

*TOWNSHIP OF ANDOVER*

*COUNTY OF SUSSEX*

*REPORT OF AUDIT*

*2012*

*NISIVOCCIA LLP  
CERTIFIED PUBLIC ACCOUNTANTS*

TOWNSHIP OF ANDOVER

COUNTY OF SUSSEX

REPORT OF AUDIT

2012

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TOWNSHIP OF ANDOVER

PART I

FINANCIAL STATEMENTS AND

SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2012

## Independent Auditors' Report

The Honorable Mayor and Members  
of the Township Committee  
Township of Andover  
Andover, New Jersey

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

We have audited the financial statements – *regulatory basis* - of the various funds of the Township of Andover, in the County of Sussex (the "Township") as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, as listed in the foregoing table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey which demonstrate compliance with the modified accrual basis, with certain exceptions, and the budget laws of New Jersey (the "Division"), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America as described in Note 1 to the financial statements. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audits. Except as discussed in the eighth paragraph, we conducted our audits in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

The Honorable Mayor and Members  
of the Township Committee  
Township of Andover  
Page 2

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

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1, these financial statements have been prepared in conformity with accounting principles prescribed by the Division, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to demonstrate compliance with the modified accrual basis, with certain exceptions, and the budget laws of New Jersey. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above, do not present fairly in conformity with accounting principles generally accepted in the United States of America the financial position of the Township as of December 31, 2012 and 2011, or the changes in financial position thereof for the years then ended.

***Basis for Qualified Opinion***

The Township's general fixed assets account group is stated at historical cost or estimated historical cost in the accompanying financial statements. The basis of accounting is not in conformity with U.S. generally accepted accounting principles but is in accordance with the accounting principles prescribed by the Division. As described in Note 1, based upon the underlying accounting records, we have not audited the general fixed assets account group.

***Qualified Opinion on Regulatory Basis of Accounting***

In our opinion, except for the effects on the December 31, 2012 and 2011 financial statements of the matter described in the *Basis for Qualified Opinion* paragraph, the financial statements – *regulatory basis* - referred to above present fairly, in all material respects, the financial position of the various funds of the Township of Andover as of December 31, 2012 and 2011, and the results of operations and changes in fund balance, where applicable, of such funds, thereof for the years then ended on the basis of the financial reporting provisions prescribed by the Division, as described in Note 1.

***Other Matters***

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's financial statements. The supplementary data schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedules of expenditures of federal and state awards, as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*; and New Jersey's OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are presented for purposes of additional analysis and are not a required part of the financial statements.

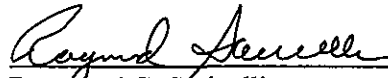
The supplementary data schedules and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary data schedules and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 6, 2013 on our consideration of the Township of Andover's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township of Andover's internal control over financial reporting and compliance.

Mount Arlington, New Jersey  
May 6, 2013

NISIVOCIA LLP



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Raymond G. Sarinelli  
Registered Municipal Accountant No. 383  
Certified Public Accountant



TOWNSHIP OF ANDOVER  
COUNTY OF SUSSEX  
2012  
CURRENT FUND

TOWNSHIP OF ANDOVER  
CURRENT FUND  
COMPARATIVE BALANCE SHEET

		December 31,	
	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>			
Cash and Cash Equivalents:			
Treasurer	A-4	\$ 2,716,724.53	\$ 2,748,489.36
Petty Cash		300.00	300.00
Change Fund		225.00	225.00
		<u>2,717,249.53</u>	<u>2,749,014.36</u>
Due From State of New Jersey:			
Senior Citizen and Veterans Deductions		4,901.28	6,982.18
		<u>2,722,150.81</u>	<u>2,755,996.54</u>
Receivables and Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	A-7	305,053.57	333,336.61
Tax Title Liens Receivable	A-8	172,104.35	181,876.48
Property Acquired for Taxes at Assessed Valuation		1,065,500.00	1,065,500.00
Revenue Accounts Receivable	A-9	99,048.40	46,409.88
Total Receivables and Other Assets			
With Full Reserves		<u>1,641,706.32</u>	<u>1,627,122.97</u>
Deferred Charges:			
Special Emergency Authorization		18,000.00	
		<u>18,000.00</u>	
<u>TOTAL ASSETS</u>		<u>\$ 4,381,857.13</u>	<u>\$ 4,383,119.51</u>

TOWNSHIP OF ANDOVER  
CURRENT FUND  
COMPARATIVE BALANCE SHEET  
(Continued)

		December 31,	
	Ref.	2012	2011
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Appropriation Reserves:			
Encumbered	A-3;A-11	\$ 33,299.43	\$ 127,291.93
Unencumbered	A-3;A-11	275,998.48	248,095.17
		309,297.91	375,387.10
Prepaid Taxes		122,553.82	120,285.09
Tax Sale Premiums		110,650.00	80,050.00
Due Other Trust Funds	B		19,269.98
Due to State of New Jersey:			
Marriage License Fees		75.00	150.00
Garden State Electrical Inspections			12,524.00
Regional School Taxes Payable	A-12	69,141.19	
Due to County of Sussex Added and Omitted Taxes		9,947.38	3,648.95
Reserve for:			
New Jersey Health Benefits		19,892.02	19,892.02
Sale of Municipal Assets		41,430.93	81,430.93
Pending Tax Appeals		93,217.73	43,217.73
Revaluation		35,522.29	35,522.29
Tax Map Revisions		5,886.90	
Garden State Preservation		28,395.00	28,395.00
Reserve for Grant Funds - Unappropriated:			
Drunk Driving Enforcement Fund		3,492.04	523.38
Body Armor Replacement Fund		1,550.79	
Clean Communities		12,936.28	
Recycling Grant		11,775.14	13,571.37
Reserve for Grant Funds - Appropriated:			
Energy Grant		5,972.00	6,794.00
Recycling Grant		12,976.78	3,291.18
Clean Communities Grant		4,693.21	1,784.00
Bike Path Grant		11,441.73	
Stormwater Mangement Fund		1,620.00	1,620.00
Click it or Ticket		3,284.36	
Alcohol Rehabilitation Grant		62.00	62.00
Body Armor Replacement Fund		186.19	1,446.70
Drunk Driving Enforcement Fund		2,407.81	4,178.63
		918,408.50	853,044.35
Reserve for Receivables and Other Assets	A	1,641,706.32	1,627,122.97
Fund Balance	A-1	1,821,742.31	1,902,952.19
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		\$ 4,381,857.13	\$ 4,383,119.51

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

TOWNSHIP OF ANDOVER  
CURRENT FUND  
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE

	Year Ended December 31,	
Ref.	2012	2011
<u>Revenue and Other Income Realized</u>		
Fund Balance Utilized	\$ 1,225,392.00	\$ 1,125,000.00
Miscellaneous Revenue Anticipated	1,123,935.20	1,117,283.73
Receipts from:		
Delinquent Taxes	366,282.18	320,433.51
Current Taxes	19,989,595.47	19,513,916.35
Nonbudget Revenue	202,187.87	244,625.62
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	63,590.82	157,155.89
Cancellation of Due to Garden State Electrical Inspections	12,524.00	
Interfunds Returned		345.98
Total Income	22,983,507.54	22,478,761.08
<u>Expenditures</u>		
Budget and Emergency Appropriations:		
Municipal Purposes	6,755,113.22	6,621,804.20
County Taxes	3,658,762.49	3,635,366.87
Regional School Districts Taxes	11,306,518.71	11,031,750.29
Open Space Taxes	61,181.00	61,599.08
Refund Prior Year Revenue		9,402.79
Reserve for Pending Tax Appeals	50,000.00	
Prior Year Veteran and Senior Citizen Deductions Disallowed	750.00	500.00
Reinstated to Appropriated Grant Reserves:		
Bike Path Grant	25,000.00	
Recycling Tonnage Grant		362.03
Clean Communities Grant		1,221.75
Stormwater Management Grant		2,117.00
Drunk Driving Enforcement Fund Grant		2,747.91
Total Expenditures	21,857,325.42	21,366,871.92
Excess in Revenue	1,126,182.12	1,306,649.79
Adjustment to Excess Before Fund Balance:		
Expenditures included above which are by Statute		
Deferred Charges to Budget of Succeeding Year	18,000.00	
Statutory Excess to Fund Balance	1,144,182.12	1,111,889.16

TOWNSHIP OF ANDOVER  
CURRENT FUND  
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE

	<u>Ref.</u>	<u>Year Ended December 31,</u>	
		<u>2012</u>	<u>2011</u>
<u>Fund Balance</u>			
Balance January 1		\$ 1,902,952.19	\$ 1,916,063.03
		<u>3,047,134.31</u>	<u>3,027,952.19</u>
Decreased by:			
Utilized as Anticipated Revenue		<u>1,225,392.00</u>	<u>1,125,000.00</u>
Balance December 31	A	<u>\$ 1,821,742.31</u>	<u>\$ 1,902,952.19</u>

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

TOWNSHIP OF ANDOVER  
CURRENT FUND  
STATEMENT OF REVENUE  
YEAR ENDED DECEMBER 31, 2012

	Budget	Added by NJSA 40A:4-87	Realized	Excess or Deficit *
Fund Balance Anticipated	\$ 1,225,392.00		\$ 1,225,392.00	
Miscellaneous Revenue:				
Licenses:				
Alcoholic Beverages	5,000.00		6,270.00	\$ 1,270.00
Fees and Permits	46,000.00		43,796.72	2,203.28 *
Municipal Court - Fines and Costs	72,000.00		74,651.06	2,651.06
Interest and Costs on Taxes	58,000.00		80,498.25	22,498.25
Interest on Investments	12,000.00		24,157.69	12,157.69
Consolidated Municipal Property Tax Relief Act	37,044.00		37,044.00	
Energy Receipts Tax	398,307.00		398,307.00	
Reserve for Garden State Preservation Trust Fund	28,395.00		28,395.00	
Shared Service Agreement- Tax Collector-Lafayette	40,000.00		40,800.00	800.00
Clean Communities Grant	1,570.21		1,570.21	
NJ Department of Transportation Grant- Roseville Road		\$ 200,000.00	147,541.50	52,458.50 *
Reserve for Recycling Tonnage Grant	13,571.37		13,571.37	
Uniform Fire Safety Act	7,791.00			7,791.00 *
Special Reserve - Sale of Assets - Liquor Licenses	40,000.00		40,000.00	
Cell Tower Rental	29,900.00		187,332.40	157,432.40
	<u>789,578.58</u>	<u>200,000.00</u>	<u>1,123,935.20</u>	<u>134,356.62</u>
Receipts from Delinquent Taxes	210,000.00		366,282.18	156,282.18
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes	<u>5,312,143.88</u>		<u>5,963,133.27</u>	<u>650,989.39</u>
Budget Totals	7,537,114.46	200,000.00	8,678,742.65	\$ <u>941,628.19</u>
Nonbudget Revenue			202,187.87	
	<u>\$ 7,537,114.46</u>	<u>\$ 200,000.00</u>	<u>\$ 8,880,930.52</u>	

TOWNSHIP OF ANDOVER  
CURRENT FUND  
STATEMENT OF REVENUE  
YEAR ENDED DECEMBER 31, 2012  
(continued)

Allocation of Current Tax Collections:

Revenue from Collection of Current Taxes	\$ 19,989,595.47
Allocated to School, County, and Open Space Taxes	15,026,462.20
Balance for Support of Municipal Budget	<u>4,963,133.27</u>

Add: Appropriation "Reserve for Uncollected Taxes"	<u>1,000,000.00</u>
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Realized for Support of Municipal Budget	<u><u>\$ 5,963,133.27</u></u>
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Receipts from Delinquent Taxes:

Delinquent Tax Collections	\$ 331,219.07
Tax Title Liens	<u>35,063.11</u>
	<u><u>\$ 366,282.18</u></u>

Analysis of Fees and Permits:

Municipal Clerk	\$ 6,478.64	
Police	3,492.09	
Board of Health	3,825.00	
Planning, Soil Erosion, and Board of Adjustment	3,300.00	
Recreation Commission	23,785.99	
Zoning Officer	<u>2,915.00</u>	
		<u><u>\$ 43,796.72</u></u>

TOWNSHIP OF ANDOVER  
CURRENT FUND  
STATEMENT OF REVENUE  
YEAR ENDED DECEMBER 31, 2012  
(continued)

Analysis of Nonbudget Revenue:

Treasurer:

911 Interlocal Fees	\$ 119,078.76	
Mobil Tower Rental	7,831.87	
F.E.M.A. Grant	5,045.22	
Department of Motor Vehicle Inspection Fees	250.00	
Cable Franchise Fee	22,933.00	
Prior Year Voided Checks	21,285.28	
2009 Bike Path Grant	25,000.00	
Other Miscellaneous	6,979.59	
	<hr/>	\$ 208,403.72

Tax Collector:

Tax Search Fees	250.00	
Other	8,638.58	
	<hr/>	8,888.58
		<hr/> 217,292.30

Less Refunded

<hr/> (15,104.43) <hr/>
\$ 202,187.87

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



TOWNSHIP OF ANDOVER  
CURRENT FUND  
STATEMENT OF EXPENDITURES  
YEAR ENDED DECEMBER 31, 2012

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
GENERAL GOVERNMENT:					
General Administration:					
Salaries & Wages	\$ 110,754.20	\$ 111,254.20	\$ 111,250.08	\$ 4.12	
Other Expenses	14,700.00	14,700.00	11,099.82	3,600.18	
Mayor & Council:					
Salaries & Wages	17,501.00	17,251.00	17,223.86	27.14	
Other Expenses	1,150.00	1,150.00	623.20	526.80	
Municipal Clerk:					
Salaries & Wages	93,521.09	93,921.09	93,905.74	15.35	
Other Expenses	18,100.00	18,100.00	11,528.75	6,571.25	
Financial Administration:					
Salaries & Wages	87,525.00	87,825.00	87,808.90	16.10	
Other Expenses	72,860.00	72,690.00	71,023.21	1,666.79	
Annual Audit	35,000.00	35,000.00	35,000.00		
Data Processing:					
Other Expenses	25,320.00	25,320.00	24,528.76	791.24	
Tax Assessment Administration:					
Salaries & Wages	18,411.09	18,461.09	18,457.20	3.89	
Other Expenses	3,060.00	3,060.00	2,481.26	578.74	
Revision of Tax Map (N.J.S.A. 40A:4-53- \$18,000.00)		18,000.00	18,000.00		
Revenue Administration (Tax Collection):					
Salaries & Wages	54,291.50	54,661.50	54,657.13	4.37	
Other Expenses	2,350.00	2,350.00	2,344.27	5.73	
Legal Services and Costs:					
Other Expenses	115,000.00	101,000.00	60,334.59	40,665.41	
Engineering Services and Costs:					
Other Expenses	17,000.00	17,000.00	10,521.25	6,478.75	
Municipal Prosecutor:					
Other Expenses	13,000.00	13,000.00	7,800.00	5,200.00	

TOWNSHIP OF ANDOVER  
CURRENT FUND  
STATEMENT OF EXPENDITURES  
YEAR ENDED DECEMBER 31, 2012  
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
GENERAL GOVERNMENT (continued):					
Environmental Commission (R.S. 71:56A-1 et seq):					
Other Expenses	\$ 750.00	\$ 750.00		\$ 750.00	
Municipal Land Use Law (N.J.S.A. 40:55D-1):					
Planning Board:					
Salaries & Wages	200.00	200.00		200.00	
Other Expenses	40,814.00	40,814.00	\$ 40,389.18	424.82	
Zoning Officer:					
Salaries & Wages	7,000.00	7,000.00	6,645.59	354.41	
Other Expenses	100.00	100.00	13.21	86.79	
Insurance:					
Group Insurance Plans for Employees	980,600.00	980,600.00	963,265.66	17,334.34	
General Liability Insurance	81,262.00	81,262.00	81,262.00		
Worker's Compensation	89,000.00	89,000.00	87,629.28	1,370.72	
Unemployment Insurance					
Economic Development Committee:					
Other Expense	300.00	300.00		300.00	
PUBLIC SAFETY:					
Aid to Volunteer Fire Companies	60,000.00	60,000.00	60,000.00		
Police:					
Salaries & Wages	1,241,000.00	1,272,200.00	1,272,199.08	0.92	
Other Expense	41,650.00	41,650.00	36,653.00	4,997.00	
Purchase of Police Vehicles	35,000.00	35,000.00	35,000.00		
Dispatch:					
Salaries & Wages	310,000.00	321,300.00	319,014.13	2,285.87	
Other Expense	14,010.00	14,010.00	6,440.93	7,569.07	
Aid to Volunteer Rescue Squad	25,000.00	25,000.00	25,000.00		
Municipal Court:					
Salaries & Wages	77,065.00	77,065.00	75,245.88	1,819.12	
Other Expenses	15,000.00	11,700.00	5,323.29	6,376.71	

TOWNSHIP OF ANDOVER  
CURRENT FUND  
STATEMENT OF EXPENDITURES  
YEAR ENDED DECEMBER 31, 2012  
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
<b>PUBLIC SAFETY:</b>					
Fire Department:					
Other Expenses	\$ 7,000.00	\$ 7,000.00	\$ 7,000.00		
Other Expenses - Oxygen Tanks	1,800.00	1,800.00	1,747.80	\$ 52.20	
Fire Prevention:					
Salaries & Wages	2,500.00				
Other Expenses	5,000.00	5,000.00	348.62	4,651.38	
Emergency Management Services:					
Salaries & Wages	3,000.00	3,000.00	3,000.00		
Other Expenses	250.00	250.00	225.00	25.00	
<b>STREETS AND ROADS:</b>					
Public Works Department:					
Salaries & Wages	573,000.00	573,000.00	535,001.57	37,998.43	
Other Expenses	201,210.00	201,210.00	146,013.66	55,196.34	
Public Building and Grounds:					
Other Expenses	43,800.00	43,800.00	37,120.80	6,679.20	
Garbage Removal Contractual	450,500.00	450,500.00	448,554.28	1,945.72	
<b>HEALTH AND WELFARE:</b>					
Dog Regulation:					
Other Expenses	300.00	300.00		300.00	
Board of Health:					
Salaries & Wages	10,500.00	10,500.00	10,500.00		
Other Expenses	200.00	200.00	7.94	192.06	
<b>RECREATION AND EDUCATION:</b>					
Parks and Playgrounds:					
Salaries & Wages	19,500.00	18,100.00	18,100.00		
Other Expenses	4,600.00	5,900.00	5,622.78	277.22	
Other Expenses - Park Maintenance	5,000.00	5,000.00	3,363.18	1,636.82	
Celebration of Public Events:					
Other Expenses	500.00	500.00	158.85	341.15	
Contribution to Senior Citizen Center	3,000.00	3,000.00	3,000.00		

TOWNSHIP OF ANDOVER  
CURRENT FUND  
STATEMENT OF EXPENDITURES  
YEAR ENDED DECEMBER 31, 2012  
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
UNIFORM CONSTRUCTION CODE:					
State Uniform Construction Code:					
Salaries & Wages	\$ 200.00	\$ 200.00		\$ 200.00	
Other Expenses	100.00	100.00		100.00	
UNCLASSIFIED:					
Street Lighting	9,900.00	8,100.00	\$ 5,811.80	2,288.20	
Reserve for Sick Leave	35,000.00	23,000.00	23,000.00		
Utilities	175,200.00	171,200.00	151,230.82	19,969.18	
Total Operations Within "CAPS"	5,270,354.88	5,294,354.88	5,052,476.35	241,878.53	
Total Operations including Contingent within "CAPS"	5,270,354.88	5,294,354.88	5,052,476.35	241,878.53	
Detail:					
Salaries & Wages	2,660,968.88	2,688,938.88	2,646,009.16	42,929.72	
Other Expenses	2,609,386.00	2,605,416.00	2,406,467.19	198,948.81	
Deferred Charges and Statutory Expenditures -					
Municipal Within "CAPS":					
Statutory Expenditures:					
Contribution to:					
Public Employees Retirement System	166,145.00	166,145.00	166,145.00		
Social Security System (O.A.S.I.)	210,000.00	204,000.00	203,813.92	186.08	
Police and Firemen's Retirement System	205,293.00	205,293.00	205,293.00		
Unemployment Compensation	18,000.00	18,000.00	87.00	17,913.00	
DCRP	1,000.00	1,000.00	502.93	497.07	
Total Deferred Charges and Statutory Expenditures -					
Municipal Within "CAPS"	600,438.00	594,438.00	575,841.85	18,596.15	
Total General Appropriations for Municipal Purposes					
Within "CAPS"	5,870,792.88	5,888,792.88	5,628,318.20	260,474.68	

TOWNSHIP OF ANDOVER  
CURRENT FUND  
STATEMENT OF EXPENDITURES  
YEAR ENDED DECEMBER 31, 2012  
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
Shared Service Agreements:					
Tax Collector-Lafayette:					
Salaries and Wages	\$ 17,875.00	\$ 17,875.00	\$ 17,875.00		
Public and Private Programs Offset by Revenues:					
Recycling Tonnage Grant	13,571.37	13,571.37	475.00	\$ 13,096.37	
N.J. Department of Transportation Grant-					
Roseville Road (N.J.S.A. 40A:4-87- \$200,000.00)		200,000.00	197,572.57	2,427.43	
Clean Communities Grant	1,570.21	1,570.21	1,570.21		
Total Operations Excluded from "CAPS"	33,016.58	233,016.58	217,492.78	15,523.80	
Detail:					
Other Expenses	33,016.58	233,016.58	217,492.78	15,523.80	
Capital Improvements- Excluded from "CAPS"					
Capital Improvement Fund	50,000.00	50,000.00	50,000.00		
Total Capital Improvements - Excluded from "CAPS"	50,000.00	50,000.00	50,000.00		
Municipal Debt Service - Excluded from "CAPS":					
Payment of Bond Principal	480,000.00	480,000.00	480,000.00		
Interest on Bonds	103,305.00	103,305.00	103,303.76		\$ 1.24
Total Municipal Debt Service - Excluded from "CAPS"	583,305.00	583,305.00	583,303.76		1.24
Total General Appropriations - Excluded from "CAPS"	666,321.58	866,321.58	850,796.54	15,523.80	1.24
Subtotal General Appropriations	6,537,114.46	6,755,114.46	6,479,114.74	275,998.48	1.24
Reserve for Uncollected Taxes	1,000,000.00	1,000,000.00	1,000,000.00		
Total General Appropriations	\$ 7,537,114.46	\$ 7,755,114.46	\$ 7,479,114.74	\$ 275,998.48	\$ 1.24

Ref.

A

TOWNSHIP OF ANDOVER  
CURRENT FUND  
STATEMENT OF EXPENDITURES  
YEAR ENDED DECEMBER 31, 2012  
(Continued)

	<u>Ref.</u>	<u>Analysis of</u>	
		<u>Budget After Modification</u>	<u>Paid or Charged</u>
Adopted Budget		\$ 7,537,114.46	
Added by N.J.S.A. 40A:4-87		200,000.00	
Added by N.J.S.A. 40A:4-53		18,000.00	
		<u>\$ 7,755,114.46</u>	
Reserve for Uncollected Taxes			\$ 1,000,000.00
Reserve for Encumbrances	A		33,299.43
Reserve for Tax Map Revisions			18,000.00
Cash Disbursed			<u>6,547,138.08</u>
			7,598,437.51
Less: Appropriation Refunds			<u>119,322.77</u>
			<u>\$ 7,479,114.74</u>

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

TOWNSHIP OF ANDOVER  
COUNTY OF SUSSEX  
2012  
TRUST FUNDS

TOWNSHIP OF ANDOVER  
COMPARATIVE BALANCE SHEET - TRUST FUNDS

<u>ASSETS</u>	<u>Ref.</u>	<u>December 31</u>	
		<u>2012</u>	<u>2011</u>
Animal Control Fund:			
Cash and Cash Equivalents			
Treasurer	B-4	\$ 708.41	\$ 4,205.78
Change Fund		25.00	25.00
Due State of New Jersey			232.40
		<u>733.41</u>	<u>4,463.18</u>
Other Trust Funds:			
Cash and Cash Equivalents	B-4	521,897.86	520,938.98
Due Current Fund	A		19,269.98
		<u>521,897.86</u>	<u>540,208.96</u>
<u>TOTAL ASSETS</u>		<u>\$ 522,631.27</u>	<u>\$ 544,672.14</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Animal Control Fund:			
Reserve for Animal Control Expenditures	B-6	\$ 733.41	\$ 4,463.18
		<u>733.41</u>	<u>4,463.18</u>
Other Trust Funds:			
Reserve for:			
Special Deposits		316,968.55	319,711.10
Public Defender		2,119.00	
Recreation Trust		2,056.26	280.00
Traffic Detail		2,688.35	1,366.27
Snow Removal		11,055.73	11,055.73
Delorenzo Tree Theft		2,097.93	897.93
Contingency - Road Improvements		11,538.15	11,538.15
Parking Offense Adjudication Act		311.50	209.00
Fire Safety		656.00	326.00
Smoke Detector Inspection Fees		22,320.75	21,695.75
Environmental Commission Donations		125.00	125.00
Municipal Court Bail Restitution - Overage		3,126.08	2,926.08
Accumulated Sick		53,079.59	66,630.23
Open Space		73,112.14	74,988.04
Sustainable Andover		1,926.40	
Coalition of Affordable Housing		16,136.22	15,884.55
State Unemployment Insurance		2,580.21	12,575.13
		<u>521,897.86</u>	<u>540,208.96</u>
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 522,631.27</u>	<u>\$ 544,672.14</u>

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



TOWNSHIP OF ANDOVER  
ASSESSMENT TRUST FUND  
STATEMENT OF FUND BALANCE  
YEAR ENDED DECEMBER 31, 2012

NOT APPLICABLE

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

TOWNSHIP OF ANDOVER  
ASSESSMENT TRUST FUND  
STATEMENT OF REVENUE  
YEAR ENDED DECEMBER 31, 2012

NOT APPLICABLE

ASSESSMENT TRUST FUND  
STATEMENT OF EXPENDITURES  
YEAR ENDED DECEMBER 31, 2012

NOT APPLICABLE

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

TOWNSHIP OF ANDOVER  
COUNTY OF SUSSEX  
2012  
GENERAL CAPITAL FUND

TOWNSHIP OF ANDOVER  
GENERAL CAPITAL FUND  
COMPARATIVE BALANCE SHEET

		December 31,	
	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	C-2	\$ 509,280.04	\$ 507,928.36
Deferred Charges to Future Taxation:			
Funded		<u>3,587,000.00</u>	<u>4,067,000.00</u>
<u>TOTAL ASSETS</u>		<u>\$ 4,096,280.04</u>	<u>\$ 4,574,928.36</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Serial Bonds Payable	C-8	\$ 3,587,000.00	\$ 4,067,000.00
Improvement Authorizations:			
Funded	C-5	224,479.77	374,804.14
Reserve for Preliminary Engineering Expenses		1,019.93	1,019.93
Reserve to Pay Debt Service		10,978.00	10,978.00
Reserve for D.P.W. Equipment		24,000.00	
Reserve for F.E.M.A. Improvements		38,500.00	
Capital Improvement Fund	C-6	111,614.93	22,438.88
Fund Balance	C-1	<u>98,687.41</u>	<u>98,687.41</u>
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 4,096,280.04</u>	<u>\$ 4,574,928.36</u>

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

TOWNSHIP OF ANDOVER  
GENERAL CAPITAL FUND  
STATEMENT OF FUND BALANCE

Ref.

Balance December 31, 2011	<u>\$ 98,687.41</u>
Balance December 31, 2012	<u><u>\$ 98,687.41</u></u>

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

TOWNSHIP OF ANDOVER  
COUNTY OF SUSSEX  
2012  
GENERAL FIXED ASSET ACCOUNT GROUP

(UNAUDITED)

TOWNSHIP OF ANDOVER  
GENERAL FIXED ASSETS ACCOUNT GROUP  
COMPARATIVE BALANCE SHEET  
 (Unaudited)

	December 31,	
	2012	2011
<u>ASSETS</u>		
Land	\$ 3,948,300.00	\$ 3,948,300.00
Buildings and Improvements	3,368,400.00	3,368,400.00
Equipment	3,404,746.00	3,512,215.00
<u>TOTAL ASSETS</u>	<u>\$ 10,721,446.00</u>	<u>\$ 10,828,915.00</u>
 <u>LIABILITIES AND RESERVES</u>		
Reserve for Fixed Assets	\$ 10,721,446.00	\$ 10,828,915.00
<u>TOTAL LIABILITIES AND RESERVES</u>	<u>\$ 10,721,446.00</u>	<u>\$ 10,828,915.00</u>

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

TOWNSHIP OF ANDOVER  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2012

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

Except as noted below, the financial statements of the Township of Andover include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Township of Andover, as required by N.J.S. 40A:5-5. Accordingly, the financial statements of the Township of Andover do not include the operations of the volunteer fire and rescue squads.

Governmental Accounting Standards Board publication Codification of Government 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 resources and significance) should be included in the financial reporting entities. As the financial reporting entity was established in accordance with New Jersey statutes, the requirements of Government Accounting and Financial Reporting Standards, Section 2100 were not followed and, accordingly, the reporting entity could be different from accounting principles generally accepted in the United States of America.

B. Description of Funds

The accounting policies of the Township of Andover conform to the accounting principles applicable to municipalities which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Township of Andover accounts for its financial transactions through the following separate funds:

Current Fund - Resources and expenditures for governmental operations of a general nature, including federal and state grant funds. .

Trust Fund - Receipt, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created.

General Capital Fund - Receipt and disbursement of funds for the acquisition of general capital facilities, other than those acquired in the Current Fund.

General Fixed Assets Account Group (Unaudited) – These accounts were established with estimated values of land, buildings and certain fixed assets of the Township as discussed in Note 1E.



TOWNSHIP OF ANDOVER  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2012  
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

C. Basis of Accounting

Basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accounting policies of the Township of Andover conform to the accounting principles applicable to municipalities which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which differ in certain respects from accounting principles generally accepted in the United States of America applicable to local governmental units. The following is a summary of the more significant policies.

Revenue is recorded when received in cash except for certain amounts which may be due from the State of New Jersey and for the prepayment of future years' revenue. Grant revenue is realized in the operating funds when it is received and in the capital funds when improvements are authorized. The amounts recorded as property taxes and consumer accounts receivable have not been included in revenue. Amounts that are due to the municipality, which are susceptible of accrual, are recorded as receivables with offsetting reserves in the Current Fund.

Expenditures are charged to operations generally based on budgeted amounts. Exceptions to this general rule include:

1. Accumulated unpaid vacation, sick pay and other employee amounts are not accrued.
2. Prepaid expenses, such as insurance premiums applicable to subsequent periods, are charged to current budget appropriations in total.
3. Principal and interest on long-term debt are recognized when due.

Expenditures, if any, in excess of appropriations, appropriation reserves or ordinances become deferred charges which must be raised by future taxes. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements and constitute part of the statutory appropriation reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31 of each year and recorded as liabilities, except for amounts which may be cancelled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income.

Had the Township's financial statements been prepared under generally accepted accounting principles, encumbrances would not be considered as expenditures; appropriation reserves would not be recorded; revenue susceptible to accrual would have been reflected without offsetting reserves; Federal and State grants and assistance would be recognized when earned, not when received; and inventories would not be reflected as expenditures at the time of purchase.

TOWNSHIP OF ANDOVER  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2012  
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

C. Basis of Accounting (Cont'd)

The cash basis of accounting is followed in the Trust and Capital Funds.

D. Deferred Charges to Future Taxation

The Capital Fund balance sheet includes both funded and unfunded deferred charges. Funded means that bonds have been issued and are being paid off on a serial basis. Unfunded means the debt has been authorized but not permanently financed. A municipality can eliminate an unfunded deferred charge by raising it in the budget, by collecting a grant, by selling bonds, by loans or by capital lease purchase agreements.

E. Other significant accounting policies include:

Management Estimates – The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – Amounts include petty cash, change funds, amounts on deposit, and short-term investments with original maturities of three months or less.

Investments – Investments are stated at cost or amortized cost, which approximates market.

Grants Receivable – Grants receivable represent total grant awards less amounts collected to date. Because the amount of grants funds to be collected are dependent on the total costs eligible for reimbursement, the actual amount collected may be less than the total amount awarded.

Allowance for Uncollectible Accounts – No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

Compensated Absences – Expenditures relating to unused vested accumulated vacation and sick pay are not recorded until paid.

Foreclosed Property - Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved.

Interfunds - Interfund receivables in the Current Fund are recorded with offsetting reserves which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves.

Inventories of Supplies - The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets.

TOWNSHIP OF ANDOVER  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2012  
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

E. Other significant accounting policies include:

General Fixed Assets (Unaudited) - In accordance with Technical Accounting Directive No. 85 Accounting for Governmental Fixed Assets, as promulgated by the Division of Local Government Services, the Township has developed a fixed assets accounting and reporting system based on the following:

General fixed assets are recorded at cost, except for land which is recorded at assessed value, and buildings, which are recorded at replacement value in the year in which they were originally recorded. Infrastructure assets are not included in general fixed assets, as per state directive. Major renewals and betterments are charged to the asset accounts; maintenance and minor repairs and replacements, which do not improve or extend the lives of the respective assets, are expensed currently. Donated fixed assets are valued at their fair market value on the date donated. No depreciation has been provided for on general fixed assets. The total value recorded for general fixed assets is offset by a "Reserve for General Fixed Assets." When properties are retired or otherwise disposed of, the asset and the reserve are adjusted accordingly. Assets recorded in the general fixed assets account group may also be recorded in the Current Fund and General Capital Fund. The values recorded in the general fixed asset account group and the current and capital funds may not always agree due to differences in valuation methods, timing of recognition of assets, and the recognition of infrastructures. Capital assets are reviewed for impairment.

F. Budget/Budgetary Control

Annual appropriated budgets are usually prepared in the first quarter for the Current operating, and Open Space Trust funds. The budgets are submitted to the governing body and the Division of Local Government Services. Budgets are prepared using the cash basis of accounting. The legal level of budgetary control is established at the line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the flexible chart of accounts referenced in N.J.S.A. 40A. All budget amendments/transfers must be approved by the Township during the year.

Note 2: Long-Term Debt

The Local Bond Law governs the issuance of bond to finance general Township capital expenditures. All bonds are retired in serial installments within the statutory period of usefulness. All bonds issued by the Township are general obligation bonds. The Township's full faith and credit and taxing power have been pledged to the payment of the general obligation debt principal and interest.

TOWNSHIP OF ANDOVER  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2012  
(Continued)

Note 2: Long-Term Debt (Cont'd)

Summary of Municipal Debt

	December 31,		
	2012	2011	2010
<u>Issued</u>			
General: Bonds and Notes	\$ 3,587,000.00	\$ 4,067,000.00	\$ 4,502,000.00
Total Bonds and Notes Issued and Authorized but not Issued	<u>3,587,000.00</u>	<u>4,067,000.00</u>	<u>4,502,000.00</u>
Less:			
Funds Temporarily Held to Pay Bonds and Notes			
Reserve to Pay Debt Service	<u>10,978.00</u>	<u>10,978.00</u>	<u>10,978.00</u>
Net Bonds and Notes Issued and Authorized but not Issued	<u>\$ 3,576,022.00</u>	<u>\$ 4,056,022.00</u>	<u>\$ 4,491,022.00</u>

Summary of Statutory Debt Condition – Annual Debt Statement

The summarized statement of debt condition, which follows, is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of .46%.

	Gross Debt	Deductions	Net Debt
Regional School District Debt	\$ 10,321,116.36	\$ 10,321,116.36	
General Debt	<u>3,587,000.00</u>	<u>10,978.00</u>	<u>\$ 3,576,022.00</u>
	<u>\$ 13,908,116.36</u>	<u>\$ 10,332,094.36</u>	<u>\$ 3,576,022.00</u>

Net Debt: \$3,576,022.00 divided by Average Equalized Valuations of \$784,305,143.33 of Real Property = .46%.

Borrowing Power Under N.J.S. 40A:2-6 As Amended

3-1/2% Average Equalized Valuation of Real Property	\$27,450,680.02
Net Debt	<u>3,576,022.00</u>
Remaining Borrowing Power	<u>\$23,874,658.02</u>

The foregoing debt information is in agreement with the Annual Debt Statement filed by the Chief Financial Officer.

TOWNSHIP OF ANDOVER  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2012  
(Continued)

Note 2: Long-Term Debt (Cont'd)

Summary of Municipal Debt Issued and Outstanding - Prior Year

Fund	Balance 12/31/2010	Additions	Retirements	Balance 12/31/2011
Serial Bonds:				
General Capital Fund	\$ 4,502,000.00		\$ 435,000.00	\$ 4,067,000.00
	<u>\$ 4,502,000.00</u>	<u>\$ -0-</u>	<u>\$ 435,000.00</u>	<u>\$ 4,067,000.00</u>

Summary of Municipal Debt Issued and Outstanding - Current Year

Fund	Balance 12/31/2011	Additions	Retirements	Balance 12/31/2012
Serial Bonds:				
General Capital Fund	\$ 4,067,000.00		\$ 480,000.00	\$ 3,587,000.00
	<u>\$ 4,067,000.00</u>	<u>\$ -0-</u>	<u>\$ 480,000.00</u>	<u>\$ 3,587,000.00</u>

The Township's debt issued and outstanding on December 31, 2012 is described as follows:

General Capital Serial Bonds

Maturities	Rate	Amount
9/1/2013	Various	\$ 515,000.00
9/1/2014	Various	565,000.00
9/1/2015	Various	565,000.00
9/1/2016	Various	350,000.00
9/1/2017	Various	450,000.00
9/1/2018-2020	Various	<u>1,142,000.00</u>
Total Debt Issued and Outstanding		<u>\$ 3,587,000.00</u>

TOWNSHIP OF ANDOVER  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2012  
(Continued)

Note 2: Long-Term Debt (Cont'd)

Schedule of Annual Debt Service for Principal and Interest for Bonded Debt  
Issued and Outstanding

<u>Calendar Year</u>	<u>General</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 515,000.00	\$ 89,793.76	\$ 604,793.76
2014	565,000.00	75,731.26	640,731.26
2015	565,000.00	60,399.92	625,399.92
2016	350,000.00	44,800.00	394,800.00
2017	400,000.00	37,800.00	437,800.00
2018-2020	1,192,000.00	59,400.00	1,251,400.00
	<u>\$ 3,587,000.00</u>	<u>\$ 367,924.94</u>	<u>\$ 3,954,924.94</u>

Note 3: Fund Balances Appropriated

Fund balance at December 31, 2012, which is appropriated and included in the introduced budget as anticipated revenue for the year ending December 31, 2013 is as follows:

Current Fund	\$ 1,190,000.00
--------------	-----------------

Note 4: Deferred Charges to be Raised in Succeeding Years

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2012, the following deferred charge is shown on the balance sheets of the various funds:

	<u>Balance</u>	<u>To be</u>	<u>Balance to</u>
	<u>Dec. 31, 2012</u>	<u>Raised in</u>	<u>Succeeding</u>
<u>Current Fund</u>		<u>2013 Budget</u>	<u>Years</u>
Special Emergency Appropriation	\$ 18,000.00	\$ 3,600.00	\$ 14,400.00

The 2013 Budget Appropriation is not less than that required by statute.

Note 5: School District Taxes

Regulations provide for the deferral of not more than 50% of the annual levy when school taxes are raised for a school year and have not been requisitioned by the school district. The Township of Andover has not elected to defer school taxes.

TOWNSHIP OF ANDOVER  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2012  
(Continued)

Note 6: Pension Plans

Township employees are enrolled in one of two cost sharing multiple-employer public employee retirement systems: the Public Employees' Retirement System (PERS) or the Police and Firemen's Retirement System (PFRS) of New Jersey; or the Defined Contribution Retirement Program (DCRP). The State of New Jersey sponsors and administers these two plans which cover substantially all Township employees. Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. As a general rule, all full-time employees are eligible to join one of the two public employees' retirement systems. However, if an employee is ineligible to enroll in the PERS or the PFRS, the employee may be eligible to enroll in the DCRP.

Employees who are members of PERS and retire at a specified age according to the relevant tier category for that employee are entitled to a retirement benefit based upon a formula which takes "final average salary" during years of creditable service. Vesting occurs after 8 to 10 years of service. Enrolled PFRS members may retire at age 55 with a minimum of 10 years of service required for vesting. The DCRP provides eligible members with a tax- sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

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 Treasury, Division of Pensions and Benefits, P.O. 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 legislation. The employee contributions for PFRS are 10.00% of employees' annual compensation, as defined. For PERS, the contribution rate was 6.5% of base salary from October 1, 2011 thru June 30, 2012 and increased to 6.64% effective July 1, 2012. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1<sup>st</sup> to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018. Employers are required to contribute at an actuarially determined rate in both funds. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

Township contributions to the PERS and PFRS amounted to \$371,438.00, \$389,398.00 and \$287,212.00 for 2012, 2011 and 2010, respectively.

The Employee and employer contributions for DCRP for the year ended December 31, 2012, 2011, and 2010 were \$502.93, \$357.11, and \$ -0- respectively.

TOWNSHIP OF ANDOVER  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2012  
(Continued)

**Note 7: Accrued Sick and Vacation Benefits**

The Township permits employees to accrue a limited amount of unused vacation and sick pay, which may be taken as time off or paid at a later date at an agreed-upon rate. It is estimated that the current cost of such unpaid compensation would approximate \$612,074.96 at December 31, 2012. This amount is not reported either as expenditure or a liability. It is expected that the cost of such unpaid compensation would be included in the Township's budget operating expenditures in the year in which it is used. This amount has been partially reserved in the Reserve for Accumulated Sick of \$53,079.59 on the Trust Fund balance sheet at December 31, 2012.

**Note 8: Deferred Compensation**

The Township offers its employees a choice of deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans permit participants to defer a portion of their salary until future years. Amounts deferred under these plans are not available to employees until termination, retirement, death or unforeseeable emergency. The plans are administered by the following:

Equitable	Penn Mutual
Trans World Assurance	

**Note 9: Selected Tax Information**

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 the 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 prior year may be placed in lien at a tax sale held after April 1 and through December 31.

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<u>Tax Rate</u>	\$ 3.32	\$ 3.24	\$ 3.12
<u>Apportionment of Tax Rate</u>			
Municipal	0.87	0.86	0.84
County	0.60	0.59	0.58
Regional School	1.85	1.79	1.79
<u>Assessed Valuations</u>			
2012	\$ 611,817,206		
2011		\$ 615,376,761	
2010			\$ 618,040,236



TOWNSHIP OF ANDOVER  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2012  
(Continued)

Note 9: Selected Tax Information (Cont'd)

Comparison of Tax Levies and Collections Currently

Year	Tax Levy	Currently	
		Cash Collections	Percentage of Collections
2012	\$ 20,388,191.79	\$ 19,989,595.47	98.04%
2011	19,960,414.60	19,513,916.35	97.76%
2010	19,885,343.17	19,508,689.02	98.10%

Also, increases in future tax levies can also be warranted if revenue sources outside of those directly generated by the municipality, such as federal or state aid, should decline without corresponding decreases in budgeted expenditures.

Note 10: Cash and Cash Equivalents

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

Investments are stated at cost, which approximates market. The Township 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 Township in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial risk is the risk that in the event of bank failure, the government's deposits may not be returned.

**Interest Rate Risk** – In accordance with its cash management plan, the Township ensures that any deposit or investments 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 Township limits its investments to those authorized in its cash management plan which are permitted under state statutes as detailed on the following page.

Deposits:

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey, which are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

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

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

TOWNSHIP OF ANDOVER  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2012  
(Continued)

Note 10: Cash and Cash Equivalents (Cont'd)

In addition to the above collateral requirement, if 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, the Federal Home Loan Bank Board 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 Township to purchase the following types of securities:

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located;
- (5) 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;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund; or
- (8) 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.

TOWNSHIP OF ANDOVER  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2012  
(Continued)

Note 10: Cash and Cash Equivalents (Cont'd)

As of December 31, 2012, cash and cash equivalents of the Township of Andover consisted of the following:

<u>Fund</u>	<u>Petty Cash &amp; Change Funds</u>	<u>Checking Accounts</u>	<u>New Jersey Cash Management Fund</u>	<u>Total</u>
Current Fund	\$ 525.00	\$ 2,595,426.53	\$ 121,298.00	\$ 2,717,249.53
Animal Control Trust Fund	25.00	708.41		733.41
Other Trust Fund		521,897.86		521,897.86
General Capital Fund		329,072.28	180,207.76	509,280.04
	<u>\$ 550.00</u>	<u>\$ 3,447,105.08</u>	<u>\$ 301,505.76</u>	<u>\$ 3,749,160.84</u>

During the period ended December 31, 2012, the Township did not hold any investments. The carrying amount of the Township's cash and cash equivalents at December 31, 2012, was \$3,749,160.84 and the bank balance was \$3,671,860.44. The \$301,505.76 invested with the State of New Jersey Cash Management Fund is uninsured and/or unregistered.

Note 11: Post-Retirement Medical Benefits

In addition to the pension benefits described in Note 6, the Township provides other post-retirement benefits to certain Township employees after retirement, substantially similar in nature to the health benefits provided to employees presently working.

The Township contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq. to provide health benefits to State employees, retirees, and their dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP.

In accordance with the Township's resolution, Township employees are entitled to the following benefits:

Municipal, Police and Fire Employees

Upon retirement, employees with twenty-five (25) years of full-time service with the Township will receive full benefits. The coverage applies to the employee and their dependents. In the event of an employee's death, coverage ceases.

Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

TOWNSHIP OF ANDOVER  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2012  
(Continued)

Note 11: Post Retirement Medical Benefits (Cont'd)

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to:

State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295.

Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Township on a monthly basis. The Township's portion of post-retirement benefits is funded on a pay-as-you-go basis from the Current Fund operating budget.

The Township contributions to SHBP for the years ended December 31, 2012, 2011 and 2010, were approximately \$890,130, \$855,095, and \$796,364, respectively, which equaled the required contributions for each year. There were 13 retired participants eligible at December 31, 2012, 2011 and 2010, respectively.

Note 12: Risk Management

The Township 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 employees through the State of New Jersey health benefits plan. The Township provides prescription benefits to the employees through its membership in the North Jersey Municipal Employee Benefits Fund.

The Township of Andover is a member of the Morris County Municipal Joint Insurance Fund. The Fund is both an insured and self-administered group of municipalities established for the purpose of providing certain employee benefits for member municipalities in order to keep local property taxes at a minimum.

The following coverages are offered by this fund to its members:

- a.) Workers' Compensation and Employers' Liability
- b.) Liability Other Than Motor Vehicles
- c.) Property Damage Other Than Motor Vehicles
- d.) Motor Vehicle
- e.) Environmental

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

TOWNSHIP OF ANDOVER  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2012  
(Continued)

Note 12: Risk Management (Cont'd)

New Jersey Unemployment Compensation Insurance (Cont'd)

The fund 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 North Jersey Municipal Employee Benefits Fund as of December 31, 2011, and the Morris County Municipal Joint Insurance Fund as of December 31, 2012 are as follows:

	North Jersey Municipal Employee Benefits Fund	Morris County Municipal Joint Insurance Fund
Total Assets	\$ 15,217,929	\$ 23,194,903
Net Position	\$ 10,337,899	\$ 9,573,823
Total Revenue	\$ 38,346,991	\$ 14,615,049
Total Expenses	\$ 38,268,505	\$ 16,961,968
Change in Net Position	\$ (1,121,514)	\$ (2,346,919)
Member Dividends	\$ 1,200,000	\$ -0-

Financial statements for these funds are available at the Office of the Executive Director:

PERMA Risk Management Services  
9 Campus Drive, Suite 16  
Parsippany, New Jersey 07054  
(201) 881-7632

New Jersey Unemployment Compensation Insurance

The Township has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the Township 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 Township is billed quarterly for amounts due to the State.

The following is a summary of Township contributions, interest earned, employee contributions and reimbursements to the State for benefits paid and the ending balance of the Township's expendable trust fund for the current and previous two years:

Year	Township Contributions	Interest Earned	Employees Contributions	Amount Reimbursed	Ending Balance
2010	\$ 29,823.12	\$ 34.84	\$ -0-	\$ 29,723.00	\$ 1,033.70
2011	17,764.74	37.85	-0-	6,261.16	12,575.13
2012	-0-	36.05	3,513.08	13,544.05	2,580.21

TOWNSHIP OF ANDOVER  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2012  
(Continued)

Note 13: Interfund Receivables and Payables

There were no interfund balances as of December 31, 2012.

Note 14: Fixed Assets (Unaudited)

The following is a schedule of the Township of Andover's fixed assets at December 31, 2012:

	Balance Dec. 31, 2010	Additions	Deletions	Balance Dec. 31, 2011
Land	\$ 3,948,300			\$ 3,948,300
Building and Building Improvements	3,368,400			3,368,400
Machinery and Equipment	3,512,215			3,512,215
	<u>\$ 10,828,915</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 10,828,915</u>
	Balance Dec. 31, 2011	Additions	Deletions	Balance Dec. 31, 2012
Land	\$ 3,948,300			\$ 3,948,300
Building and Building Improvements	3,368,400			3,368,400
Machinery and Equipment	3,512,215		\$ 107,469	3,404,746
	<u>\$ 10,828,915</u>	<u>\$ -0-</u>	<u>\$ 107,469</u>	<u>\$ 10,721,446</u>

Note 15: Economic Dependency

The Township receives a substantial amount of 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 Township's program and activities.

Note 16: Contingent Liabilities

The Township is periodically involved in various lawsuits arising in the normal course of business, including claims for property damage, personal injury, and various contract disputes. The Township vigorously contests these lawsuits and believes the ultimate resolution will not have a material adverse effect on their financial position.

Amounts received or receivable from grantors, principally the federal and state governments are subject to regulatory requirements and adjustments by the agencies. Any disallowed claims, including amounts previously recognized by the Township as revenue would constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time, although Township officials expect such amounts, if any, to be immaterial.

TOWNSHIP OF ANDOVER  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2012  
(Continued)

Note 16: Contingent Liabilities

The Township has been advised that a number of tax appeals have been filed. A reserve for pending tax appeals in the amount of \$93,217.73 has been recorded as of December 31, 2012. The Township believes the reserve should be sufficient to cover the appeals.

Note 17: Open Space Trust Fund

The Township of Andover created an Open Space Trust Fund with a tax levy of \$.01 per \$100 of assessed valuation in 2006. The funds collected are used to acquire and maintain open space property in the Township. The balances of the Open Space Trust Fund at December 31, 2012 and 2011 were \$73,112.14 and \$74,988.04, respectively.

TOWNSHIP OF ANDOVER

SUPPLEMENTARY DATA



TOWNSHIP OF ANDOVER  
OFFICIALS IN OFFICE AND SURETY BONDS  
YEAR ENDED DECEMBER 31, 2012

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>	<u>Name of Corporate Surety</u>
Michael Lensak	Mayor		
Gail Phoebus	Deputy Mayor		
Robert Smith (through 10/31/12)	Committeeman		
Dolores Blackburn (11/26/12 through present)	Committeewoman		
Thomas Walsh	Committeeman		
Phil Boyce	Committeeman		
Gail Magura	Chief Financial Officer	(A)	MCMJIF/MELJIF
Maryann Frodella	Deputy Treasurer	(A)	MCMJIF/MELJIF
Daryn L. Cashin	Tax Collector	(A)	MCMJIF/MELJIF
Shared Service w/ Wantage	Animal Control Officer	(A)	MCMJIF/MELJIF
Jack Marchione	Tax Assessor	(A)	MCMJIF/MELJIF
Vita Thompson	Township Clerk, Township Administrator	(A)	MCMJIF/MELJIF
James Devine	Magistrate	(A)	MCMJIF/MELJIF
Diana Francisco	Court Administrator/Violations Clerk	(A)	MCMJIF/MELJIF
Roxanne Landy	Deputy Court Clerk	(A)	MCMJIF/MELJIF
Anthony Arbore, Esq.	Township Prosecutor		
Frederick Semaru, Esq.	Attorney		
Richard Brigladorio	Land Use Board Attorney		

All bonds were examined and were properly executed.

(A) - Employees are covered under a Blanket Surety Bond. \$50,000 is covered under Morris County Municipal Joint Insurance Fund.  
\$950,000 is covered under the Municipal Excess Liability Joint Insurance Fund.

TOWNSHIP OF ANDOVER  
COUNTY OF SUSSEX  
2012  
CURRENT FUND

TOWNSHIP OF ANDOVER  
CURRENT FUND  
SCHEDULE OF CASH

	<u>Ref.</u>	
Balance December 31, 2011	A	\$ 2,748,489.36
Increased by Receipts:		
Tax Collector	\$ 20,460,356.21	
Revenue Accounts Receivable	961,470.58	
Petty Cash	300.00	
Miscellaneous Revenue Not Anticipated	208,403.72	
Due State of New Jersey:		
Marriage License Fees	800.00	
DCA Training Fees	1,756.00	
Veterans and Senior Citizens' Deductions	55,580.90	
Unappropriated Grant Reserves:		
Drunk Driving Enforcement Fund	2,968.66	
Body Armor Replacement Fund	1,550.79	
Clean Communities	12,936.28	
Recycling Tonnage Grant	11,775.14	
Reserve for Garden State Preservation	28,395.00	
Appropriation Refunds	119,322.77	
		<u>21,865,616.05</u>
		24,614,105.41
Decreased by Disbursements:		
2012 Appropriation Expenditures	6,547,138.08	
2011 Appropriation Reserves	116,189.73	
Petty Cash	300.00	
Regional School Taxes	11,237,377.52	
County Taxes	3,652,464.06	
Tax Overpayments Refunded	7,447.70	
Due State of New Jersey:		
Marriage License Fees	875.00	
DCA Training Fees	1,756.00	
Redemption of Outside Liens	15,525.30	
Tax Sale Premiums	13,500.00	
Reserve for Tax Map Revisions	12,113.10	
Due Other Trusts Fund:		
Intefund Returned	19,269.98	
Open Space Tax Levy	61,181.00	
Refund of Miscellaneous Revenue	15,104.43	

TOWNSHIP OF ANDOVER  
CURRENT FUND  
SCHEDULE OF CASH

Ref.

Decreased by Disbursements (Cont'd):

Appropriated Grant Reserves:

Energy Grants	\$	822.00
Bike Path Grant		13,558.27
DOT Grant- Goodale Road		165,000.00
Click it or Ticket Grant		515.64
Recycling Grant		2,604.56
Drunk Driving Enforcement Fund		1,887.42
Clean Communities		11,490.58
Body Armor Replacement		1,260.51

\$ 21,897,380.88

Balance December 31, 2012

A

\$ 2,716,724.53

TOWNSHIP OF ANDOVER  
CURRENT FUND  
SCHEDULE OF CASH - COLLECTOR  
YEAR ENDED DECEMBER 31, 2012

## Increased by Receipts:

Taxes Receivable	\$ 20,146,279.45	
Interest and Costs on Taxes	80,498.25	
2013 Prepaid Taxes	122,553.82	
Tax Overpayments	7,447.70	
Tax Title Liens	35,063.11	
Outside Liens	15,525.30	
Tax Sale Premiums	44,100.00	
Tax Search Fees	250.00	
Miscellaneous Revenue Not Anticipated	<u>8,638.58</u>	
		<u>\$ 20,460,356.21</u>

## Decreased by:

Disbursed to Municipal Treasurer		<u>\$ 20,460,356.21</u>
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TOWNSHIP OF ANDOVER  
SCHEDULE OF CASH - GRANT FUNDS  
YEAR ENDED DECEMBER 31, 2012

NOT APPLICABLE

TOWNSHIP OF ANDOVER  
CURRENT FUND  
SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Year	Balance	2012 Levy	Collections		State of NJ Veterans and Senior Citizens' Deductions	Cancelled	Transferred to Tax Title Liens	Balance
	Dec. 31, 2011		2011	2012				Dec. 31, 2012
2011	\$ 333,336.61			\$ 331,219.07	\$ (750.00)	\$ 6.39	\$ 2,861.15	
	333,336.61			331,219.07	(750.00)	6.39	2,861.15	
2012		\$ 20,388,191.79	\$ 120,285.09	19,815,060.38	54,250.00	71,870.73	21,672.02	\$ 305,053.57
	\$ 333,336.61	\$ 20,388,191.79	\$ 120,285.09	\$ 20,146,279.45	\$ 53,500.00	\$ 71,877.12	\$ 24,533.17	\$ 305,053.57

Ref.

A

A

Analysis of 2012 Property Tax Levy

## Tax Yield:

General Purpose Tax	\$ 20,308,197.82	
Business Personal Property Taxes	22,487.94	
Added and Omitted Taxes	57,506.03	
	<u>\$ 20,388,191.79</u>	
Regional School District Taxes		\$ 11,306,518.71
County Taxes:		
General Tax	\$ 3,298,784.02	
Library Tax	240,039.55	
Health Tax	93,036.56	
Open Space Tax	16,549.59	
Due County for Added and Omitted Taxes	<u>10,352.77</u>	
		3,658,762.49
Local Tax for Open Space - Due Other Trust Funds		<u>61,181.00</u>
		15,026,462.20
Local Tax for Municipal Purposes Levied	5,312,143.88	
Add: Additional Tax Levied	<u>49,585.71</u>	
		5,361,729.59
		<u>\$ 20,388,191.79</u>

TOWNSHIP OF ANDOVER  
CURRENT FUND  
SCHEDULE OF TAX TITLE LIENS

	<u>Ref.</u>		
Balance December 31, 2011	A	\$	181,876.48
Increased by:			
Transfer from Taxes Receivable		\$	24,533.17
Interest and Costs on Tax Sale			<u>757.81</u>
			<u>25,290.98</u>
			207,167.46
Decreased by:			
Cash Received			<u>35,063.11</u>
Balance December 31, 2012	A	\$	<u><u>172,104.35</u></u>

TOWNSHIP OF ANDOVER  
CURRENT FUND  
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	Balance Dec. 31, 2011	Accrued In 2012	Collected by Treasurer	Balance Dec. 31, 2012
Clerk:				
Alcoholic Beverage Licenses		\$ 6,270.00	\$ 6,270.00	
Fees and Permits		6,478.64	6,478.64	
Police:				
Fees and Permits		3,492.09	3,492.09	
Health Officer:				
Fees and Permits		3,825.00	3,825.00	
Municipal Court:				
Fines and Costs	\$ 5,159.88	74,831.08	74,651.06	\$ 5,339.90
Planning Board, Soil Erosion, & Board of Adjustment:				
Fees and Permits		3,300.00	3,300.00	
Recreation Commission:				
Fees and Permits		23,785.99	23,785.99	
Zoning Board:				
Fees and Permits		1,915.00	1,915.00	
Soil Erosion		1,000.00	1,000.00	
Cell Tower Rental		187,332.40	187,332.40	
Interest on Investments		24,157.69	24,157.69	
Consolidated Municipal Property Tax Relief Program		37,044.00	37,044.00	
Shared Service- Tax Collector		40,800.00	40,800.00	
Energy Receipts Tax		398,307.00	398,307.00	
Clean Communities Grant		1,570.21	1,570.21	
DOT Grant- Goodale Road	41,250.00			41,250.00
DOT Grant- Roseville Road		200,000.00	147,541.50	52,458.50
	<u>\$ 46,409.88</u>	<u>\$ 1,014,109.10</u>	<u>\$ 961,470.58</u>	<u>\$ 99,048.40</u>

Ref.           A

A



TOWNSHIP OF ANDOVER  
CURRENT FUND  
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE  
YEAR ENDED DECEMBER 31, 2012

NOT APPLICABLE

TOWNSHIP OF ANDOVER  
CURRENT FUND  
SCHEDULE OF 2011 APPROPRIATION RESERVES  
YEAR ENDED DECEMBER 31, 2012

	Balance Dec. 31, 2011	Balance After Modification	Paid or Charged	Balance Lapsed
GENERAL GOVERNMENT:				
General Administration:				
Salaries & Wages	\$ 18.31	\$ 18.31		\$ 18.31
Other Expenses	285.06	285.06	\$ 20.00	265.06
Mayor & Council:				
Salaries & Wages	0.56	0.56		0.56
Other Expenses	0.04	0.04		0.04
Municipal Clerk:				
Salaries & Wages	0.60	0.60		0.60
Other Expenses	7,238.77	7,238.77	5,905.82	1,332.95
Financial Administration:				
Salaries & Wages	19.96	19.96		19.96
Other Expenses	300.60	1,500.60	1,394.53	106.07
Data Processing:				
Other Expenses	183.66	183.66		183.66
Revenue Administration (Tax Collection):				
Salaries & Wages	1,619.50	1,619.50		1,619.50
Other Expenses	240.77	240.77	69.13	171.64
Tax Assessment Administration:				
Salaries & Wages	0.28	0.28		0.28
Other Expenses	3,295.42	2,095.42		2,095.42
Revision of Tax Map	4,143.75	143.75		143.75
Legal Services and Costs:				
Other Expenses	40,817.32	31,817.32	4,777.90	27,039.42
Professional Services - Township:				
Other Expenses	79.00	79.00		79.00
Engineering Services and Costs:				
Other Expenses	4,492.50	4,492.50	2,046.00	2,446.50
Municipal Prosecutor:				
Other Expenses	3,772.00	3,772.00	3,600.00	172.00
Environmental Commission (R.S. 71:56A-1 et seq):				
Other Expenses	400.00	500.00	452.79	47.21
Municipal Land Use Law:				
Planning Board:				
Salaries & Wages	521.32	521.32		521.32
Other Expenses	37.75	137.75	49.49	88.26
Zoning Officer:				
Salaries & Wages	503.64	503.64		503.64
Other Expenses	74.00	74.00		74.00
Police:				
Salaries & Wages	748.16	4,298.16		4,298.16
Other Expenses	6,671.02	3,700.02	2,993.81	706.21
Purchase of Police Vehicles	1,168.48	1,168.48		1,168.48

TOWNSHIP OF ANDOVER  
CURRENT FUND  
SCHEDULE OF 2011 APPROPRIATION RESERVES  
YEAR ENDED DECEMBER 31, 2012

	<u>Balance</u> <u>Dec. 31, 2011</u>	<u>Balance After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
<b>PUBLIC SAFETY:</b>				
Emergency Management Services:				
Other Expenses	\$ 250.00	\$ 250.00	\$ 232.50	\$ 17.50
Dispatch:				
Salaries & Wages	117.87	117.87		117.87
Other Expense	2,821.51	2,821.51	1,686.34	1,135.17
Fire Prevention:				
Salaries & Wages	79.41	79.41		79.41
Aid to Volunteer Fire	8,800.00	8,800.00	8,800.00	
Municipal Court:				
Salaries & Wages	7,021.65	42.65		42.65
Other Expenses	3.22	1,803.22	600.00	1,203.22
<b>STREETS AND ROADS:</b>				
Public Works Department:				
Salaries & Wages	2,373.54	23.54		23.54
Other Expenses	31,175.59	26,525.59	26,051.71	473.88
Public Building and Grounds:				
Other Expenses	6,759.19	6,759.19	5,440.15	1,319.04
Garbage Removal Contractual	1,660.81	1,660.81	976.99	683.82
<b>HEALTH AND WELFARE:</b>				
Dog Regulation:				
Other Expenses	900.59	900.59		900.59
Board of Health:				
Salaries & Wages	0.88	0.88		0.88
Other Expenses	200.00	200.00	112.94	87.06
<b>RECREATION AND EDUCATION:</b>				
Parks and Playground:				
Salaries & Wages	4.40	4.40		4.40
Other Expenses	1,300.15	1,300.15	210.39	1,089.76
Other Expenses - Park Maintenance	2,956.93	2,956.93	2,937.55	19.38
Celebration of Public Events:				
Other Expenses	949.05	949.05	50.95	898.10
<b>UNIFORM CONSTRUCTION CODE:</b>				
State Uniform Construction Code:				
Salaries & Wages	8,894.92	894.92		894.92
Other Expenses	713.52	13.52		13.52
<b>UNCLASSIFIED:</b>				
Street Lighting	1,379.66	2,179.66	1,224.32	955.34
Reserve for Sick Leave	1,000.00	1,000.00	1,000.00	
Utilities	2,067.45	3,567.45	3,550.36	17.09
Contingent	5,000.00	5,000.00		5,000.00

TOWNSHIP OF ANDOVER  
CURRENT FUND  
SCHEDULE OF 2011 APPROPRIATION RESERVES  
YEAR ENDED DECEMBER 31, 2012

	<u>Balance</u> <u>Dec. 31, 2011</u>	<u>Balance After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
Contributions to:				
Social Security System (O.A.S.I.)	\$ 3,828.03	\$ 1,628.03		\$ 1,628.03
Unemployment Compensation	3,659.68	12,659.68	\$ 12,478.00	181.68
DCRP	642.89	642.89		642.89
Insurance:				
Group Insurance Plans for Employees	1,583.85	1,583.85	1,568.07	15.78
General Liability Insurance	762.14	762.14		762.14
Worker's Compensation	281.16	281.16		281.16
Economic Development Committee:				
Other Expenses	2,000.00	2,000.00		2,000.00
State and Federal Programs Offset by Revenues:				
Reserve for Drunk Driving Enforcement Fund	2,554.10	2,554.10	2,554.10	
Reserve for Recycling Tonnage Grant	12,290.16	12,290.16	12,290.16	
Clean Communities	14,399.79	14,399.79	14,399.79	
Body Armor Replacement Fund	1,522.49	1,522.49	1,522.49	
NJDOT Grant- Goodale Road	165,000.00	165,000.00	165,000.00	
Click-It or Ticket Grant	3,800.00	3,800.00	3,800.00	
Various Capital Improvements		24,000.00	24,000.00	
	<u>\$ 375,387.10</u>	<u>\$ 375,387.10</u>	<u>\$ 311,796.28</u>	<u>\$ 63,590.82</u>

Ref.

Analysis of Balance @ 12/31/2011

Unencumbered	A \$ 248,095.17
Encumbered	A <u>127,291.93</u>
	<u>\$ 375,387.10</u>

Cash Disbursed	\$ 116,189.73
Transfer to Appropriated Grant Reserves:	
Recycling Tonnage Grant	12,290.16
Drunk Driving Enforcement Fund	116.60
Click it or Ticket Grant	3,800.00
Clean Communities	14,399.79
DOT Grant - Goodale Rd.	165,000.00
	<u>\$ 311,796.28</u>

TOWNSHIP OF ANDOVER  
CURRENT FUND  
SCHEDULE OF REGIONAL SCHOOL DISTRICT TAXES PAYABLE

Balance December 31, 2011	A	\$	-0-
Increased by:			
Levy - Calendar Year 2012		\$	11,306,518.71
			<u>11,306,518.71</u>
Decreased by:			
Payments to Regional School District			<u>11,237,377.52</u>
Balance December 31, 2012	A	\$	<u><u>69,141.19</u></u>

TOWNSHIP OF ANDOVER  
COUNTY OF SUSSEX  
2012  
TRUST FUNDS

TOWNSHIP OF ANDOVER  
TRUST FUNDS  
SCHEDULE OF CASH - TREASURER

	<u>Animal Control Fund</u>	<u>Other Trust Funds</u>
<u>Ref.</u>		
Balance December 31, 2011	B                      \$     4,205.78	\$   520,938.98
Increased by Receipts:		
Township Dog License Fees	\$     7,112.80	
Penalties on Dog License Fees	479.00	
Interest on Deposits	23.46	
State Dog License Fees	1,636.20	
Unemployment Insurance Deposits		\$     3,549.13
Coalition of Affordable Housing Trust Deposits		251.67
Open Space Trust Fund:		
Open Space Levy		61,181.00
Interest on Deposits		295.65
Special Deposits		72,130.34
Public Defender		2,119.00
Recreation Trust		15,475.00
Traffic Detail		26,896.11
Delorenzo Tree Theft		1,200.00
Parking Offense Adjudication Act		102.50
Accumulated Sick		8,906.25
Fire Safety		630.00
Smoke Detector Inspection Fees		2,325.00
Municipal Court Bail Restitution		200.00
Sustainable Andover		2,747.00
Due from Current Fund:		
Interfund Returned		19,269.98
	<u>9,251.46</u>	<u>217,278.63</u>
	13,457.24	738,217.61

TOWNSHIP OF ANDOVER  
TRUST FUNDS  
SCHEDULE OF CASH - TREASURER

	<u>Animal Control Fund</u>	<u>Other Trust Funds</u>
Decreased by Disbursements:		
Administrative Expenses	\$ 11,112.63	
Due to State of New Jersey	1,636.20	
Unemployment Insurance Expenditures		\$ 13,544.05
Open Space Trust Fund Expenditures		63,352.55
Special Deposit Expenses		74,872.89
Recreation Trust		13,698.74
Traffic Detail		25,574.03
Fire Safety		300.00
Accumulated Sick		22,456.89
Smoke Detector Inspection Fees - Returned		1,700.00
Sustainable Andover		820.60
	<u>\$ 12,748.83</u>	<u>\$ 216,319.75</u>
Balance December 31, 2012	B <u>\$ 708.41</u>	<u>\$ 521,897.86</u>



TOWNSHIP OF ANDOVER  
ASSESSMENT TRUST FUND  
ANALYSIS OF CASH  
YEAR ENDED DECEMBER 31, 2012

NOT APPLICABLE

TOWNSHIP OF ANDOVER  
ANIMAL CONTROL FUND  
SCHEDULE OF RESERVE FOR ANIMAL CONTROL FUND EXPENDITURES

	<u>Ref.</u>		
Balance December 31, 2011	B	\$	4,463.18
Increased by:			
Dog License Fees:			
Collected in Current Year		\$	7,112.80
Penalties and Interest			502.46
			<u>7,615.26</u>
			12,078.44
Decreased by:			
Expenditures Under R.S. 4:19-15.11			11,112.63
Cancellation of Due from			
State of New Jersey			232.40
			<u>11,345.03</u>
Balance December 31, 2012	B	\$	<u>733.41</u>

License Fees Collected

<u>Year</u>	<u>Amount</u>
2010	\$ 8,044.40
2011	<u>7,622.80</u>
Maximum Allowable Reserve	<u>\$ 15,667.20</u>

TOWNSHIP OF ANDOVER  
COUNTY OF SUSSEX  
2012  
GENERAL CAPITAL FUND

TOWNSHIP OF ANDOVER  
GENERAL CAPITAL FUND  
SCHEDULE OF CASH

	<u>Ref.</u>	
Balance December 31, 2011	C	\$ 507,928.36
Increased by:		
2012 Budget Appropriations:		
Capital Improvement Fund	\$ 50,000.00	
Reserve for D.P.W. Equipment	24,000.00	
Reserve for F.E.M.A. Improvements	38,500.00	
Interest Earned	<u>2,579.11</u>	
		<u>115,079.11</u>
		623,007.47
Decreased by:		
Improvement Authorization Expenditures	86,148.32	
Reserve for Preliminary Engineering Expenses	25,000.00	
Due to Current Fund:		
Interfunds Returned	<u>2,579.11</u>	
		<u>113,727.43</u>
Balance December 31, 2012	C	<u>\$ 509,280.04</u>

TOWNSHIP OF ANDOVER  
GENERAL CAPITAL FUND  
ANALYSIS OF CASH

	Balance/ (Deficit) Dec. 31, 2011	Receipts		Disbursements		Transfers		Balance/ (Deficit) Dec. 31, 2012
		Budget Appropriation	Miscellaneous	Improvement Authorizations	Miscellaneous	From	To	
Capital Improvement Fund	\$ 22,438.88	\$ 50,000.00				\$ 63,775.00	\$ 102,951.05	\$ 111,614.93
Due to/from Current Fund			\$ 2,579.11		\$ 2,579.11			
Reserve:								
Preliminary Engineering Expenses	1,019.93				25,000.00		25,000.00	1,019.93
D.P.W. Equipment			24,000.00					24,000.00
F.E.M.A. Improvements			38,500.00					38,500.00
To Pay Debt Service	10,978.00							10,978.00
Fund Balance	98,687.41							98,687.41
<u>Ord Date</u>	<u>Improvement Description</u>							
07/27/05	Various Capital Improvements	\$ 11,058.71		\$ 2,330.00				8,728.71
05/15/07	Various Recreation Improvements	12,296.58		6,300.00				5,996.58
09/05/07	Various Capital Improvements	119,639.58		16,769.17		\$ 100,000.00		2,870.41
05/11/09	Various Improvements	2,384.52		2,168.00				216.52
04/26/10	Photovoltaic System for Complex	93,992.70		2,240.15				91,752.55
05/10/10	Various Capital Improvements	36,202.88		192.50				36,010.38
05/09/11	Various Capital Improvements	99,229.17		24,973.50		2,951.05		71,304.62
03/26/12	Finance Software			16,900.00			17,000.00	100.00
05/14/12	Peabody Myers Sewer Flusher			10,000.00			10,000.00	
12/10/12	Purchase of Various Equipment for Police and DPW			4,275.00			11,775.00	7,500.00
		<u>\$ 507,928.36</u>	<u>\$ 50,000.00</u>	<u>\$ 65,079.11</u>	<u>\$ 86,148.32</u>	<u>\$ 27,579.11</u>	<u>\$ 166,726.05</u>	<u>\$ 166,726.05</u>
						<u>\$ 166,726.05</u>	<u>\$ 166,726.05</u>	<u>\$ 509,280.04</u>

TOWNSHIP OF ANDOVER  
GENERAL CAPITAL FUND  
SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED  
YEAR ENDED DECEMBER 31, 2012

NOT APPLICABLE

TOWNSHIP OF ANDOVER  
GENERAL CAPITAL FUND  
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord. No.	Improvement Description	Ordinance		Balance December 31, 2011		2012 Authorizations		Paid or Charged	Cancelled to Capital Improvement Fund	Balance December 31, 2012	
		Date	Amount	Funded	Unfunded	Capital Improvement Fund	Deferred Charges to Future Taxation- Unfunded			Funded	Unfunded
2005-17	Various Capital Improvements	07/27/05	\$ 658,900.00	\$ 11,058.71				\$ 2,330.00		\$ 8,728.71	
2007-06	Various Recreation Improvements	05/15/07	252,000.00	12,296.58				6,300.00		5,996.58	
2007-13	Various Capital Improvements	09/05/07	525,250.00	119,639.58				16,769.17	\$ 100,000.00	2,870.41	
2009-14	Various Improvements	05/11/09	769,000.00	2,384.52				2,168.00		216.52	
2010-04	Photovoltaic System for Complex	04/26/10	250,000.00	93,992.70				2,240.15		91,752.55	
2010-07	Various Capital Improvements	05/10/10	629,000.00	36,202.88				192.50		36,010.38	
2011-04	Various Capital Improvements	05/09/11	170,722.17	99,229.17				24,973.50	2,951.05	71,304.62	
2012-03	Finance Software	03/26/12	17,000.00			\$ 17,000.00		16,900.00		100.00	
2012-05	Peabody Myers Sewer Flusher	05/14/12	10,000.00			10,000.00		10,000.00			
2012-12	Purchase of Various Equipment for Police and DPW	12/10/12	11,775.00			11,775.00		4,275.00		7,500.00	
				<u>\$ 374,804.14</u>	<u>\$ -0-</u>	<u>\$ 38,775.00</u>	<u>\$ -0-</u>	<u>\$ 86,148.32</u>	<u>\$ 102,951.05</u>	<u>\$ 224,479.77</u>	<u>\$ -0-</u>
<u>Ref.</u>				C	C					C	C

TOWNSHIP OF ANDOVER  
GENERAL CAPITAL FUND  
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2011	C	\$ 22,438.88
Increased by:		
Current Fund Budget Appropriation	\$ 50,000.00	
Cancellation of Fully Funded Improvement Authorizations	<u>102,951.05</u>	
		<u>152,951.05</u>
		175,389.93
Decreased by:		
Appropriated to Finance Improvement Authorizations	38,775.00	
Appropriated to Finance Preliminary Engineering Expenses	<u>25,000.00</u>	
		<u>63,775.00</u>
Balance December 31, 2012	C	<u><u>\$ 111,614.93</u></u>



TOWNSHIP OF ANDOVER  
GENERAL CAPITAL FUND  
SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE  
YEAR ENDED DECEMBER 31, 2012

NOT APPLICABLE

TOWNSHIP OF ANDOVER  
GENERAL CAPITAL  
SCHEDULE OF SERIAL BONDS PAYABLE

Purpose	Date of Issue	Original Issue	Maturity of Bonds Outstanding December 31, 2012		Interest Rate	Balance Dec. 31, 2011	Issued	Matured	Balance Dec. 31, 2012
			Date	Amount					
General Improvements of 2002	09/01/02	\$ 2,620,000.00	09/01/13	\$ 215,000.00	3.75%				
			09/01/14	215,000.00	3.88%				
			09/01/15	215,000.00	4.00%	\$ 875,000.00		\$ 230,000.00	\$ 645,000.00
General Improvements of 2010	08/26/10	3,392,000.00	8/15/2013	300,000.00	2.00%				
			8/15/2014	350,000.00	2.00%				
			8/15/2015	350,000.00	2.00%				
			8/15/2016	350,000.00	2.00%				
			8/15/2017	400,000.00	2.00%				
			8/15/2018	400,000.00	2.50%				
			8/15/2019	400,000.00	2.50%				
			8/15/2020	392,000.00	2.50%	3,192,000.00		250,000.00	2,942,000.00
						<u>\$ 4,067,000.00</u>	<u>\$ -0-</u>	<u>\$ 480,000.00</u>	<u>\$ 3,587,000.00</u>
					<u>Ref.</u>	C			C

TOWNSHIP OF ANDOVER  
GENERAL CAPITAL FUND  
SCHEDULE OF LOAN PAYABLE  
YEAR ENDED DECEMBER 31, 2012

NOT APPLICABLE

TOWNSHIP OF ANDOVER  
GENERAL CAPITAL FUND  
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED  
YEAR ENDED DECEMBER 31, 2012

NOT APPLICABLE

TOWNSHIP OF ANDOVER

PART II

SINGLE AUDIT

YEAR ENDED DECEMBER 31, 2012

TOWNSHIP OF ANDOVER  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2012

Federal Funding Department	Federal Program	CFDA #	State Pass Through Entity ID	Grant Number	Grant Period		Grant Award Amount	Grant Receipts	Amount of Expenditures	Cumulative Expenditures
					From	To				
U.S. Department of Transportation (Passed through New Jersey Department of Transportation)	State Highway Projects	20.205	6320-480-078-6320 AIH-TCAP-6010	N/A	01/01/11	12/31/12	\$ 165,000.00		\$ 165,000.00	\$ 165,000.00
	State Highway Projects	20.205	6320-480-078-6320 AIH-TCAP-6010	N/A	01/01/12	12/31/13	200,000.00	\$ 147,541.50	197,572.57	197,572.57
	Click-It or Ticket	20.602	100-066-1160- 113-YHTS-6120	N/A	01/01/11	12/31/13	3,800.00		515.64	515.64
Sub Total Department of Transportation								147,541.50	363,088.21	363,088.21
Environmental Protection Agency: (Passed through New Jersey Department of Environmental Protection )	Recreation Trails Program	20.219	4875-100-042-4875- 205-V2KA-6120	N/A	01/01/12	12/31/13	25,000.00	25,000.00	13,558.27	13,558.27
Sub Total Environmental Protection Agency								25,000.00	13,558.27	13,558.27
U.S. Department of Homeland Security (Passed through NJ Dept. of Law and Public Safety)	Disaster Grants- Public Assistance- F.E.M.A.	97.036	N/A	N/A	01/01/11	12/31/12	43,545.22	43,545.22	5,045.22 *	5,045.22
Total Department of Homeland Security								43,545.22	5,045.22	5,045.22
TOTAL FEDERAL AWARDS								\$ 216,086.72	\$ 381,691.70	\$ 381,691.70

N/A- Not Available

\*- Expended in 2011.

TOWNSHIP OF ANDOVER  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2012

New Jersey Agency or Department	Name of Program	State Grant Award Number	Grant Period		Grant Award	Amount Received	Amount of Expenditures	Cumulative Expenditures				
			From	To								
Department of Environmental Protection	Clean Communities Act	765-042-4900- 004-V42Y-6020	01/01/09	12/31/12	\$ 17,546.25		\$ 1,784.00	\$ 17,546.25				
			01/01/10	12/31/13	14,399.79		9,706.58	9,706.58				
			01/01/12	12/31/12	1,570.21	\$ 1,570.21	1,570.21	1,570.21				
			01/01/12	12/31/13	12,936.28	12,936.28						
	Recycling Tonnage Grant	452-042-4900 001-V42Y	01/01/09	12/31/13	6,359.34		2,604.56	5,672.72				
			01/01/11	12/31/13	13,571.37		475.00	475.00				
			01/01/12	12/31/13	11,775.14	11,775.14						
	Subtotal - Department of Environmental Protection						26,281.63	16,140.35	34,970.76			
	Department of Law and Public Safety	Drunk Driving Enforcement Fund	100-078-6400- 260-YYYY	01/01/09	12/31/13	16,583.19		1,887.42	14,292.01			
				01/01/11	12/31/13	3,780.00		2,437.50	3,663.40			
01/01/12				12/31/13	2,968.66	2,968.66						
Body Armor Replacement Fund		718-066-1020 001-YCJS-6120	01/01/10	12/31/13	1,446.70		1,260.51	1,260.51				
			01/01/11	12/31/12	1,522.49		1,522.49	1,522.49				
			01/01/12	12/31/13	1,550.79	1,550.79						
Subtotal - Department of Law and Public Safety						4,519.45	7,107.92	20,738.41				
Board of Public Utilities Agency: NJ Clean Energy Program					Energy Audit	00873MA	01/01/10	12/31/13	6,794.00		822.00	822.00
Subtotal - Board of Public Utilities Agency											822.00	822.00
TOTAL STATE AWARDS						\$ 30,801.08	\$ 24,070.27	\$ 56,531.17				

SEE NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

TOWNSHIP OF ANDOVER  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
YEAR ENDED DECEMBER 31, 2012

Note 1.      GENERAL

The accompanying schedules of expenditures of state and federal awards present the activity of all federal and state awards programs of the Township of Andover. The Township of Andover is defined in Note 1 to the Township's 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 expenditures of federal and state awards.

Note 2.      BASIS OF ACCOUNTING

The accompanying schedules of expenditures of federal and state awards are presented using the cash basis of accounting. The information in these schedules is presented in accordance with the requirements of federal OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 3.      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.





Mount Arlington Corporate Center  
200 Valley Road, Suite 300  
Mt. Arlington, NJ 07856  
973-328-1825 | 973-328-0507 Fax  
Lawrence Business Center  
11 Lawrence Road  
Newton, NJ 07860  
973-383-6699 | 973-383-6555 Fax

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

Independent Auditors' Report

The Honorable Mayor and Members  
of the Township Committee  
Township of Andover  
Andover, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey ("the Division"), and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements - *regulatory basis* - of the various funds of the Township of Andover, in the County of Sussex (the "Township") as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated May 6, 2013. These financial statements have been prepared in conformity with accounting principles prescribed by the Division, which is a basis of accounting other than accounting principles generally accepted in the United States of America. That qualified report also indicated that we did not audit the general fixed assets account group.

**Internal Control Over Financial Reporting**

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

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control described in the accompanying Schedule of Findings and Responses as Finding 2012-1, that we consider to be a significant deficiency

The Honorable Mayor and Members  
of the Township Committee  
Township of Andover  
Page 2

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Township'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*. However, we noted certain matters that we reported to management in the comments and recommendations section of this report.

### **The Township's Response to the Finding**

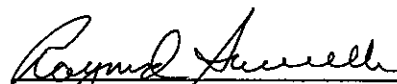
The Township's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. The Township's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

Mount Arlington, New Jersey  
May 6, 2013

NISIVOCIA LLP



Raymond G. Sarinelli  
Certified Public Accountant  
Registered Municipal Accountant No. 383

TOWNSHIP OF ANDOVER  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED DECEMBER 31, 2012

Summary of Auditors' Results:

- A qualified report was issued on the Township's financial statements prepared in conformity with accounting principles prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, as the general fixed assets account group was not audited.
- The audit did not disclose any material weaknesses in the internal controls of the Township.
- The audit did not disclose any noncompliance that is material to the financial statements of the Township.
- The Township was not subject to the single audit provisions of Federal OMB Circular A-133 and New Jersey's OMB Circular NJOMB-04-04 *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* for 2012 as grant expenditures were less than the single audit thresholds of \$500,000 identified in the Circulars.

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, except as follows:

Finding 2012-1

The Township does not maintain an adequate segregation of duties with respect to the recording and treasury functions. Segregation of duties refers to separating those functions that place too much control over a transaction or class of transactions that would enable a person to perpetuate errors and prevent detection within a reasonable period of time. The various departments/offices of the Township are responsible for the issuance of permits and licenses; collection of taxes and permit and license fees; and recording of collections. Also, the Chief Financial Officer/Treasurer reconciles the bank accounts for the respective funds or accounts and the Deputy Treasurer disburses funds under the direction of the Chief Financial Officer. This is due, in part, to the limited number of personnel of the Township and the decentralized nature of governmental collection procedures. Accordingly, management and the Township Committee should be aware of this situation and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view.

Management's Response

The finding was evaluated, however due to budgetary constraints no resolution can be made at this time.

Findings and Questioned Costs for Federal Awards:

- Not Applicable – Grant expenditures were below the single audit threshold.

Findings and Questioned Costs for State Awards:

- Not Applicable – Grant expenditures were below the single audit threshold.

TOWNSHIP OF ANDOVER  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2012

The prior year audit finding regarding segregation of duties has not been resolved and is included as finding 2012-1.

TOWNSHIP OF ANDOVER

PART III

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2012

TOWNSHIP OF ANDOVER  
COMMENTS AND RECOMMENDATIONS

Contracts and Agreements Required to be Advertised for N.J.S.A. 40A:11-4

N.J.S. 40A:11-3 states:

a. " When the cost or price of any contract awarded by the contracting agent in the aggregate does not exceed in a contract year the total sum of \$17,500, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution, as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids, except that the governing body of any contracting unit may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to Subsection b. of Section 9 of P.L. 1971, C.198 (N.J.S.A. 40A:11-9), the governing body of the contracting unit may establish that the bid threshold may be up to \$25,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.

b. Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to subparagraph (i) of paragraph (a) of subsection (1) of section 5 of P.L. 1971, C.198 (N.J.S.A. 40A:11-5) may be awarded for a period not exceeding 12 consecutive months. The Division of Local Government Services shall adopt and promulgate rules and regulations concerning the methods of accounting for all contracts that do not coincide with the contracting unit's fiscal year.

c. The Governor, in consultation with the Department of the Treasury, shall, no later than March 1 of every fifth year beginning in the fifth year after the year in which P.L. 1999, C.440 takes effect, adjust the threshold amount and the higher threshold amount which the governing body is permitted to establish, as set forth in subsection a. of this section, or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in section 2 of P.L. 1971, C.198 (N.J.S.A. 40A:11-2), and shall round the adjustment to the nearest \$1,000. The Governor shall, no later than June 1 of every fifth year, notify each governing body of the adjustment. The adjustment shall become effective on July 1 of the year in which it is made."

N.J.S.A. 40A: 11-4 states: "Every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. The governing body of a contracting unit may, by resolution approved by a majority of the governing body and subject to subsections b. and c. of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the governing body finds that it has had prior negative experience with the bidder."

Effective January 1, 2011 the bid threshold in accordance with N.J.S.A. 40A:11-3 and 40A:11-4 (as amended) is \$17,500, and with a qualified purchasing agent the threshold may be up to \$36,000.

The governing body of the municipality has the responsibility of determining whether the expenditures in any category will exceed the bid threshold within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Township Counsel's opinion should be sought before a commitment is made.

The minutes indicated that bids were requested by public advertising per N.J.S.A. 40A:11-4. The minutes also indicated that resolutions were adopted and advertised authorizing the awarding of contracts or agreements for "Professional Services" and "Extraordinary Unspecifiable Services" per N.J.S.A. 40A:11-5.

TOWNSHIP OF ANDOVER  
COMMENTS AND RECOMMENDATIONS  
(Continued)

Contracts and Agreements Required to be Advertised for N.J.S.A. 40A:11-4 (Cont'd)

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed. None were noted.

Collection of Interest on Delinquent Taxes and Assessments

The statute provides the method for authorizing interest and the maximum rate to be charged for the nonpayment of taxes or assessments on or before the date when they would become delinquent.

On January 1, 2012 the governing body adopted the following resolution authorizing interest to be charged on delinquent taxes:

BE IT RESOLVED by the Mayor and Committee of the Township of Andover, Sussex County, New Jersey, that the rate of interest charges on delinquent taxes in this Township shall be as follows:

On all delinquents to and including December 31, 2012, at the rate or rates heretofore governing, and on all delinquents on and after January 1, 2012 at the rate of 8% per annum for and upon the first \$1,500 of the delinquency, the rate of 18% per annum for and upon any amount of the delinquency in excess of \$1,500, and the rate of 6% per annum for and upon any amount in excess of \$10,000; and that a grace period of 10 days will be allowed on taxes due February 1, May 1, August 1, and November 1. If taxes are not paid by the 10th, interest shall be charged from the due date.

BE IT RESOLVED, that the collector of the Township be and hereby directed to collect interest on all taxes accordingly.

Delinquent Taxes and Tax Title Liens

The following comparison is made of the number of tax title liens receivable on December 31, of the last three years:

<u>Year</u>	<u>Tax Title Liens</u>
2012	13
2011	11
2010	9

It is essential to good management that all means provided by statute be utilized to liquidate tax title liens in order to get such properties back on a taxpaying basis.

Verification of Delinquent Taxes and Other Charges

A test verification of delinquent charges and current payments was made in accordance with the regulations of the Division of Local Government Services, consisting of verification notices as follows:

<u>Type</u>	<u>Number Mailed</u>
Payment of 2013 Taxes	20
Payment of 2012 Taxes	20
Delinquent Taxes	15
Tax Title Liens	1

Verification notices were mailed to confirm balances as of December 31, 2012. The items that were returned were checked and appear in agreement with the Township's records. For receivable items not returned, alternative procedures were performed.

TOWNSHIP OF ANDOVER  
COMMENTS AND RECOMMENDATIONS  
(Continued)

Technical Accounting Directives

The Division of Local Government Services has established three (3) technical accounting directives which are prescribed by the revision of 1987 draft "Requirements of Audit and Accounting". They are as follows:

1. Maintenance of an encumbrance accounting system.
2. Fixed assets accounting and reporting system.
3. General ledger accounting system.

A review of the general ledger accounting system revealed that when the Township converted their accounting software in 2012, that not all balances transferred appropriately and that their relationships with budget accounting lines were not all correctly established. Also, the Township did not update their fixed assets records with the appraisal report, as only deletions and not additions were recorded. It is recommended that the Township review and correct any issues resulting from the conversion of the general ledger accounting software system, and that all fixed asset additions be recorded in the fixed assets register.

Management's Response

The Township will continue to update and correct the general ledger and fixed assets register.

Municipal Court

The report of the Municipal Court has been forwarded to the Division of Local Government Services and the Township's Magistrate under separate cover. Reflected below is a summary of receipts and disbursements for the year ended December 31, 2012.

RECEIPTS AND DISBURSEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

<u>AGENCY</u>	<u>BALANCE</u> <u>12/31/2011</u>	<u>CASH</u> <u>RECEIVED</u>	<u>CASH</u> <u>DISBURSED</u>	<u>BALANCE</u> <u>12/31/2012</u>
State of New Jersey	\$ 2,298.12	\$ 47,000.34	\$ 46,512.36	\$ 2,786.10
County of Sussex	2,121.00	39,550.58	38,367.58	3,304.00
Township of Andover	4,756.88	75,234.08	74,651.06	5,339.90
Township of Andover - POAA		6.00	6.00	
Interest	1.68		1.68	
Fish and Game	135.00	2,035.00	2,010.00	160.00
Parks and Forest		775.00	675.00	100.00
Conditional Discharge	125.00	845.00	970.00	
Restitution	157.00	1,200.00	1,357.00	
Public Defender	25.00	2,469.50	2,215.50	279.00
<b>TOTAL</b>	<u>\$ 9,619.68</u>	<u>\$ 169,115.50</u>	<u>\$ 166,766.18</u>	<u>\$ 11,969.00</u>



TOWNSHIP OF ANDOVER  
SUMMARY OF RECOMMENDATIONS

It is recommended that:

1. The Township examine its policies and procedures in order to mitigate its segregation of duties finding.
2. The Township review and correct any issues resulting from the conversion of the general ledger accounting software system, and that all fixed assets additions be recorded in the fixed assets register.

\* \* \* \* \*