

**REPORT OF AUDIT**

**BOROUGH OF ANDOVER**

**COUNTY OF SUSSEX**

**DECEMBER 31, 2015**

BOROUGH OF ANDOVER, N.J.

TABLE OF CONTENTS

<u>Exhibit</u>	<u>Page</u>
<u>PART I</u>	
Independent Auditors' Report	1 - 4
<u>CURRENT FUND</u>	
A Comparative Balance Sheet - Current Fund	5 - 6
A-1 Comparative Statement of Operations and Change in Fund Balance	7
A-2 Statement of Revenues	8 - 9
A-3 Statement of Expenditures	10 - 17
<u>TRUST FUND</u>	
B Comparative Balance Sheet - Trust Fund	18
<u>GENERAL CAPITAL FUND</u>	
C Comparative Balance Sheet - General Capital Fund	19
C-1 Schedule of Fund Balance	20
<u>WATER UTILITY FUND</u>	
D Comparative Balance Sheet	21 - 22
D-1 Comparative Statement of Operations and Changes in Fund Balance	23
D-2 Statement of Revenues	24
D-3 Statement of Expenditures	25
<u>PUBLIC ASSISTANCE FUND</u>	
E Comparative Balance Sheet - Public Assistance Fund	26
<u>GENERAL FIXED ASSETS</u>	
F Comparative Statement of General Fixed Assets	27
NOTES TO FINANCIAL STATEMENTS	28 - 51
<u>SUPPLEMENTARY DATA</u>	
OFFICIALS IN OFFICE AND SURETY BONDS	52
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	N/A
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE	53
COMPARATIVE STATEMENTS	54 - 57

ExhibitPageCURRENT FUND

A-4	Schedule of Cash - Treasurer	58
A-5	Schedule of Taxes Receivable and Analysis of Property Tax Levy	59
A-6	Schedule of Tax Title Liens Receivable	60
A-7	Schedule of Revenue Accounts Receivable	61
A-8	Schedule of Amount Due From/(To) State of New Jersey for Sr. Cit. & Vet. Ded. CH. 73 P.L. 1976	62
A-9	Schedule of Interfunds Receivable/Payable	63
A-10	Schedule of Appropriations Reserves	64 - 65
A-11	Schedule of Various Cash Liabilities and Reserves	66
A-12	Schedule of Prepaid Taxes	67
A-13	Schedule of County Taxes Payable	68
A-14	Schedule of Local Regional School Taxes Payable	68
A-15	Schedule of Municipal Open Space Taxes Payable	69
A-16	Schedule of Interfunds	70
A-17	Schedule of Grants Receivable	71
A-18	Schedule of Appropriated Reserves for Grants	72
A-19	Schedule of Unappropriated Reserves for Grants	73

TRUST FUND

B-1	Schedule of Cash	74
B-2	Reserve for Animal Control Fund Expenditures	75
B-3	Schedule of Interfunds	76
B-4	Schedule of Due From/(To) State Department of Health	77
B-5	Schedule of Other Trust Funds	78

GENERAL CAPITAL FUND

C-2	Schedule of Cash	79
C-3	Analysis of Cash	80
C-4	Schedule of Interfund Accounts Receivable/(Payable)	81
C-5	Schedule of Deferred Charges to Future Taxation - Unfunded	82
C-6	Schedule of Capital Improvement Fund	83
C-7	Schedule of Improvement Authorizations	84
C-8	Schedule of Various Reserves	85
C-9	Schedule of Bond Anticipation Notes Payable	86
C-10	Schedule of Bonds & Notes Authorized But Not Issued	87

ExhibitPageWATER UTILITY FUND

D-4	Schedule of Cash	88
D-5	Analysis of Cash	89
D-6	Schedule of Consumer Accounts Receivable	90
D-7	Schedule of Fixed Capital	91
D-8	Schedule of Fixed Capital Authorized and Uncompleted	92
D-9	Schedule of Appropriations Reserves	93
D-10	Schedule of Overpayments	94
D-11	Schedule of Accrued Interest	95
D-12	Schedule of Improvement Authorizations	96
D-13	Schedule of Reserves	97
D-14	Schedule of Capital Improvement Fund	98
D-15	Schedule of Reserve for Amortization	98
D-16	Schedule of Deferred Reserve for Amortization	99
D-17	Schedule of Bonds and Notes Authorized but not Issued	100

PUBLIC ASSISTANCE FUND

E-1	Schedule of Cash	101
E-2	Schedule of Cash and Reconciliation Per N.J.S.A.40A:5-5	102
E-3	Schedule of Cash and Reconciliation	103
E-4	Schedule of Reserve for Public Assistance	104

PART II

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	105 - 106
SUMMARY OF FINDINGS AND RESPONSES	107
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	108

<u>Exhibit</u>	<u>Page</u>
<u>GENERAL COMMENTS</u>	
Cash Balances	109
Contracts and Agreements	109
Collection of Interest on Delinquent Taxes and Utility Charges	110
Delinquent Taxes and Tax Title Liens	111
Verification of Delinquent Taxes and Other Charges	111
Segregation of Duties	111
Technical Accounting Directives	102
Finance	112
RECOMMENDATIONS	113
STATUS OF PRIOR YEARS' AUDIT FINDINGS/RECOMMENDATIONS	113

**BOROUGH OF ANDOVER**

---

**PART I**

**REPORT OF AUDIT ON FINANCIAL STATEMENTS**

**AND SUPPLEMENTARY DATA**

**YEAR ENDED DECEMBER 31, 2015**

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

Charles J. Ferraioli, Jr., MBA, CPA, RMA  
Steven D. Wielkottz, CPA, RMA  
James J. Cerullo, CPA, RMA  
Paul J. Cuva, CPA, RMA  
Thomas M. Ferry, CPA, RMA

Certified Public Accountants  
401 Wanaque Avenue  
Pompton Lakes, New Jersey 07442  
973-835-7900  
Fax 973-835-6631

Newton Office  
100B Main Street  
Newton, N.J. 07860  
973-579-3212  
Fax 973-579-7128

## INDEPENDENT AUDITOR'S REPORT

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 and account group of the Borough of Andover in the County of Sussex, as of December 31, 2015 and 2014, 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, 2015, 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, 2015 and 2014, 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, 2015 and 2014, stated as \$2,735,957.00 and \$1,855,267.00 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” paragraph, the financial statements referred to above present fairly, in all material respects, the regulatory basis balances sheets as of December 31, 2015 and 2014, 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, 2015 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.

Honorable Mayor and  
Members of the Borough Council  
Page 4

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2016 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, Wielkatz, Cerullo & Cuva, PA*  
FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.  
*Certified Public Accountants*

Newton, New Jersey

June 28, 2016

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

**Comparative Balance Sheet - Regulatory Basis**

**Current Fund**

**December 31,**

	<u>Ref.</u>	<u>2015</u>	<u>2014</u>
<u>Assets</u>			
Current Fund:			
Cash	A-4	506,028.34	491,876.25
Due From State of New Jersey:			
Senior Citizen and Veteran Deductions	A-8	1,887.29	1,887.29
		<u>507,915.63</u>	<u>493,763.54</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Taxes Receivable	A-5	68,715.12	118,127.30
Other Accounts Receivable			
Tax Title Liens Receivable	A-6	193,266.12	173,948.65
Animal Control Trust Fund	A-9	1.20	
General Capital Fund	A-9		8,205.00
		<u>261,982.44</u>	<u>300,280.95</u>
		<u>769,898.07</u>	<u>794,044.49</u>
Federal and State Grant Fund:			
Interfund - Current Fund	A-16	35,668.88	32,289.54
		<u>805,566.95</u>	<u>826,334.03</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,**

	<u>Ref.</u>	<u>2015</u>	<u>2014</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Current Fund:			
Appropriation Reserves:			
Unencumbered	A-3;A-10	39,616.82	44,968.19
Encumbered	A-3;A-10	12,294.61	15,405.93
Interfunds Payable:			
Federal and State Grant Fund	A-9	35,668.88	32,289.54
Tax Overpayments	A-11	11,725.91	5,560.34
Due To State of New Jersey:			
Training Fees	A-11	174.00	416.00
Marriage Surcharge	A-11	25.00	25.00
Reserve for:			
Master Plan	A-11	26,451.60	26,451.60
Garden State Trust	A-11	61.72	61.72
Revaluation	A-11	1,445.50	19,405.50
Prepaid Taxes	A-12	8,479.34	10,419.99
County Taxes Payable	A-13	816.25	2,744.95
Regional School Taxes Payable	A-14	28,147.74	28,147.74
		<u>164,907.37</u>	<u>185,896.50</u>
Reserve for Receivables	Contra	261,982.44	300,280.95
Fund Balance	A-1	343,008.26	307,867.04
		<u>769,898.07</u>	<u>794,044.49</u>
Federal and State Grant Fund:			
Appropriated Reserve for Grants	A-18	35,668.88	26,646.88
Unappropriated Reserves	A-19		5,642.66
		<u>35,668.88</u>	<u>32,289.54</u>
		<u>805,566.95</u>	<u>826,334.03</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

Year Ended December 31,

	<u>Ref.</u>	<u>2015</u>	<u>2014</u>
Revenues and Other Income:			
Fund Balance Utilized	A-2	81,500.00	66,500.00
Miscellaneous Revenue Anticipated	A-2	163,756.07	150,552.42
Receipts from Delinquent Taxes	A-2	116,878.61	69,416.11
Receipts from Current Taxes	A-2	1,841,135.41	1,826,835.14
Non-Budget Revenue	A-2	24,675.35	46,408.50
Other Credits to Income:			
Interfunds Returned	A-9	8,205.00	8,595.08
Grants Reserves Cancelled	A-9	0.66	43,820.31
Statutory Excess-Animal Control Trust Fund	A-9	766.60	806.20
Unexpended Balance of			
Appropriation Reserves	A-10	27,325.58	33,984.79
Total Revenues and Other Income		<u>2,264,243.28</u>	<u>2,246,918.55</u>
Expenditures:			
Budget and Emergency Appropriations:			
Operations - Within Caps:			
Salaries and Wages	A-3	151,067.50	144,873.00
Other Expenses	A-3	186,873.50	195,384.00
Deferred Charges and Statutory			
Expenditures - Municipal - Within Caps	A-3	25,094.00	24,959.00
Operations - Excluded From CAPS:			
Other Expenses	A-3	98,422.00	81,648.00
Capital Improvements - Excluded from Caps	A-3	25,500.00	43,500.00
Municipal Debt Service - Excluded from Caps	A-3	28,250.00	
Deferred Charges and Statutory Expenditures -			
Municipal - Excluded from Caps	A-3	8,205.00	
Interfund Advances		1.20	8,205.00
Grant Receivables Cancelled			44,662.68
Tax Overpayments	A-11	2,048.71	7,135.85
County Taxes including Added Taxes	A-13	353,089.01	400,309.27
Local and Regional School Taxes	A-14	1,248,421.00	1,230,640.00
Municipal Open Space Taxes	A-15	20,630.14	18,699.01
Total Expenditures		<u>2,147,602.06</u>	<u>2,200,015.81</u>
Statutory Excess to Fund Balance		116,641.22	46,902.74
Fund Balance, January 1,	A;A-1	<u>307,867.04</u>	<u>327,464.30</u>
		424,508.26	374,367.04
Decreased by:			
Fund Balance Utilized as Budget Revenue		81,500.00	66,500.00
Fund Balance, December 31,	A	<u><u>343,008.26</u></u>	<u><u>307,867.04</u></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, 2015

	<u>Ref.</u>	<u>Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Fund Balance Anticipated	A-1	<u>81,500.00</u>	<u>81,500.00</u>	
Miscellaneous Revenues:				
Licenses:				
Alcoholic Beverages	A-7	740.00	1,159.43	419.43
Fines and Costs:				
Municipal Court	A-7	3,200.00	2,702.86	(497.14)
Energy Receipts Tax	A-7	127,232.00	127,232.00	
Uniform Construction Code Fees	A-7	6,000.00	5,890.00	(110.00)
Land Use/Zoning Secretary Sandyston Township	A-7	15,600.00	16,100.00	500.00
Public and Private Revenues:				
Recycling Tonnage Grant	A-17	5,642.00	5,642.00	
Clean Communities	A-17	4,000.00	4,000.00	
Other Special Items:				
Uniform Fire Safety Act	A-7	<u>1,300.00</u>	<u>1,029.78</u>	<u>(270.22)</u>
Total Miscellaneous Revenues	A-1	<u>163,714.00</u>	<u>163,756.07</u>	<u>42.07</u>
Receipts from Delinquent Taxes	A-1;A-2	<u>87,000.00</u>	<u>116,878.61</u>	<u>29,878.61</u>
Subtotal General Revenues		<u>332,214.00</u>	<u>362,134.68</u>	<u>29,920.68</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>306,832.00</u>	<u>334,629.26</u>	<u>27,797.26</u>
Budget Totals		<u>639,046.00</u>	<u>696,763.94</u>	<u>57,717.94</u>
Non-Budget Revenue	A-1;A-2	<u>639,046.00</u>	<u>24,675.35</u>	<u>24,675.35</u>
		<u>639,046.00</u>	<u>721,439.29</u>	<u>82,393.29</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, 2015

<u>Analysis of Realized Revenues</u>	<u>Ref.</u>	
Revenue from Collections	A-1;A-5	1,841,135.41
Allocated to School and County Taxes	A-5	<u>1,622,140.15</u>
Balance for Support of Municipal Budget Appropriations		218,995.26
Add : Appropriation - Reserve for Uncollected Taxes	A-3	<u>115,634.00</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u><u>334,629.26</u></u>
Receipts from Delinquent Taxes:		
Delinquent Taxes		
Taxes Receivable	A-5	<u>116,878.61</u>
	A-2	<u><u>116,878.61</u></u>
<u>Analysis of Non-Budget Revenues</u>	<u>Ref.</u>	
Miscellaneous Revenues Not Anticipated:		
Revenues Accounts Receivable:		
Borough Clerk	A-7	2,330.00
Tax Collector - Interest & Costs	A-7	16,834.88
Interest on Investments	A-7	550.82
Board of Health/Registrar of Vital Statistics	A-7	865.00
Planning and Zoning Fees	A-7	<u>1,409.65</u>
		21,990.35
Cable T.V. Franchise Fee		1,955.00
Farm Lease Payment		630.00
Vet. & Sr. Citizen Admin. Fees		<u>100.00</u>
	A-4	<u>2,685.00</u>
	A-2	<u><u>24,675.35</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, 2015

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Charged</u>	<u>Reserved</u>
Operations - within "CAPS"					
General Government:					
Administrative and Executive					
Mayor and Committee					
Salaries and Wages		17,365.00	17,365.00	16,989.84	375.16
Other Expenses		1,400.00	1,400.00	1,178.35	221.65
Municipal Clerk					
Salaries and Wages		46,033.00	46,033.00	45,788.00	245.00
Other Expenses		15,500.00	15,500.00	10,342.57	5,157.43
Financial Administration					
Salaries and Wages		16,077.00	16,077.00	16,077.00	
Other Expenses		1,960.00	2,240.00	1,793.41	446.59
Audit Services		12,800.00	12,800.00	6,462.50	6,337.50
Computer Services		6,000.00	5,720.00	4,519.41	1,200.59
Collection of Taxes					
Salaries and Wages					
Collector		7,066.00	7,066.00	7,066.00	
Other Expenses		900.00	900.00	643.68	256.32
Assessment of Taxes					
Salaries and Wages		11,242.00	11,242.00	11,241.96	0.04
Other Expenses					
Assessor OE		400.00	400.00	304.84	95.16

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, 2015

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Charged</u>	<u>Reserved</u>
Legal Services and Costs					
Other Expenses		15,000.00	15,000.00	15,000.00	
Engineering Services and Costs					
Other Expenses		3,000.00	3,000.00	1,581.75	1,418.25
Municipal Land Use Law (N.J.S.A. 40:55 D-1 Et Seq.)					
Salaries and Wages		6,410.00	6,410.00	6,410.00	
Other Expenses					
Land Use OE		8,000.00	8,000.00	1,280.55	6,719.45
Code Enforcement					
Salaries and Wages		9,149.00	9,149.00	9,149.00	
Insurance					
General Liability		29,619.00	29,619.00	29,619.00	
Fire Department ESIP Insurance		3,969.00	3,969.00	3,969.00	
Worker's Compensation Insurance		5,038.00	5,038.00	5,037.20	0.80
Police:					
Salaries and Wages Crossing Guards		4,320.00	4,320.00	3,774.96	545.04
Other Expenses Crossing Guards		1,200.00	1,200.00	42.10	1,157.90
Emergency Management Services:					
Salaries and Wages		609.00	609.00	609.00	
Other Expenses		925.00	925.00		925.00
Public Safety:					
Aid to Volunteer Fire Co. - Contribution		6,000.00	6,000.00	6,000.00	
Aid to Volunteer Fire Co.- Fire Equipment Maintenance		2,000.00	2,000.00	1,175.48	824.52
First Aid Organization - Contribution		4,000.00	4,000.00	4,000.00	

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, 2015

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Charged</u>	<u>Reserved</u>
Uniform Fire Safety Act (Ch. 383, P.L. 1983):					
Salaries and Wages		580.00	580.00	579.92	0.08
Other Expenses		100.00	100.00		100.00
Streets and Roads:					
Road Equipment Repair & Maintenance		3,000.00	3,535.00	1,835.00	1,700.00
Sanitation:					
Garbage and Trash Removal (P.L. 1987 - Ch. 74)		13,000.00	13,000.00	9,073.20	3,926.80
Recycling (P.L. 1987.C74)					
Other Expenses		7,200.00	7,200.00	5,909.00	1,291.00
Public Buildings and Grounds					
Salaries and Wages		3,685.00	3,685.00	3,685.00	
Other Expenses		7,000.00	6,465.00	4,367.96	2,097.04
Health and Welfare					
Board of Health					
Salaries and Wages		1,587.00	1,587.00	1,492.00	95.00
Other Expenses		400.00	462.50	462.50	
Animal Control					
Salaries and Wages		1,229.00	1,166.50	433.18	733.32
Other Expenses		600.00	600.00	495.00	105.00
Parks and Playgrounds					
Salaries and Wages		5,063.00	8,063.00	7,801.13	261.87
Other Expenses		8,700.00	5,700.00	4,784.82	915.18
Celebration of Public Events					
Other Expenses		2,000.00	2,000.00	1,630.48	369.52

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, 2015

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Charged</u>	<u>Reserved</u>
Electricity		15,500.00	15,500.00	9,097.77	6,402.23
Telephone		4,600.00	4,600.00	4,522.79	77.21
Fuel Oil		9,000.00	9,000.00	5,154.63	3,845.37
State Uniform Construction Code:					
Construction Code Official/Building Inspector					
Salaries and Wages		9,232.00	9,232.00	9,232.00	
Other Expenses		500.00	500.00		500.00
Plumbing Sub Code Official					
Salaries and Wages		1,500.00	1,500.00	455.00	1,045.00
Fire Sub Code Official					
Salaries and Wages		5,483.00	5,483.00	5,483.00	
Electrical Sub Code Official					
Salaries and Wages		1,500.00	1,500.00	350.00	1,150.00
Unclassified:					
Municipal Alliance		500.00	500.00	500.00	
Total Operations Within "CAPS"		<u>337,941.00</u>	<u>337,941.00</u>	<u>287,399.98</u>	<u>50,541.02</u>
Total Operations Including Contingent- Within "CAPS"		<u>337,941.00</u>	<u>337,941.00</u>	<u>287,399.98</u>	<u>50,541.02</u>
Detail:					
Salaries and Wages	A-1	148,130.00	151,067.50	146,616.99	4,450.51
Other Expenses	A-1	189,811.00	186,873.50	140,782.99	46,090.51

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, 2015

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Charged</u>	<u>Reserved</u>
Deferred Charges and Statutory Expenditures- Municipal Within "CAPS"					
Statutory Expenditures					
Contribution to:					
Public Employees' Retirement System		12,664.00	12,664.00	12,664.00	
Social Security System (O.A.S.I.)		12,090.00	12,090.00	11,696.85	393.15
Unemployment Compensation Insurance		100.00	100.00	61.82	38.18
Defined Contribution Program		240.00	240.00		240.00
Total Deferred Charged and Statutory Expenditures - Municipal within "CAPS"	A-1	25,094.00	25,094.00	24,422.67	671.33
(G) Cash Deficit of Preceding Year					
Total General Appropriations for Municipal Purposes within "CAPS"		363,035.00	363,035.00	311,822.65	51,212.35
Operations - Excluded From "CAPS"					
Interlocal Municipal Service Agreements:					
"911" Dispatching Communications					
Other Expenses		8,780.00	8,780.00	8,764.96	15.04
County of Sussex					
Road Repairs and Maintenance					
Other Expenses		42,000.00	42,000.00	42,000.00	

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, 2015

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Charged</u>	<u>Reserved</u>
Municipal Court - Andover Township		25,000.00	25,000.00	25,000.00	
Other Expenses					
Land Use/Zoning Secretary		13,000.00	13,000.00	12,999.96	0.04
Sandyston Township - Other Expense		88,780.00	88,780.00	88,764.92	15.08
Total Other Operations - Excluded From "CAPS"					
Public and Private Programs Offset By Revenues					
Recycling Tonnage Grant- Reserve		5,642.00	5,642.00	5,642.00	
Other Expenses					
State of N.J. Clean Communities Grant		4,000.00	4,000.00	4,000.00	
Other Expenses					
Total Public and Private Programs Offset		9,642.00	9,642.00	9,642.00	
By Revenues		98,422.00	98,422.00	98,406.92	15.08
Total Operations - Excluded from "CAPS"					
Detail:					
Other Expenses	A-1	98,422.00	98,422.00	98,406.92	15.08
Capital Improvements - Excluded From "CAPS"					
Purchase 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		3,000.00	3,000.00	3,000.00	
Purchase of Ambulance		5,000.00	5,000.00	5,000.00	
Fire Equipment Repair		11,000.00	11,000.00	10,316.00	684.00
Total Capital Improvements Excluded from "CAPS"	A-1	25,500.00	25,500.00	24,816.00	684.00

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, 2015

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Charged</u>	<u>Reserved</u>
Municipal Debt Service-Excluded from "CAPS"					
Payment of Bond Anticipation Notes		25,000.00	25,000.00	25,000.00	
Interest on Bonds		3,250.00	3,250.00	3,250.00	
Total Municipal Debt Service - Excluded from "CAPS"	A-1	28,250.00	28,250.00	28,250.00	
Deferred Charges - Municipal - Excluded From ""CAPS""					
(1) Deferred Charges:					
Deferred Charges to Future Taxation Unfunded:					
Improvements to Smith Street		8,205.00	8,205.00	8,205.00	
Total Deferred Charges - Municipal - Excluded From "CAPS"	A-1	8,205.00	8,205.00	8,205.00	
Total General Appropriations for Municipal Purposes Excluded from "CAPS"		160,377.00	160,377.00	159,677.92	699.08
Total General Appropriations - Excluded From CAPS		160,377.00	160,377.00	159,677.92	699.08
Subtotal General Appropriations		523,412.00	523,412.00	471,500.57	51,911.43
Reserve for Uncollected Taxes		115,634.00	115,634.00	115,634.00	
Total General Appropriations		639,046.00	639,046.00	587,134.57	51,911.43
			A-2		

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, 2015

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Charged</u>	<u>Reserved</u>
<u>Analysis of Paid or Charged</u>					
Reserve for Uncollected Taxes	A-2			115,634.00	
Cash Disbursed	A-4			461,858.57	
Interfund - Federal & State Grant Fund	A-18			9,642.00	
				<u>587,134.57</u>	
<u>Analysis of Appropriation Reserves</u>					
Unencumbered	A				39,616.82
Encumbered	A				12,294.61
					<u>51,911.43</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

## Trust Funds

December 31,

	<u>Ref.</u>	<u>2015</u>	<u>2014</u>
<u>Assets</u>			
Animal Control Trust Fund:			
Cash- Treasurer	B-1	<u>1,713.80</u>	<u>1,545.20</u>
Other Trust Funds:			
Cash - Treasurer	B-1	<u>141,560.09</u>	<u>197,694.94</u>
		<u>143,273.89</u>	<u>199,240.14</u>
<u>Liabilities, Reserves &amp; Fund Balance</u>			
Animal Control Trust Fund:			
Reserve Animal Control Trust Fund			
Expenditures	B-2	1,712.60	1,545.20
Interfund - Current	B-3	<u>1.20</u>	<u>1,545.20</u>
		<u>1,713.80</u>	<u>1,545.20</u>
Other Trust Fund:			
Escrow Deposits	B-5	9,588.25	8,483.00
Reserve for Small Cities Revolving Loan	B-5	32,153.11	32,153.11
Reserve for Exxon Bond	B-5	1,960.18	1,960.18
COAH	B-5	3,617.40	3,617.04
Open Space	B-5	46,505.66	42,825.52
Tax Sale Premiums	B-5	8,500.00	71,200.00
Snow Removal	B-5	36,352.64	36,829.14
Court POAA	B-5	48.00	48.00
Payroll	B-5	<u>2,834.85</u>	<u>578.95</u>
		<u>141,560.09</u>	<u>197,694.94</u>
		<u>143,273.89</u>	<u>199,240.14</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

## General Capital Fund

December 31,

	<u>Ref.</u>	<u>2015</u>	<u>2014</u>
<u>Assets</u>			
Cash	C-2;C-3	360,904.17	353,737.88
Deferred Charges to Future Taxation			
Unfunded	C-5	407,326.27	455,531.27
		<u>768,230.44</u>	<u>809,269.15</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Interfund - Current Fund	C-4		8,205.00
Capital Improvement Fund	C-6	78,496.02	78,496.02
Improvement Authorizations:			
Funded	C-7	92,547.10	98,427.13
Reserve for:			
Purchase of Fire Truck	C-8	63,500.00	62,000.00
Improve. to Streets & Roads	C-8	36,798.57	36,798.57
Purchase Office Equipment	C-8	5,686.44	5,686.44
Debt Service	C-8	36,500.00	36,500.00
Purchase Turnout Gear	C-8	29,547.05	26,547.05
Purchase of Fire Equipment	C-8	2,273.32	
Improvements to Parks	C-8	30,307.78	29,034.78
Ambulance	C-8	12,638.13	7,638.13
Bond Anticipation Notes	C-9	360,000.00	400,000.00
Fund Balance	C-1	19,936.03	19,936.03
		<u>768,230.44</u>	<u>809,269.15</u>

Footnote C: There were Bonds and Notes Authorized But Not Issued on December 31, 2015 and 2014 in the amount of \$47,326.27 and \$55,531.27. See Exhibit C-10.

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

## Borough of Andover, N.J.

## Comparative Schedule of Fund Balance - Regulatory Basis

## General Capital Fund

Year Ended December 31,

	<u>Ref.</u>	<u>2015</u>	<u>2014</u>
Balance - December 31, 2014	C	<u>19,936.03</u>	<u>19,616.57</u>
Increased by:			
Improvement Authorizations Cancelled			<u>319.46</u>
Balance - December 31, 2015	C	<u>19,936.03</u>	<u>19,936.03</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,**

	<u>Ref</u>	<u>2015</u>	<u>2014</u>
<u>Assets</u>			
Operating Fund:			
Cash-Treasurer	D-4	146,047.70	130,543.89
Receivables with Full Reserves:			
Consumer Accounts	D-6	15,546.11	19,317.06
Total Operating Fund		<u>161,593.81</u>	<u>149,860.95</u>
Capital Fund:			
Cash	D-4;D-5	84,878.77	48,694.77
Fixed Capital*	D-7	364,579.41	364,579.41
Fixed Capital Authorized and Uncompleted*	D-8	165,700.00	165,700.00
Total Capital Fund		<u>615,158.18</u>	<u>578,974.18</u>
Total Assets		<u><u>776,751.99</u></u>	<u><u>728,835.13</u></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,

	<u>Ref</u>	<u>2015</u>	<u>2014</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Operating Fund:			
Appropriation Reserve			
Unencumbered	D-3;D-9	38,543.75	17,062.88
Encumbered	D-3;D-9	3,067.50	2,437.96
Water Rent Overpayments	D-10	3,097.70	3,839.02
Accrued Interest on Loans	D-11	7,596.83	7,596.83
		<u>52,305.78</u>	<u>30,936.69</u>
 Reserve for Receivables	 Contra	 15,546.11	 19,317.06
Fund Balance	D-1	93,741.92	99,607.20
Total Operating Fund		<u>161,593.81</u>	<u>149,860.95</u>
 Capital Fund:			
Improvement Authorizations:			
Funded	D-12	11,148.05	11,148.05
Unfunded	D-12	868.95	868.95
Reserve for Water Meters	D-13	43,238.57	38,238.57
Capital Improvement Fund	D-14	60,175.70	45,175.70
Reserve for Amortization	D-15	365,526.91	349,342.91
Reserve for Deferred Amortization	D-16	134,200.00	134,200.00
Total Capital Fund		<u>615,158.18</u>	<u>578,974.18</u>
 Total Liabilities, Reserves and Fund Balances		<u><u>776,751.99</u></u>	<u><u>728,835.13</u></u>

Footnote: There were Bonds and Notes Authorized But Not Issued on December 31, 2015 and 2014 in the amount of \$30,552.50 and \$46,736.50. See Exhibit D-17.

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,

	<u>Ref.</u>	<u>2015</u>	<u>2014</u>
Revenue and Other Income Realized:			
Operating Surplus Anticipated	D-2	30,000.00	30,000.00
Rents	D-2	111,566.95	103,717.63
Non-Budget Revenues	D-2	3,607.43	4,424.75
Other Credits to Income:			
Unexpended Balance of			
Appropriation Reserves	D-11	3,905.34	10,146.02
Total Income		<u>149,079.72</u>	<u>148,288.40</u>
Expenditures:			
Operating	D-3	87,990.00	83,346.00
Capital Improvements	D-3	20,000.00	20,000.00
Deferred Charges and			
Statutory Expenditures	D-3	16,955.00	19,361.76
Total Expenditures		<u>124,945.00</u>	<u>122,707.76</u>
Statutory Excess to Surplus		24,134.72	25,580.64
Fund Balance - January 1,	D;D-1	99,607.20	104,026.56
		<u>123,741.92</u>	<u>129,607.20</u>
Decreased by:			
Utilized as Anticipated Revenue	D-1	30,000.00	30,000.00
Fund Balance - December 31,	D	<u><u>93,741.92</u></u>	<u><u>99,607.20</u></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, 2015

	<u>Ref.</u>	<u>Anticipated</u>	<u>Realized</u>	<u>Excess / (Deficit)</u>
Operating Surplus Anticipated	D-1	30,000.00	30,000.00	
Rents	D-1;D-6	94,945.00	111,566.95	16,621.95
Non-Budget Revenues	D-1;D-4		3,607.43	3,607.43
Budget Totals		<u>124,945.00</u>	<u>145,174.38</u>	<u>20,229.38</u>
		D-3		

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, 2015

	<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>
Operating:					
Salaries and Wages		8,370.00	8,370.00	7,870.00	500.00
Other Expenses		58,295.00	58,295.00	27,954.55	30,340.45
Audit		4,325.00	4,325.00	2,437.50	1,887.50
Utilities		17,000.00	17,000.00	8,216.70	8,783.30
Total Operating	D-1	87,990.00	87,990.00	46,478.75	41,511.25
Capital Improvements:					
Capital Improvement Fund		15,000.00	15,000.00	15,000.00	
Water Meters		5,000.00	5,000.00	5,000.00	
Total Capital Improvements	D-1	20,000.00	20,000.00	20,000.00	
Deferred Charges and Statutory Expenditures					
Expenditure Without an Appropriation					
Water Utility Improvements to Water Supply System		16,184.00	16,184.00	16,184.00	
Statutory Expenditures:					
Contribution to:					
Social Security System (O.A.S.I.)		671.00	671.00	671.00	100.00
Unemployment Compensation Insurance		100.00	100.00		100.00
Total Deferred Charges and Statutory Expenditures	D-1	16,955.00	16,955.00	16,855.00	
Total Water/Sewer Utility Appropriations		124,945.00	124,945.00	83,333.75	41,611.25
		D-2		D-4	
Analysis of Appropriation Reserves					
Unencumbered	D				38,543.75
Encumbered	D				3,067.50
					41,611.25

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,**

	<u>Ref.</u>	<u>2015</u>	<u>2014</u>
<u>Assets</u>			
Cash	E-1	<u>2,000.00</u>	<u>2,000.00</u>
<u>Liabilities and Reserves</u>			
Reserve for Public Assistance	E-4	<u>2,000.00</u>	<u>2,000.00</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,**

**(Unaudited)**

	<u>2015</u>	<u>2014</u>
<u>General Fixed Assets</u>		
Land	855,300.00	495,300.00
Buildings	927,565.00	413,287.00
Machinery and Equipment (Including Vehicles)	<u>953,092.00</u>	<u>946,680.00</u>
	<u>2,735,957.00</u>	<u>1,855,267.00</u>
 Investments In General Fixed Assets	 <u>2,735,957.00</u>	 <u>1,855,267.00</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, 2015 AND 2014**

#### **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, 2015 AND 2014  
(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, 2015 AND 2014  
(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 the 11<sup>th</sup> day of the 11<sup>th</sup> month of the fiscal year levied, 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, 2015 AND 2014  
(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 2015, 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, 2015 AND 2014  
(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, 2015 AND 2014  
(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.

**Recent Accounting Pronouncements**

In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. This statement, which is effective for fiscal periods beginning after June 15, 2014, will not have any effect on the entity's financial reporting. However, the provisions of this statement required significant modifications to the disclosure requirements related to the entity's proportionate share of the cost-sharing defined benefit plans reported at the State of New Jersey level.

In April of 2013, the Government Accounting Standards Board issued GASB Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This Statement is effective for reporting periods beginning after June 15, 2013 and will not have any impact on the entity's financial statement disclosures.

**BOROUGH OF ANDOVER, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014  
(CONTINUED)**

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

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

**Recent Accounting Pronouncements (continued)**

In November 2013, the Government Accounting Standards Board issued GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68. The provisions of this statement are required to be applied simultaneously with the provisions of Statement 68 which is effective for periods beginning after June 15, 2014. The provisions of this Statement required significant modifications to the disclosure requirements related to the entity's proportionate share of the cost-sharing defined benefit plans reported at the State of New Jersey level.

In February 2015, the Government Accounting Standards Board issued GASB Statement No. 72, Fair Value Measurement and Application. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement also provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement is effective for periods beginning after June 15, 2015. The Borough is currently reviewing what effect, if any, this Statement might have on future financial statements.

In June 2015, the Government Accounting Standards Board issued GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68. This Statement is effective for periods beginning after June 15, 2015 – except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for financial statements for periods beginning after June 15, 2016. The Borough is currently reviewing what effect, if any, this Statement might have on future financial statements.

In June 2015, the Government Accounting Standards Board issued GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. This Statement applies to OPEB plans and basically parallels GASB Statement 67 and replaces GASB Statement 43 and is effective for periods beginning after June 15, 2016. The Borough is currently reviewing what effect, if any, this Statement might have on future financial statements.

**BOROUGH OF ANDOVER, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014  
(CONTINUED)**

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

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

**Recent Accounting Pronouncements (continued)**

In June 2015, the Government Accounting Standards Board issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement applies to government employers who provided OPEB plans to their employees and basically parallels GASB Statement 68 and replaces GASB Statement 45. The Statement is effective for periods beginning after June 15, 2017. The Borough is currently reviewing what effect, if any, this Statement might have on future financial statements.

In June 30, 2015, the Government Accounting Standards Board issued GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the American Institute of Certified Public Accountants that is cleared by the GASB. This Statement is effective for periods beginning after June 15, 2015. The Borough is currently reviewing what effect, if any, this Statement might have on future financial statements.

In August 2015, the Government Accounting Standards Board issued GASB Statement No. 77, *Tax Abatement Disclosures*, which improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. The Borough is currently reviewing what effect, if any, this Statement might have on future financial statements.

In December 2015, the Government Accounting Standards Board issued GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement is effective for reporting periods beginning after December 15, 2015. The Borough is currently reviewing what effects, if any, this Statement might have on future financial statements.

**BOROUGH OF ANDOVER, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014  
(CONTINUED)**

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

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

**Recent Accounting Pronouncements** (continued)

In December 2015, the Government Accounting Standards Board issued GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it established criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement is effective for periods beginning after June 15, 2015, and for certain provisions, periods beginning after December 15, 2015. The Borough is currently reviewing what effects, if any, this Statement might have on future financial statements.

**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 2015 statutory budget included a reserve for uncollected taxes in the amount of \$115,634.00. The amount of fund balance budgeted to balance the 2015 statutory budget was \$81,500.00.

**BOROUGH OF ANDOVER, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014  
(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 2015, 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 2015, there were no emergency authorizations.

**NOTE 3: FIXED ASSETS (UNAUDITED)**

The following schedule is a summarization of the changes in the general fixed assets account group for the year 2015.

	Balance as of <u>12/31/14</u>	<u>Additions</u>	<u>Deletions</u>	Balance as of <u>12/31/15</u>
Land	\$ 495,300.00	\$360,000.00	\$ -	\$ 855,300.00
Buildings	413,287.00	514,278.00	-	927,565.00
Equipment	<u>946,680.00</u>	<u>35,357.00</u>	<u>28,945.00</u>	<u>953,092.00</u>
	<u>\$1,855,267.00</u>	<u>\$909,635.00</u>	<u>\$28,945.00</u>	<u>\$2,735,957.00</u>

**BOROUGH OF ANDOVER, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014  
(CONTINUED)**

**NOTE 4: 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 2015</u>	<u>Year 2014</u>	<u>Year 2013</u>
General:			
Bonds and Notes	<u>\$360,000.00</u>	<u>\$400,000.00</u>	<u>\$ -</u>
Net Debt Issued	<u>360,000.00</u>	<u>400,000.00</u>	<u>-</u>
 <u>Authorized But Not Issued</u>			
General Capital:			
Bonds and Notes	\$ 47,326.27	\$ 55,531.27	\$488,416.50
Water Utility:			
Bonds and Notes	<u>30,552.50</u>	<u>46,736.50</u>	<u>62,052.50</u>
Total Authorized but Not Issued	<u>77,878.77</u>	<u>102,267.77</u>	<u>550,469.00</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$437,878.77</u>	<u>\$502,267.77</u>	<u>\$550,469.00</u>

**BOROUGH OF ANDOVER, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014  
(CONTINUED)**

**NOTE 4: 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 0.525%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General Debt	407,326.27	-	407,326.27
Water Debt	<u>30,552.50</u>	<u>30,552.50</u>	<u>-</u>
	<u>437,878.77</u>	<u>30,552.50</u>	<u>407,326.27</u>

Net Debt \$407,326.27 divided by equalized valuation basis per N.J.S. 40A:2-2 as amended, 77,644,549.33 = 0.525 %.

**SUMMARY OF AVERAGE EQUALIZED VALUATION**

2015	77,644,549.33	
2014		73,817,570.67
2013		75,788,212.67

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

3½ % of Equalized Valuation Basis	2,717,559.23
Net Debt	<u>407,326.27</u>
Remaining Borrowing Power	<u>2,310,232.96</u>

**BOROUGH OF ANDOVER, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014  
(CONTINUED)**

**NOTE 4: 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	\$145,174.38
Deductions:	
Operating and Maintenance Costs	<u>88,761.00</u>
Excess in Revenue	<u>\$ 56,413.38</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 5: 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 first day of the fifth month following the close of the tenth fiscal year 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 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, 2015.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Notes Payable:				
General Capital:				
First Hope Bank	<u>\$400,000.00</u>	<u>\$360,000.00</u>	<u>\$400,000.00</u>	<u>\$360,000.00</u>

**BOROUGH OF ANDOVER, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014  
(CONTINUED)**

**NOTE 5: BOND ANTICIPATION NOTES (CONTINUED)**

The Borough has outstanding at December 31, 2015, a bond anticipation note in the amount of \$360,000.00 payable to Sussex Bank. This note will mature on March 1, 2016 and it was the intent of the Borough council to renew this note for another one year period. The current interest rate on this note is 1.15%. The balance of \$360,000.00 was decreased by a principal payment of \$40,000.00. The new note, in the amount of \$320,000.00 has an issue date of March 3, 2016, at an interest rate of 1.40% with a maturity date of March 3, 2017 payable to Sussex Bank. Principal and interest on this note is paid from the Current Fund Budget of the Borough.

**NOTE 6: DUE TO/FROM OTHER FUNDS**

Balances due to/from other funds at December 31, 2015 consist of the following:

\$ 1.20	Due to Current Fund from Other Trust Fund for statutory excess.
<u>35,668.88</u>	Due to Federal and State Grant Fund from Current Fund for cash receipts and cash disbursements.
<u>\$35,670.08</u>	

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

**NOTE 7: FUND BALANCES APPROPRIATED**

Fund balances at December 31, 2015 and 2014 which were appropriated and included as anticipated revenue in their own respective funds for the years ending December 31, 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Current Fund	<u>\$81,500.00</u>	<u>\$81,500.00</u>
Water Utility Operating Fund	<u>\$23,000.00</u>	<u>\$30,000.00</u>

**BOROUGH OF ANDOVER, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014  
(CONTINUED)**

**NOTE 8: 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 9: PENSION PLAN**

Description of System:

Substantially all of the Borough's employees participate in the following contributory defined benefit public employee retirement system which have been established by State statute: the Public Employees' Retirement System (PERS). This system is sponsored and administered by the State of New Jersey. The Public Employees' Retirement System is considered a cost sharing multiple-employer plan. According to the State of New Jersey Administrative Code, all obligations of the system will be assumed by the State of New Jersey should the system 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, 2015 AND 2014  
(CONTINUED)**

**NOTE 9: PENSION PLAN (CONTINUED)**

Description of System: (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.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information for PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Divisions of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295.

**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.

**BOROUGH OF ANDOVER, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014  
(CONTINUED)**

**NOTE 9: PENSION PLAN (CONTINUED)**

Defined Contribution Retirement Program (continued)

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.

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.

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 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. In the PERS, the employer contribution includes funding for post-retirement medical premiums.

The Borough's contribution to the various plans, equal to the required contributions for each year, were as follows:

<u>Year</u>	<u>PERS</u>	<u>DCRP</u>
2015	\$12,664.00	\$-0-
2014	11,526.00	-0-
2013	11,617.00	-0-

**BOROUGH OF ANDOVER, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014  
(CONTINUED)**

**NOTE 9: PENSION PLAN (CONTINUED)**

**Contribution Requirements** (continued)

Statement No's 68 and 71 require a state or local government employer to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. However, since the financial statements are prepared on another comprehensive basis of accounting, the net pension liability of the various pension systems is not recorded in the financial statements and is only required to be disclosed in the notes to the financial statements.

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

**Public Employees Retirement System (PERS)**

At December 31, 2015, the Borough had a liability of \$352,178.00 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2015, the Borough's proportion was 0.0015688614 percent, which was an increase/(decrease) of 0.000032687 percent from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the Borough recognized pension expense of \$12,664.00. At December 31, 2015, deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$8,402.00	\$ -
Changes of assumptions	37,821.00	-
Net difference between projected and actual earnings on pension plan investments	-	5,662.00
Changes in proportion and differences between Borough contributions and proportionate share of contributions	6,044.00	-
Borough contributions subsequent to the measurement date	<u>-</u>	<u>-</u>
Total	<u>\$52,267.00</u>	<u>\$5,662.00</u>

**BOROUGH OF ANDOVER, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014  
(CONTINUED)**

**NOTE 9: PENSION PLAN (CONTINUED)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (continued)

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

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (June 30, 2015) will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$7,384.00
2017	7,384.00
2018	7,384.00
2019	11,760.00
2020	6,648.00

**Additional Information**

Local Group Collective balances at June 30, 2015 and June 30, 2014 are as follows:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Collective deferred outflows of resources	\$ 3,578,755,666	\$ 952,194,675
Collective deferred inflows of resources	993,410,455	1,479,224,662
Collective net pension liability	22,447,996,119	18,722,735,003
Borough's Proportion	0.0015688614%	0.0015361744%

**Actuarial Assumptions**

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which rolled forward to June 30, 2015. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation	3.04 Percent
Salary Increases:	
2012-2021	2.15-4.40 Percent (based on age)
Thereafter	3.15-5.40 Percent (based on age)
Investment Rate of Return	7.90 Percent

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

**BOROUGH OF ANDOVER, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014  
(CONTINUED)**

**NOTE 9: PENSION PLAN (CONTINUED)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (continued)

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

**Mortality Rates**

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback three years for males and setback 1 year for females) are used to value disable retirees.

**Long-Term Rate of Return**

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
U. S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation Indexed Bonds	1.50%	3.25%
Broad U.S. Equities	27.25%	8.52%
Developed Foreign Markets	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Returns	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%
	<u>100.00%</u>	

**BOROUGH OF ANDOVER, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014  
(CONTINUED)**

**NOTE 9: PENSION PLAN (CONTINUED)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (continued)

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

**Discount Rate**

The discount rate used to measure the total pension liability was 4.90% and 5.39% as of June 30, 2015 and 2014, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.80% and 4.29% as of June 30, 2015 and 2014, respectively, based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate**

The following presents the collective net pension liability of the participating employers as of June 30, 2015 respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 - percentage point lower or 1- percentage-point higher than the current rate:

	<u>June 30, 2015</u>		
	<u>1%</u> Decrease <u>3.90%</u>	<u>At Current</u> Discount Rate <u>4.90%</u>	<u>1%</u> Increase <u>5.90%</u>
Borough's proportionate share of the pension liability	\$437,714.00	\$324,152.00	\$280,465.00

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS). The financial report may be accessed at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**BOROUGH OF ANDOVER, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014  
(CONTINUED)**

**NOTE 10: 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, 2015, the Mayor and Council are not allowing any employee to accumulate any of their benefits.

**NOTE 11: 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, 2015, \$-0- of the Borough's bank balance of \$1,250,158.12 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.

**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.

**BOROUGH OF ANDOVER, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014  
(CONTINUED)**

**NOTE 12: 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 2015 calendar year, the Borough did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

**NOTE 13: 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 14: 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.

**NOTE 15: 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:

	Balance <u>Dec 31, 2015</u>	Balance <u>Dec 31, 2014</u>
Prepaid Taxes	<u>\$8,479.34</u>	<u>\$10,419.99</u>
Cash Liability for Taxes Collected in Advance	<u>\$8,479.34</u>	<u>\$10,419.99</u>

**NOTE 16: CONTINGENT LIABILITIES**

We are advised by the Borough's Counsel that there are no pending or threatened litigation, claims and assessments that they believe, at this time, are material.

**BOROUGH OF ANDOVER, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014  
(CONTINUED)**

**NOTE 17: SUBSEQUENT EVENT**

The Borough has evaluated subsequent events through June 28, 2016, the date which the financial statements were available to be issued and no other items were noted for disclosure.

## **SUPPLEMENTARY DATA**

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

**OFFICIALS IN OFFICE AND SURETY BONDS**  
**YEAR ENDED DECEMBER 31, 2015**

The following officials were in office during the period under audit

<u>Name</u>	<u>Title</u>
John A. Morgan	Mayor
Eskil S. Danielson	Councilperson
Lynn Delfing	Councilperson
Mel Dennison	Councilperson
Deborah McGowan	Councilperson to 3/9/15
Michael Figueiredo	Councilperson from 3/9/15
Peter Pearson	Councilperson
Bob Smith	Councilperson
Beth Brothman	Clerk & Assess. Search Officer, Registrar, Planning & Zoning Board Secretary, Recycling Coordinator, Construction Officer Secretary
Judy Smith	Sec. of Board of Health
Francis J. McGovern	Attorney
Michelle LaStarza	CFO
Jessica M. Caruso	Tax Collector
William Paterson	Fire Sub-Code Official; Fire Prevention; Zoning & Housing Officer
Harold Pellow	Engineer
Rod Schmidt	Construction Official & Building Inspector, Building Sub-Code Official
Joseph A. Ferraris, Jr.	Assessor
Dale Sloat	Animal Control Officer
Alan DeCarolis	Animal Control Officer
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 State Financial Assistance

For the Year Ended December 31, 2015

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period From/To	12/31/2014 Reserve Balance	Receipts	Expended	Adjustments	12/31/2015 Reserve Balance	MEMO Cumulative Total Expenditures
FEDERAL AND STATE GRANT FUND									
NJ Department of Solid Waste Administration:									
Recycling Tonnage	4900-752-042-4900-001-V42Y-6020	1,087.00	1/1/11-12/31/11	837.55				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	
Recycling Tonnage	4900-752-042-4900-001-V42Y-6020	7,048.65	1/1/14-12/31/14	7,048.00				7,048.00	
Recycling Tonnage	4900-752-042-4900-001-V42Y-6020	5,642.66	1/1/15-12/31/15	5,642.66			(0.66)	5,642.00	
Clean Communities	4900-765-042-4900-004-V42Y-6020	4,000.00	1/1/13-12/31/13	3,150.00		620.00		2,530.00	620.00
Clean Communities	4900-765-042-4900-004-V42Y-6020	4,000.00	1/1/14-12/31/14	4,000.00				4,000.00	
Clean Communities	4900-765-042-4900-004-V42Y-6020	4,000.00	1/1/15-12/31/15	30,366.66	4,000.00	620.00	(0.66)	33,746.00	869.45
Total NJ Department of Solid Waste Administration:									
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
TOTAL STATE AID									
				32,289.54	4,000.00	620.00	(0.66)	35,668.88	1,352.29

Note: This schedule was not subject to an audit in accordance with N.J. OMB Circular 15-08.

# COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE

## CURRENT FUND

	<u>Year 2015</u>		<u>Year 2014</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<b><u>Revenue and Other Income Realized</u></b>				
Fund Balance Utilized	81,500.00	3.60%	66,500.00	2.96%
Miscellaneous - From Other Than				
Local Property Tax Levies	163,756.07	7.23%	150,552.42	6.70%
Collection of Delinquent Taxes				
and Tax Title Liens	116,878.61	5.16%	69,416.11	3.09%
Collection of Current				
Tax Levy	1,841,135.41	81.31%	1,826,835.14	81.30%
Other Credits to Income	60,973.19	2.69%	133,614.88	5.95%
<b><u>Total Revenue and Other Income Realized</u></b>	<u>2,264,243.28</u>	<u>100.00%</u>	<u>2,246,918.55</u>	<u>100.00%</u>
<b><u>Expenditures</u></b>				
Budget Expenditures:				
Municipal Purposes	523,412.00	24.37%	490,364.00	22.29%
Local and Regional School Taxes	1,248,421.00	58.13%	1,230,640.00	55.94%
County Taxes	353,089.01	16.44%	400,309.27	18.20%
Municipal Open Space Taxes	20,630.14	0.96%	18,699.01	0.85%
Other Expenditures	2,049.91	0.10%	60,003.53	2.73%
<b><u>Total Expenditures</u></b>	<u>2,147,602.06</u>	<u>100.00%</u>	<u>2,200,015.81</u>	<u>100.00%</u>
<b>Statutory Excess to Fund Balance</b>	116,641.22		46,902.74	
<b>Fund Balance, January 1,</b>	<u>307,867.04</u>		<u>327,464.30</u>	
	424,508.26		374,367.04	
<b>Less:</b>				
Utilized as Anticipated Revenue	<u>81,500.00</u>		<u>66,500.00</u>	
<b>Fund Balance, December 31,</b>	<u><u>343,008.26</u></u>		<u><u>307,867.04</u></u>	

# COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE

## WATER UTILITY OPERATING FUND

	<u>Year 2014</u>		<u>Year 2013</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<b><u>Revenue and Other Income Realized</u></b>				
Fund Balance Utilized	30,000.00	20.12%	30,000.00	20.23%
Collection of Water Rents	111,566.95	74.84%	103,717.63	69.94%
Miscellaneous - From Other				
Than Water Rents	3,607.43	2.42%	4,424.75	2.98%
Other Credits to Income	3,905.34	2.69%	10,146.02	2.69%
<b><u>Total Revenue and Other Income Realized</u></b>	<u>149,079.72</u>	<u>100.00%</u>	<u>148,288.40</u>	<u>100.00%</u>
<b><u>Expenditures</u></b>				
Budget Expenditures:				
Operating	87,990.00	70.42%	83,346.00	68.98%
Capital Improvements	20,000.00	16.01%	20,000.00	13.75%
Deferred Charges and Statutory Expenditures	16,955.00	13.57%	19,361.76	0.50%
<b><u>Total Expenditures</u></b>	<u>124,945.00</u>	<u>100.00%</u>	<u>122,707.76</u>	<u>100.00%</u>
 <b>Statutory Excess to Fund Balance</b>	 24,134.72		 25,580.64	
 <b>Fund Balance, January 1,</b>	 <u>99,607.20</u>		 <u>104,026.56</u>	
	123,741.92		129,607.20	
 <b>Less:</b>				
Utilized as Anticipated Revenue	<u>30,000.00</u>		<u>30,000.00</u>	
 <b>Fund Balance, December 31,</b>	 <u><u>93,741.92</u></u>		 <u><u>99,607.20</u></u>	

## SCHEDULE OF TAX RATE INFORMATION

	<u>2015</u>	<u>2014</u>	<u>2010</u>
Tax Rate	<u>2.811</u>	<u>4.227</u>	<u>4.062</u>

### Apportionment of Tax Rate:

Municipal	.447	.678	.662
Municipal Open Space	.030	.040	.040
County	.515	.858	.830
Local Regional School	1.819	2.651	2.530

### Assessed Valuation

2015	68,606,200.00		
2014		46,413,079.00	
2013			45,946,716.00

## 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>
2015	1,933,191.65	1,841,135.41	95.23%
2014	1,975,824.01	1,826,835.41	92.46%
2013	1,866,685.99	1,790,795.40	95.93%

## 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>
2015	68,715.12	193,266.12	261,981.24	13.55%
2014	118,127.30	173,948.65	292,075.95	14.78%
2013	64,074.24	159,491.58	223,565.82	11.97%

### 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>
2015	-0-
2014	-0-
2013	-0-

### COMPARISON OF WATER UTILITY LEVIES

<u>Year</u>	<u>Levy</u>	<u>Cash Collections</u>
2015	107,796.00	111,566.95
2014	109,111.01	103,717.63
2013	111,022.54	115,376.89

### COMPARATIVE SCHEDULE OF FUND BALANCES

	<u>Year</u>	<u>Balance Dec. 31</u>	<u>Utilized in Budget of Succeeding Year</u>
Current Fund:	2015	343,008.26	81,500.00
	2014	307,867.04	81,500.00
	2013	327,464.30	66,500.00
	2012	271,238.35	64,000.00
	2011	214,149.37	64,000.00
Water Utility Operating Fund:	2015	93,741.92	23,000.00
	2014	99,607.20	30,000.00
	2013	104,026.56	30,000.00
	2012	87,033.74	20,000.00
	2011	76,101.11	20,440.00

## Borough of Andover, N.J.

## Schedule of Cash - Treasurer

## Current Fund

Year Ended December 31, 2015

	<u>Ref.</u>		<u>Current Fund</u>
Balance - December 31, 2014	A		<u>491,876.25</u>
Increased by Receipts:			
Miscellaneous Revenue Not Anticipated	A-2	2,685.00	
Taxes Receivable	A-5	1,938,080.40	
Revenue Accounts Receivable	A-7	176,104.42	
Due From State - Senior Citizen and Veteran Deductions	A-8	5,000.00	
Interfunds	A-9	12,970.40	
Various Cash Liabilities and Reserves	A-11	9,212.87	
Prepaid Taxes	A-12	<u>8,479.34</u>	
			<u>2,152,532.43</u>
			2,644,408.68
Decreased by Disbursements:			
Current Year Budget Appropriations	A-3	461,858.57	
Interfunds	A-9	21,250.14	
Appropriation Reserves	A-10	33,048.54	
Various Cash Liabilities and Reserves	A-11	18,784.38	
County Taxes Payable	A-13	355,017.71	
District School Taxes Payable	A-14	<u>1,248,421.00</u>	
			<u>2,138,380.34</u>
Balance - December 31, 2015	A		<u><u>506,028.34</u></u>

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

**Current Fund**

**Year Ended December 31, 2015**

<u>Year</u>	<u>Balance, Dec. 31, 2014</u>	<u>Levy</u>	<u>Added Taxes</u>	<u>Collected</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, 2015</u>
2014	118,127.30		5,168.22	116,878.61			3,070.18	96.88	3,249.85
2015		1,928,520.38	4,671.27	10,419.99	5,000.00	4,513.63	14,285.50	12,305.47	65,465.27
	<u>118,127.30</u>	<u>1,928,520.38</u>	<u>9,839.49</u>	<u>10,419.99</u>	<u>5,000.00</u>	<u>4,513.63</u>	<u>17,355.68</u>	<u>12,402.35</u>	<u>68,715.12</u>
	<u>A</u>			<u>A-2;A-12</u>	<u>A-2;A-4</u>	<u>A-2;A-11</u>	<u>A-6</u>		<u>A</u>

Analysis of Tax Levy

<b>Tax yield:</b>	<u>Ref.</u>
General Purpose Tax	1,928,520.38
Added Tax (R.S. 54:4-63.1 et seq.)	<u>4,671.27</u>
	<u>1,933,191.65</u>
<b>Tax Levy:</b>	
County Tax	
Added County Taxes	352,272.76
Total County Tax	<u>816.25</u>
Local District School Tax	
Municipal Open Space Tax	353,089.01
	<u>1,248,421.00</u>
	<u>20,630.14</u>
	<u>1,622,140.15</u>
Local Tax for Municipal Purposes	
Additional Taxes	306,832.00
	<u>4,219.50</u>
	<u>311,051.50</u>
	<u>1,933,191.65</u>

## Borough of Andover, N.J.

## Schedule of Tax Title Liens Receivable

## Current Fund

Year Ended December 31, 2015

	<u>Ref.</u>		
Balance - December 31, 2014	A		173,948.65
Increased by:			
Transferred from Taxes Receivable		14,285.50	
Transferred from 2014 Taxes Receivable		<u>3,070.18</u>	
	A-5	17,355.68	
Interest and Costs on Tax Sale		<u>1,961.79</u>	
			<u>19,317.47</u>
Balance - December 31, 2015	A		<u><u>193,266.12</u></u>

## Borough of Andover, N.J.

## Schedule of Revenue Accounts Receivable

## Current Fund

Year Ended December 31, 2015

	<u>Ref.</u>	<u>Accrued</u>	<u>Collected</u>
Clerk:			
Licenses:			
Alcoholic Beverages	A-2	1,159.43	1,159.43
Miscellaneous Revenue not Anticipated	A-2	2,330.00	2,330.00
Municipal Court :			
Fines and Costs	A-2	2,702.86	2,702.86
Tax Collector/Assessor			
Miscellaneous Revenue not Anticipated	A-2	16,834.88	16,834.88
Interest on Investments and Deposits			
Miscellaneous Revenue not Anticipated	A-2	550.82	550.82
Board of Health / Registrar of Vital Statistics			
Miscellaneous Revenue not Anticipated	A-2	865.00	865.00
Planning and Zoning Board			
Miscellaneous Revenue not Anticipated	A-2	1,409.65	1,409.65
Energy Receipts Taxes	A-2	127,232.00	127,232.00
Uniform Construction Code:			
Fees and Permits - Building	A-2	5,890.00	5,890.00
Land Use Secretary - Sandyston Township	A-2	16,100.00	16,100.00
Uniform Fire and Safety	A-2	1,029.78	1,029.78
		<u>176,104.42</u>	<u>176,104.42</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, 2015

	<u>Ref.</u>	
Balance - December 31, 2014	A	1,887.29
Increased by:		
Senior Citizens' Deductions Per Tax Billing		750.00
Veterans' Deductions Per Tax Billing		<u>4,250.00</u>
	A-5	<u>5,000.00</u>
		6,887.29
Decreased by:		
State Share of Senior Citizens and Veteran		
Deductions Received in Cash	A-4	<u>5,000.00</u>
Balance - December 31, 2015	A	<u><u>1,887.29</u></u>

## Borough of Andover, N.J.

## Schedule of Interfunds Receivables/(Payables)

## Current Fund

Year Ended December 31, 2015

Fund	Ref.	Due From/(To) Balance			Due From/(To) Balance	
		Dec. 31, 2014	Increased	Decreased	Dec. 31, 2015	
Federal and State Grants	A	(32,289.54)	620.66	4,000.00	(35,668.88)	
Animal Control Trust Fund	A		765.40	766.60	1.20	
Other Trust			20,630.14	20,630.14		
General Capital Fund	A	8,205.00		8,205.00		
		<u>(24,084.54)</u>	<u>22,016.20</u>	<u>33,601.74</u>	<u>(35,667.68)</u>	
<u>Analysis</u>						
Due From Current Fund		(32,289.54)			(35,668.88)	
Due To Current Fund	A-1	8,205.00			1.20	
		<u>(24,084.54)</u>			<u>(35,667.68)</u>	
Statutory Excess	A-1			766.60		
Grant Reserves Cancelled	A-1		0.66			
Received	A-4		765.40	12,205.00		
Disbursed	A-4		620.00	20,630.14		
Municipal Open Space	A-15		20,630.14			
			<u>22,016.20</u>	<u>33,601.74</u>		

**Borough of Andover, N.J.**  
**Schedule of Appropriation Reserves**  
**Current Fund**  
**Year Ended December 31, 2015**

	Balance, Dec. 31, <u>2014</u>	Balance after <u>Transfers</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Salaries and Wages Within "CAPS":				
Collection of Taxes:	0.04	0.04		0.04
Public Building and Grounds	174.00	174.00		174.00
Police	11.34	11.34		11.34
Board of Health	455.00	455.00		455.00
Animal Control	1,203.00	1,203.00		1,203.00
Parks and Playgrounds	992.71	992.71		992.71
Electrical Sub Code Official	230.00	230.00		230.00
Plumbing Subcode Official	30.00	30.00		30.00
Total Salaries and Wages Within "CAPS"	<u>3,096.09</u>	<u>3,096.09</u>		<u>3,096.09</u>
Other Expenses Within "CAPS":				
Mayor and Council	1,105.00	1,105.00		1,105.00
Municipal Clerk	533.03	533.03		533.03
Financial Administration				
Other Expenses	321.59	321.59	221.30	100.29
Audit Costs	3,158.00	3,158.00	3,158.00	
Computer Services	115.58	115.58	115.58	
Assessment of Taxes	152.21	152.21	51.70	100.51
Collection of Taxes	61.40	61.40	51.70	9.70
Legal Services and Costs	5,912.97	5,912.97	214.66	5,698.31
Engineering Services and Costs	1,483.00	1,483.00		1,483.00
Public Buildings and Grounds	524.44	524.44	102.43	422.01
Planning Board	4,266.90	4,266.90	50.00	4,216.90
Public Safety:				
Other Expenses	8,688.31	8,688.31	8,688.31	
Police	990.00	990.00		990.00
First Aid Organization Contribution	4,000.00	4,000.00	4,000.00	
Uniform Fire Safety Act	100.00	100.00		100.00
Emergency Management Services	492.00	492.00		492.00
Streets and Roads	1,200.00	1,200.00	165.00	1,035.00
Electricity	3,645.08	3,645.08	2,747.09	897.99
Telephone	181.64	181.64	153.74	27.90
Fuel Oil	19.98	19.98		19.98
Garbage and Trash Removal - Contractual	3,926.80	3,926.80	3,312.36	614.44
Recycling (P.L. 1987-C.74)	1,296.00	1,296.00	1,180.80	115.20
Health and Welfare	29.20	29.20		29.20
Animal Control	30.00	30.00	30.00	
Recreation and Education:				
Miscellaneous Other Expenses	2,170.00	2,170.00		2,170.00
Celebration of Public Events	843.83	843.83		843.83
Insurance				

**Borough of Andover, N.J.**  
**Schedule of Appropriation Reserves**  
**Current Fund**  
**Year Ended December 31, 2015**

	Balance, Dec. 31, 2014	Balance after <u>Transfers</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
General Liability	2.16	2.16		2.16
Workers Compensation	4.48	4.48		4.48
Construction Code Official/Building Inspector	204.00	204.00		204.00
Total Other Expenses Within "CAPS"	45,457.60	45,457.60	24,242.67	21,214.93
Deferred Charges and Statutory Expenditures Within "CAPS":				
Unemployment Compensation Insurance	37.41	37.41		37.41
Public Employees' Retirement Systems	1,308.00	1,308.00		1,308.00
Social Security ( O.A.S.I. )	137.47	137.47		137.47
Defined Contribution Program	235.00	235.00		235.00
Total Deferred Charges and Statutory Expenditures Within "CAPS"	1,717.88	1,717.88		1,717.88
Total Reserves Within "CAPS"	50,271.57	50,271.57	24,242.67	26,028.90
Other Expenses Excluded From "CAPS":				
Municipal Court	5,036.78	5,036.78	3,747.02	1,289.76
911 Dispatching	6.92	6.92		6.92
County of Sussex				
Road Repair and Maintenance	5,058.85	5,058.85	5,058.85	
Total Other Expenses Excluded from "CAPS"	10,102.55	10,102.55	8,805.87	1,296.68
Total Reserves Excluded from "CAPS"	10,102.55	10,102.55	8,805.87	1,296.68
Total Reserves	60,374.12	60,374.12	33,048.54	27,325.58
			A-4	A-1

Ref

Appropriations Reserved:

Unencumbered	A	44,968.19
Encumbered	A	15,405.93
		<u>60,374.12</u>

**Borough of Andover, N.J.**  
**Schedule of Various Cash Liabilities and Reserves**

**Current Fund**

**Year Ended December 31, 2015**

<u>Liabilities and Reserves</u>	<u>Ref.</u>	<u>Balance</u> <u>Dec. 31, 2014</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance</u> <u>Dec. 31, 2015</u>
<u>Liabilities:</u>					
Due State of NJ DCA Training Fees	A	416.00	152.00	394.00	174.00
Due State of NJ Marriage License Fees	A	25.00	125.00	125.00	25.00
Tax Overpayments	A	5,560.34	10,984.58	4,819.01	11,725.91
<u>Reserves for:</u>					
Master Plan	A	26,451.60			26,451.60
Garden State Trust	A	61.72			61.72
Revaluation	A	19,405.50		17,960.00	1,445.50
		<u>51,920.16</u>	<u>11,261.58</u>	<u>23,298.01</u>	<u>39,883.73</u>
Budget Operations - Tax Overpayments	A-1		2,048.71		
Received	A-4		9,212.87		
Disbursed	A-4			18,784.38	
Applied to Taxes Receivable	A-5			4,513.63	
			<u>11,261.58</u>	<u>23,298.01</u>	

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

**Schedule of Prepaid Taxes**

**Current Fund**

**Year Ended December 31, 2015**

	<u>Ref.</u>	
Balance - December 31, 2014	A	10,419.99
Increased by:		
Receipts - Prepaid Taxes	A-4	<u>8,479.34</u>
		18,899.33
Decreased by:		
Applied to 2015 Taxes	A-5	<u>10,419.99</u>
Balance - December 31, 2015	A	<u><u>8,479.34</u></u>

## Borough of Andover, N.J.

## Schedule of County Taxes Payable

## Current Fund

## Year Ended December 31, 2015

	<u>Ref.</u>		
Balance - December 31, 2014	A		2,744.95
Increased by:			
Levy- 2015	A-5	352,272.76	
Added and Omitted Taxes	A-5	<u>816.25</u>	
	A-1		<u>353,089.01</u>
			355,833.96
Decreased by:			
Payments	A-4		<u>355,017.71</u>
Balance - December 31, 2015	A		<u><u>816.25</u></u>

## Schedule of Local Regional School Taxes Payable

## Current Fund

## Year Ended December 31, 2015

	<u>Ref.</u>		
Balance - December 31, 2014	A		28,147.74
Increased by:			
Levy- 2015	A-1;A-5		<u>1,248,421.00</u>
			1,276,568.74
Decreased by:			
Payments	A-4		<u>1,248,421.00</u>
Balance - December 31, 2015	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, 2015

	<u>Ref.</u>		
Increased by:			
Levy- 2015		20,582.00	
Added and Omitted Taxes		<u>48.14</u>	
	A-1;A-5		<u><u>20,630.14</u></u>
Decreased by:			
Interfund - Other Trust Fund	A-9		<u><u>20,630.14</u></u>

## Borough of Andover, N.J.

## Schedule of Interfunds

## Federal and State Grant Fund

Year Ended December 31, 2015

<u>Fund</u>	<u>Ref.</u>	Due From/(To) Balance			Due From/(To) Balance	
		<u>Dec. 31, 2014</u>	<u>Increased</u>	<u>Decreased</u>	<u>Dec. 31, 2015</u>	
Current Fund	A	<u>32,289.54</u>	<u>4,000.00</u>	<u>620.66</u>	<u>35,668.88</u>	
	<u>Ref.</u>					
Grants Receivable	A-17		4,000.00			
Appropriated Grants	A-18			620.00		
Unappropriated Grants Cancelled	A-19			0.66		
			<u>4,000.00</u>	<u>620.66</u>		

## Borough of Andover, N.J.

## Schedule of Grants Receivable

## Federal and State Grant Fund

Year Ended December 31, 2015

<u>Grant</u>	<u>Budget Revenue</u>	<u>Received</u>	<u>Transfer from Unappropriated Reserves</u>
Recycling Tonnage Reserve	5,642.00		5,642.00
Clean Communities	4,000.00	4,000.00	
	<u>9,642.00</u>	<u>4,000.00</u>	<u>5,642.00</u>
	<u>A-2</u>	<u>A-16</u>	<u>A-19</u>

## Borough of Andover, N.J.

## Schedule of Appropriated Reserves for Grants

## Federal and State Grant Fund

Year Ended December 31, 2015

<u>Grant</u>	Balance Dec. 31, 2014	Transfer from 2015 Budget	Expended	Balance Dec. 31, 2015
Recycling Tonnage Grant	17,574.00	5,642.00		23,216.00
Clean Communities	7,150.00	4,000.00	620.00	10,530.00
Emergency Management Fund	1,922.88			1,922.88
	<u>26,646.88</u>	<u>9,642.00</u>	<u>620.00</u>	<u>35,668.88</u>
	A	A-3	A-16	A

## Borough of Andover, N.J.

## Schedule of Unappropriated Reserves for Grants

## Federal and State Grant Fund

Year Ended December 31, 2015

<u>Grant</u>	Balance Dec. 31, 2014	Transferred to Appropriated <u>Reserves</u>	<u>Cancelled</u>
Recycling Tonnage	5,642.66	5,642.00	0.66
	<u>A</u>	<u>A-17</u>	<u>A-16</u>

## Borough of Andover, N.J.

## Schedule of Cash

## Trust Funds

Year Ended December 31, 2015

	<u>Ref.</u>	<u>Animal Control Trust Fund</u>	<u>Other Trust Funds</u>
Balance - December 31, 2014	B	<u>1,545.20</u>	<u>197,694.94</u>
Increased by Receipts:			
Dog License Fees - Borough	B-2	714.00	
Late Fees	B-2	220.00	
Dog License Fees - State Share	B-4	153.00	
Other Trust Funds	B-5		102,079.21
Total Receipts		<u>1,087.00</u>	<u>102,079.21</u>
		<u>2,632.20</u>	<u>299,774.15</u>
Decreased by Disbursements:			
Interfund - Current	B-3	765.40	
Dog License Fees - State Share	B-4	153.00	
Other Trust Funds	B-5		158,214.06
Total Disbursements		<u>918.40</u>	<u>158,214.06</u>
Balance - December 31, 2015	B	<u><u>1,713.80</u></u>	<u><u>141,560.09</u></u>

## Borough of Andover, N.J.

## Reserve for Animal Control Trust Fund Expenditures

## Trust Funds

## Year Ended December 31, 2015

	<u>Ref.</u>		
Balance - December 31, 2014	B		1,545.20
Increased by:			
Dog License Fees:			
Cash Receipts	B-1	714.00	
Late Fees	B-1	<u>220.00</u>	
			<u>934.00</u>
			2,479.20
Decreased by:			
Statutory Excess - Due Current Fund	B-3		<u>766.60</u>
Balance - December 31, 2015	B		<u><u>1,712.60</u></u>

License Fees Collected

<u>Year</u>	
2013	760.60
2014	<u>952.00</u>
	<u><u>1,712.60</u></u>

## Borough of Andover, N.J.

## Schedule of Interfunds

## Trust Fund

Year Ended December 31, 2015

	<u>Increased</u>	<u>Decreased</u>	Due (to)/from Balance <u>Dec. 31, 2015</u>
Interfund - Current Fund:			
Animal Control Trust Fund	<u>766.60</u>	<u>765.40</u>	<u>(1.20)</u>
	B-1	B-2	B

## Borough of Andover, N.J.

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

## Trust Funds

Year Ended December 31, 2015

	<u>Ref.</u>	
Increased by:		
Fees Paid to State	B-1	<u>153.00</u>
Decreased by:		
State Fees Collected	B-1	<u>153.00</u>

## Borough of Andover, N.J.

## Schedule of Other Trust Funds

## Trust Funds

Year Ended December 31, 2015

	Balance <u>Dec. 31, 2014</u>	<u>Increased</u>	<u>Decreased</u>	Balance <u>Dec. 31, 2015</u>
Reserve for Exxon Bond	1,960.18			1,960.18
Small Cities - Revolving Loan	32,153.11			32,153.11
Escrow Deposits	8,483.00	3,600.00	2,494.75	9,588.25
Tax Sale Premiums	71,200.00	9,200.00	71,900.00	8,500.00
COAH	3,617.04	0.36		3,617.40
Open Space	42,825.52	20,630.14	16,950.00	46,505.66
Snow Removal	36,829.14	11,619.05	12,095.55	36,352.64
Court POAA	48.00			48.00
Payroll	578.95	57,029.66	54,773.76	2,834.85
	<u>197,694.94</u>	<u>102,079.21</u>	<u>158,214.06</u>	<u>141,560.09</u>
	B	B-1	B-1	B

## Borough of Andover, N.J.

## Schedule of Cash

## General Capital Fund

Year Ended December 31, 2015

	<u>Ref.</u>		
Balance - December 31, 2014	C;C-3		353,737.88
Increased by Receipts:			
Interfunds	C-4	16,950.00	
Various Reserves	C-8	53,608.43	
Bond Anticipation Notes	C-9	<u>360,000.00</u>	
			<u>430,558.43</u>
			784,296.31
Decreased by Disbursements:			
Interfunds	C-4	16,950.00	
Improvement Authorizations	C-7	5,880.03	
Various Reserves	C-8	40,562.11	
Bond Anticipation Notes	C-9	<u>360,000.00</u>	
			<u>423,392.14</u>
Balance - December 31, 2015	C;C-3		<u><u>360,904.17</u></u>

## Borough of Andover, N.J.

## Analysis of Cash

## General Capital Fund

Year Ended December 31, 2015

	Balance Dec. 31, 2014	Receipts Miscellaneous	Improvement Authorizations	Disbursements		Transfers From To	Balance Dec. 31, 2015
				Miscellaneous			
Fund Balance	19,936.03						19,936.03
Capital Improvement Fund	78,496.02						78,496.02
Interfund -Current Fund	8,205.00						
Interfund - Open Space Trust Fund		16,950.00		16,950.00	8,205.00		
Reserves:							
Reserve for Purchase of Fire Truck	62,000.00	1,500.00					63,500.00
Reserve for Refurbish Municipal Building							
Reserve for Improve Streets and Roads	36,798.57						36,798.57
Reserve for Purchase Office Equipment	5,686.44						5,686.44
Reserve for Debt Service	36,500.00	25,000.00		25,000.00			36,500.00
Reserve for Improve. To Parks	29,034.78	9,470.00		8,197.00			30,307.78
Reserve for Purchase of Fire Equipment		9,638.43		7,365.11			2,273.32
Reserve for Purchase of Turnout Gear	26,547.05	3,000.00					29,547.05
Reserve for Ambulance	7,638.13	5,000.00					12,638.13
Improvement Authorizations							
10/22/01 Purchase of Utility Pumper	35,485.51						35,485.51
04/11/05 Imp. of Lakeview Avenue and Prospect Street	25,900.57						25,900.57
06/04/08 Improvements to Smith Street	(55,531.27)				8,205.00		(47,326.27)
09/09/13 Improvements to Sussex/Morris Tkp.	13,541.05						13,541.05
11/12/13 Acquisition of Land	20,000.00		5,880.03				14,119.97
08/05/14 Improve. to Borough Park Building, Senior Citizen & Community Center	3,500.00						3,500.00
	353,737.88	70,558.43	5,880.03	57,512.11	8,205.00	8,205.00	360,904.17
	C;C-2						C;C-2

## Borough of Andover, N.J.

## Schedule of Interfund Accounts Receivable (Payable)

## General Capital Fund

## Year Ended December 31, 2015

	<u>Ref.</u>	<u>Current Fund</u>	<u>Open Space Trust</u>
Balance - December 31, 2014	C	<u>(8,205.00)</u>	
Increased by:			
Cash Disbursements	C-2		<u>16,950.00</u>
Deferred Charges to Future Taxes - Unfunded	C-5	<u>8,205.00</u>	
Decreased by:			
Cash Receipts	C-2		<u>16,950.00</u>

## Borough of Andover, N.J.

## Schedule of Deferred Charges to Future Taxation - Unfunded

## General Capital Fund

Year Ended December 31, 2015

Improvement Description	Balance Dec. 31, 2014	Funded by Budget Appropriation	Notes paid by Budget Appropriation	Balance Dec. 31, 2015	Bond Anticipation Notes	<u>Expended</u>
06/04/08 Improvements to Smith Street	55,531.27	8,205.00		47,326.27		47,326.27
11/12/13 Acquisition of Land	400,000.00		40,000.00	360,000.00	360,000.00	
	<u>455,531.27</u>	<u>8,205.00</u>	<u>40,000.00</u>	<u>407,326.27</u>	<u>360,000.00</u>	<u>47,326.27</u>
	<u>C</u>	<u>C-4; C-10</u>	<u>C-9</u>	<u>C</u>	<u>C-9</u>	

**Borough of Andover, N.J.**  
**Schedule of Capital Improvement Fund**  
**General Capital Fund**  
**Year Ended December 31, 2015**

	<u>Ref.</u>	
Balance - December 31, 2014	C	<u><u>78,496.02</u></u>
Balance - December 31, 2015	C	<u><u>78,496.02</u></u>

**Borough of Andover, N.J.**  
**Schedule of Improvement Authorizations**  
**General Capital Fund**  
**Year Ended December 31, 2015**

<u>Improvement Description</u>	<u>Ordinance</u>		<u>Balance</u>		<u>Paid or</u>	<u>Balance</u>
	<u>Date</u>	<u>Amount</u>	<u>Dec. 31, 2014</u>	<u>Funded</u>		<u>Dec. 31, 2015</u>
					<u>Charged</u>	<u>Funded</u>
<u>General Improvements:</u>						
Purchase of Utility Pumper	10/22/01	286,941.00	35,485.51			35,485.51
Improvement of Lakeview Ave. & Prospect Street	04/11/05	432,021.50	25,900.57			25,900.57
Improvements to Sussex/Morris Tkp.	09/09/13	40,000.00	13,541.05			13,541.05
Acquisition of Land	11/12/13	420,000.00	20,000.00	5,880.03		14,119.97
Improve. to Borough Park Building, Senior Citizen & Community Center	08/08/14	3,500.00	3,500.00			3,500.00
			<u>98,427.13</u>	<u>5,880.03</u>		<u>92,547.10</u>
			<u>C</u>	<u>C-2</u>		<u>C</u>

## Borough of Andover, N.J.

## Schedule of Various Reserves

## General Capital Fund

Year Ended December 31, 2015

<u>Description</u>	<u>Balance</u> <u>Dec. 31, 2014</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance</u> <u>Dec. 31, 2015</u>
Purchase of Fire Truck	62,000.00	1,500.00		63,500.00
Improve. to Streets & Roads	36,798.57			36,798.57
Purchase Office Equipment	5,686.44			5,686.44
Debt Service	36,500.00	25,000.00	25,000.00	36,500.00
Purchase Turnout Gear	26,547.05	3,000.00		29,547.05
Purchase of Fire Equipment		9,638.43	7,365.11	2,273.32
Improvements to Parks	29,034.78	9,470.00	8,197.00	30,307.78
Ambulance	7,638.13	5,000.00		12,638.13
	<u>204,204.97</u>	<u>53,608.43</u>	<u>40,562.11</u>	<u>217,251.29</u>
	C	C-2	C-2	C



## Borough of Andover, N.J.

## Schedule of Bonds and Notes Authorized But Not Issued

## General Capital Fund

Year Ended December 31, 2015

<u>Date</u>	<u>Improvement Description</u>	<u>Balance</u> <u>Dec. 31, 2014</u>	<u>Funded by</u> <u>Budget</u> <u>Appropriation</u>	<u>Balance</u> <u>Dec. 31, 2015</u>
06/04/08	Improvements to Smith Street	<u>55,531.27</u>	<u>8,205.00</u>	<u>47,326.27</u>
		<u>Footnote C</u>	<u>C-5</u>	<u>Footnote C</u>

## Borough of Andover, N.J.

## Schedule of Cash

## Water Utility Operating Fund

Year Ended December 31, 2015

	<u>Ref.</u>	<u>Operating</u>	<u>Capital</u>
Balance - December 31, 2014	D	<u>130,543.89</u>	<u>48,694.77</u>
Increased by Receipts:			
Miscellaneous Revenue Not Anticipated	D-2	3,607.43	
Consumer Accounts Receivable	D-6	107,727.93	
Water Overpayments	D-10	3,097.70	
Water Meters	D-13		5,000.00
Capital Improvement Fund	D-14		15,000.00
Deferred Charges	D-15		16,184.00
		<u>114,433.06</u>	<u>36,184.00</u>
		<u>244,976.95</u>	<u>84,878.77</u>
Decreased by Disbursements:			
Budget Appropriations	D-3	83,333.75	
Appropriation Reserves	D-9	15,595.50	
		<u>98,929.25</u>	
Balance - December 31, 2015	D	<u><u>146,047.70</u></u>	<u><u>84,878.77</u></u>

## Borough of Andover, N.J.

## Analysis of Cash

## Water Utility Capital Fund

## Year Ended December 31, 2015

	Balance Dec. 31, 2014	Receipts Miscellaneous	Balance Dec. 31, 2015
Capital Improvement Fund	45,175.70	15,000.00	60,175.70
Reserve for Water Meters	38,238.57	5,000.00	43,238.57
<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)	16,184.00	(29,684.50)
06/04/08 Supply and Distribution System	0.95		0.95
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>48,694.77</u>	<u>36,184.00</u>	<u>84,878.77</u>
	D;D-4		D;D-4

Borough of Andover, N.J.  
 Schedule of Consumer Accounts Receivable  
 Water Utility Operating Fund  
 Year Ended December 31, 2015

	Balance Dec. 31, 2014	Charges	Decreased	Balance Dec. 31, 2015
Consumer Accounts Receivable	<u>19,317.06</u>	<u>107,796.00</u>	<u>111,566.95</u>	<u>15,546.11</u>
	D			D
Ref.				
Rents Received	D-4		107,727.93	
Overpayments Applied	D-10		3,839.02	
			<u>111,566.95</u>	
			D-2	

## Borough of Andover, N.J.

## Schedule of Fixed Capital

## Water Utility Capital Fund

Year Ended December 31, 2015

<u>Description</u>	<u>Balance Dec. 31, 2014</u>	<u>Balance Dec. 31, 2015</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, 2015

<u>Description</u>	<u>Ordinance</u>		<u>Balance,</u>	<u>Balance,</u>
	<u>Date</u>	<u>Amount</u>	<u>Dec. 31, 2014</u>	<u>Dec. 31, 2015</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
Water Utility Imp. To the Water Supply and Distribution System	09/18/01	20,000.00	20,000.00	20,000.00
Fire Hydrant Repair	06/04/08	111,500.00	111,500.00	111,500.00
Purchase of Storage Building	11/08/10	4,000.00	4,000.00	4,000.00
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, 2015**

	Balance, Dec. 31, <u>2014</u>	Balance After <u>Transfers</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Operating:				
Salaries and Wages	144.88	144.88		144.88
Other Expenses	11,766.82	11,766.82	10,678.50	1,088.32
Audit	4,917.00	4,917.00	4,917.00	
Utilities	2,514.63	2,514.63		2,514.63
Statutory Expenditures:				
Social Security System (O.A.S.I.)	57.51	57.51		57.51
Unemployment Compensation Insurance	100.00	100.00		100.00
	<u>19,500.84</u>	<u>19,500.84</u>	<u>15,595.50</u>	<u>3,905.34</u>
			D-4	D-1
	<u>Ref.</u>			
Unencumbered	D 17,062.88			
Encumbered	D 2,437.96			
	<u>19,500.84</u>			

**Borough of Andover, N.J.**  
**Schedule of Overpayments**  
**Water Utility Operating Fund**  
**Year Ended December 31, 2015**

	<u>Ref.</u>	
Balance - December 31, 2014	D	3,839.02
Increased by:		
Collections	D-4	3,097.70
		<u>6,936.72</u>
Decreased by:		
Applied	D-6	3,839.02
		<u>3,839.02</u>
Balance - December 31, 2015	D	<u><u>3,097.70</u></u>

**Borough of Andover, N.J.**  
**Schedule of Accrued Interest**  
**Water Utility Operating Fund**  
**Year Ended December 31, 2015**

	<u>Ref.</u>	Bond Anticipation <u>Notes</u>
Balance - December 31, 2014	D	<u><u>7,596.83</u></u>
Balance - December 31, 2015	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, 2015**

<u>Improvement Description</u>	<u>Ordinance Date</u>	<u>Amount</u>	<u>Balance</u> <u>Dec. 31, 2014</u>		<u>Balance</u> <u>Dec. 31, 2015</u>	
			<u>Funded</u>	<u>Unfunded</u>	<u>Funded</u>	<u>Funded</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 Fire Hydrant Repair	09/18/01	20,000.00	2,881.00		2,881.00	
Purchase of Storage Building	06/04/08	111,500.00		868.95	868.95	
Repairs to Water Main Breaks	11/08/10	4,000.00	397.70		397.70	
New Pump Controller at Pump House	12/27/10	10,300.00	2,000.00		2,000.00	
	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>12,017.00</u>	
			<u>D</u>	<u>D</u>	<u>D</u>	

## Borough of Andover, N.J.

## Schedule of Reserves

## Water Utility Capital Fund

Year Ended December 31, 2015

<u>Description</u>	Balance <u>Dec. 31, 2014</u>	<u>Increased</u>	Balance <u>Dec. 31, 2015</u>
Reserve for Water Meters	<u>38,238.57</u>	<u>5,000.00</u>	<u>43,238.57</u>
	D	D-4	D

**Borough of Andover, N.J.**  
**Schedule of Capital Improvement Fund**  
**Water Utility Capital Fund**  
**Year Ended December 31, 2015**

	<u>Ref.</u>	
Balance - December 31, 2014	D	45,175.70
Increased by:		
Budget Appropriation	D-4	<u>15,000.00</u>
Balance - December 31, 2015	D	<u><u>60,175.70</u></u>

**Schedule of Reserve for Amortization**  
**Water Utility Capital Fund**  
**Year Ended December 31, 2015**

	<u>Ref.</u>	
Balance - December 31, 2014	D	349,342.91
Increased by:		
Debt Service Raised in Operating Budget	D-4;D-17	<u>16,184.00</u>
Balance - December 31, 2015	D	<u><u>365,526.91</u></u>

## Borough of Andover, N.J.

## Schedule of Deferred Reserve for Amortization

## Water Utility Capital Fund

Year Ended December 31, 2015

<u>Improvement Description</u>	<u>Date of Ordinance</u>	<u>Balance, Dec. 31, 2014</u>	<u>Balance, Dec. 31, 2015</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 Bonds and Notes Authorized But Not Issued

## Water Utility Capital Fund

## Year Ended December 31, 2015

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Balance, Dec. 31, 2014</u>	<u>Funded by Budget Appropriation</u>	<u>Balance, Dec. 31, 2015</u>
06/04/08	Water Utility Improvements to the Water Supply and Distribution System	868.00	868.00	30,552.50
08/31/05	Improvements to Lakeview Avenue and Prospect St.	45,868.50	15,316.00	30,552.50
		<u>46,736.50</u>	<u>16,184.00</u>	<u>30,552.50</u>
		<u>Footnote D</u>	<u>D-15</u>	<u>Footnote D</u>

## Borough of Andover, N.J.

## Schedule of Cash-Treasurer

## Public Assistance Fund

Year Ended December 31, 2015

	<u>Ref.</u>	P.A.T.F. <u>Account #1</u>
Balance - December 31, 2014	E;E-3	<u><u>2,000.00</u></u>
Balance - December 31, 2015	E;E-3	<u><u>2,000.00</u></u>

**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, 2015**

	<u>Ref.</u>	
Balance - December 31, 2015	E-1	<u><u>2,000.00</u></u>
Balance - May 31, 2016		<u><u>2,000.00</u></u>
<u>Reconciliation - May 31, 2016</u>		<u>P.A.T.F.</u>
		<u>Account #1</u>
Balance on Deposit per Statement of:		
Checking		<u><u>2,000.00</u></u>
Balance - May 31, 2016		<u><u>2,000.00</u></u>

## Borough of Andover, N.J.

## Schedule of Cash and Reconciliation

## Public Assistance Fund

Year Ended December 31, 2015

	<u>Ref.</u>	
Balance - December 31, 2014	E-1	<u>2,000.00</u>
Balance - December 31, 2015	E-1	<u>2,000.00</u>
<u>Reconciliation - December 31, 2015</u>		<u>P.A.T.F. Account #1</u>
Balance on Deposit per Statement of: Sussex Bank		<u>2,000.00</u>
Balance - December 31, 2015		<u>2,000.00</u>

**Borough of Andover, N.J.****Schedule of Reserve for Public Assistance****Public Assistance Fund****Year Ended December 31, 2015**

	<u>Ref.</u>	
Balance - December 31, 2014	E	<u><u>2,000.00</u></u>
Balance - December 31, 2015	E	<u><u>2,000.00</u></u>

**BOROUGH OF ANDOVER**

---

**PART II**

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

**COMMENTS AND RECOMMENDATIONS**

**YEAR ENDED DECEMBER 31, 2015**

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

Charles J. Ferraioli, Jr., MBA, CPA, RMA  
Steven D. Wielkott, CPA, RMA  
James J. Cerullo, CPA, RMA  
Paul J. Cuva, CPA, RMA  
Thomas M. Ferry, CPA, RMA

Certified Public Accountants  
401 Wanaque Avenue  
Pompton Lakes, New Jersey 07442  
973-835-7900  
Fax 973-835-6631

Newton Office  
100B Main Street  
Newton, N.J. 07860  
973-579-3212  
Fax 973-579-7128

## 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, 2015 and the related notes to the financial statements, and have issued our report thereon dated June 28, 2016, which was adverse due to being presented in accordance with New Jersey regulatory basis of accounting. The regulatory basis opinion was qualified for the Fixed Asset account group not being audited.

### **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.

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



Honorable Mayor and  
Members of the Borough Council  
Page 2

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 2015-01, 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*.

However, 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, Wielkatz, Cerullo & Cuva, PA*  
FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.  
*Certified Public Accountants*

Newton, New Jersey

June 28, 2016



## **BOROUGH OF ANDOVER**

### **SUMMARY OF FINDINGS AND RESPONSES** **YEAR ENDED DECEMBER 31, 2015**

#### **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 15-08 OMB for 2015 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 2015-01:**

###### **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.

###### **Recommendation:**

That adequate segregation of duties within the Treasury and Payroll Departments be maintained.

###### **Management Response:**

The Borough will consider strengthening internal control within reason of costs, benefits derived and budget constraints.

#### **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, 2015**

Finding 2014-01:

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.

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, 2015, and at June 28, 2016, 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.A. 40A:11-4 states: "Every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. The governing body of a contracting unit may, by resolution approved by a majority of the governing body and subject to 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 July 1, 2015, the bid threshold in accordance with N.J.S.A. 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 \$40,000.00.

### 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.A. 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.A. 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 5, 2015 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 July 10, 2015 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>
2015	11
2014	9
2013	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, 2015 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.

#### Management Response:

The Borough was made aware of this lack on internal control and will consider strengthening Internal Control within reason of the costs, benefits derived and budget constraints.

### Technical Accounting Directives

Beginning January 1, 1986, the Borough of Andover is required to have installed a 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:

The Borough does not properly maintain a general ledger for the Trust, General Capital and Water Utility Capital funds as promulgated by the Division of Local Government Services.

#### Management Response:

The general ledger will be properly maintained for the Trust, General Capital and Water Utility Capital funds in the future.

### Finance

1. Within our sample of vouchers, we noted the following:

Multiple invoices were not properly encumbered.

#### Management Response:

All attempts will be made to obtain the encumber goods and services.

2. Two individual's compensation were approved in the salary ordinance but were paid through voucher and issued an IRS Form 1099.

#### Management Response:

Contracted individuals will be taken off the salary ordinance.

## RECOMMENDATIONS

1. That the Finance Officer properly maintain a general ledger for the Trust, General Capital and Water Utility Capital funds as promulgated by the Division of Local Government Services.
2. That vouchers be encumbered prior to purchasing goods or services.
3. That the Borough consider strengthening internal control in the treasury and payroll departments.
4. That individuals be considered either independent contractors or employees.

## 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.
2. That vouchers have all proper receiving signatures and invoices be encumbered prior to purchasing goods or services.
3. That the Borough consider strengthening internal control in the treasury and payroll departments.

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, Wielkottz, Cerullo & Cuva, PA*  
FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.  
Certified Public Accountants