

**REPORT OF AUDIT**  
**BOROUGH OF ANDOVER**  
**COUNTY OF SUSSEX**  
**DECEMBER 31, 2012**

BOROUGH OF ANDOVER, N.J.

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**BOROUGH OF ANDOVER**

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**PART I**

**REPORT OF AUDIT ON FINANCIAL STATEMENTS**

**AND SUPPLEMENTARY DATA**

**YEAR ENDED DECEMBER 31, 2012**

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## INDEPENDENT AUDITOR'S REPORT

May 17, 2013

Honorable Mayor and  
Members of the Borough Council  
Borough of Andover  
Andover, New Jersey 07821

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

We have audited the accompanying balance sheets - regulatory basis of the various funds of the Borough of Andover in the County of Sussex, as of December 31, 2012 and 2011, the related statement of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. 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 misstatements, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal



control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

As described in Note 1 of the financial statements, the financial statements are prepared by the Borough of Andover on the basis of the financial reporting provisions prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements 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 accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Borough of Andover as of December 31, 2012 and 2011, or changes in financial position for the years then ended.

***Basis for Qualified Opinion on Regulatory Basis Accounting Principles***

We are unable to obtain sufficient evidence to support the cost of fixed assets. As more fully described in Note 1, due to the length of time over which these fixed assets were acquired, it is not practical to determine their actual costs. We are, therefore, unable to express an opinion as to the general fixed assets account group at December 31, 2012 and 2011, stated as \$1,805,550.00 and \$1,791,365.00 respectively.

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

In our opinion, except for the effects of the matter described in "Basis for Qualified Opinion on Regulatory Basis Accounting Principles", the financial statements referred to above present fairly, in all material respects, the regulatory basis balances sheets as of December 31, 2012 and 2011, the regulatory basis statements of operations for the years then ended and the regulatory basis statements of revenues and expenditures for the year ended December 31, 2012 in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.



***Other Matters***

*Other Information*

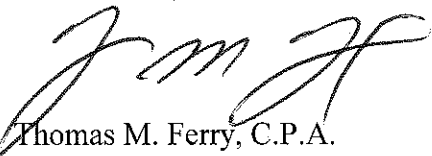
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Andover's basic financial statements. The supplementary information listed in the table of contents and the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information listed in the table of contents are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information listed in the table of contents, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2013 on our consideration of the Borough 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 Borough of Andover's internal control over financial reporting and compliance.



Thomas M. Ferry, C.P.A.  
Registered Municipal Accountant  
No. 497

*Ferraioli, Wielkottz, Cerullo, & Cova, P.A.*

FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.  
*Certified Public Accountants*



**Borough of Andover, N.J.**  
**Comparative Balance Sheet - Regulatory Basis**  
**Current Fund**  
**December 31, 2012 and 2011**

	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
<u>Assets</u>			
Current Fund:			
Cash	A-4	555,910.80	383,058.89
Change Fund	A-5	10.00	10.00
		<u>555,920.80</u>	<u>383,068.89</u>
Due From State of New Jersey:			
Senior Citizen and Veteran Deductions	A-9	1,887.29	2,137.29
		<u>557,808.09</u>	<u>385,206.18</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Taxes Receivable	A-6	91,799.22	100,096.69
Tax Title Liens Receivable	A-7	148,259.07	137,152.66
Interfund Receivables:			
Animal Control Trust Fund	A-10	418.56	805.56
Water Operating Fund	A-10	1,136.42	
		<u>241,613.27</u>	<u>238,054.91</u>
		<u>799,421.36</u>	<u>623,261.09</u>
Federal and State Grant Fund:			
Interfund - Current Fund	A-18	4,190.31	15,709.37
Grants Receivable	A-19	224,776.92	27,088.14
		<u>228,967.23</u>	<u>42,797.51</u>
		<u>1,028,388.59</u>	<u>666,058.60</u>

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

**Borough of Andover, N.J.**  
**Comparative Balance Sheet - Regulatory Basis**  
**Current Fund**  
**December 31, 2012 and 2011**

	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Current Fund:			
Appropriation Reserves	A-3;A-11	57,350.87	31,736.63
Interfunds Payable:			
Federal and State Grant Fund	A-10	4,190.31	15,709.37
Other Trust Fund	A-10	105,792.69	
Public Assistance Trust Fund	A-10	2,006.12	2,006.12
Tax Overpayments	A-12	1,748.52	4,816.74
Due To State of New Jersey:			
Training Fees	A-12	147.00	242.00
Marriage Surcharge	A-12	25.00	50.00
Reserve for:			
Master Plan	A-12	26,451.60	26,451.60
Garden State Trust	A-12	61.72	61.72
Revaluation	A-12	30,045.50	30,045.50
Prepaid Taxes	A-13	12,198.91	24,666.87
Encumbrances Payable	A-14	17,780.99	6,813.49
County Taxes Payable	A-15	622.77	309.03
Regional School Taxes Payable	A-16	28,147.74	28,147.74
		<u>286,569.74</u>	<u>171,056.81</u>
Reserve for Receivables	Contra	241,613.27	238,054.91
Fund Balance	A-1	271,238.35	214,149.37
		<u>799,421.36</u>	<u>623,261.09</u>
Federal and State Grant Fund:			
Appropriated Reserve for Grants	A-20	220,365.23	35,034.98
Unappropriated Reserves	A-21	8,602.00	7,762.53
		<u>228,967.23</u>	<u>42,797.51</u>
		<u>1,028,388.59</u>	<u>666,058.60</u>

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

**Borough of Andover, N.J.**  
**Comparative Statement of Operations and Changes in Fund Balance - Regulatory Basis**  
**Current Fund**  
**December 31, 2012 and 2011**

	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
Revenues and Other Income:			
Fund Balance Utilized	A-2	64,000.00	64,000.00
Miscellaneous Revenue Anticipated	A-2	341,774.50	163,432.60
Receipts from Delinquent Taxes	A-2	101,835.93	124,100.48
Receipts from Current Taxes	A-2	1,640,784.57	1,552,136.18
Non-Budget Revenue	A-2	74,371.43	38,993.60
Other Credits to Income:			
Interfunds Returned	A-10	387.00	893.09
Escrows Cancelled			7,124.44
Statutory Excess-Animal Control Trust Fund	A-10	813.60	695.67
Unexpended Balance of			
Appropriation Reserves	A-11	25,185.53	24,993.93
Tax Overpayments Cancelled	A-12	10.06	
Encumbrances Cancelled			4,969.40
Total Revenues and Other Income		<u>2,249,162.62</u>	<u>1,981,339.39</u>
Expenditures:			
Budget and Emergency Appropriations:			
Operations - Within Caps:			
Salaries and Wages	A-3	142,880.00	140,524.00
Other Expenses	A-3	186,037.00	174,761.00
Deferred Charges and Statutory			
Expenditures - Municipal - Within Caps	A-3	22,139.00	20,540.00
Operations - Excluded From CAPS:			
Other Expenses	A-3	80,854.00	101,052.00
Capital Improvements - Excluded from Caps	A-3	216,500.00	16,500.00
Deferred Charges and Statutory Expenditures -			
Municipal - Excluded from Caps	A-3	35,767.58	35,994.50
Interfund Advances	A-10	1,136.42	
County Taxes including Added Taxes	A-15	361,683.19	336,212.17
Local and Regional School Taxes	A-16	1,062,576.77	1,034,011.73
Municipal Open Space Taxes	A-17	18,499.68	
Total Expenditures		<u>2,128,073.64</u>	<u>1,859,595.40</u>
Statutory Excess to Fund Balance		121,088.98	121,743.99
Fund Balance, January 1,	A;A-1	<u>214,149.37</u>	<u>156,405.38</u>
		335,238.35	278,149.37
Decreased by:			
Fund Balance Utilized as Budget Revenue		64,000.00	64,000.00
Fund Balance, December 31,	A	<u>271,238.35</u>	<u>214,149.37</u>

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

## Borough of Andover, N.J.

## Statement of Revenues - Regulatory Basis

## Current Fund

Year Ended December 31, 2012

	<u>Ref.</u>	<u>Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Fund Balance Anticipated	A-1	<u>64,000.00</u>	<u>64,000.00</u>	<u>                    </u>
Miscellaneous Revenues:				
Licenses:				
Alcoholic Beverages	A-8	740.00	743.24	3.24
Fines and Costs:				
Municipal Court	A-8	6,700.00	3,169.86	(3,530.14)
Energy Receipts Tax	A-8	127,232.00	127,232.00	
Uniform Construction Code Fees	A-8	4,200.00	5,350.00	1,150.00
Public and Private Revenues:				
Recycling Tonnage Grant	A-19	1,087.00	1,087.00	
Clean Communities	A-19	4,000.00	4,000.00	
State of N.J. D.O.T. Grant	A-19	200,000.00	200,000.00	
Other Special Items:				
Uniform Fire Safety Act	A-8	900.00	192.40	(707.60)
Total Miscellaneous Revenues	A-1	<u>344,859.00</u>	<u>341,774.50</u>	<u>(3,084.50)</u>
Receipts from Delinquent Taxes	A-1;A-2	<u>110,000.00</u>	<u>101,835.93</u>	<u>(8,164.07)</u>
Subtotal General Revenues		<u>518,859.00</u>	<u>507,610.43</u>	<u>(11,248.57)</u>
Amount to be Raised by Taxes for Support of Municipal Budget-Local Tax for Municipal Purp- oses Including Reserve for Uncollected Taxes	A-2	<u>298,301.00</u>	<u>327,774.93</u>	<u>29,473.93</u>
Budget Totals		<u>817,160.00</u>	<u>835,385.36</u>	<u>18,225.36</u>
Non-Budget Revenue	A-1;A-2		74,371.43	74,371.43
		<u>817,160.00</u>	<u>909,756.79</u>	<u>92,596.79</u>
	A-3			

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

**Borough of Andover, N.J.**  
**Statement of Revenues - Regulatory Basis**  
**Current Fund**  
**Year Ended December 31, 2012**

<u>Analysis of Realized Revenues</u>	<u>Ref.</u>	
Revenue from Collections	A-1;A-6	1,640,784.57
Allocated to School and County Taxes	A-6	<u>1,442,759.64</u>
Balance for Support of Municipal Budget Appropriations		198,024.93
Add : Appropriation - Reserve for Uncollected Taxes	A-3	<u>129,750.00</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u><u>327,774.93</u></u>
Receipts from Delinquent Taxes:		
Delinquent Taxes		
Taxes Receivable	A-6	101,391.57
Tax Title Liens Receivable	A-7	<u>444.36</u>
	A-2	<u><u>101,835.93</u></u>
<u>Analysis of Non-Budget Revenues</u>	<u>Ref.</u>	
Miscellaneous Revenues Not Anticipated:		
Revenues Accounts Receivable:		
Borough Clerk	A-8	3,983.74
Interest on Investments	A-8	1,332.85
Tax Collector - Interest & Costs and Miscellaneous	A-8	13,072.75
Planning and Zoning Fees	A-8	2,500.00
Board of Health/Registrar of Vital Statistics	A-8	<u>1,049.00</u>
		21,938.34
Cable T.V. Franchise Fee		2,131.00
Emergency Snow Reimbursement		16,501.14
Miscellaneous and Various Reimbursements and Refunds		33,690.95
Vet. & Sr. Citizen Admin. Fees		<u>110.00</u>
	A-4	<u>52,433.09</u>
	A-2	<u><u>74,371.43</u></u>

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Borough of Andover, N.J.  
Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2012

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
Operations - within "CAPS"						
General Government:						
Administrative and Executive						
Mayor and Council						
Salaries and Wages		16,446.00	16,446.00	16,446.00		
Other Expenses		1,400.00	1,400.00	614.92	785.08	
Municipal Clerk						
Salaries and Wages		42,024.00	42,634.00	42,634.00		
Other Expenses		15,500.00	14,311.00	12,970.31	1,340.69	
Financial Administration						
Salaries and Wages		15,003.00	15,003.00	15,003.00		
Other Expenses		1,960.00	1,960.00	1,954.43	5.57	
Audit Costs		12,500.00	12,500.00	12,500.00		
Computer Services		6,000.00	6,000.00	5,915.50	84.50	
Assessment of Taxes						
Salaries and Wages		10,491.00	10,491.00	10,491.00		
Other Expenses		300.00	370.00	365.22	4.78	
Other Expenses - Revaluation		5,000.00	5,000.00		5,000.00	
Collection of Taxes						
Salaries and Wages		11,673.00	11,673.00	5,836.50	5,836.50	
Other Expenses		900.00	830.00	543.85	286.15	
Legal Services and Costs						
Other Expenses		10,000.00	10,000.00	10,000.00		
Engineering Services and Costs						
Other Expenses		3,000.00	3,000.00	1,777.14	1,222.86	

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

**Borough of Andover, N.J.**  
**Statement of Expenditures - Regulatory Basis**  
**Current Fund**  
**Year Ended December 31, 2012**

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
Public Buildings and Grounds						
Salaries and Wages		3,438.00	3,438.00	3,141.91	296.09	
Other Expenses		6,370.00	6,370.00	6,228.17	141.83	
Planning Board						
Salaries and Wages		6,040.00	6,040.00	6,040.00		
Other Expenses		8,000.00	8,000.00	5,562.86	2,437.14	
Sub/Code Official: Zoning and Housing Office						
Salaries and Wages		8,622.00	8,622.00	8,622.00		
Public Safety:						
Aid to Volunteer Fire Company - Contribution		6,000.00	6,000.00	6,000.00		
Other Expenses		10,505.00	10,505.00	9,292.66	1,212.34	
Dispatching Service:						
Police:						
Salaries and Wages		4,061.00	4,306.00	4,135.84	170.16	
Other Expenses		1,200.00	205.00	20.00	185.00	
First Aid Organization - Contribution		4,000.00	4,000.00	4,000.00		
Uniform Fire Safety Act (Ch. 383, P.L. 1983):						
Salaries and Wages		580.00	580.00	580.00		
Other Expenses		100.00	100.00	69.60	30.40	
Emergency Management Services:						
Salaries and Wages		973.00	973.00	574.00	399.00	
Other Expenses		500.00	500.00	499.00	1.00	

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.



**Borough of Andover, N.J.**  
**Statement of Expenditures - Regulatory Basis**  
**Current Fund**  
**Year Ended December 31, 2012**

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
Streets and Roads:						
Road Repair and Maintenance		3,000.00	3,000.00		3,000.00	
Other Expenses		20,000.00	18,945.00	17,822.06	1,122.94	
Electricity		3,000.00	3,635.00	3,623.98	11.02	
Telephone		6,500.00	6,500.00	4,894.72	1,605.28	
Fuel Oil						
Sanitation:						
Garbage and Trash Removal (P.L. 1987 - Ch. 74)		13,000.00	13,000.00	10,887.84	2,112.16	
Recycling (P.L. 1987.C74)						
Other Expenses		7,200.00	7,200.00	7,084.80	115.20	
Health and Welfare						
Board of Health						
Salaries and Wages		1,320.00	1,830.00	1,690.00	140.00	
Other Expenses		400.00	400.00	372.37	27.63	
Animal Control						
Salaries and Wages		630.00	1,130.00	1,060.14	69.86	
Other Expenses		500.00	750.00	734.64	15.36	
Recreation						
Parks and Playgrounds						
Salaries and Wages		3,438.00	3,848.00	3,848.00		
Miscellaneous Other Expenses		3,500.00	3,090.00	1,550.98	1,539.02	
Celebration of Public Events						
Anniversary or Holiday		2,000.00	2,000.00	1,129.45	870.55	
Insurance						
General Liability		27,404.00	27,404.00	27,404.00		
Fire Department ESIP Insurance		3,953.00	3,953.00	3,953.00		
Workers Compensation		4,540.00	4,609.00	4,609.00		

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

**Borough of Andover, N.J.**  
**Statement of Expenditures - Regulatory Basis**  
**Current Fund**  
**Year Ended December 31, 2012**

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
State Uniform Construction Code:						
Construction Code Official/Building Inspector						
Salaries and Wages		8,700.00	8,700.00	8,700.00	500.00	
Other Expenses		500.00	500.00			
Electrical Sub Code Official		1,000.00	1,000.00	560.00	440.00	
Salaries and Wages						
Fire Sub Code Official		5,166.00	5,166.00	5,166.00		
Salaries and Wages						
Plumbing Sub Code Official		1,000.00	1,000.00	875.00	125.00	
Salaries and Wages						
Total Operations Within "CAPS"		<u>329,337.00</u>	<u>328,917.00</u>	<u>297,783.89</u>	<u>31,133.11</u>	
Total Operations Including Contingent- Within "CAPS"		<u>329,337.00</u>	<u>328,917.00</u>	<u>297,783.89</u>	<u>31,133.11</u>	
Detail:						
Salaries and Wages	A-1	140,605.00	142,880.00	135,403.39	7,476.61	
Other Expenses	A-1	188,732.00	186,037.00	162,380.50	23,656.50	
Deferred Charges and Statutory Expenditures- Municipal Within "CAPS"						
Statutory Expenditures						
Contribution to:						
Public Employees' Retirement System		10,863.00	10,863.00	10,863.00		
Social Security System (O.A.S.I.)		10,756.00	11,176.00	10,724.46	451.54	
Unemployment Compensation Insurance		100.00	100.00	58.95	41.05	
Total Deferred Charged and Statutory Expenditures - Municipal within "CAPS"	A-1	<u>21,719.00</u>	<u>22,139.00</u>	<u>21,646.41</u>	<u>492.59</u>	

**Borough of Andover, N.J.**  
**Statement of Expenditures - Regulatory Basis**  
**Current Fund**  
**Year Ended December 31, 2012**

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
Total General Appropriations for Municipal Purposes within "CAPS"		351,056.00	351,056.00	319,430.30	31,625.70	
Operations - Excluded From "CAPS"						
Municipal Court:						
Other Expenses		26,000.00	26,000.00	25,651.09	348.91	
911 Dispatching Service Contract						
Other Expenses		8,967.00	8,967.00	8,258.08	708.92	
County of Sussex						
Streets and Roads:						
Road Repairs and Maintenance		40,800.00	40,800.00	16,132.66	24,667.34	
Other Expenses		75,767.00	75,767.00	50,041.83	25,725.17	
Total Other Operations - Excluded From "CAPS"						
Public and Private Programs Offset By Revenues						
State of N.J. Clean Communities Grant		4,000.00	4,000.00	4,000.00		
Other Expenses						
Recycling Tonnage Grant- Reserve		1,087.00	1,087.00	1,087.00		
Other Expenses						
Total Public and Private Programs Offset By Revenues		5,087.00	5,087.00	5,087.00		
Total Operations - Excluded from "CAPS"		80,854.00	80,854.00	55,128.83	25,725.17	
Detail:						
Other Expenses	A-1	80,854.00	80,854.00	55,128.83	25,725.17	

**Borough of Andover, N.J.**  
**Statement of Expenditures - Regulatory Basis**  
**Current Fund**  
**Year Ended December 31, 2012**

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
Capital Improvements - Excluded From "CAPS"						
Improvement to Fire Truck		1,500.00	1,500.00	1,500.00		
Improvements to Parks		5,000.00	5,000.00	5,000.00		
Purchase Turnout Gear		10,000.00	10,000.00	10,000.00		
New Jersey Transportation Trust Fund Authority Act		200,000.00	200,000.00	200,000.00		
Total Capital Improvements Excluded from "CAPS"	A-1	216,500.00	216,500.00	216,500.00		
Total Municipal Debt Service-Excluded from "CAPS"						
Payment of Bond Anticipation and Capital Notes		30,000.00	30,000.00	30,000.00		3,232.42
Interest on Notes		4,000.00	4,000.00	767.58		
Deferred Charges - Municipal - Excluded From "CAPS"						
Deferred Charges to Future Taxation Unfunded: 10/22/01 Purchase Utility Pumper		5,000.00	5,000.00	5,000.00		
Total Deferred Charges - Municipal - Excluded From "CAPS"	A-1	39,000.00	39,000.00	35,767.58		3,232.42
Total General Appropriations for Municipal Purposes Excluded from "CAPS"		336,354.00	336,354.00	307,396.41	25,725.17	3,232.42
Total General Appropriations - Excluded From CAPS		336,354.00	336,354.00	307,396.41	25,725.17	3,232.42
Subtotal General Appropriations		687,410.00	687,410.00	626,826.71	57,350.87	3,232.42
Reserve for Uncollected Taxes		129,750.00	129,750.00	129,750.00		
Total General Appropriations		817,160.00	817,160.00	756,576.71	57,350.87	3,232.42
			A-2		A	

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Borough of Andover, N.J.  
Statement of Expenditures - Regulatory Basis  
Current Fund  
Year Ended December 31, 2012

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
Reserve for Uncollected Taxes	A-2			129,750.00		
Cash Disbursed	A-4			384,116.04		
Interfunds	A-10			21,500.00		
Reserve for Encumbrances	A-14			16,123.67		
Interfund - Federal & State Grant Fund	A-20			205,087.00		
				<u>756,576.71</u>		

## Borough of Andover, N.J.

## Comparative Balance Sheet - Regulatory Basis

## Trust Funds

December 31, 2012 and 2011

	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
<u>Assets</u>			
Animal Control Trust Fund:			
Cash- Treasurer	B-1	1,619.16	2,035.16
Other Trust Funds:			
Cash - Treasurer	B-1	68,283.26	53,266.55
Interfund - Current	B-3	105,792.69	
		174,075.95	53,266.55
		175,695.11	55,301.71
<u>Liabilities, Reserves &amp; Fund Balance</u>			
Animal Control Trust Fund:			
Reserve Animal Control Trust Fund			
Expenditures	B-2	1,200.60	1,229.60
Interfund - Current	B-3	418.56	805.56
		1,619.16	2,035.16
Other Trust Fund:			
Escrow Deposits	B-5	7,289.41	8,144.41
Reserve for Small Cities Revolving Loan	B-5	32,753.11	36,497.28
Reserve for Exxon Bond	B-5	1,960.18	1,960.18
COAH	B-5	3,616.32	3,613.24
Open Space	B-5	13,474.88	
Tax Sale Premiums	B-5	113,100.00	
Snow Removal	B-5	1,168.50	1,168.50
Outside Liens	B-5	375.81	1,516.00
Payroll	B-5	337.74	366.94
		174,075.95	53,266.55
		175,695.11	55,301.71

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

## Borough of Andover, N.J.

## Comparative Balance Sheet - Regulatory Basis

## General Capital Fund

December 31, 2012 and 2011

	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
<u>Assets</u>			
Cash	C-2;C-3	307,789.49	307,114.09
Deferred Charges to Future Taxation			
Unfunded	C-5	92,521.50	127,521.50
		<u>400,310.99</u>	<u>434,635.59</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Capital Improvement Fund	C-6	86,153.30	86,153.30
Improvement Authorizations:			
Funded	C-7	64,026.87	37,231.30
Unfunded	C-7	36,990.23	63,785.80
Reserve for:			
Purchase of Fire Truck	C-8	59,000.00	57,500.00
Refurbish Municipal Building	C-8	422.72	422.72
Improve. to Streets & Roads	C-8	42,730.74	42,730.74
Purchase Office Equipment	C-8	7,344.43	8,647.53
Debt Service	C-8	36,500.00	36,500.00
Purchase Turnout Gear	C-8	19,156.67	9,156.67
Wastewater Management Study	C-8	319.46	319.46
Improvements to Parks	C-8	28,050.00	23,050.00
Bond Anticipation Notes	C-9		49,521.50
Fund Balance	C-1	19,616.57	19,616.57
		<u>400,310.99</u>	<u>434,635.59</u>

Footnote C: There were Bonds and Notes Authorized But Not Issued in the amount of \$92,521.50 on December 31, 2012. See Exhibit C-10.

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

**Borough of Andover, N.J.**  
**Schedule of Fund Balance - Regulatory Basis**  
**General Capital Fund**  
**Year Ended December 31, 2012**

	<u>Ref.</u>	
Balance - December 31, 2011	C	<u><u>19,616.57</u></u>
Balance - December 31, 2012	C	<u><u>19,616.57</u></u>

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.



**Borough of Andover, N.J.**

**Comparative Balance Sheet - Regulatory Basis**

**Water Utility Fund**

**December 31, 2012 and 2011**

	<u>Ref</u>	<u>2012</u>	<u>2011</u>
<u>Assets</u>			
Operating Fund:			
Cash-Treasurer	D-4	51,785.66	89,956.72
Interfund - Water Capital Fund	D-7	45,868.50	
		<u>97,654.16</u>	<u>89,956.72</u>
Receivables with Full Reserves:			
Consumer Accounts	D-6	18,278.03	13,165.99
Deferred Charges:			
Expenditure without an Appropriation	D-8	3,270.76	
Total Operating Fund		<u>119,202.95</u>	<u>103,122.71</u>
Capital Fund:			
Cash	D-4	23,931.27	8,931.27
Fixed Capital*	D-9	364,579.41	364,579.41
Fixed Capital Authorized and Uncompleted*	D-10	165,700.00	165,700.00
Total Capital Fund		<u>554,210.68</u>	<u>539,210.68</u>
Total Assets		<u>673,413.63</u>	<u>642,333.39</u>

\* The fixed capital reported is taken from the municipal records and does not necessarily reflect the true condition of such fixed capital.

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

**Borough of Andover, N.J.**

**Comparative Balance Sheet - Regulatory Basis**

**Water Utility Fund**

**December 31, 2012 and 2011**

	<u>Ref</u>	<u>2012</u>	<u>2011</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Operating Fund:			
Appropriation Reserve	D-3;D-11	1,100.91	3,837.28
Interfund - Current Fund	D-7	1,136.42	
Water Rent Overpayments	D-12	3,139.68	2,844.54
Encumbrance Payable	D-13	917.34	1,629.00
Accrued Interest on Loans	D-14	7,596.83	5,544.79
		<u>13,891.18</u>	<u>13,855.61</u>
Reserve for Receivables	Contra	18,278.03	13,165.99
Fund Balance	D-1	87,033.74	76,101.11
Total Operating Fund		<u>119,202.95</u>	<u>103,122.71</u>
Capital Fund:			
Interfund - Water Capital Fund	D-7	45,868.50	
Improvement Authorizations:			
Funded	D-15	11,148.05	11,148.05
Unfunded	D-15	868.95	868.95
Reserve for Water Meters	D-16	28,238.57	28,238.57
Capital Improvement Fund	D-17	15,175.70	175.70
Reserve for Amortization	D-18	318,710.91	303,420.91
Reserve for Deferred Amortization	D-19	134,200.00	134,200.00
Bond Anticipation Notes Payable	D-20		61,158.50
Total Capital Fund		<u>554,210.68</u>	<u>539,210.68</u>
Total Liabilities, Reserves and Fund Balances		<u>673,413.63</u>	<u>642,333.39</u>

Footnote: There were Bonds and Notes Authorized But Not Issued in the amount of \$77,368.50 on December 31, 2012 See Exhibit D-21.

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

## Borough of Andover, N.J.

## Comparative Statement of Operations and Changes in Fund Balance - Regulatory Basis

## Water Utility Operating Fund

Year Ended December 31, 2012 and 2011

	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
Revenue and Other Income Realized:			
Operating Surplus Anticipated	D-2	20,440.00	19,000.00
Rents	D-2	103,584.44	86,708.43
Non-Budget Revenues	D-2	9,461.63	2,159.27
Other Credits to Income:			
Unexpended Balance of			
Appropriation Reserves	D-11	3,240.49	152.62
Overpayments Cancelled			26.19
Encumbrances Cancelled	D-13	460.07	850.00
Total Income		<u>137,186.63</u>	<u>108,896.51</u>
Expenditures:			
Operating	D-3	75,244.76	72,500.00
Capital Improvements	D-3	15,000.00	10,000.00
Debt Service	D-3	18,290.00	18,290.00
Deferred Charges and			
Statutory Expenditures	D-3	550.00	905.00
Total Expenditures		<u>109,084.76</u>	<u>101,695.00</u>
Excess in Revenue over Expenditures		28,101.87	7,201.51
Expenditures Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Years	D-8	<u>3,270.76</u>	
Statutory Excess to Surplus		31,372.63	7,201.51
Fund Balance - January 1,	D-1	<u>76,101.11</u>	<u>87,899.60</u>
		107,473.74	95,101.11
Decreased by:			
Utilized as Anticipated Revenue	D-1	<u>20,440.00</u>	<u>19,000.00</u>
Fund Balance - December 31,	D	<u>87,033.74</u>	<u>76,101.11</u>

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

**Borough of Andover, N.J.**  
**Statement of Revenues - Regulatory Basis**  
**Water Utility Operating Fund**  
**Year Ended December 31, 2012**

	<u>Ref.</u>	<u>Anticipated</u>	<u>Realized</u>	<u>Excess / (Deficit)</u>
Operating Surplus Anticipated	D-1	20,440.00	20,440.00	
Rents	D-1;D-6	85,374.00	103,584.44	18,210.44
Non-Budget Revenues	D-1		9,461.63	9,461.63
Budget Totals		<u>105,814.00</u>	<u>133,486.07</u>	<u>27,672.07</u>

D-3

Analysis of Realized RevenuesNon-Budget Revenues

Interest on Rents		1,926.77	
Interest on Investments		196.63	
Hydrant		690.78	
Reimbursements and Miscellaneous		<u>6,647.45</u>	
	D-4		<u>9,461.63</u>

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

**Borough of Andover, N.J.**  
**Statement of Expenditures - Regulatory Basis**  
**Water Utility Operating Fund**  
**Year Ended December 31, 2012**

	<u>Ref.</u>	<u>Budget</u>	<u>Appropriated</u> <u>Budget</u> <u>After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Expended</u>	<u>Reserved</u>	<u>Overexpenditure</u>
<b>Operating:</b>							
Salaries and Wages		6,374.00	6,374.00	5,374.00		1,000.00	3,270.76
Other Expenses		51,000.00	51,000.00	54,270.76			
Audit		4,600.00	4,600.00	4,600.00			
Utilities		10,000.00	10,000.00	10,000.00			
Total Operating	D-1	<u>71,974.00</u>	<u>71,974.00</u>	<u>74,244.76</u>		<u>1,000.00</u>	<u>3,270.76</u>
<b>Capital Improvements:</b>							
Capital Improvement Fund		15,000.00	15,000.00	15,000.00			
Total Capital Improvements	D-1	<u>15,000.00</u>	<u>15,000.00</u>	<u>15,000.00</u>			
<b>Debt Service:</b>							
Payment of Bond Anticipation Notes and Capital		15,290.00	15,290.00	15,290.00			
Interest on Notes		3,000.00	3,000.00	3,000.00			
Total Debt Service	D-1	<u>18,290.00</u>	<u>18,290.00</u>	<u>18,290.00</u>			
Deferred Charges and Statutory Expenditures							
Expenditure without an Appropriation							
Statutory Expenditures:							
Contribution to:							
Social Security System (O.A.S.I.)		450.00	450.00	449.09		0.91	
Unemployment Compensation Insurance		100.00	100.00			100.00	
Total Deferred Charges and Statutory Expenditures	D-1	<u>550.00</u>	<u>550.00</u>	<u>449.09</u>		<u>100.91</u>	
Total Water/Sewer Utility Appropriations		<u>105,814.00</u>	<u>105,814.00</u>	<u>107,983.85</u>		<u>1,100.91</u>	<u>3,270.76</u>
						<u>D</u>	<u>D-8</u>
Cash Disbursed	D-4			104,066.51			
Encumbrances Payable	D-13			917.34			
Interest on Notes	D-14			3,000.00			
				<u>107,983.85</u>			

The accompanying "Notes to the Financial Statements" are an integral part of these financial statements.

**Borough of Andover, N.J.**  
**Comparative Balance Sheet - Regulatory Basis**  
**Public Assistance Fund**  
**December 31, 2012 and 2011**

	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
<u>Assets</u>			
Interfund - Current Fund	E-4	<u>2,006.12</u>	<u>2,006.12</u>
 <u>Liabilities and Reserves</u>			
Reserve for Public Assistance	E-5	<u>2,006.12</u>	<u>2,006.12</u>

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

## Borough of Andover, N.J.

## Comparative Statement of General Fixed Assets - Regulatory Basis

December 31, 2012 and 2011

(Unaudited)

	<u>2012</u>	<u>2011</u>
<u>General Fixed Assets</u>		
Land		
Buildings	495,300.00	495,300.00
Machinery and Equipment (Including Vehicles)	368,500.00	368,500.00
	<u>941,750.00</u>	<u>927,565.00</u>
	<u>1,805,550.00</u>	<u>1,791,365.00</u>
Investments In General Fixed Assets	<u>1,805,550.00</u>	<u>1,791,365.00</u>

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

**BOROUGH OF ANDOVER, N.J.**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB Codification establishes seven fund types and two account groups to be used by governmental units when reporting financial position and results of operations in accordance with accounting principles generally accepted in the United States of America (GAAP).

The financial statements of the Borough of Andover have been prepared in conformity with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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 Borough accounts for its financial transactions through the following separate funds which differ from the fund structure required by GAAP.

**A. Reporting Entity**

The Borough of Andover (the "Borough") operates under a Mayor/Council form of government. The Borough's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

GASB has issued Statement No. 14 which requires the financial reporting entity to include both the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will, by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

However, the municipalities in the State of New Jersey do not prepare financial statements in accordance with GAAP and thus do not comply with all of the GASB pronouncements. The financial statements contained herein include only those boards, bodies, officers or commissions as required by NJSA 40A:5-5. Accordingly, the financial statements of the Borough do not include the volunteer fire department which is considered a component unit under GAAP. Complete financial statements of the above components can be obtained by contacting the Treasurer of the respective entity.



**BOROUGH OF ANDOVER, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011  
(CONTINUED)**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basis of Accounting**

The Borough uses funds, as required by the Division, to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial administration by segregating transactions related to certain Borough functions or activities. An account group, on the other hand, is designed to provide accountability for certain assets and liabilities that are not recorded in those Funds.

The Borough has the following funds and account groups:

Current Fund - This fund accounts for resources and expenditures for governmental operations of a general nature, including Federal and State grants.

Trust Funds - Trust Funds are used to account for assets held by the government in a trustee capacity. Funds held by the Borough as an agent for individual, private organizations, or other governments are recorded in the Trust Funds.

Other Trust Fund - This fund is established to account for the assets and resources which are also held by the Borough as a trustee or agent for individuals, private organizations, other governments and/or other funds.

Animal Control Fund - This fund is used to account for fees collected from dog licenses and expenditures which are regulated by NJS 4:19-15.11.

General Capital Fund - This fund is used to account for the receipt and disbursement of funds used for acquisition or improvement of general capital facilities, other than those acquired in the Current Fund.

Water Operating and Water Capital Fund - This fund is used to account for the operations and acquisitions of capital facilities of the municipally owned Water Utility.

Public Assistance Fund - This fund is used to account for the receipt and disbursement of funds that provide assistance to certain residents of the Borough pursuant to Title 44 of New Jersey Statutes. The Borough transferred administration of the general assistance program to the Sussex County Board of Social Services. The funds remaining in the Public Assistance Fund are used to assist certain residents who do not qualify for the General Assistance Program.

General Fixed Assets Account Group - To account for all fixed assets of the Borough. The Borough's infrastructure is not reported in the group.

## **BOROUGH OF ANDOVER, NJ**

### **NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2012 AND 2011 (CONTINUED)**

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **B. Measurement Focus, Basis of Accounting and Basis of Presentation**

A modified accrual basis of accounting is followed by the Borough of Andover. Under this method of accounting revenues, except State/Federal Aid, are recognized when received and expenditures are recorded, when incurred. The accounting principles and practices prescribed for municipalities by the Division differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. The more significant differences are as follows:

Property Tax Revenues - Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. The amounts of the first and second installments are determined as one quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of June 30, of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the Borough. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on November 11 in the current year, the collector in the municipality shall subject to the provisions of the New Jersey Statutes enforce the lien by placing the property on a tax sale. Annual in rem tax foreclosure proceedings are instituted to enforce the tax collection or acquisition of title to the property by the Borough. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the taxes receivable and tax title liens that are uncollectible. GAAP requires tax revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

Miscellaneous Revenues - Miscellaneous revenues are recognized on a cash basis. Receivables for the miscellaneous items that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund and Water Utility Operating Fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual.

Grant Revenues - Federal and State grants, entitlements or shared revenues received for purposes normally financed through the Current Fund are recognized when anticipated in the Borough's budget. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual.

**BOROUGH OF ANDOVER, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011  
(CONTINUED)**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)**

**Budgets and Budgetary Accounting**

An annual budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures for the Current Fund and Water Operating Fund. Budget amounts presented in the accompanying financial statements represent amounts adopted by the Borough and approved by the State Division of Local Government Services per N.J.S.A. 40-A:4 et seq.

The Borough is not required to adopt budgets for the following funds:

Animal Control Trust Fund  
General Capital Fund

Trust Funds  
Water Capital Fund

Public Assistance Fund

The governing body shall introduce and approve the annual budget not later than February 10, of the fiscal year. The budget shall be adopted not later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. Emergency appropriations, those made after the adoption of the budget and determination of the tax rate, may be authorized by the governing body of the municipality. During the last two months of the fiscal year, the governing body may, by a 2/3 vote, amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the Governing Body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2012, the Governing Body did not increase the original Current Fund budget, however, several budget transfers were approved by the Governing Body.

Expenditures - Are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with an encumbrance accounting system. Outstanding encumbrances at December 31, are reported as a cash liability in the financial statements. Unexpended or uncommitted appropriations, at December 31, are reported as expenditures through the establishment of appropriations reserves unless canceled by the governing body. GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which should be recognized when due.

Encumbrances - Contractual orders outstanding at December 31, are reported as expenditures through the establishment of an encumbrance payable. Encumbrances do not constitute expenditures under GAAP.

**BOROUGH OF ANDOVER, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011  
(CONTINUED)**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)**

Appropriation Reserves - Are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding year. Lapsed appropriation reserves are recorded as additions to income. Appropriation reserves do not exist under GAAP.

Property Acquired for Taxes - Is recorded in the Current Fund at the assessed valuation when such property was acquired and fully reserved. GAAP requires such property to be recorded in the General Fixed Assets Account Group at market value on the date of acquisition.

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. GAAP does not require the establishment of an offsetting reserve.

Inventories - 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.

Comparative Data - Comparative data for the prior year has been presented in the accompanying balance sheets and statements of operations in order to provide an understanding of changes in the Borough's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

Use of Estimates - The preparation of financial statements requires management of the Borough to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Investments - Cash includes amounts in demand deposits as well as short-term investments with a maturity date within one year of the date acquired by the government. Investments are stated at cost and are limited by NJSA 40A:5-15.1(a).

Deferred Charges to Future Taxation Funded and Unfunded - Upon the authorization of capital projects, the Borough establishes deferred charges for the costs of the capital projects to be raised by future taxation. Funded deferred charges relate to permanent debt issued, whereas unfunded deferred charges relate to temporary or non-funding of the authorized cost of capital projects. According to N.J.S.A. 40A:2-4, the Borough may levy taxes on all taxable property within the local unit to repay the debt. Annually, the Borough raises the debt requirements for that particular year in the current budget. As the funds are raised by taxation, the deferred charges are reduced.

**BOROUGH OF ANDOVER, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011  
(CONTINUED)**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)**

General Fixed Assets - The Borough of Andover has developed a fixed asset accounting and reporting system, as promulgated by the Division of Local Government Services, which differs from generally accepted accounting principles

Fixed Assets used in Governmental Operations (general fixed assets) are accounted for in the General Fixed Assets Account Group. Public domain (infrastructure) general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets, sidewalks and drainage systems are not capitalized.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available.

No depreciation has been provided for in the financial statements.

Expenditures for construction in progress are recorded in the Capital funds until such time as the construction is completed and put into operation.

Fixed assets acquired through grants in aid or contributed capital are not accounted for separately.

GAAP requires that all fixed assets be capitalized at historical cost or estimated historical cost if actual historical cost is not available.

**C. Basic Financial Statements**

The GASB Codification also defines the financial statements of a governmental unit to be presented in the general purpose financial statements to be in accordance with GAAP. The Borough presents the financial statements listed in the table of contents which are required by the Division and which differ from the financial statements required by GAAP. In addition, the Division requires the financial statements listed in the table of contents to be referenced to the supplementary schedules. This practice differs from GAAP.

**NOTE 2: BUDGETARY INFORMATION**

Under New Jersey State Statutes, the annual budget is required to be a balanced cash basis document. To accomplish this, the municipality is required to establish a reserve for uncollected taxes. The 2012 statutory budget included a reserve for uncollected taxes in the amount of \$129,750.00. The amount of fund balance budgeted to balance the 2012 statutory budget was \$64,000.00.

**BOROUGH OF ANDOVER, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011  
(CONTINUED)**

**NOTE 2: BUDGETARY INFORMATION (CONTINUED)**

Inter department budget transfers are not permitted prior to November 1. After November 1 budget transfers can be made in the form of a resolution and approved by Borough Council.

NJSA 40A:4-87 permits special items of revenue and appropriations to be inserted into the annual budget when the item has been made available by any public or private funding source and the item was not determined at the time of budget adoption. During 2012, there were no special items of revenue and appropriation inserted into the budget.

The municipality may make emergency appropriations, after the adoption of the budget, for a purpose which was not foreseen at the time the budget was adopted or for which adequate provision was not made therein. This type of appropriation shall be made to meet a pressing need for public expenditure to protect or promote the public health, safety, morals or welfare or to provide temporary housing or public assistance prior to the next succeeding fiscal year. Emergency appropriations, except those classified as a special emergency, must be raised in the budgets of the succeeding year. Special emergency appropriations are permitted to be raised in the budgets of the succeeding three or five years. During 2012, there were no emergency authorizations.

**NOTE 3: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS**

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

	<u>Added in 2012</u>	<u>Balance Dec. 31, 2012</u>	<u>2013 Budget Appropriation</u>	<u>Balance to Succeeding Years</u>
Water Operating Fund:				
Expenditure Without an Appropriation	<u>\$3,270.76</u>	<u>\$3,270.76</u>	<u>\$3,270.76</u>	<u>\$ -</u>

The appropriations in the 2013 budget are not less than that required by statute.

**BOROUGH OF ANDOVER, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011  
(CONTINUED)**

**NOTE 4: FIXED ASSETS (UNAUDITED)**

The following schedule is a summarization of the changes in the general fixed assets account group for the year 2012.

	Balance as of <u>12/31/11</u>	<u>Additions</u>	<u>Deletions</u>	Balance as of <u>12/31/12</u>
Land	\$ 495,300.00	\$ -	\$ -	\$ 495,300.00
Buildings	368,500.00	-	-	368,500.00
Equipment	<u>927,565.00</u>	<u>15,983.00</u>	<u>1,798.00</u>	<u>941,750.00</u>
	<u>\$1,791,365.00</u>	<u>\$15,983.00</u>	<u>\$1,798.00</u>	<u>\$1,805,550.00</u>

**NOTE 5: MUNICIPAL DEBT**

The Local Bond law governs the issuance of bonds and notes to finance capital expenditures. General obligation bonds have been issued for the general capital fund. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Borough are general obligation bonds, backed by the full faith and credit of the Borough. Bond anticipation notes, which are issued to temporarily finance Capital projects, must be paid off within ten years and five months or retired by the issuance of bonds.

The Borough's debt is summarized as follows:

<u>Issued</u>	<u>Year 2012</u>	<u>Year 2011</u>	<u>Year 2010</u>
General:			
Bonds and Notes	\$ -	\$ 49,521.50	\$ 79,521.50
Water Utility:			
Bonds and Notes	<u>-</u>	<u>61,158.50</u>	<u>76,448.50</u>
Net Debt Issued	<u>\$ -</u>	<u>110,680.00</u>	<u>155,970.00</u>
 <u>Authorized But Not Issued</u>	 <u>Year 2012</u>	 <u>Year 2011</u>	 <u>Year 2010</u>
General Capital:			
Bonds and Notes	\$ 92,521.50	\$ 78,000.00	\$ 83,000.00
Water Utility:			
Bonds and Notes	<u>77,368.50</u>	<u>31,500.00</u>	<u>31,500.00</u>
Total Authorized but Not Issued	<u>169,890.00</u>	<u>109,500.00</u>	<u>114,500.00</u>
 Net Bonds and Notes Issued and Authorized But Not Issued	 <u>\$169,890.00</u>	 <u>\$220,180.00</u>	 <u>\$270,470.00</u>

**BOROUGH OF ANDOVER, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011  
(CONTINUED)**

**NOTE 5: MUNICIPAL DEBT (CONTINUED)**

**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 0.08%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Regional School District Debt	1,003,883.65	1,003,883.65	-
General Debt	92,521.50	36,500.00	56,021.50
Water Debt	<u>77,368.50</u>	<u>77,368.50</u>	<u>                    </u>
	<u>1,173,773.65</u>	<u>1,117,752.15</u>	<u>56,021.50</u>

Net Debt \$56,021.50 divided by equalized valuation basis per N.J.S. 40A:2-2 as amended, 76,285,459.67, = 0.07%.

**SUMMARY OF AVERAGE EQUALIZED VALUATION**

2012	76,285,459.67	
2011	79,288,886.00	
2010		79,982,581.00

**BORROWING POWER UNDER N.J.S. 40A:2-6 AS AMENDED**

3½ % of Equalized Valuation Basis	2,669,991.09
Net Debt	<u>56,021.50</u>
Remaining Borrowing Power	<u>2,613,969.59</u>



**BOROUGH OF ANDOVER, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011  
(CONTINUED)**

**NOTE 5: MUNICIPAL DEBT (CONTINUED)**

CALCULATION OF "SELF-LIQUIDATING PURPOSE, "WATER UTILITY PER N.J.S.40A:2-45

Cash Receipts from Fees, Rents or Other Charges for Year		\$133,486.07
Deductions:		
Operating and Maintenance Costs	\$72,524.00	
Debt Service	<u>18,920.00</u>	
Total Deduction		<u>91,444.00</u>
Excess in Revenue		<u>\$42,042.07</u>

Footnote: If there is an "Excess in Revenue," all such utility debt is deductible. If there is a "deficit," then utility debt is not deductible to the extent of 20 times such deficit amount.

The foregoing debt information is not in agreement with the Annual Debt Statement filed by the Chief Financial Officer, an amended copy will be filed.

**NOTE 6: BOND ANTICIPATION NOTES**

The Borough issues Bond Anticipation Notes to temporarily fund various capital projects prior to the issuance of serial bonds. The term of the notes cannot exceed one year but the notes may be renewed from time to time for a period not exceeding one year. Generally, such notes must be paid no later than the fifth day of the fifth month following the close of the tenth fiscal year next following the date of the original notes. The State of New Jersey also prescribes that on or before the third anniversary date of the original note a payment of an amount at least equal to the first legally payable installment of the bonds in anticipation of which such notes were issued be paid or retired. A second and third legal installment must be paid if the notes are to be renewed beyond the fourth and fifth anniversary date of the original issuance.

The following activity related to bond anticipation notes occurred during the calendar year ended December 31, 2012.

	<u>Beginning Balance</u>	<u>Reductions</u>
General Capital Fund:		
Sussex Bank	\$ 49,521.50	\$ 49,521.50
Water Capital Fund:		
Sussex Bank	<u>61,158.50</u>	<u>61,158.50</u>
	<u>\$110,680.00</u>	<u>\$110,680.00</u>

**BOROUGH OF ANDOVER, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011  
(CONTINUED)**

**NOTE 7: DUE TO/FROM OTHER FUNDS**

Balances due to/from other funds at December 31, 2012 consist of the following:

\$ 2,006.12	Due to Public Assistance Trust Fund from Current Fund for bank account closed and the new one re-opened by year end.
418.56	Due to Current Fund from Animal Control Trust for statutory excess and cash received in Current Fund.
4,190.31	Due to Federal and State Grant Fund from Current Fund for cash receipts and cash disbursements.
1,136.42	Due to Current Fund from Water Operating Fund for cash receipts and cash disbursements.
105,792.69	Due to Other Trust Fund from Current Fund for cash receipts and cash disbursements.
<u>45,868.50</u>	Due to Water Operating Fund from Water Capital Fund for cash receipts and cash disbursements.
<u>\$159,412.60</u>	

It is anticipated that all interfunds, with the exception of federal and state grant fund, will be liquidated during the calendar year.

**NOTE 8: FUND BALANCES APPROPRIATED**

Fund balances at December 31, 2012 which were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2013 were as follows:

Current Fund	<u>\$64,000.00</u>
Water Utility Operating Fund	<u>\$20,000.00</u>

**BOROUGH OF ANDOVER, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011  
(CONTINUED)**

**NOTE 9: LOCAL AND REGIONAL DISTRICT SCHOOL 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 Borough of Andover has not elected to defer school taxes.

**NOTE 10: PENSION PLANS**

Description of System

Substantially all of the Borough's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Police and Firemen's Retirement System (PFRS) or the Public Employees' Retirement System (PERS). These systems are sponsored and administered by the State of New Jersey. The Public Employees' Retirement System and the Police and Firemen's Retirement System (PFRS) are considered a cost sharing multiple-employer plans. According to the State of New Jersey Administrative Code, all obligations of the systems will be assumed by the State of New Jersey should the systems terminate.

*Public Employees' Retirement System (PERS)*

The Public Employees' Retirement System was established in January, 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to certain qualified members. Membership is mandatory for substantially all full time employees of the State or any county, municipality, school district or public agency provided the employee is not required to be a member of another State-administered retirement system. Vesting occurs after 8-10 years of service and 25 years for health care coverage. Members are eligible for retirement at age 60 with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Early retirement is available to those under age 60 with 25 or more years of credited service. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on contributions. In case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Chapter 103, P.L. 2007 amended the early retirement reduction formula for members hired on or after July 1, 2007 and retiring with 25 years of service to be reduced by 1% for every year between age 55 and 60, plus 3% for every year under age 55.

Chapter 89, P.L. 2008 increased the PERS eligibility age for unreduced benefits from age 60 to age 62 for members hired on or after November 1, 2008; increased the minimum annual compensation required for membership eligibility for new members. Also, it amended the early retirement reduction formula for members hired on or after November 1, 2008 and retiring with 25 years of service to be reduced by 1% for every year between age 55 and 62, plus 3% for every year under age 55.

**BOROUGH OF ANDOVER, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011  
(CONTINUED)**

**NOTE 10: PENSION PLANS (CONTINUED)**

Description of Systems, (continued)

*Public Employees' Retirement System (PERS), (continued)*

Chapter 1, P.L. 2010, effective May 21, 2010, changed the membership eligibility criteria for new members of PERS from the amount of compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of PERS to 1/60 from 1/55, and it provided that new members of PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. This law also closed the Prosecutors Part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time 5 years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined as 1/7th of the required amount, beginning in fiscal year 2012.

Chapter 3, P.L. 2010, effective May 21, 2010, replaced the accidental and ordinary disability retirement for new members of PERS with disability insurance coverage similar to that provided by the State to individuals enrolled in the State's Defined Contribution Retirement Program.

Chapter 78, P.L. 2011, provides that new members of PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of  $\frac{1}{4}$  of 1% for each month that the member is under age 65. Tier 5 members will be eligible for a service retirement benefit at age 65.

Contribution Requirements

The contribution policy is set by laws of the State of New Jersey 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 pension funds provide for employee contributions based on 5.5% for PERS. This amount will increase to 6.5% plus an additional 1% phased in over 7 years beginning 2012 and 8.5% for PFRS, which increased to 10% in October 2011, of the employee's annual compensation, as defined by law. Employers are required to contribute at an actuarially determined rate in all Funds except the SACT. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PERS and PFRS. In the PERS and PFRS, the employer contribution includes funding for post-retirement medical premiums.

**BOROUGH OF ANDOVER, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011  
(CONTINUED)**

**NOTE 10: PENSION PLANS (CONTINUED)**

The Borough's contribution to the public employee's retirement system, equal to the required contributions for each year, were as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2012	\$10,863.00
2011	9,540.00
2010	6,802.00

**Defined Contribution Retirement Program**

The Defined Contribution Retirement Program (DCRP) was established on July 1, 2007 for certain public employees under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007. The program provides eligible members, with a minimum base salary of \$1,500.00 or more, with a tax-sheltered, defined contribution retirement benefit, in addition to life insurance and disability coverage. The DCRP is jointly administered by the Division of Pensions and Benefits and Prudential Financial.

If the eligible elected or appointed official will earn less than \$5,000.00 annually, the official may choose to waive participation in the DCRP for that office or position. The waiver is irrevocable.

This retirement program is a new pension system where the value of the pension is based on the amount of the contribution made by the employee, employer and through investment earnings. It is similar to a Deferred Compensation Program where the employee has a portion of tax deferred salary placed into an account that the employee manages through investment option provided by the employer.

The law requires that three classes of employees enroll in the DCRP detailed as follows:

All elected officials taking office on or after July 1, 2007, except that a person who is reelected to an elected office held prior to that date without a break in service may retain in the PERS.

A Governor appointee with advice and consent of the Legislature or who serves at the pleasure of the Governor only during that Governor's term of office.

Other employees commencing service after July 1, 2007, pursuant to an appointment by an elected official or elected governing body which include the statutory untenured Chief Administrative Officer such as the Business Administrator, County Administrator, or Municipal or County Manager, Department Heads, Legal Counsel, Municipal or County Engineer, Municipal Prosecutor and the Municipal Court Judge.

**BOROUGH OF ANDOVER, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011  
(CONTINUED)**

**NOTE 10: PENSION PLANS (CONTINUED)**

**Defined Contribution Retirement Program (continued)**

Notwithstanding the foregoing requirements, other employees who hold a professional license or certificate or meet other exceptions are permitted to remain to join or remain in PERS.

Contributions made by employees for DCRP are currently at 5.5% of the base wages. Member contributions are matched by a 3.0% employer contribution.

There were no employees eligible to be enrolled in the DCRP as of December 31, 2012.

**NOTE 11: ACCRUED SICK AND VACATION BENEFITS**

The Mayor & Council are in the process of writing a personnel manual in regard to accrued sick and vacation benefits. As of December 31, 2012, the Mayor and Council are not allowing any employee to accumulate any of their benefits.

**NOTE 12: CASH AND CASH EQUIVALENTS AND INVESTMENTS**

**Cash**

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Borough's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. As of December 31, 2012, \$-0- of the Borough's bank balance of \$980,941.97 was exposed to custodial credit risk.

**Investments**

**Investment Rate Risk**

The Borough does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes 40A:5-15.1(a) limits the length of time for most investments to 397 days.

**BOROUGH OF ANDOVER, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011  
(CONTINUED)**

**NOTE 12: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

**Credit Risk**

New Jersey Statutes 40A:5-15.1(a) limits municipal investments to those specified in the Statutes. The type of allowance investments are Bonds of the United States of America, bonds or other obligations of the Boroughs or bonds or other obligations of the local unit or units within which the Borough is located: obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

**Concentration of Credit Risk**

The Borough places no limit on the amount the Borough may invest in any one issuer.

**NOTE 13: RISK MANAGEMENT**

The Borough is exposed to various risks of loss related to general liability, automobile coverage, damage and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Borough has obtained insurance coverage to guard against these events which will provide minimum exposure to the Borough should they occur. During the 2012 calendar year, the Borough did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

**NOTE 14: PUBLIC ASSISTANCE**

The Borough of Andover has elected to have the County of Sussex process all public assistance granted to the residents. Therefore, the Borough of Andover no longer has a public assistance director.

**NOTE 15: HEALTH INSPECTIONS**

The Borough of Andover has elected to have the County of Sussex, Department of Health, perform all inspections. Therefore, the Borough does not have a health inspector.

**BOROUGH OF ANDOVER, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011  
(CONTINUED)**

**NOTE 16: TAXES COLLECTED IN ADVANCE**

Taxes collected in advance are recorded as cash liabilities in the financial statements. Following is a comparison of the liability for the previous two years:

	<u>Balance</u> <u>Dec 31, 2012</u>	<u>Balance</u> <u>Dec 31, 2011</u>
Prepaid Taxes	<u>\$12,198.91</u>	<u>\$24,666.87</u>
Cash Liability for Taxes Collected in Advance	<u>\$12,198.91</u>	<u>\$24,666.87</u>

**NOTE 17: CONTINGENT LIABILITIES**

The Borough Attorney submitted the litigation that may have any effect on the Borough finances:

- A. "Lawsuit filed against the Borough, the Borough Planning/Zoning Board and Mayor and Council by Sussex Properties, Ltd. (Doc. No. SSX-L-198-06) regarding termination of general development plan. The Borough retained the law firm of Gebhardt & Kiefer, PC to represent its interests, and the matter was referred to the insurer which approved coverage, although coverage does not cover all expenses, fees and possible losses. The matter is complex and has been aggressively defended. An Order was entered in 2010 determining a number of issues. At present, the parties are coordinating their efforts to try to have the property which is the subject of the action sold for preservation or other publicly beneficial purposes."
- B. "Obchinetz vs. Maple Shade Township, et al., Doc. No. 08-cv3314, a federal case against numerous municipalities in which Andover Borough is being represented by the law firm of Gebhardt & Kiefer, PC. The Federal Court dismissed the federal suits filed by plaintiffs Obchinetz and McMullen. The plaintiffs filed appeals of a dismissal, but Obchinetz later withdrew his appeal in order to proceed with his claim in State Court. The Federal Third Circuit Court of Appeals heard arguments regarding the dismissal of McMullen's federal suit and affirmed the District Court's decision. A summary judgment motion was filed by a lead defense attorney seeking dismissal of the State Court action, which was granted. Plaintiff then filed a motion for reconsideration which was returnable in June 2012 but has not been decided as of February 2013. Insurance counsel for Andover Borough advises that the Borough is not yet a party to the suit; but if an appeal is allowed, plaintiff may attempt to obtain class certification and join as parties other municipalities, including Andover Borough. Insurance counsel will continue to monitor this case and, if necessary, will defend the suit on behalf of Andover Borough if a class action suit is filed. (The actions involve claims regarding ordinances regulating persons under the influence of alcohol in public parks.)"



## **SUPPLEMENTARY DATA**

**BOROUGH OF ANDOVER, N.J.**

**OFFICIALS IN OFFICE AND SURETY BONDS**  
**YEAR ENDED DECEMBER 31, 2012**

The following officials were in office during the period under audit

<u>Name</u>	<u>Title</u>
John A. Morgan	Mayor
Deborah McGowan	Councilperson
Arthur Copcutt	Councilperson to June, 2012
Lynn Delfing	Councilperson
Mel Dennison	Councilperson from June, 2012
Eskil S. Danielson	Councilperson
Peter Pearson	Councilperson
Bob Smith	Councilperson
Beth Brothman	Clerk & Assess. Search Officer, Registrar, Planning & Zoning Board Sec., Recycling Coordinator, Construction Officer Secretary; Sec. of Board of Health
Joanne Wojcik	Deputy Registrar
Linda Coriston	Attorney
Francis J. McGovern	CFO
Michelle LaStarza	Tax Collector
Jessica M. Caruso	Fire Sub-Code Official; Fire Prevention; Zoning & Housing Officer
William Paterson	Engineer
Harold Pellow	Construction Official & Building Inspector, Building Sub-Code Official
Rod Schmidt	Assessor
Joseph A. Ferraris, Jr.	Animal Control Officer
Dale Sloat	
Thomas M. Ferry, C.P.A., R.M.A.	Auditor

A Public Employees Blanket Bond was in effect for \$1,000,000.00 with Statewide Insurance Fund.

**Borough of Andover**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2012**

Federal Grantor/Pass-Through Grantor/ Program Title	Federal C.F.D.A. Number	Program or Award Amount	Grant Period To/From	12/31/2011		12/31/2012		MEMO Cumulative Total Expenditures
				(Receivable)	Reserve Balance	(Receivable)	Reserve Balance	
CURRENT FUND United States Department of Homeland Security (Passed through NJ Office of Emergency Management) Disaster Grants	97.036	16,501.14	1/1/11-12/31/11					16,501.14
<b>TOTAL FEDERAL AID</b>				-	-	-	-	

Note: This schedule was not subject to an audit in accordance with Federal OMB Circular A-133.

## Borough of Andover

Schedule of Expenditures of State Awards  
For the Year Ended December 31, 2012

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period From/To	12/31/2011		Receipts	Expended	12/31/2012		MEMO Cumulative Total Expenditures
				(Receivable)	Reserve Balance			(Receivable)	Reserve Balance	
<b>FEDERAL AND STATE GRANT FUND</b>										
NJ Department of Solid Waste Administration:										
Recycling Tonnage	4900-752-042-4900-001-V42Y-6020	1,016.55	1/1/09-12/31/09		0.55		0.55			1,016.55
Recycling Tonnage	4900-752-042-4900-001-V42Y-6020	1,087.00	1/1/11-12/31/11		1,087.00		249.45		837.55	249.45
Recycling Tonnage	4900-752-042-4900-001-V42Y-6020	7,761.98	1/1/12-12/31/12		7,761.98				7,761.98	
Recycling Tonnage	4900-752-042-4900-001-V42Y-6020	1,926.47	1/1/13-12/31/13			1,926.47			1,926.47	
Clean Communities	4900-765-042-4900-004-V42Y-6020	4,000.00	1/1/12-12/31/12			4,000.00	950.00		3,050.00	950.00
<b>Total NJ Department of Solid Waste Administration:</b>					8,849.53	5,926.47	1,200.00		13,576.00	
NJ Department of Human Services:										
Municipal Alliance	N/A	18,772.00	1/1/11-12/31/11	(2,311.22)	2,932.00	2,311.22	2,932.00			18,772.00
<b>Total NJ Department of Human Services:</b>										
NJ Department of Environmental Protection:										
Stormwater Management	N/A	2,500.00	1/1/05-12/31/05		374.17				374.17	2,125.83
Stormwater Management	N/A	2,500.00	1/1/06-12/31/06		2,500.00				2,500.00	
<b>Total NJ Department of Environmental Protection:</b>					2,874.17				2,874.17	
NJ Department of Law and Public Safety:										
SLAEHOP - Emergency Management	N/A	2,405.72	1/1/04-12/31/04		1,922.88				1,922.88	482.84
NJ Department of Transportation:										
Transportation Trust Fund - Lower Smith Street	N/A	65,000.00	1/1/09-12/31/09		428.00				428.00	64,572.00
Transportation Trust Fund	N/A	227,000.00	1/1/01-12/31/01	(24,776.92)	21,097.93			(24,776.92)	21,097.93	205,902.07
Transportation Trust Fund - Lower Smith Street	N/A	200,000.00	1/1/12-12/31/12				10,931.75	(200,000.00)	189,068.25	10,931.75
<b>TOTAL STATE AID</b>				(27,088.14)	38,104.51	8,237.69	15,063.75	(224,776.92)	228,967.23	

Note: This schedule was not subject to an audit in accordance with N.J.O.M.B. Circular 04-04.

# COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE

## CURRENT FUND

	<u>Year 2012</u>		<u>Year 2011</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<b><u>Revenue and Other Income Realized</u></b>				
Fund Balance Utilized	64,000.00	2.85%	64,000.00	3.23%
Miscellaneous - From Other Than				
Local Property Tax Levies	341,774.50	15.20%	163,432.60	8.25%
Collection of Delinquent Taxes				
and Tax Title Liens	101,835.93	4.53%	124,100.48	6.26%
Collection of Current				
Tax Levy	1,640,784.57	72.95%	1,552,136.18	78.34%
Other Credits to Income	100,767.62	4.47%	77,670.13	3.92%
<b><u>Total Revenue and Other Income Realized</u></b>	<u>2,249,162.62</u>	<u>100.00%</u>	<u>1,981,339.39</u>	<u>100.00%</u>
<b><u>Expenditures</u></b>				
Budget Expenditures:				
Municipal Purposes	684,177.58	32.15%	489,371.50	26.32%
Local and Regional School Taxes	1,062,576.77	49.93%	1,034,011.73	55.60%
County Taxes	361,683.19	17.00%	336,212.17	18.08%
Municipal Open Space Taxes	18,499.68	0.87%		
Other Expenditures	1,136.42	0.05%		
<b><u>Total Expenditures</u></b>	<u>2,128,073.64</u>	<u>100.00%</u>	<u>1,859,595.40</u>	<u>100.00%</u>
<b>Statutory Excess to Fund Balance</b>	121,088.98		121,743.99	
<b>Fund Balance, January 1,</b>	<u>214,149.37</u>		<u>156,405.38</u>	
	335,238.35		278,149.37	
<b>Less:</b>				
Utilized as Anticipated Revenue	<u>64,000.00</u>		<u>64,000.00</u>	
<b>Fund Balance, December 31,</b>	<u><u>271,238.35</u></u>		<u><u>214,149.37</u></u>	

# COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE

## WATER UTILITY OPERATING FUND

	<u>Year 2012</u>		<u>Year 2011</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<b><u>Revenue and Other Income Realized</u></b>				
Fund Balance Utilized	20,440.00	14.90%	19,000.00	17.45%
Collection of Water Rents	103,584.44	75.51%	86,708.43	79.62%
Miscellaneous - From Other				
Than Water Rents	9,461.63	6.90%	2,159.27	1.98%
Other Credits to Income	3,700.56	2.69%	1,028.81	0.95%
<b><u>Total Revenue and Other Income Realized</u></b>	<u>137,186.63</u>	<u>100.00%</u>	<u>108,896.51</u>	<u>100.00%</u>
<b><u>Expenditures</u></b>				
Budget Expenditures:				
Operating	75,244.76	68.98%	72,500.00	71.29%
Capital Improvements	15,000.00	13.75%	10,000.00	9.83%
Debt Service	18,290.00	16.77%	18,290.00	17.99%
Deferred Charges and Statutory Expenditures	550.00	0.50%	905.00	0.89%
<b><u>Total Expenditures</u></b>	<u>109,084.76</u>	<u>100.00%</u>	<u>101,695.00</u>	<u>100.00%</u>
<b>Excess (Deficit) in Revenue</b>	28,101.87		7,201.51	
<b>Adjustments to Income Before Fund Balance:</b>				
<b>Expenditures Included Above Which are by</b>				
<b>    Statute Deferred Charges to Budget</b>				
<b>    of Succeeding Year</b>				
	3,270.76			
<b>Statutory Excess to Fund Balance</b>	31,372.63		7,201.51	
<b>Fund Balance, January 1,</b>	<u>76,101.11</u>		<u>87,899.60</u>	
	107,473.74		95,101.11	
<b>Less:</b>				
Utilized as Anticipated Revenue	<u>20,440.00</u>		<u>19,000.00</u>	
<b>Fund Balance, December 31,</b>	<u>87,033.74</u>		<u>76,101.11</u>	

## SCHEDULE OF TAX RATE INFORMATION

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Tax Rate	<u>3.770</u>	<u>3.605</u>	<u>3.635</u>

### Apportionment of Tax Rate:

Municipal	.646	.631	.620
Municipal Open Space	.040	-	-
County	.783	.730	.769
Local Regional School	2.301	2.244	2.246

### Assessed Valuation

2012	46,172,463.00		
2011		46,081,118.00	
2010			45,741,952.00

## COMPARISON OF TAX LEVIES AND COLLECTION CURRENTLY

A study of this tabulation could indicate a possible trend in future tax levies. A decrease in the percentage of current collection could be an indication of a probable increase in future tax levies.

<u>Year</u>	<u>Tax Levy</u>	<u>Currently</u>	
		<u>Collections</u>	<u>Percentage of Collections</u>
2012	1,743,703.09	1,640,784.57	94.09%
2011	1,662,751.77	1,552,136.18	93.34%
2010	1,669,683.49	1,533,497.87	92.14%

## DELINQUENT TAXES AND TAX TITLE LIENS

This tabulation includes a comparison, expressed in percentage, of the total of delinquent taxes and tax title liens, in relation to the tax levies of the last three years.

<u>Year</u>	<u>Amount of Delinquent Taxes</u>	<u>Amount of Tax Title Liens</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2012	91,799.22	148,259.07	240,058.29	13.76%
2011	100,096.69	137,152.66	237,249.35	14.27%
2010	119,734.93	126,910.98	246,645.91	14.77%

### PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

The value of property acquired by liquidation of tax liens on December 31, on the basis of the last assessed valuation of such properties, was as follows:

<u>Year</u>	<u>Amount</u>
2012	-0-
2011	-0-
2010	-0-

### COMPARISON OF WATER UTILITY LEVIES

<u>Year</u>	<u>Levy</u>	<u>Cash Collections</u>
2012	108,696.48	103,584.44
2011	90,870.98	86,708.43
2010	95,822.55	102,130.20

### COMPARATIVE SCHEDULE OF FUND BALANCES

	<u>Year</u>	<u>Balance Dec. 31</u>	<u>Utilized in Budget of Succeeding Year</u>
Current Fund:	2012	271,238.35	64,000.00
	2011	214,149.37	64,000.00
	2010	156,405.38	64,000.00
	2009	215,365.63	114,000.00
	2008	211,243.23	90,000.00
Water Utility Operating Fund:	2012	87,033.74	20,000.00
	2011	76,101.11	20,440.00
	2010	87,899.60	19,000.00
	2009	82,701.20	19,000.00
	2008	88,001.47	13,650.00



**Borough of Andover, N.J.**  
**Schedule of Cash - Treasurer**  
**Current Fund**  
**Year Ended December 31, 2012**

	<u>Ref.</u>	<u>Current Fund</u>
Balance - December 31, 2011	A	383,058.89
Increased by Receipts:		
Miscellaneous Revenue Not Anticipated	A-2	52,433.09
Taxes Receivable	A-6	1,707,893.36
Tax Title Liens Receivable	A-7	444.36
Revenue Accounts Receivable	A-8	158,625.84
Due From State - Senior Citizen and Veteran Deductions	A-9	5,500.00
Interfunds	A-10	265,298.79
Various Cash Liabilities and Reserves	A-12	1,819.75
Prepaid Taxes	A-13	12,198.91
		<hr/> 2,204,214.10
		<hr/> 2,587,272.99
Decreased by Disbursements:		
Current Year Budget Appropriations	A-3	384,116.04
Interfunds	A-10	210,960.66
Appropriation Reserves	A-11	6,551.10
Various Cash Liabilities and Reserves	A-12	632.00
Encumbrances Payable	A-14	5,156.17
County Taxes Payable	A-15	361,369.45
District School Taxes Payable	A-16	1,062,576.77
		<hr/> 2,031,362.19
Balance - December 31, 2012	A	<hr/> <hr/> 555,910.80

**Borough of Andover, N.J.**  
**Schedule of Cash - Change Fund**  
**Current Fund**  
**Year Ended December 31, 2012**

	<u>Ref.</u>	
Balance - December 31, 2011	A	<u>10.00</u>
Balance - December 31, 2012	A	<u>10.00</u>

**Borough of Andover, N.J.**  
**Schedule of Taxes Receivable and Analysis of Property Tax Levy**

**Current Fund**

**Year Ended December 31, 2012**

<u>Year</u>	<u>Balance, Dec. 31, 2011</u>	<u>Levy</u>	<u>Added Taxes</u>	<u>Collected</u> <u>2011</u>	<u>2012</u>	<u>Senior Citizen and Veteran Deductions</u>	<u>Overpayments Applied</u>	<u>Transferred to Tax Title Liens</u>	<u>Cancelled</u>	<u>Balance, Dec. 31, 2012</u>
2011	100,096.69		1,590.49		101,391.57			295.61		
2012		1,740,701.86	3,001.23	24,666.87	1,606,501.79	5,250.00	4,365.91	11,118.82	0.48	91,799.22
	<u>100,096.69</u>	<u>1,740,701.86</u>	<u>4,591.72</u>	<u>24,666.87</u>	<u>1,707,893.36</u>	<u>5,250.00</u>	<u>4,365.91</u>	<u>11,414.43</u>	<u>0.48</u>	<u>91,799.22</u>
A				A-2;A-13	A-2;A-4	A-2;A-9	A-2;A-12	A-7		A

Analysis of Tax Levy

**Tax yield:**

General Purpose Tax	<u>Ref.</u>	
Added Tax (R.S. 54:4-63.1 et seq.)		1,740,701.86
		<u>3,001.23</u>
		<u>1,743,703.09</u>

**Tax Levy:**

County Tax	A-15	361,060.42
Added County Taxes	A-15	<u>622.77</u>
Total County Tax		361,683.19
Local District School Tax	A-16	1,062,576.77
Municipal Open Space Tax	A-17	<u>18,499.68</u>
	A-2	<u>1,442,759.64</u>
Local Tax for Municipal Purposes		298,301.00
Additional Taxes		<u>2,642.45</u>
		<u>300,943.45</u>
		<u>1,743,703.09</u>

**Borough of Andover, N.J.**  
**Schedule of Tax Title Liens Receivable**  
**Current Fund**  
**Year Ended December 31, 2012**

Balance - December 31, 2011	<u>Ref.</u> A		137,152.66
Increased by:			
Transferred from Taxes Receivable	A-6	11,414.43	
Interest and Costs on Tax Sale		<u>136.34</u>	
			<u>11,550.77</u>
			148,703.43
Decreased by:			
Collections	A-2;A-4		<u>444.36</u>
Balance - December 31, 2012	A		<u><u>148,259.07</u></u>

## Borough of Andover, N.J.

## Schedule of Revenue Accounts Receivable

## Current Fund

Year Ended December 31, 2012

	<u>Ref.</u>	<u>Accrued</u>	<u>Collected</u>
Clerk:			
Licenses:			
Alcoholic Beverages	A-2	743.24	743.24
Miscellaneous Revenue not Anticipated	A-2	3,983.74	3,983.74
Municipal Court :			
Fines and Costs	A-2	3,169.86	3,169.86
Tax Collector/Assessor			
Miscellaneous Revenue not Anticipated	A-2	13,072.75	13,072.75
Interest on Investments and Deposits			
Miscellaneous Revenue not Anticipated	A-2	1,332.85	1,332.85
Board of Health / Registrar of Vital Statistics			
Miscellaneous Revenue not Anticipated	A-2	1,049.00	1,049.00
Planning and Zoning Board			
Miscellaneous Revenue not Anticipated	A-2	2,500.00	2,500.00
Uniform Construction Code:			
Fees and Permits - Building	A-2	5,350.00	5,350.00
Energy Receipts Taxes	A-2	127,232.00	127,232.00
Uniform Fire and Safety	A-2	192.40	192.40
		<u>158,625.84</u>	<u>158,625.84</u>
			A-4

## Borough of Andover, N.J.

**Schedule of Amount Due From (To) State of New Jersey  
for Senior Citizens' and Veterans' Deductions - CH. 73 P.L. 1976**

## Current Fund

Year Ended December 31, 2012

	<u>Ref.</u>	
Balance - December 31, 2011	A	2,137.29
Increased by:		
Senior Citizens' Deductions Per Tax Billing		750.00
Veterans' Deductions Per Tax Billing		<u>4,500.00</u>
	A-6	<u>5,250.00</u>
		<u>7,387.29</u>
Decreased by:		
State Share of Senior Citizens and Veteran		
Deductions Received in Cash	A-4	<u>5,500.00</u>
Balance - December 31, 2012	A	<u><u>1,887.29</u></u>

## Borough of Andover, N.J.

## Schedule of Interfunds Receivables/(Payables)

## Current Fund

Year Ended December 31, 2012

<u>Fund</u>	<u>Ref.</u>	Due From/(To) Balance				Due From/(To) Balance	
		<u>Dec. 31, 2011</u>	<u>Increased</u>	<u>Decreased</u>		<u>Dec. 31, 2012</u>	
Federal and State Grants	A	(15,709.37)	8,237.69	19,756.75		(4,190.31)	
Animal Control Trust Fund	A	805.56	1,383.00	996.00		418.56	
Other Trust	A		170,275.91	64,483.22		(105,792.69)	
General Capital Fund			42,324.60	42,324.60			
Water Operating Fund	A		83,077.27	84,213.69		1,136.42	
Public Assistance Trust Fund	A	(2,006.12)				(2,006.12)	
		<u>(16,909.93)</u>	<u>305,298.47</u>	<u>211,774.26</u>		<u>(110,434.14)</u>	
<u>Analysis</u>							
Due From Current Fund	A-1	805.56				1,554.98	
Due To Current Fund		<u>(17,715.49)</u>				<u>(111,989.12)</u>	
		<u>(16,909.93)</u>				<u>(110,434.14)</u>	
Statutory Excess	A-1			813.60			
Budget Appropriations	A-3		21,500.00				
Received	A-4		265,298.79				
Disbursed	A-4			210,960.66			
Municipal Open Space	A-17		18,499.68				
			<u>305,298.47</u>	<u>211,774.26</u>			

**Borough of Andover, N.J.**  
**Schedule of Appropriation Reserves**  
**Current Fund**  
**Year Ended December 31, 2012**

	Balance, Dec. 31, <u>2011</u>	Balance after <u>Transfers</u>	<u>Paid or</u> <u>Charged</u>	Balance <u>Lapsed</u>
Salaries and Wages Within "CAPS":				
Collection of Taxes:	5,376.69	1,956.69		1,956.69
Uniform Fire Safety Act (Ch. 383, PL 1983)	0.04	0.04		0.04
Emergency Management Services	391.00	391.00	391.00	
Board of Health	103.04	103.04		103.04
Dog Regulation	174.75	174.75		174.75
Parks and Playgrounds	1,265.72	1,265.72		1,265.72
Electrical	660.00	660.00		660.00
Fire Protection Official	660.00	660.00		660.00
Total Salaries and Wages Within "CAPS"	<u>8,631.24</u>	<u>5,211.24</u>	<u>391.00</u>	<u>4,820.24</u>
Other Expenses Within "CAPS":				
Administrative and Executive				
Other Expenses	0.19	80.19	78.00	2.19
Municipal Clerk				
Other Expenses	10.54	10.54		10.54
Financial Administration				
Audit Costs	5.71	5.71		5.71
Computer Expenses	1,477.50	1,477.50		1,477.50
Assessment of Taxes				
Other Expenses	23.60	23.60		23.60
Collection of Taxes	0.35	0.35		0.35
Legal Services and Costs	456.92	456.92	85.34	371.58
Engineering Services and Costs	837.74	837.74		837.74
Public Buildings and Grounds	394.59	394.59	333.94	60.65
Planning Board				
Master Plan/Housing				
Other Expenses	445.70	445.70	327.32	118.38
Fire Equipment Maintenance	4,266.16	4,266.16		4,266.16
Police	1,038.43	1,038.43		1,038.43
Uniform Fire Safety Act	100.00	100.00		100.00
Emergency Management Services	400.00	400.00	336.80	63.20
Street Lighting	0.81	0.81		0.81
Telephone	0.81	0.81		0.81
Fuel Oil	818.82	2,158.82	2,052.55	106.27
Garbage and Trash Removal - Contractual	2,112.16	2,112.16	2,074.39	37.77
Recycling (P.L. 1987-C.74)	115.20	115.20		115.20
Health and Welfare	0.95	0.95		0.95
Dog Regulation	21.99	21.99	12.48	9.51
Recreation and Education:				
Miscellaneous Other Expenses	919.18	919.18	859.28	59.90



**Borough of Andover, N.J.**  
**Schedule of Appropriation Reserves**  
**Current Fund**  
**Year Ended December 31, 2012**

	Balance, Dec. 31, <u>2011</u>	Balance after <u>Transfers</u>	<u>Paid or Charged</u>	Balance <u>Lapsed</u>
Celebration of Public Events	566.41	566.41		566.41
Construction Code Official/Building Inspector	456.00	456.00		456.00
Total Other Expenses Within "CAPS"	<u>14,469.76</u>	<u>15,889.76</u>	<u>6,160.10</u>	<u>9,729.66</u>
Deferred Charges and Statutory Expenditures Within "CAPS":				
Unemployment Compensation Insurance	100.00	100.00		100.00
Social Security ( O.A.S.I. )	<u>4,057.58</u>	<u>4,057.58</u>		<u>4,057.58</u>
Total Deferred Charges and Statutory Expenditures Within "CAPS"	<u>4,157.58</u>	<u>4,157.58</u>		<u>4,157.58</u>
Total Reserves Within "CAPS"	<u>27,258.58</u>	<u>25,258.58</u>	<u>6,551.10</u>	<u>18,707.48</u>
Other Expenses Excluded From "CAPS":				
Municipal Court	<u>4,478.05</u>	<u>6,478.05</u>		<u>6,478.05</u>
Total Other Expenses Excluded from "CAPS"	<u>4,478.05</u>	<u>6,478.05</u>		<u>6,478.05</u>
Total Reserves	<u>31,736.63</u>	<u>31,736.63</u>	<u>6,551.10</u>	<u>25,185.53</u>
	A		A-4	A-1

**Borough of Andover, N.J.**  
**Schedule of Various Cash Liabilities and Reserves**  
**Current Fund**  
**Year Ended December 31, 2012**

<u>Liabilities and Reserves</u>	<u>Balance</u> <u>Dec. 31, 2011</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance</u> <u>Dec. 31, 2012</u>
<u>Liabilities:</u>				
Due State of NJ DCA Training Fees	242.00	362.00	457.00	147.00
Due State of NJ Marriage License Fees	50.00	150.00	175.00	25.00
Tax Overpayments	4,816.74	1,307.75	4,375.97	1,748.52
<u>Reserves for:</u>				
Master Plan	26,451.60			26,451.60
Garden State Trust	61.72			61.72
Revaluation	30,045.50			30,045.50
	<u>61,667.56</u>	<u>1,819.75</u>	<u>5,007.97</u>	<u>58,479.34</u>
	A			A
	<u>Ref.</u>			
Tax Overpayments Cancelled	A-1	10.06		
Received	A-4			
Disbursed	A-4	1,819.75	632.00	
Tax Overpayments Applied	A-6		4,365.91	
		<u>1,819.75</u>	<u>5,007.97</u>	

**Borough of Andover, N.J.****Schedule of Prepaid Taxes****Current Fund****Year Ended December 31, 2012**

	<u>Ref.</u>	
Balance - December 31, 2011	A	24,666.87
Increased by:		
Receipts - Prepaid 2013 Taxes	A-4	<u>12,198.91</u>
		36,865.78
Decreased by:		
Applied to 2012 Taxes	A-6	<u>24,666.87</u>
Balance - December 31, 2012	A	<u><u>12,198.91</u></u>

**Schedule of Encumbrances Payable****Current Fund****Year Ended December 31, 2012**

	<u>Ref.</u>	
Balance December 31, 2011	A	6,813.49
Increased by:		
Transfer from		
Current Appropriations	A-3	<u>16,123.67</u>
		22,937.16
Decreased by:		
Cash Disbursed	A-4	<u>5,156.17</u>
Balance - December 31, 2012	A	<u><u>17,780.99</u></u>

**Borough of Andover, N.J.**  
**Schedule of County Taxes Payable**  
**Current Fund**  
**Year Ended December 31, 2012**

	<u>Ref.</u>		
Balance - December 31, 2011	A		309.03
Increased by:			
Levy- 2012	A-6	361,060.42	
Added and Omitted Taxes	A-6	<u>622.77</u>	
	A-1		<u>361,683.19</u>
			<u>361,992.22</u>
Decreased by:			
Payments	A-4		<u>361,369.45</u>
Balance - December 31, 2012	A		<u><u>622.77</u></u>

A-16

**Schedule of Local Regional School Taxes Payable**  
**Current Fund**  
**Year Ended December 31, 2012**

	<u>Ref.</u>		
Balance - December 31, 2011	A		28,147.74
Increased by:			
Levy- 2012	A-1;A-6	<u>1,062,576.77</u>	
			<u>1,090,724.51</u>
Decreased by:			
Payments	A-4		<u>1,062,576.77</u>
Balance - December 31, 2012	A		<u><u>28,147.74</u></u>

**Borough of Andover, N.J.**  
**Schedule of Municipal Open Space Taxes Payable**  
**Current Fund**  
**Year Ended December 31, 2012**

	<u>Ref.</u>		
Increased by:			
Levy- 2012		18,469.00	
Added and Omitted Taxes		<u>30.68</u>	
	A-1;A-6		<u><u>18,499.68</u></u>
Decreased by:			
Interfund - Other Trust Fund	A-10		<u><u>18,499.68</u></u>

## Borough of Andover, N.J.

## Schedule of Interfunds

## Federal and State Grant Fund

Year Ended December 31, 2012

<u>Fund</u>	<u>Ref.</u>	Due From/(To) Balance <u>Dec. 31, 2011</u>	<u>Increased</u>	<u>Decreased</u>	Due From/(To) Balance <u>Dec. 31, 2012</u>
Current Fund	A	<u>15,709.37</u>	<u>8,237.69</u>	<u>19,756.75</u>	<u>4,190.31</u>
	<u>Ref.</u>				
Grants Receivable	A-19		6,311.22		
Appropriated Grants	A-20			19,756.75	
Unappropriated Reserves	A-21		1,926.47		
			<u>8,237.69</u>	<u>19,756.75</u>	

**Borough of Andover, N.J.**  
**Schedule of Grants Receivable**  
**Federal and State Grant Fund**  
**Year Ended December 31, 2012**

<u>Grant</u>	<u>Balance</u> <u>Dec. 31, 2011</u>	<u>Budget</u> <u>Revenue</u>	<u>Received</u>	<u>Transfer from</u> <u>Unappropriated</u> <u>Reserves</u>	<u>Balance</u> <u>Dec. 31, 2012</u>
Municipal Alliance	2,311.22		2,311.22		
Recycling Tonnage Reserve		1,087.00		1,087.00	
Clean Communities		4,000.00	4,000.00		
State of N.J. Transportation Trust Fund	24,776.92				24,776.92
State of N.J. Trans. - Morris & Sussex Turnpike		200,000.00			200,000.00
	<u>27,088.14</u>	<u>205,087.00</u>	<u>6,311.22</u>	<u>1,087.00</u>	<u>224,776.92</u>
	A	A-2	A-18	A-21	A

## Borough of Andover, N.J.

## Schedule of Appropriated Reserves for Grants

## Federal and State Grant Fund

Year Ended December 31, 2012

<u>Grant</u>	<u>Balance</u> <u>Dec. 31, 2011</u>	<u>Transfer from</u> <u>2012 Budget</u>	<u>Expended</u>	<u>Balance</u> <u>Dec. 31, 2012</u>
Recycling Tonnage Grant	1,087.00	1,087.00	250.00	1,924.00
Clean Communities		4,000.00	950.00	3,050.00
Stormwater	2,874.17			2,874.17
State of N.J. Dept. of Transportation Trust Fund	21,097.93			21,097.93
State of N.J. Dept. of Transportation Trust Fund - Lower Smith St.	428.00			428.00
Municipal Alliance				
State Share	2,932.00		2,932.00	
Local	4,693.00		4,693.00	
Emergency Management Fund	1,922.88			1,922.88
State of N.J. Dept. of Trans. - Morris & Sussex Turnpike (2012)		200,000.00	10,931.75	189,068.25
	<u>35,034.98</u>	<u>205,087.00</u>	<u>19,756.75</u>	<u>220,365.23</u>
	A	A-3	A-18	A



## Borough of Andover, N.J.

## Schedule of Unappropriated Reserves for Grants

## Federal and State Grant Fund

Year Ended December 31, 2012

<u>Grant</u>	<u>Balance Dec. 31, 2011</u>	<u>Received</u>	<u>Transferred to Appropriated Reserves</u>	<u>Balance Dec. 31, 2012</u>
Recycling Tonnage	<u>7,762.53</u>	<u>1,926.47</u>	<u>1,087.00</u>	<u>8,602.00</u>
	A	A-18	A-19	A

## Borough of Andover, N.J.

## Schedule of Cash

## Trust Funds

Year Ended December 31, 2012

	<u>Ref.</u>	<u>Animal Control Trust Fund</u>	<u>Other Trust Funds</u>
Balance - December 31, 2011	B	<u>2,035.16</u>	<u>53,266.55</u>
Increased by Receipts:			
Dog License Fees - Borough	B-2	649.60	
Late Fees	B-2	135.00	
Interfund - Current	B-3		23,841.69
Dog License Fees - State Share	B-4	182.40	
Other Trust Funds	B-5		164,434.55
Total Receipts		<u>967.00</u>	<u>188,276.24</u>
		<u>3,002.16</u>	<u>241,542.79</u>
Decreased by Disbursements:			
Interfund - Current	B-3	1,383.00	8,798.86
Other Trust Funds	B-5		164,460.67
Total Disbursements		<u>1,383.00</u>	<u>173,259.53</u>
Balance - December 31, 2012	B	<u><u>1,619.16</u></u>	<u><u>68,283.26</u></u>

## Borough of Andover, N.J.

## Reserve for Animal Control Trust Fund Expenditures

## Trust Funds

Year Ended December 31, 2012

	<u>Ref.</u>		
Balance - December 31, 2011	B		1,229.60
Increased by:			
Dog License Fees:			
Cash Receipts	B-1	649.60	
Late Fees	B-1	<u>135.00</u>	
			<u>784.60</u>
			2,014.20
Decreased by:			
Statutory Excess - Due Current Fund	B-3		<u>813.60</u>
Balance - December 31, 2012	B		<u><u>1,200.60</u></u>

License Fees Collected

<u>Year</u>	
2010	585.80
2011	<u>614.80</u>
	<u><u>1,200.60</u></u>

## Borough of Andover, N.J.

## Schedule of Interfunds

## Trust Fund

Year Ended December 31, 2012

	Due (to)/from Balance <u>Dec. 31, 2011</u>	<u>Increased</u>	<u>Decreased</u>	Due (to)/from Balance <u>Dec. 31, 2012</u>
Interfund - Current Fund:				
Animal Control Trust Fund	<u>(805.56)</u>	<u>1,383.00</u>	<u>996.00</u>	<u>(418.56)</u>
Other Trust	<u>                    </u>	<u>146,180.31</u>	<u>40,387.62</u>	<u>105,792.69</u>
Interfund Water Operating Fund:				
Other Trust Fund	<u>                    </u>	<u>850.00</u>	<u>850.00</u>	<u>                    </u>
	<u>(805.56)</u>	<u>148,413.31</u>	<u>42,233.62</u>	<u>105,374.13</u>

B

B

Ref.

Cash Disbursements - Animal Control Trust Fund	B-1	1,383.00	
Cash Receipts - Other Trust Fund	B-1		23,841.69
Cash Disbursements - Other Trust Fund	B-1	8,798.86	
Statutory Excess - Animal Control Trust Fund	B-2		813.60
Due to State Department of Health	B-4		182.40
Various Reserves	B-5	<u>138,231.45</u>	<u>17,395.93</u>
		<u>148,413.31</u>	<u>42,233.62</u>

## Borough of Andover, N.J.

## Schedule of Due From / (To) State Department of Health

## Trust Funds

Year Ended December 31, 2012

Ref.

## Increased by:

Fees Paid to State

B-3

182.40

## Decreased by:

State Fees Collected

B-1

182.40

## Borough of Andover, N.J.

## Schedule of Other Trust Funds

## Trust Funds

Year Ended December 31, 2012

	Balance <u>Dec. 31, 2011</u>	<u>Increased</u>	<u>Decreased</u>	Balance <u>Dec. 31, 2012</u>
Reserve for Exxon Bond	1,960.18			1,960.18
Small Cities - Revolving Loan	36,497.28		3,744.17	32,753.11
Escrow Deposits	8,144.41	5,435.00	6,290.00	7,289.41
Tax Sale Premiums		113,100.00		113,100.00
COAH	3,613.24	3.08		3,616.32
Open Space		18,499.68	5,024.80	13,474.88
Snow Removal	1,168.50			1,168.50
Outside Liens	1,516.00	1,196.77	2,336.96	375.81
Payroll	366.94	164,431.47	164,460.67	337.74
	<u>53,266.55</u>	<u>302,666.00</u>	<u>181,856.60</u>	<u>174,075.95</u>
	B			B

Ref.

Cash Receipts	B-1	164,434.55	
Cash Disbursements	B-1		164,460.67
Interfund Current Fund	B-3	138,231.45	17,395.93
		<u>302,666.00</u>	<u>181,856.60</u>

**Borough of Andover, N.J.**  
**Schedule of Cash**  
**General Capital Fund**  
**Year Ended December 31, 2012**

	<u>Ref.</u>		
Balance - December 31, 2011	C;C-3		307,114.09
Increased by Receipts:			
Interfunds	C-4	21,500.00	
Interest Earned on Investments	C-4	<u>441.39</u>	
			<u>21,941.39</u>
			329,055.48
Decreased by Disbursements:			
Bond Anticipation Notes	C-9	19,521.50	
Interfund - Current Fund	C-4	<u>1,744.49</u>	
			<u>21,265.99</u>
Balance - December 31, 2012	C;C-3		<u><u>307,789.49</u></u>

## Borough of Andover, N.J.

## Analysis of Cash

## General Capital Fund

## Year Ended December 31, 2012

	Balance Dec. 31, 2011	Receipts		Disbursements		Transfers		Balance Dec. 31, 2012
		Miscellaneous		Miscellaneous		From	To	
Fund Balance	19,616.57							19,616.57
Capital Improvement Fund	86,153.30							86,153.30
Interfund -Current Fund		21,941.39		1,744.49		21,500.00	1,303.10	
Reserves:								
Reserve for Purchase of Fire Truck	57,500.00	1,500.00						59,000.00
Reserve for Refurbish Municipal Building	422.72							422.72
Reserve for Improve Streets and Roads	42,730.74							42,730.74
Reserve for Purchase Office Equipment	8,647.53		1,303.10					7,344.43
Reserve for Debt Service	36,500.00							36,500.00
Reserve for Improve. To Parks	23,050.00	5,000.00						28,050.00
Reserve for Wastewater Management Study	319.46							319.46
Reserve for Purchase of Turnout Gear	9,156.67	10,000.00						19,156.67
Improvement Authorizations								
04/09/90 Improve. to Borough Park Bldg.	1,498.71							1,498.71
07/09/90 Purchase of Fire Equipment								
Turnout Gear	529.67							529.67
10/22/01 Purchase of Utility Pumper	30,485.51	5,000.00						35,485.51
4/12/04 Purchase of Turnout Gear	1,327.28							1,327.28
04/11/05 Imp. of Lakeview Avenue and Prospect Street	41,317.07			19,521.50				21,795.57
02/13/06 Purchase of Ambulance	2,638.13							2,638.13
06/04/08 Improvements to Smith Street	(55,531.27)							(55,531.27)
11/08/10 Improvements to Parks	752.00							752.00
	307,114.09	43,441.39		22,569.09		21,500.00	1,303.10	307,789.49
	C;C-2							C;C-2



**Borough of Andover, N.J.**  
**Schedule of Interfund Accounts Receivable (Payable)**  
**General Capital Fund**  
**Year Ended December 31, 2012**

	<u>Ref.</u>	<u>Current Fund</u>
Increased by:		
Cash Disbursements	C-2	1,744.49
Deferred Charges to Future Taxes- Unfunded	C-5	5,000.00
Capital Reserves	C-8	16,500.00
		<u>23,244.49</u>
Decreased by:		
Interest	C-2	441.39
Cash Receipts	C-2	21,500.00
Capital Reserves	C-8	1,303.10
		<u>23,244.49</u>

## Borough of Andover, N.J.

## Schedule of Deferred Charges to Future Taxation - Unfunded

## General Capital Fund

Year Ended December 31, 2012

<u>Improvement Description</u>	<u>Balance Dec. 31, 2011</u>	<u>Funded by Budget Appropriation</u>	<u>Notes paid by Budget Appropriation</u>	<u>Balance Dec. 31, 2012</u>	<u>Expended</u>	<u>Unexpended Improvement Authorization</u>
10/22/01 Purchase of Utility Pump	5,000.00	5,000.00				
04/11/05 Improvements to Lakeview & Prospect Avenue	49,521.50		30,000.00	19,521.50		19,521.50
06/04/08 Improvements to Smith Street	73,000.00			73,000.00	41,317.07	17,468.73
	<u>127,521.50</u>	<u>5,000.00</u>	<u>30,000.00</u>	<u>92,521.50</u>	<u>41,317.07</u>	<u>36,990.23</u>
C		C-4;C-10	C-9	C		
		Improvement Authorizations - Unfunded				<u>36,990.23</u>

**Borough of Andover, N.J.**  
**Schedule of Capital Improvement Fund**  
**General Capital Fund**  
**Year Ended December 31, 2012**

	<u>Ref.</u>	
Balance - December 31, 2011	C	<u>86,153.30</u>
Balance - December 31, 2012	C	<u>86,153.30</u>

**Borough of Andover, N.J.**  
**Schedule of Improvement Authorizations**  
**General Capital Fund**  
**Year Ended December 31, 2012**

<u>Improvement Description</u> General Improvements:	<u>Ordinance</u> <u>Date</u>	<u>Amount</u>	<u>Balance</u> <u>Dec. 31, 2011</u>		<u>Balance</u> <u>Dec. 31, 2012</u>	
			<u>Funded</u>	<u>Unfunded</u>	<u>Funded</u>	<u>Unfunded</u>
Improve. to Borough Park Building, Senior Citizen & Community Center	04/09/90	302,000.00	1,498.71		1,498.71	
Purchase Fire Equipment						
Turnout Gear	07/09/90	15,500.00	529.67		529.67	
Purchase of Utility Pumper	10/22/01	286,941.00	30,485.51	5,000.00	35,485.51	
Purchase of Turnout Gear	04/12/04	6,000.00	1,327.28		1,327.28	
Improvement of Lakeview Ave. & Prospect Street	04/11/05	432,021.50		41,317.07	21,795.57	19,521.50
Purchase of Ambulance	02/13/06	30,000.00	2,638.13		2,638.13	
Improvements to Smith Street	06/04/08	184,500.00		17,468.73		17,468.73
Improvements to Parks	11/08/10	6,000.00	752.00		752.00	
			<u>37,231.30</u>	<u>63,785.80</u>	<u>64,026.87</u>	<u>36,990.23</u>
			C	C	C	C

**Borough of Andover, N.J.**  
**Schedule of Various Reserves**  
**General Capital Fund**  
**Year Ended December 31, 2012**

<u>Description</u>	<u>Balance Dec. 31, 2011</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance Dec. 31, 2012</u>
Purchase of Fire Truck	57,500.00	1,500.00		59,000.00
Refurbish Municipal Building	422.72			422.72
Improve. to Streets & Roads	42,730.74			42,730.74
Purchase Office Equipment	8,647.53		1,303.10	7,344.43
Debt Service	36,500.00			36,500.00
Purchase Turnout Gear	9,156.67	10,000.00		19,156.67
Wastewater Management Study	319.46			319.46
Improvements to Parks	23,050.00	5,000.00		28,050.00
	<u>178,327.12</u>	<u>16,500.00</u>	<u>1,303.10</u>	<u>193,524.02</u>
	C	C-4	C-4	C

## Schedule of Bond Anticipation Notes Payable

## General Capital Fund

Year Ended December 31, 2012

Ord. No.	Improvement Description	Date of Original Issue	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2011	Decreased
4/11/05	Improvements to Lakeview and Prospect Avenue	8/31/2005	12/31/2011	12/30/2012	1.55%	49,521.50	49,521.50
						C	
						Ref.	
						C-5	30,000.00
						C-2	19,521.50
							49,521.50

## Borough of Andover, N.J.

## Schedule of Bonds and Notes Authorized But Not Issued

## General Capital Fund

Year Ended December 31, 2012

<u>Date</u>	<u>Improvement Description</u>	<u>Balance Dec. 31, 2011</u>	<u>Bond Anticipation Notes Not Re-Issued</u>	<u>Funded by Budget Appropriation</u>	<u>Balance Dec. 31, 2012</u>
10/22/01	Purchase Utility Pumper	5,000.00		5,000.00	
08/31/05	Improvements to Lakeview and Prospect Street		19,521.50		19,521.50
06/04/08	Improvements to Smith Street	73,000.00			73,000.00
		<u>78,000.00</u>	<u>19,521.50</u>	<u>5,000.00</u>	<u>92,521.50</u>
			C-9	C-5	Footnote C

## Borough of Andover, N.J.

## Schedule of Cash

## Water Utility Operating Fund

Year Ended December 31, 2012

	<u>Ref.</u>	<u>Operating</u>	<u>Capital</u>
Balance - December 31, 2011	D	<u>89,956.72</u>	<u>8,931.27</u>
Increased by Receipts:			
Miscellaneous Revenue Not Anticipated	D-2	9,461.63	
Consumer Accounts Receivable	D-6	103,334.45	
Interfund-Other Trust Fund	D-7	850.00	
Interfund-Current Fund	D-7	1,136.42	
Water Overpayments	D-12	545.13	
Capital Improvement Fund	D-17		15,000.00
		<u>115,327.63</u>	<u>15,000.00</u>
		<u>205,284.35</u>	<u>23,931.27</u>
Decreased by Disbursements:			
Budget Appropriations	D-3	104,066.51	
Interfund-Other Trust Fund	D-7	850.00	
Interfund-Water Capital Fund	D-7	45,868.50	
Appropriation Reserves	D-11	596.79	
Encumbrances Payable	D-13	1,168.93	
Accrued Interest	D-14	947.96	
		<u>153,498.69</u>	
Balance - December 31, 2012	D	<u><u>51,785.66</u></u>	<u><u>23,931.27</u></u>



## Borough of Andover, N.J.

## Analysis of Cash

## Water Utility Capital Fund

Year Ended December 31, 2012

	Balance Dec. 31, 2011	Receipts Miscellaneous	Transfers	Balance Dec. 31, 2012
Capital Improvement Fund	175.70	15,000.00		15,175.70
Reserve for Water Meters	28,238.57			28,238.57
Interfund - Water Operating Fund			45,868.50	45,868.50
<u>Improvement Authorizations</u>				
06/01/96 Imp. to Water Lines/Maple St.	2,021.39			2,021.39
09/18/01 Improvements to Rt. 517 Brighton Road ( Rt. 517S)	2,881.00			2,881.00
08/31/05 Improvements to Lakeview Avenue and Prospect Street			45,868.50	(45,868.50)
06/04/08 Supply and Distribution System	(30,631.05)			(30,631.05)
11/08/10 Fire Hydrant Repair	397.70			397.70
12/27/10 Purchase of Storage Building	2,000.00			2,000.00
12/27/10 Repairs to Water Main Breaks	3,830.96			3,830.96
11/14/11 New Pump Controller at Pump House	17.00			17.00
	<u>8,931.27</u>	<u>15,000.00</u>	<u>45,868.50</u>	<u>23,931.27</u>
		D-4	D-4	D-4

**Borough of Andover, N.J.**  
**Schedule of Consumer Accounts**  
**Water Utility Operating Fund**  
**Year Ended December 31, 2012**

	<u>Balance</u> <u>Dec. 31, 2011</u>	<u>Charges</u>	<u>Decreased</u>	<u>Balance</u> <u>Dec. 31, 2012</u>
Consumer Accounts Receivable	<u>13,165.99</u>	<u>108,696.48</u>	<u>103,584.44</u>	<u>18,278.03</u>
	D			D
	<u>Ref.</u>			
Rents Received	D-4		103,334.45	
Overpayments Applied	D-12		<u>249.99</u>	
	D-2		<u>103,584.44</u>	

**Borough of Andover, N.J.**  
**Schedule of Interfund Accounts Receivable (Payable)**  
**Water Utility Fund**  
**Year Ended December 31, 2012**

	<u>Ref.</u>	<u>Water Operating Fund</u>			<u>Water Capital Fund</u>
		<u>Water Capital Fund</u>	<u>Other Trust Fund</u>	<u>Current Fund</u>	<u>Water Operating Fund</u>
Increased by:					
Cash Disbursements	D-4	<u>45,868.50</u>	<u>850.00</u>	<u>          </u>	<u>          </u>
Decreased by:					
Cash Receipts	D-4		850.00	1,136.42	
Bond Anticipation Notes	D-20	<u>          </u>	<u>850.00</u>	<u>1,136.42</u>	<u>45,868.50</u>
					<u>45,868.50</u>
Balance - December 31, 2012	D	<u>45,868.50</u>	<u>          </u>	<u>(1,136.42)</u>	<u>(45,868.50)</u>

**Borough of Andover, N.J.**  
**Schedule of Deferred Charges**  
**Water Utility Operating Fund**  
**Year Ended December 31, 2012**

<u>Purpose</u>	Added in <u>2012</u>	Balance <u>Dec. 31, 2012</u>
Expenditure without an Appropriation	<u>3,270.76</u>	<u>3,270.76</u>
	D-3	D

**Borough of Andover, N.J.**  
**Schedule of Fixed Capital**  
**Water Utility Capital Fund**  
**Year Ended December 31, 2012**

<u>Description</u>	<u>Balance</u> <u>Dec. 31, 2011</u>	<u>Balance</u> <u>Dec. 31, 2012</u>
Plumbing Equipment	11,172.30	11,172.30
Storage Tanks and Standpipes	17,930.56	17,930.56
Meters	10,119.91	10,119.91
Water Hydrants	1,239.00	1,239.00
Equipment	374.00	374.00
Water and Sewer Lines	44,740.80	44,740.80
Fire Tanks and Standpipes	3,166.96	3,166.96
Wells	4,059.50	4,059.50
Fence	2,330.00	2,330.00
Pump	17,914.00	17,914.00
Renovate Water Tower	10,000.00	10,000.00
Service Pipes and Stops	1,845.55	1,845.55
Pumping System Land	1,652.00	1,652.00
Miscellaneous Supplies	5,896.33	5,896.33
Improvements to Smith Road	8,500.00	8,500.00
Improvements to Lakeview Ave. and Water Lines	112,978.50	112,978.50
Improvements to Water Tower	97,660.00	97,660.00
Water Mains	13,000.00	13,000.00
	<u>364,579.41</u>	<u>364,579.41</u>
	D	D

**Borough of Andover, N.J.**  
**Schedule of Fixed Capital Authorized and Uncompleted**  
**Water Utility Capital Fund**  
**Year Ended December 31, 2012**

<u>Description</u>	<u>Ordinance</u>		<u>Balance, Dec. 31, 2011</u>	<u>Balance, Dec. 31, 2012</u>
	<u>Date</u>	<u>Amount</u>		
Imp. to Water Lines/Maple St. Improvements to Rt. 517 Brighton Road ( Rt. 517S)	06/01/96	12,000.00	12,000.00	12,000.00
Repair and maint. Of Water Meter	09/18/01	20,000.00	20,000.00	20,000.00
Water Utility Imp. To the Water Supply and Distribution System	01/14/08	10,000.00		
Repairs to Water Mains	06/04/08	111,500.00	111,500.00	111,500.00
Fire Hydrant Repair	06/14/10	10,000.00		
Repairs to Water Main Breaks	11/08/10	4,000.00	4,000.00	4,000.00
Purchase of Storage Building	12/13/10	3,000.00		
Repairs to Water Main Breaks	12/27/10	2,000.00	2,000.00	2,000.00
New Pump Controller at Pump House	12/27/10	10,300.00	10,300.00	10,300.00
	11/14/11	5,900.00	5,900.00	5,900.00
			<u>165,700.00</u>	<u>165,700.00</u>
			D	D

**Borough of Andover, N.J.**  
**Schedule of Appropriation Reserves**  
**Water Utility Operating Fund**  
**Year Ended December 31, 2012**

	Balance, Dec. 31, <u>2011</u>	Balance After <u>Transfers</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Operating:				
Salaries and Wages	2,152.02	2,152.02		2,152.02
Other Expenses	767.58	767.58	596.79	170.79
Utilities	518.49	518.49		518.49
Statutory Expenditures:				
Social Security System (O.A.S.I.)	360.19	360.19		360.19
Unemployment Compensation Insurance	39.00	39.00		39.00
	<u>3,837.28</u>	<u>3,837.28</u>	<u>596.79</u>	<u>3,240.49</u>
	D		D-4	D-1

**Borough of Andover, N.J.**  
**Schedule of Overpayments**  
**Water Utility Operating Fund**  
**Year Ended December 31, 2012**

	<u>Ref.</u>	
Balance - December 31, 2011	D	2,844.54
Increased by:		
Collections	D-4	545.13
		<u>3,389.67</u>
Decreased by:		
Applied	D-6	249.99
		<u>249.99</u>
Balance - December 31, 2012	D	<u><u>3,139.68</u></u>

**Schedule of Encumbrances Payable**  
**Water Utility Operating Fund**  
**Year Ended December 31, 2012**

	<u>Ref.</u>		
Balance - December 31, 2011	D		1,629.00
Increased by:			
Budget Appropriations	D-3		917.34
			<u>2,546.34</u>
Decreased by:			
Cancelled	D-1	460.07	
Cash Disbursements	D-4	<u>1,168.93</u>	
			<u>1,629.00</u>
Balance - December 31, 2012	D		<u><u>917.34</u></u>



**Borough of Andover, N.J.**  
**Schedule of Accrued Interest**  
**Water Utility Operating Fund**  
**Year Ended December 31, 2012**

	<u>Ref.</u>	Bond Anticipation <u>Notes</u>
Balance - December 31, 2011	D	5,544.79
Increased by:		
Budget Appropriations	D-3	<u>3,000.00</u> 8,544.79
Decreased by:		
Disbursements	D-4	<u>947.96</u>
Balance - December 31, 2012	D	<u><u>7,596.83</u></u>

**Borough of Andover, N.J.**  
**Schedule of Improvement Authorizations**  
**Water Utility Capital Fund**  
**Year Ended December 31, 2012**

<u>Improvement Description</u>	<u>Ordinance Date</u>	<u>Amount</u>	Balance Dec. 31, 2011		Balance Dec. 31, 2012	
			<u>Funded</u>	<u>Unfunded</u>	<u>Funded</u>	<u>Unfunded</u>
Imp. to Water Lines/Maple St. Improvements to Rt. 517 Brighton Road ( Rt. 517S)	06/01/96	12,000.00	2,021.39		2,021.39	
Repair and Maint. Of Water Meters Supply and Distribution System	09/18/01	20,000.00	2,881.00		2,881.00	
Repairs to Water Mains	06/04/08	111,500.00		868.95		868.95
Fire Hydrant Repair	06/14/10	10,000.00				
Repairs to Water Main Breaks	11/08/10	4,000.00	397.70		397.70	
Purchase of Storage Building	12/13/10	2,000.00				
Repairs to Water Main Breaks	12/27/10	10,300.00	2,000.00		2,000.00	
New Pump Controller at Pump House	12/27/10	39,700.00	3,830.96		3,830.96	
	11/14/11	5,900.00	17.00		17.00	
			<u>11,148.05</u>	<u>868.95</u>	<u>11,148.05</u>	<u>868.95</u>
			D	D	D	D

**Borough of Andover, N.J.**  
**Schedule of Reserves**  
**Water Utility Capital Fund**  
**Year Ended December 31, 2012**

<u>Description</u>	<u>Balance Dec. 31, 2011</u>	<u>Balance Dec. 31, 2012</u>
Reserve for Water Meters	<u>28,238.57</u>	<u>28,238.57</u>
	D	D

**D-17**

**Borough of Andover, N.J.**  
**Schedule of Capital Improvement Fund**  
**Water Utility Capital Fund**  
**Year Ended December 31, 2012**

	<u>Ref.</u>	
Balance - December 31, 2011	D	175.70
Increased by:		
Budget Appropriation	D-7	<u>15,000.00</u>
Balance - December 31, 2012	D	<u><u>15,175.70</u></u>

**D-18**

**Schedule of Reserve for Amortization**  
**Water Utility Capital Fund**  
**Year Ended December 31, 2012**

	<u>Ref.</u>	
Balance - December 31, 2011	D	303,420.91
Increased by:		
Debt Service Raised in Operating Budget	D-20	<u>15,290.00</u>
Balance - December 31, 2012	D	<u><u>318,710.91</u></u>

## Borough of Andover, N.J.

## Schedule of Deferred Reserve for Amortization

## Water Utility Capital Fund

Year Ended December 31, 2012

<u>Improvement Description</u>	<u>Date of Ordinance</u>	<u>Balance, Dec. 31, 2011</u>	<u>Balance, Dec. 31, 2012</u>
Improvement to Water Lines - Maple Street	06/01/96	12,000.00	12,000.00
Improvements to Rt. 517 Brighton Road	09/17/97	20,000.00	20,000.00
Water Utility Improvements to the Water Supply and Distribution System	06/03/04	80,000.00	80,000.00
Fire Hydrant Repair	11/08/10	4,000.00	4,000.00
Purchase of Storage Building	12/27/10	2,000.00	2,000.00
Repairs to Water Main Breaks	12/27/10	10,300.00	10,300.00
Repairs to Water Tower	09/12/11	5,900.00	5,900.00
		<u>134,200.00</u>	<u>134,200.00</u>

D D

**Borough of Andover, N.J.**  
**Schedule of Bond Anticipation Notes Payable**  
**Water Utility Capital Fund**  
**Year Ended December 31, 2012**

<u>Improvement Description</u>	<u>Date of Original Issue</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2011</u>	<u>Decreased</u>
Improvement to Lakeview Ave & Prospect Street	08/31/05				61,158.50	61,158.50
					D	
						45,868.50
						15,290.00
						61,158.50

## Borough of Andover, N.J.

## Schedule of Bonds and Notes Authorized But Not Issued

## Water Utility Capital Fund

Year Ended December 31, 2012

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Balance, Dec. 31, 2011</u>	<u>Bond Anticipation Notes not Reissued</u>	<u>Balance, Dec. 31, 2012</u>
6/4/08	Water Utility Improvements to the Water Supply and Distribution System	31,500.00		31,500.00
08/31/05	Improvements to Lakeview Avenue and Prospect St.		45,868.50	45,868.50
		<u>31,500.00</u>	<u>45,868.50</u>	<u>77,368.50</u>
			D-20	Footnote D

**Borough of Andover, N.J.**  
**Schedule of Cash-Treasurer**  
**Public Assistance Fund**  
**Year Ended December 31, 2012**

**NOT APPLICABLE**



**Borough of Andover, N.J.**

**Schedule of Cash and Reconciliation Per N.J.S.A. 40A:5-5**

**Public Assistance Fund**

**Year Ended December 31, 2012**

**NOT APPLICABLE**

**Borough of Andover, N.J.**  
**Schedule of Cash and Reconciliation**  
**Public Assistance Fund**  
**Year Ended December 31, 2012**

**NOT APPLICABLE**

**Borough of Andover, N.J.**  
**Schedule of Interfund - Current Fund**  
**Public Assistance Fund**  
**Year Ended December 31, 2012**

	<u>Ref.</u>	
Balance - December 31, 2011	E	<u><u>2,006.12</u></u>
Balance - December 31, 2012	E	<u><u>2,006.12</u></u>

**Borough of Andover, N.J.**  
**Schedule of Reserve for Public Assistance**  
**Public Assistance Fund**  
**Year Ended December 31, 2012**

	<u>Ref.</u>	
Balance - December 31, 2011	E	<u>2,006.12</u>
Balance - December 31, 2012	E	<u>2,006.12</u>

**BOROUGH OF ANDOVER**

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**PART II**

**REPORT ON INTERNAL CONTROL AND ON COMPLIANCE  
AND OTHER MATTERS**

**COMMENTS AND RECOMMENDATIONS**

**YEAR ENDED DECEMBER 31, 2012**

# Ferraioli, Wielkottz, Cerullo & Cuva, P.A.

Charles J. Ferraioli, Jr., MBA, CPA, RMA  
Steven D. Wielkottz, CPA, RMA  
James J. Cerullo, CPA, RMA  
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## INDEPENDENT AUDITOR'S 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

Honorable Mayor and  
Members of the Borough Council  
Borough of Andover  
Andover, New Jersey 07821

We have audited, in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; 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 Borough of Andover in the County of Sussex as of and for the year ended December 31, 2012 and the related notes to the financial statements, and have issued our report thereon dated May 17, 2013, which was adverse due to being presented in accordance with New Jersey regulatory basis of accounting and qualified that we did not audit the Fixed Asset account group.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements-regulatory basis, we considered the Borough of Andover's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements-regulatory basis, but not for the purpose of expressing an opinion on the effectiveness of the Borough of Andover's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough of Andover'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Honorable Mayor and  
Members of the Borough Council  
Page 2

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as 2012-01, that we consider to be a significant deficiency.

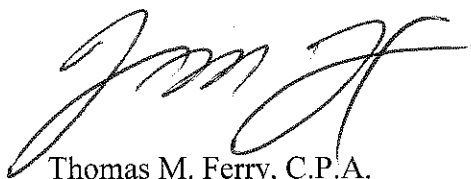
### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Borough of Andover's financial statements-regulatory basis 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*.

In addition, we noted certain immaterial instances of noncompliance that we have reported to the management of the Borough of Andover in the accompanying comments and recommendations section of this report.

### **Purpose of this Report**

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



Thomas M. Ferry, C.P.A.  
Registered Municipal Accountant  
No. 497

*Ferraioli, Wielkutz, Cerullo, & Cuva, P.A.*

FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.  
*Certified Public Accountants*

May 17, 2013

## **BOROUGH OF ANDOVER**

### **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** **YEAR ENDED DECEMBER 31, 2012**

#### **Summary of Auditor's Results:**

A qualified opinion was issued on the Borough's financial statements prepared on an other comprehensive basis of accounting.

The audit did disclose significant deficiencies in the internal controls of the Borough.

The Borough was not subject to the single audit provisions of Federal OMB Circular A-133 (the "Circular") and State Circular 04-04 OMB for 2012 as grant expenditures were less than the single audit thresholds 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 disclose findings required to be reported under Generally Accepted Government Auditing Standards, as follows:

##### **Finding 2012-01:**

###### **Segregation of Duties**

The Borough does not maintain an adequate segregation of duties within the Treasury and Payroll Department. 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 misappropriate funds and prevent detection within a reasonable period of time. The Chief Financial Officer controls disbursements of funds, has control of checks, and reconciles bank statements. Within the payroll department, preparation of payroll, signing of checks and bank reconciliation is also performed by one employee, there is also a lack of internal controls within the computer software system. These situations occur because of the limited number of employees qualified to perform other accounting functions. The Borough was made aware of this lack on internal control and will consider strengthening Internal Control within reason of the costs and benefits derived. Therefore, no formal recommendation is deemed necessary at this time.

#### **Findings and Questioned Costs for Federal Awards:**

Not applicable

#### **Findings and Questioned Costs for State Awards:**

Not applicable



## **BOROUGH OF ANDOVER**

### **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS** **FOR THE YEAR ENDED DECEMBER 31, 2012**

#### **Finding 2011-01:**

##### **Condition:**

The Borough does not maintain an adequate segregation of duties within the Treasury and Payroll Department. 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 misappropriate funds and prevent detection within a reasonable period of time. The Chief Financial Officer controls disbursements of funds, has control of checks, and reconciles bank statements. Within the payroll department, preparation of payroll, signing of checks and bank reconciliation is also performed by one employee, there is also a lack of internal controls within the computer software system. These situations occur because of the limited number of employees qualified to perform other accounting functions. The Borough was made aware of this lack on internal control and will consider strengthening Internal Control within reason of the costs and benefits derived. Therefore, no formal recommendation is deemed necessary at this time.

##### **Current Status:**

Corrective action has not been taken. The Borough was made aware of this lack on internal control and will consider strengthening Internal Control within reason of the costs and benefits derived.

## **GENERAL COMMENTS**

### **Cash Balances**

Cash balances in all funds were verified by independent certificates obtained from the depositories as of December 31, 2012, and at May 17, 2013, in connection with the supplemental reconciliations made for all officials. Cash on hand was counted on that date.

### **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 (C.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 contracts 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 (C.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 (C.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. That adjustment shall become effective on July 1 of the year in which it is made."

N.J.S. 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 subsection 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. 40A:11-3 and 40A:11-4 (as amended) is \$17,500.00 and with a qualified purchasing agent the threshold may be up to \$36,000.00.

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

The Governing Body of the Borough of Andover have the responsibility of determining whether the expenditures in any category will exceed the bid threshold within the fiscal year and where question arises as to whether any contract or agreement might result in violation of the statute, the Borough Attorney's opinion should be sought before a commitment is made.

The minutes indicated the bids were requested by public advertising per N.J.S. 40A:11-4. The minutes also indicated that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S. 40A:11-5 for Borough Appraiser, Engineer, Auditor, Attorney, Municipal Prosecutor, Borough Planner, Special Prosecutor, Insurance Agent and Bond Counsel.

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

Our review of the Borough's minutes indicated that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 40A:11-5.

Our examination of expenditures did not reveal any individual payments, contracts or agreements in excess of the statutory threshold "for the performance of any work or the furnishing or hiring of any materials or supplies," other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of N.J.S.A. 40A:11-6.

The Borough is a member of the Sussex Co-op Pricing Council.

### Collection of Interest on Delinquent Taxes and Assessments

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

The Governing Body on January 2, 2012 adopted the following resolutions authorizing interest to be charged on delinquent taxes:

BE IT FURTHER RESOLVED that the interest rate on delinquent taxes shall be 8% per annum on the first \$1,500.00 of the delinquency and 18% per annum on any amount in excess of \$1,500.00 and a penalty of 6% against a delinquency in excess of \$10,000.00 on properties that fail to pay the delinquency prior to the end of the calendar year, and

BE IT FURTHER RESOLVED that a penalty of 10% shall be levied on delinquent water rents for the ensuing year.

It appears from an examination of the collector's record that interest was collected in accordance with the forgoing resolution.

### Delinquent Taxes and Tax Title Liens

The last tax sale was held on March 16, 2012 and was complete, except for properties in bankruptcy. A tax sale should be held each year.

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>Number of Liens</u>
2012	10
2011	10
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 requirements of the Division of Local Government Services.

The result of the test which was made as of December 31, 2012 is not yet known, but a separate report will be rendered if any irregularities are developed.

In addition, analytical review procedures were utilized to ascertain the validity of the receivables.

### Segregation of Duties

The Borough does not maintain an adequate segregation of duties within the Treasury and Payroll Department. 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 misappropriate funds and prevent detection within a reasonable period of time. The Chief Financial Officer controls disbursements of funds, has control of checks, and reconciles bank statements. Within the payroll department, preparation of payroll, signing of checks and bank reconciliation is also performed by one employee, there is also a lack of internal controls within the computer software system. These situations occur because of the limited number of employees qualified to perform other accounting functions. The Borough was made aware of this lack on internal control and will consider strengthening Internal Control within reason of the costs and benefits derived. Therefore, no formal recommendation is deemed necessary at this time.

### Technical Accounting Directives

Beginning January 1, 1986, the Borough of Andover is required to have installed a Fixed Assets Accounting System, General Ledger Accounting system and Encumbrance system.

Technical Accounting Directives were issued and forwarded to the Borough of Andover from the Division of Local Government Services and the Local Finance Board pursuant to N.J.S.A. 52:27BB through 32. As to the filing date of this report of audit, the Borough has not instituted the following system:

1. The Borough does not properly maintain a general ledger for all funds as promulgated by the Division of Local Government Services.

#### Management Response:

The general ledger will be properly maintained in 2012.

### Finance

1. Appropriations payable, in the Water Utility Fund, was over-expended.

#### Management Response:

Over-expenditure was due to Hurricane Sandy.

## RECOMMENDATIONS

1. That the Finance Officer properly maintain a general ledger for all funds as promulgated by the Division of Local Government Services.
2. That appropriations in the Water Utility Fund be reviewed for over-expenditures.

## Status of Prior Years' Audit Findings/Recommendations

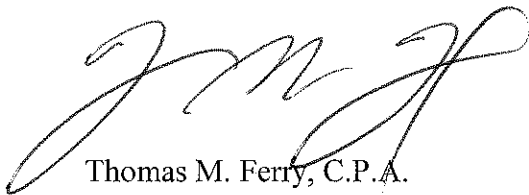
A review was performed on all prior years' recommendations and corrective action was taken on all with the exception of the following which is included in this year's recommendations:

1. That the Finance Officer properly maintain a general ledger for all funds as promulgated by the Division of Local Government Services.

The problems and weaknesses noted in my review were not of such magnitude that they would affect my ability to express an opinion on the financial statements taken as a whole.

Should any questions arise as to my comments or recommendations, or should you desire assistance in implementing our recommendations, please do not hesitate to call me.

Very truly yours,



Thomas M. Ferry, C.P.A.  
Registered Municipal Accountant  
No. 497

*Ferraioli, Wielkutz, Cerullo, & Cuva, P.A.*

FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.  
Certified Public Accountants