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the year ended June 30, 2010.

ANDOVER REGIONAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Summary of Auditors' Results:

- An unqualified report was issued on the District's financial statements.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of the District.
- The audit did not disclose any noncompliance which is material in relation to the financial statements of the District.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of the District's major State programs.
- An unqualified report was issued on the District's compliance for major state programs.
- The audit did not disclose any audit findings which are required to be reported in accordance with Federal OMB Circular A-133 and New Jersey's OMB Circular NJOMB 04-04.
- The District was not subject to the Single Audit provisions of Federal OMB Circular A-133 for the fiscal year ending June 30, 2010 as federal award expenditures were less than the Single Audit threshold of \$500,000 identified in the federal circular.
- The District's major state programs for the current fiscal year consisted of the following state aid:

State:	<u>Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
State Aid - Public:				
Special Education				
Categorical Aid	10-495-034-5120-089	7/1/09-6/30/10	\$ 444,290	\$ 444,290
Security Aid	10-495-034-5120-084	7/1/09-6/30/10	57,939	57,939
Adjustment Aid	10-495-034-5120-085	7/1/09-6/30/10	1,500,885	1,500,885
Transportation Aid	10-495-034-5120-014	7/1/09-6/30/10	520,270	520,270
Reimbursed TPAF Social Security Contributions	10-495-034-5095-002	7/1/09-6/30/10	416,289	416,289

- The threshold for distinguishing Type A and Type B programs was \$300,000.
- The District qualified as a "low-risk" auditee under the provisions of section 530 of the 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, 2010
(Continued)

Findings and Questioned Costs for Federal Awards:

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

Findings and Questioned Costs for State Awards:

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

ANDOVER REGIONAL SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010

Status of Prior Year Findings:

There were no findings or questioned costs for the year ended June 30, 2009.