

TOWNSHIP OF ANDOVER

COUNTY OF SUSSEX

REPORT OF AUDIT

2011

*NISIVOCCIA LLP
CERTIFIED PUBLIC ACCOUNTANTS*

TOWNSHIP OF ANDOVER

COUNTY OF SUSSEX

REPORT OF AUDIT

2011

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TOWNSHIP OF ANDOVER

PART I

FINANCIAL STATEMENTS AND

SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2011

Independent Auditors' Report

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

We have audited the financial statements- regulatory basis of the various funds of the Township of Andover in the County of Sussex (the "Township") as of December 31, 2011 and 2010, and for the years ended, as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audits.

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

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

We were unable to obtain sufficient evidence to support the cost of the fixed assets of the general fixed assets account group. 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, 2011 and 2010 stated at \$10,828,915, and \$10,828,915, respectively.

In our opinion, because the Township prepares its financial statements on the basis of accounting discussed in the third paragraph, the financial statements referred to in the first paragraph, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2011 and 2010, and the results of its operations for the years then ended.

However, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the general fixed assets account group been audited, the financial statements- regulatory basis referred to above, present fairly, in all material respects, the financial position of the various funds of the Township of Andover at December 31, 2011 and 2010, and the results of operations and changes in fund balance, where applicable, of such funds, thereof for the years then ended, in conformity with accounting principles prescribed by the Division, as described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2012 on our consideration of the Township of Andover's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's financial statements as a whole. The information included in the supplementary data schedules listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedules of expenditures of federal and state awards are also presented for purposes of additional analysis and are required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*, and are not a required part of the financial statements. The supplementary data schedules listed in the table of contents and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole on the basis of accounting described in Note 1 to the financial statements and Note 2 to the schedules of expenditures of federal and state awards.

Mount Arlington, New Jersey
April 24, 2012

NISIVOCCIA LLP



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

TOWNSHIP OF ANDOVER
COUNTY OF SUSSEX
2011
CURRENT FUND

TOWNSHIP OF ANDOVER
CURRENT FUND
COMPARATIVE BALANCE SHEET

	Ref.	December 31,	
		2011	2010
<u>ASSETS</u>			
Cash and Cash Equivalents:			
Treasurer	A-4	\$ 2,748,489.36	\$ 2,712,211.31
Petty Cash		300.00	300.00
Change Fund		225.00	225.00
		<u>2,749,014.36</u>	<u>2,712,736.31</u>
Due From State of New Jersey:			
Senior Citizen and Veterans Deductions		6,982.18	7,901.28
		<u>2,755,996.54</u>	<u>2,720,637.59</u>
Receivables and Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	A-7	333,336.61	327,222.58
Tax Title Liens Receivable	A-8	181,876.48	152,339.84
Property Acquired for Taxes at Assessed Valuation		1,065,500.00	1,065,500.00
Revenue Accounts Receivable	A-9	46,409.88	4,517.36
Due from Other Trust Fund	B		345.98
Total Receivables and Other Assets With Full Reserves		<u>1,627,122.97</u>	<u>1,549,925.76</u>
<u>TOTAL ASSETS</u>		<u>\$ 4,383,119.51</u>	<u>\$ 4,270,563.35</u>

TOWNSHIP OF ANDOVER
CURRENT FUND
COMPARATIVE BALANCE SHEET
(Continued)

	Ref.	December 31,	
		2011	2010
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Appropriation Reserves:			
Encumbered	A-3;A-11	\$ 127,291.93	\$ 119,911.36
Unencumbered	A-3;A-11	248,095.17	195,266.91
		<u>375,387.10</u>	<u>315,178.27</u>
Prepaid Taxes		120,285.09	104,514.74
Tax Sale Premiums		80,050.00	79,750.00
Due Other Trust Funds	B	19,269.98	
Due to State of New Jersey:			
Marriage License Fees		150.00	
DCA Training Fees			1,145.00
Garden State Electrical Inspections		12,524.00	12,524.00
Due to County of Sussex Added and Omitted Taxes		3,648.95	3,862.42
Reserve for:			
New Jersey Health Benefits		19,892.02	19,892.02
Sale of Municipal Assets		81,430.93	156,730.93
Pending Tax Appeals		43,217.73	43,217.73
Revaluation		35,522.29	35,522.29
Garden State Preservation		28,395.00	28,395.00
Reserve for Grant Funds - Unappropriated:			
Drunk Driving Enforcement Fund		523.38	
Recycling Grant		13,571.37	
Reserve for Grant Funds - Appropriated:			
Energy Grant		6,794.00	
Recycling Grant		3,291.18	
Clean Communities Grant		1,784.00	
Stormwater Mangement Fund		1,620.00	
Alcohol Rehabilitation Grant		62.00	62.00
Body Armor Replacement Fund		1,446.70	
Drunk Driving Enforcement Fund		4,178.63	3,780.16
		<u>853,044.35</u>	<u>804,574.56</u>
Reserve for Receivables and Other Assets	A	1,627,122.97	1,549,925.76
Fund Balance	A-1	<u>1,902,952.19</u>	<u>1,916,063.03</u>
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 4,383,119.51</u>	<u>\$ 4,270,563.35</u>

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

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

	Ref.	Year Ended December 31,	
		2011	2010
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized		\$ 1,125,000.00	\$ 1,225,000.00
Miscellaneous Revenue Anticipated		1,117,283.73	893,415.68
Receipts from:			
Delinquent Taxes		320,433.51	251,519.01
Current Taxes		19,513,916.35	19,508,689.02
Nonbudget Revenue		244,625.62	337,397.27
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		157,155.89	89,286.94
Interfunds Returned		345.98	844.13
		<u>22,478,761.08</u>	<u>22,306,152.05</u>
<u>Expenditures</u>			
Budget and Emergency Appropriations:			
Municipal Purposes		6,621,804.20	6,501,084.54
County Taxes		3,635,366.87	3,571,530.92
Regional School Districts Taxes		11,031,750.29	11,115,684.04
Open Space Taxes		61,599.08	62,000.00
Refund Prior Year Revenue		9,402.79	8,401.33
Prior Year Veteran and Senior Citizen Deductions Disallowed		500.00	500.00
Reinstated to Appropriated Grant Reserves:			
Recycling Tonnage Grant		362.03	
Clean Communities Grant		1,221.75	
Stormwater Management Grant		2,117.00	
Drunk Driving Enforcement Fund Grant		2,747.91	
Interfunds Advanced			345.54
		<u>21,366,871.92</u>	<u>21,259,546.37</u>
Statutory Excess to Fund Balance		1,111,889.16	1,046,605.68
<u>Fund Balance</u>			
Balance January 1		1,916,063.03	2,094,457.35
		<u>3,027,952.19</u>	<u>3,141,063.03</u>
Decreased by:			
Utilized as Anticipated Revenue		1,125,000.00	1,225,000.00
Balance December 31	A	<u>\$ 1,902,952.19</u>	<u>\$ 1,916,063.03</u>

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

TOWNSHIP OF ANDOVER
CURRENT FUND
STATEMENT OF REVENUE
YEAR ENDED DECEMBER 31, 2011

	<u>Budget</u>	<u>Added by NJSA 40A:4-87</u>	<u>Realized</u>	<u>Excess or Deficit *</u>
Fund Balance Anticipated	\$ 1,125,000.00		\$ 1,125,000.00	
Miscellaneous Revenue:				
Licenses:				
Alcoholic Beverages	5,000.00		6,926.70	\$ 1,926.70
Fees and Permits	46,000.00		46,249.12	249.12
Municipal Court - Fines and Costs	72,000.00		84,489.25	12,489.25
Interest and Costs on Taxes	50,000.00		77,826.85	27,826.85
Interest on Investments	20,000.00		12,364.05	7,635.95 *
Consolidated Municipal Property Tax Relief Act	52,223.00		52,223.00	
Energy Receipts Tax	383,128.00		383,128.00	
Garden State Preservation Trust Fund	28,395.00		28,395.00	
Uniform Construction Code Fees	44,000.00		60,124.00	16,124.00
Shared Service Agreement- Tax Collector-Lafayette	33,333.00		33,333.34	0.34
Clean Communities Grant		\$ 14,399.79	14,399.79	
Drunk Driving Enforcement Fund	3,780.00		3,780.00	
Click-It or Ticket		3,800.00	3,800.00	
NJ Department of Transportation Grant- Goodale Road		165,000.00	123,750.00	41,250.00 *

TOWNSHIP OF ANDOVER
CURRENT FUND
STATEMENT OF REVENUE
YEAR ENDED DECEMBER 31, 2011

	<u>Budget</u>	<u>Added by NJSA 40A:4-87</u>	<u>Realized</u>	<u>Excess or Deficit *</u>
Miscellaneous Revenue: (Cont'd)				
Recycling Tonnage Grant	\$ 12,290.16		\$ 12,290.16	
Body Armor Replacement Fund		\$ 1,522.49	1,522.49	
Uniform Fire Safety Act	7,791.00		6,000.15	1,790.85 *
Special Reserve - Sale of Assets - Liquor Licenses	75,300.00		75,300.00	
Cell Tower Rental	29,900.00		91,381.83	61,481.83
	<u>863,140.16</u>	<u>184,722.28</u>	<u>1,117,283.73</u>	<u>69,421.29</u>
Receipts from Delinquent Taxes	210,000.00		320,433.51	110,433.51
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes	<u>5,212,143.00</u>		<u>5,758,400.11</u>	<u>546,257.11</u>
Budget Totals	7,410,283.16	184,722.28	8,321,117.35	<u>\$ 726,111.91</u>
Nonbudget Revenue			<u>244,625.62</u>	
	<u>\$ 7,410,283.16</u>	<u>\$ 184,722.28</u>	<u>\$ 8,565,742.97</u>	

TOWNSHIP OF ANDOVER
CURRENT FUND
STATEMENT OF REVENUE
YEAR ENDED DECEMBER 31, 2011
(continued)

Allocation of Current Tax Collections:

Revenue from Collection of Current Taxes	\$ 19,513,916.35
Allocated to School, County, and Open Space Taxes	14,728,716.24
Balance for Support of Municipal Budget	<u>4,785,200.11</u>

Add: Appropriation "Reserve for Uncollected Taxes"	<u>973,200.00</u>
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Realized for Support of Municipal Budget	<u><u>\$ 5,758,400.11</u></u>
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Receipts from Delinquent Taxes:

Delinquent Tax Collections	<u>\$ 320,433.51</u>
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	<u><u>\$ 320,433.51</u></u>
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Analysis of Fees and Permits:

Municipal Clerk	\$ 6,609.90
Police	3,953.22
Board of Health	3,280.00
Planning, Soil Erosion, and Board of Adjustment	8,746.00
Recreation Commission	22,765.00
Zoning Officer	<u>895.00</u>
	<u>\$ 46,249.12</u>

Analysis of Interest on Investements

Collected/Received by the Treasurer	\$ 11,980.01
Due from Other Trust Funds	<u>384.04</u>
	<u><u>\$ 12,364.05</u></u>

TOWNSHIP OF ANDOVER
CURRENT FUND
STATEMENT OF REVENUE
YEAR ENDED DECEMBER 31, 2011
(continued)

Analysis of Nonbudget Revenue:

Treasurer:

911 Interlocal Fees	\$ 110,618.44	
Mobil Tower Rental	84,630.57	
Veterans and Senior Citizens Administrative Fees	1,210.00	
Fire Safety - LEA Rebate	2,488.00	
Department of Motor Vehicle Inspection Fees	650.00	
Cable Franchise Fee	22,799.00	
Prior Year Voided Checks	19,935.50	
Other Miscellaneous	1,277.49	
	<hr/>	
		\$ 243,609.00

Tax Collector:

Tax Search Fees	\$ 240.00	
Other	4,492.42	
	<hr/>	
		4,732.42
		<hr/>
		248,341.42

Less Refunded

	<hr/>	
		(3,715.80)
		<hr/>
		\$ 244,625.62
		<hr/> <hr/>

TOWNSHIP OF ANDOVER
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2011

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
GENERAL GOVERNMENT:					
General Administration:					
Salaries & Wages	\$ 89,713.00	\$ 89,713.00	\$ 89,694.69	\$ 18.31	
Other Expenses	14,850.00	14,850.00	14,596.13	253.87	
Mayor & Council:					
Salaries & Wages	17,501.00	17,501.00	17,500.44	0.56	
Other Expenses	150.00	150.00	149.96	0.04	
Municipal Clerk:					
Salaries & Wages	92,139.00	92,139.00	92,138.40	0.60	
Other Expenses	20,655.00	20,655.00	13,590.30	7,064.70	
Financial Administration:					
Salaries & Wages	86,225.00	88,725.00	88,705.04	19.96	
Other Expenses	64,434.00	64,734.00	64,405.24	328.76	
Annual Audit	33,000.00	33,000.00	33,000.00		
Data Processing:					
Other Expenses	26,420.00	27,420.00	27,236.34	183.66	
Tax Assessment Administration:					
Salaries & Wages	18,139.00	18,139.00	18,138.72	0.28	
Other Expenses	4,800.00	4,800.00	1,504.58	3,295.42	
Revision of Tax Map	6,000.00	6,000.00	1,856.25	4,143.75	
Revenue Administration (Tax Collection):					
Salaries & Wages	37,597.00	37,597.00	37,597.00		
Other Expenses	2,425.00	2,425.00	2,253.36	171.64	
Legal Services and Costs:					
Other Expenses	135,000.00	135,000.00	94,284.18	40,715.82	
Professional Services - Township:					
Other Expenses	2,000.00	2,000.00	1,921.00	79.00	
Engineering Services and Costs:					
Other Expenses	19,500.00	19,500.00	16,833.50	2,666.50	
Municipal Prosecutor:					
Other Expenses	16,672.00	16,672.00	12,900.00	3,772.00	

TOWNSHIP OF ANDOVER
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2011
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
GENERAL GOVERNMENT (continued):					
Environmental Commission (R.S. 71:56A-1 et seq):					
Other Expenses	\$ 500.00	\$ 500.00	\$ 100.00	\$ 400.00	
Municipal Land Use Law (N.J.S.A. 40:55D-1):					
Planning Board:					
Salaries & Wages	29,491.00	14,126.00	13,604.68	521.32	
Other Expenses	2,640.00	29,005.00	28,981.24	23.76	
Zoning Officer:					
Salaries & Wages	7,544.00	7,544.00	7,040.36	503.64	
Other Expenses	100.00	100.00	26.00	74.00	
Insurance:					
Group Insurance Plans for Employees	925,600.00	943,600.00	943,600.00		
General Liability Insurance	78,262.00	78,262.00	77,499.86	762.14	
Worker's Compensation	84,500.00	84,500.00	84,218.84	281.16	
Economic Development Committee:					
Other Expense	2,000.00	2,000.00		2,000.00	
PUBLIC SAFETY:					
Aid to Volunteer Fire Companies	60,000.00	68,800.00	68,800.00		
Police:					
Salaries & Wages	1,143,500.00	1,195,100.00	1,194,351.84	748.16	
Other Expense	50,900.00	40,900.00	37,222.79	3,677.21	
Purchase of Police Vehicles	28,000.00	28,000.00	26,831.52	1,168.48	
Dispatch:					
Salaries & Wages	305,760.00	305,760.00	305,642.13	117.87	
Other Expense	14,700.00	14,700.00	13,518.95	1,181.05	
Aid to Volunteer Rescue Squad	25,000.00	25,000.00	25,000.00	-	
Municipal Court:					
Salaries & Wages	73,000.00	81,100.00	74,078.35	7,021.65	
Other Expenses	4,900.00	4,900.00	4,896.78	3.22	

TOWNSHIP OF ANDOVER
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2011
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
PUBLIC SAFETY:					
Fire Department:					
Other Expenses	\$ 7,000.00				
Other Expenses - Oxygen Tanks	1,800.00				
Fire Prevention:					
Salaries & Wages	1,800.00	\$ 1,800.00	\$ 1,720.59	\$ 79.41	
Emergency Management Services:					
Salaries & Wages	2,000.00	2,000.00	2,000.00		
Other Expenses	250.00	250.00	232.50	17.50	
STREETS AND ROADS:					
Public Works Department:					
Salaries & Wages	598,000.00	598,000.00	595,626.46	2,373.54	
Other Expenses	198,760.00	198,760.00	196,213.89	2,546.11	
Public Building and Grounds:					
Other Expenses	44,000.00	44,000.00	42,294.09	1,705.91	
Garbage Removal Contractual	440,000.00	440,000.00	438,476.60	1,523.40	
HEALTH AND WELFARE:					
Dog Regulation:					
Other Expenses	5,000.00	1,100.00	199.41	900.59	
Board of Health:					
Salaries & Wages	10,310.00	10,310.00	10,309.12	0.88	
Other Expenses	200.00	200.00		200.00	
RECREATION AND EDUCATION:					
Parks and Playgrounds:					
Salaries & Wages	17,508.00	19,055.00	19,050.60	4.40	
Other Expenses	11,350.00	11,350.00	10,260.24	1,089.76	
Other Expenses - Park Maintenance	5,000.00	5,000.00	4,848.86	151.14	
Celebration of Public Events:					
Other Expenses	1,000.00	1,000.00	101.90	898.10	
Contribution to Senior Citizen Center	3,000.00	3,000.00	3,000.00		

TOWNSHIP OF ANDOVER
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2011
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
UNIFORM CONSTRUCTION CODE:					
State Uniform Construction Code:					
Salaries & Wages	\$ 83,762.00	\$ 72,762.00	\$ 63,867.08	\$ 8,894.92	
Other Expenses	1,000.00	1,000.00	286.48	713.52	
UNCLASSIFIED:					
Street Lighting	9,100.00	9,100.00	8,146.57	953.43	
Reserve for Sick Leave	49,000.00	1,000.00		1,000.00	
Utilities	173,410.00	173,410.00	173,409.09	0.91	
Total Operations Within "CAPS"	5,186,867.00	5,208,014.00	5,103,761.95	104,252.05	
Contingent	5,000.00	5,000.00		5,000.00	
Total Operations including Contingent within "CAPS"	5,191,867.00	5,213,014.00	5,103,761.95	109,252.05	
Detail:					
Salaries & Wages	2,662,989.00	2,652,371.00	2,631,065.50	21,305.50	
Other Expenses	2,528,878.00	2,560,643.00	2,472,696.45	87,946.55	
Deferred Charges and Statutory Expenditures - Municipal Within "CAPS":					
Statutory Expenditures:					
Contribution to:					
Public Employees Retirement System	176,092.00	176,092.00	176,092.00		
Social Security System (O.A.S.I.)	231,000.00	209,853.00	206,024.97	3,828.03	
Police and Firemen's Retirement System	213,306.00	213,306.00	213,306.00		
Unemployment Compensation	18,000.00	18,000.00	14,340.32	3,659.68	
DCRP	1,000.00	1,000.00	357.11	642.89	
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	639,398.00	618,251.00	610,120.40	8,130.60	

TOWNSHIP OF ANDOVER
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2011
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Total General Appropriations for Municipal Purposes Within "CAPS"	\$ 5,831,265.00	\$ 5,831,265.00	\$ 5,713,882.35	\$ 117,382.65	
Total Operations Excluded "CAPS":					
Insurance: (P.L. 2003, C.92)					
Group Health Insurance	6,905.00	6,905.00	5,995.15	909.85	
Shared Service Agreements:					
Tax Collector-Lafayette:					
Salaries and Wages	33,333.00	33,333.00	31,713.50	1,619.50	
Public and Private Programs Offset by Revenues:					
Reserve for Drunk Driving Enforcement Fund (N.J.S.A. 40A-87)	3,780.00	3,780.00	1,225.90	2,554.10	
Reserve for Recycling Tonnage Grant	12,290.16	12,290.16		12,290.16	
Body Armor Replacement Fund (N.J.S.A. 40A:4-87, +\$1,522.49)		1,522.49	1,522.49		
N.J. Department of Transportation Grant- Goodale Road (N.J.S.A. 40A:4-87, +\$165,000.00)		165,000.00	69,860.88	95,139.12	
Clean Communities Grant (N.J.S.A. 40A:4-87, +\$14,399.79)		14,399.79		14,399.79	
Click-It or Ticket Grant (N.J.S.A. 40A:4-87, +\$3,800.00)		3,800.00		3,800.00	
Total Operations Excluded from "CAPS"	56,308.16	241,030.44	110,317.92	130,712.52	
Detail:					
Other Expenses	56,308.16	241,030.44	110,317.92	130,712.52	

TOWNSHIP OF ANDOVER
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2011
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Capital Improvements - Excluded from "CAPS": Capital Improvement Fund	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00		
Total Capital Improvements - Excluded from "CAPS"	1,000.00	1,000.00	1,000.00		
Municipal Debt Service - Excluded from "CAPS": Payment of Bond Principal	435,000.00	435,000.00	435,000.00		
Interest on Bonds	113,510.00	113,510.00	113,508.76		\$ 1.24
Total Municipal Debt Service - Excluded from "CAPS"	548,510.00	548,510.00	548,508.76		1.24
Total General Appropriations - Excluded from "CAPS"	605,818.16	790,540.44	659,826.68	\$ 130,712.52	1.24
Subtotal General Appropriations	6,437,083.16	6,621,805.44	6,373,709.03	248,095.17	1.24
Reserve for Uncollected Taxes	973,200.00	973,200.00	973,200.00		
Total General Appropriations	<u>\$ 7,410,283.16</u>	<u>\$ 7,595,005.44</u>	<u>\$ 7,346,909.03</u>	<u>\$ 248,095.17</u>	<u>\$ 1.24</u>
	<u>Ref.</u>			<u>A</u>	

TOWNSHIP OF ANDOVER
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2011
(Continued)

	<u>Ref.</u>	Analysis of	
		Budget After Modification	Paid or Charged
Adopted Budget		\$ 7,410,283.16	
Added by N.J.S.A. 40A:4-87		184,722.28	
		\$ 7,595,005.44	
Reserve for Uncollected Taxes			\$ 973,200.00
Reserve for Encumbrances	A		127,291.93
Cash Disbursed			6,386,953.71
			7,487,445.64
Less: Appropriation Refunds			140,536.61
			\$ 7,346,909.03

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

TOWNSHIP OF ANDOVER
COUNTY OF SUSSEX
2011
TRUST FUNDS

TOWNSHIP OF ANDOVER
COMPARATIVE BALANCE SHEET - TRUST FUNDS

<u>ASSETS</u>	Ref.	December 31	
		2011	2010
Animal Control Fund:			
Cash and Cash Equivalents			
Treasurer	B-4	\$ 4,205.78	\$ 5,546.43
Change Fund		25.00	25.00
Due State of New Jersey		232.40	232.40
		<u>4,463.18</u>	<u>5,803.83</u>
Other Trust Funds:			
Cash and Cash Equivalents	B-4	520,938.98	569,963.74
Due Current Fund	A	19,269.98	
		<u>540,208.96</u>	<u>569,963.74</u>
<u>TOTAL ASSETS</u>		<u>\$ 544,672.14</u>	<u>\$ 575,767.57</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Animal Control Fund:			
Reserve for Animal Control Expenditures	B-6	\$ 4,463.18	\$ 5,803.83
		<u>4,463.18</u>	<u>5,803.83</u>
Other Trust Funds:			
Due Current Fund	A		345.98
Reserve for:			
Special Deposits		319,711.10	329,425.81
Escrow - Recreation Hall Security			2,700.00
Public Defender			5,544.55
Recreation Trust		280.00	1,540.78
Traffic Detail		1,366.27	1,861.83
Snow Removal		11,055.73	6,055.73
Delorenzo Tree Theft		897.93	897.93
Contingency - Road Improvements		11,538.15	11,538.15
Parking Offense Adjudication Act		209.00	205.00
Fire Safety		326.00	
Smoke Detector Inspection Fees		21,695.75	18,830.75
Environmental Commission Donations		125.00	125.00
Municipal Court Bail Restitution - Overage		2,926.08	1,723.08
Accumulated Sick		66,630.23	111,698.82
Open Space		74,988.04	60,615.53
Coalition of Affordable Housing		15,884.55	15,821.10
State Unemployment Insurance		12,575.13	1,033.70
		<u>540,208.96</u>	<u>569,963.74</u>
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 544,672.14</u>	<u>\$ 575,767.57</u>

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

TOWNSHIP OF ANDOVER
ASSESSMENT TRUST FUND
STATEMENT OF FUND BALANCE
YEAR ENDED DECEMBER 31, 2011

NOT APPLICABLE

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

TOWNSHIP OF ANDOVER
ASSESSMENT TRUST FUND
STATEMENT OF REVENUE
YEAR ENDED DECEMBER 31, 2011

NOT APPLICABLE

ASSESSMENT TRUST FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2011

NOT APPLICABLE

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

TOWNSHIP OF ANDOVER
COUNTY OF SUSSEX
2011
GENERAL CAPITAL FUND

TOWNSHIP OF ANDOVER
GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET

	Ref.	December 31,	
		2011	2010
<u>ASSETS</u>			
Cash and Cash Equivalents	C-2	\$ 507,928.36	\$ 714,484.94
Due from New Jersey Department of Transportation			150,000.00
Deferred Charges to Future Taxation:			
Funded		4,067,000.00	4,502,000.00
<u>TOTAL ASSETS</u>		<u>\$ 4,574,928.36</u>	<u>\$ 5,366,484.94</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Serial Bonds Payable	C-8	\$ 4,067,000.00	4,502,000.00
Improvement Authorizations:			
Funded	C-5	374,804.14	729,835.72
Reserve for Preliminary Engineering Expenses		1,019.93	3,544.93
Reserve to Pay Debt Service		10,978.00	10,978.00
Capital Improvement Fund	C-6	22,438.88	21,438.88
Fund Balance	C-1	98,687.41	98,687.41
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 4,574,928.36</u>	<u>\$ 5,366,484.94</u>

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

TOWNSHIP OF ANDOVER
GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE

Ref.

Balance December 31, 2010	\$ 98,687.41
Balance December 31, 2011	\$ 98,687.41

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

TOWNSHIP OF ANDOVER
COUNTY OF SUSSEX
2011
WATER OPERATING FUND

NOT APPLICABLE

TOWNSHIP OF ANDOVER
COUNTY OF SUSSEX
2011
SEWER OPERATING FUND

NOT APPLICABLE

TOWNSHIP OF ANDOVER
COUNTY OF SUSSEX
2011
PUBLIC ASSISTANCE

NOT APPLICABLE

TOWNSHIP OF ANDOVER
COUNTY OF SUSSEX
2011
BOND AND INTEREST FUND

NOT APPLICABLE

TOWNSHIP OF ANDOVER
COUNTY OF SUSSEX
2011
GENERAL FIXED ASSET ACCOUNT GROUP

(UNAUDITED)

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

	December 31,	
	2011	2010
<u>ASSETS</u>		
Land	\$ 3,948,300.00	\$ 3,948,300.00
Buildings and Improvements	3,368,400.00	3,368,400.00
Equipment	3,512,215.00	3,512,215.00
<u>TOTAL ASSETS</u>	<u>\$ 10,828,915.00</u>	<u>\$ 10,828,915.00</u>
 <u>LIABILITIES AND RESERVES</u>		
Reserve for Fixed Assets	\$ 10,828,915.00	\$ 10,828,915.00
<u>TOTAL LIABILITIES AND RESERVES</u>	<u>\$ 10,828,915.00</u>	<u>\$ 10,828,915.00</u>

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

TOWNSHIP OF ANDOVER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

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

Governmental Accounting Standards Board publication Codification of Government Accounting and Financial Reporting Standards, Section 2100 "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate tax-exempt entities that meet specific criteria (i.e., benefit of economic resources, access/entitlement to resources and significance) should be included in the financial reporting entities. As the financial reporting entity was established in accordance with New Jersey statutes, the requirements of Government Accounting and Financial Reporting Standards, Section 2100 were not followed and, accordingly, the reporting entity could be different from accounting principles generally accepted in the United States of America.

B. Description of Funds

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

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

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

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

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

TOWNSHIP OF ANDOVER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011
(Continued)

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

C. Basis of Accounting

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

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

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

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

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

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

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

TOWNSHIP OF ANDOVER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011
(Continued)

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

C. Basis of Accounting (Cont'd)

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

D. Deferred Charges to Future Taxation

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

E. Other significant accounting policies include:

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

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

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

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

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

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

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

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

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

TOWNSHIP OF ANDOVER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011
(Continued)

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

E. Other significant accounting policies include:

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

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

F. Budget/Budgetary Control

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

Note 2: Long-Term Debt

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

TOWNSHIP OF ANDOVER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011

(Continued)

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

Summary of Municipal Debt

	December 31,		
	2011	2010	2009
<u>Issued</u>			
General: Bonds and Notes	\$ 4,067,000.00	\$ 4,502,000.00	\$ 4,243,000.00
<u>Authorized but not Issued:</u>			
General: Bonds and Notes			129,023.00
Total Bonds and Notes Issued and Authorized but not Issued	<u>4,067,000.00</u>	<u>4,502,000.00</u>	<u>4,372,023.00</u>
Less:			
Funds Temporarily Held to Pay Bonds and Notes			
Reserve to Pay Debt Service	<u>10,978.00</u>	<u>10,978.00</u>	<u>10,978.00</u>
Net Bonds and Notes Issued and Authorized but not Issued	<u>\$ 4,056,022.00</u>	<u>\$ 4,491,022.00</u>	<u>\$ 4,361,045.00</u>

Summary of Statutory Debt Condition – Annual Debt Statement

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

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Regional School District Debt	\$ 11,031,750.29	\$ 11,031,750.29	
General Debt	<u>4,067,000.00</u>	<u>10,978.00</u>	\$ 4,056,022.00
	<u>\$ 15,098,750.29</u>	<u>\$ 11,042,728.29</u>	<u>\$ 4,056,022.00</u>

Net Debt: \$4,056,022.00 divided by Average Equalized Valuations of \$874,463,553.00 of Real Property = .46%.

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

3-1/2% Average Equalized Valuation of Real Property	\$30,606,224.36
Net Debt	<u>4,056,022.00</u>
Remaining Borrowing Power	<u>\$26,550,202.36</u>

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

TOWNSHIP OF ANDOVER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011
(Continued)

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

Summary of Municipal Debt Issued and Outstanding - Prior Year

Fund	Balance 01/00/1900	Additions	Retirements	Balance 01/00/1900
Serial Bonds:				
General Capital Fund	\$ 1,345,000.00	\$ 3,392,000.00	\$ 235,000.00	\$ 4,502,000.00
Bond Anticipation Notes:				
General Capital Fund	2,898,000.00	\$ 3,392,000.00	6,290,000.00	
	<u>\$ 4,243,000.00</u>	<u>\$ 6,784,000.00</u>	<u>\$ 6,525,000.00</u>	<u>\$ 4,502,000.00</u>

Summary of Municipal Debt Issued and Outstanding - Current Year

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

The Township's debt issued and outstanding on December 31, 2011 is described as follows:

General Capital Serial Bonds

Maturities	Rate	Amount
9/1/2012	Various	\$ 480,000.00
9/1/2013	Various	515,000.00
9/1/2014	Various	565,000.00
9/1/2015	Various	565,000.00
9/1/2016	Various	350,000.00
9/1/2017-2020	Various	1,592,000.00
Total Debt Issued and Outstanding		<u>\$ 4,067,000.00</u>

TOWNSHIP OF ANDOVER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011
(Continued)

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

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

<u>Calendar Year</u>	<u>General</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 480,000.00	\$ 103,303.76	\$ 583,303.76
2013	515,000.00	89,793.76	604,793.76
2014	565,000.00	75,731.26	640,731.26
2015	565,000.00	60,399.92	625,399.92
2016	350,000.00	44,800.00	394,800.00
2017-2020	1,592,000.00	97,200.00	1,689,200.00
	<u>\$ 4,067,000.00</u>	<u>\$ 471,228.70</u>	<u>\$ 4,538,228.70</u>

Note 3: Fund Balances Appropriated

Fund balance at December 31, 2011, which is appropriated and included in the introduced budget as anticipated revenue for the year ending December 31, 2012 is as follows:

Current Fund	\$ 1,225,392.00
--------------	-----------------

Note 4: Deferred Charges to be Raised in Succeeding Years

There were no deferred charges to be raised in succeeding years at December 31, 2011.

Note 5: School District Taxes

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

Note 6: Pension Plans

Township employees are enrolled in one of two cost sharing multiple-employer public employee retirement systems: the Public Employees' Retirement System (PERS), the Police and Firemen's Retirement System (PFRS) of New Jersey or the Defined Contribution Retirement Program (DCRP). The State of New Jersey sponsors and administers these plans which cover substantially all Township employees.

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. As a general rule, all full-time employees are eligible to join the PERS or the PFRS. However, if an employee is ineligible to enroll in the PERS or PFRS, the employee may enroll in the DCRP.

Employees who are members of PERS and retire at a specified age according to the relevant tier category for that employee are entitled to a retirement benefit based upon a formula which takes "final average salary" during years of creditable service. Vesting occurs after 8 to 10 years of

TOWNSHIP OF ANDOVER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011
(Continued)

Note 6: Pension Plans (Cont'd)

service. Enrolled PFRS members may retire at age 55 with a minimum of 10 years of service required for vesting. The DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

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

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Employee contributions are based on percentages of 5.50% for DCRP employees' annual compensation, as defined. Effective with the first payroll to be paid on or after October 1, 2011, the employee contributions for PERS went from 5.50% to 6.50% while the employee contributions for PFRS increased to 10.00% from 8.50% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in the PERS and PFRS. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits for PERS and PFRS. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

Township contributions to the PERS and PFRS amounted to \$389,755.11, \$287,212.00 and \$253,322.00 for 2011, 2010 and 2009, respectively.

The Employee and employer contributions for DCRP for the year ended December 31, 2011, 2010, and 2009 were \$357.11, \$ -0-, and \$ -0- respectively.

Note 7: Accrued Sick and Vacation Benefits

The Township permits employees to accrue a limited amount of unused vacation and sick pay, which may be taken as time off or paid at a later date at an agreed-upon rate. It is estimated that the current cost of such unpaid compensation would approximate \$575,151.00 at December 31, 2011. This amount is not reported either as expenditure or a liability. It is expected that the cost of such unpaid compensation would be included in the Township's budget operating expenditures in the year in which it is used. This amount has been partially reserved in the Reserve for Accumulated Sick of \$66,630.23 on the Trust Fund balance sheet at December 31, 2011.

Note 8: Deferred Compensation

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

Equitable
Trans World Assurance

Penn Mutual

TOWNSHIP OF ANDOVER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011
(Continued)

Note 9: Selected Tax Information

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
<u>Tax Rate</u>	\$ 3.24	\$ 3.21	\$ 3.12
<u>Apportionment of Tax Rate</u>			
Municipal	0.86	0.84	0.82
County	0.59	0.58	0.55
Regional School	1.79	1.79	1.75
<u>Assessed Valuations</u>			
2011	<u>\$ 615,376,761</u>		
2010		<u>\$ 618,040,236</u>	
2009			<u>\$ 620,795,119</u>

Comparison of Tax Levies and Collections Currently

<u>Year</u>	<u>Tax Levy</u>	<u>Currently</u>	
		<u>Cash Collections</u>	<u>Percentage of Collections</u>
2011	\$ 19,960,414.60	\$ 19,513,916.35	97.76%
2010	19,885,343.17	19,508,689.02	98.10%
2009	19,412,934.10	19,120,981.54	98.49%

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

TOWNSHIP OF ANDOVER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011
(Continued)

Note 10: Cash and Cash Equivalents

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

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

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

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

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

Deposits:

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

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

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

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

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

Investments

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;

TOWNSHIP OF ANDOVER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011
(Continued)

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

Investments (Cont'd)

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

As of December 31, 2011, cash and cash equivalents of the Township of Andover consisted of the following:

<u>Fund</u>	<u>Petty Cash & Change Funds</u>	<u>Checking Accounts</u>	<u>New Jersey Cash Management Fund</u>	<u>Total</u>
Current Fund	\$ 525.00	\$ 2,627,191.36	\$ 121,298.00	\$ 2,749,014.36
Animal Control Trust Fund	25.00	4,205.78		4,230.78
Other Trust Fund		520,938.98		520,938.98
General Capital Fund		327,720.60	180,207.76	507,928.36
	<u>\$ 550.00</u>	<u>\$ 3,480,056.72</u>	<u>\$ 301,505.76</u>	<u>\$ 3,782,112.48</u>

TOWNSHIP OF ANDOVER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011
(Continued)

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

During the period ended December 31, 2011, the Township did not hold any investments. The carrying amount of the Township's cash and cash equivalents at December 31, 2011, was \$3,782,112.48 and the bank balance was \$3,822,297.51. The \$301,505.76 invested with the State of New Jersey Cash Management Fund is uninsured and/or unregistered.

Note 11: Post-Retirement Medical Benefits

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

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

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

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

Municipal, Police and Fire Employees

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

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

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

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

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

TOWNSHIP OF ANDOVER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011
(Continued)

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

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

The Township contributions to SHBP for the years ended December 31, 2011, 2010 and 2009, were approximately \$855,095, \$796,364, and \$663,395, respectively, which equaled the required contributions for each year. There were 13 retired participants eligible at December 31, 2011, 2010 and 2009, respectively.

Note 12: Risk Management

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

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

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

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

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

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

TOWNSHIP OF ANDOVER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011
(Continued)

Note 12: Risk Management (Cont'd)

New Jersey Unemployment Compensation Insurance (Cont'd)

The December 31, 2011 audit report of the Morris County Municipal Joint Insurance Fund is not filed as of the date of this audit. Selected financial information for the Fund as of December 31, 2010 is as follows:

	<u>Morris County Municipal Joint Insurance Fund</u>
Total Assets	\$ 24,002,469
Net Assets	\$ 11,288,204
Total Revenue	\$ 16,068,417
Total Expenditures	\$ 16,968,383
Change in Net Assets	\$ (899,966)
Net Assets Distribution to Participating Members	\$ -0-

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

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

New Jersey Unemployment Compensation Insurance

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

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

<u>Year</u>	<u>Township Contributions</u>	<u>Interest Earned</u>	<u>Employees Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2009	\$ -0-	\$ 6.39	\$ -0-	\$ 103.33	\$ 898.74
2010	29,823.12	34.84	-0-	29,723.00	1,033.70
2011	17,764.74	37.85	-0-	6,261.16	12,575.13

TOWNSHIP OF ANDOVER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011
(Continued)

Note 13: Interfund Receivables and Payables

The following interfund balances remain on the balance sheet at December 31, 2011:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Current Fund		\$ 19,269.98
Other Trust Funds	\$ 19,269.98	
	<u>\$ 19,269.98</u>	<u>\$ 19,269.98</u>

The interfund between the Current Fund and the Other Trust Funds represents the interest earned during the year in Other Trust Funds that has not been turned over to the Current Fund.

Note 14: Fixed Assets (Unaudited)

The following is a schedule of the Township of Andover's fixed assets at December 31, 2011:

	<u>Balance Dec. 31, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Dec. 31, 2010</u>
Land	\$ 3,948,300			\$ 3,948,300
Building and Building Improvements	3,368,400			3,368,400
Machinery and Equipment	3,512,215			3,512,215
	<u>\$ 10,828,915</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 10,828,915</u>

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

Note 15: Economic Dependency

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

TOWNSHIP OF ANDOVER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011
(Continued)

Note 16: Contingent Liabilities

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

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

The Township has been advised that a number of tax appeals have been filed. A reserve for pending tax appeals in the amount of \$43,217.73 has been recorded as a liability as of December 31, 2011. The Township believes the reserve should be sufficient to cover the appeals.

Note 17: Open Space Trust Fund

The Township of Andover created an Open Space Trust Fund with a tax levy of \$.01 per \$100 of assessed valuation in 2006. The funds collected are used to acquire and maintain open space property in the Township. The balances of the Open Space Trust Fund at December 31, 2011 and 2010 were \$74,988.04 and \$60,615.53, respectively.

TOWNSHIP OF ANDOVER

SUPPLEMENTARY DATA

TOWNSHIP OF ANDOVER
OFFICIALS IN OFFICE AND SURETY BONDS
YEAR ENDED DECEMBER 31, 2011

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

All bonds were examined and were properly executed.

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

TOWNSHIP OF ANDOVER
COUNTY OF SUSSEX
2011
CURRENT FUND

TOWNSHIP OF ANDOVER
CURRENT FUND
SCHEDULE OF CASH

	<u>Ref.</u>	
Balance December 31, 2010	A	\$ 2,712,211.31
Increased by Receipts:		
Tax Collector		\$ 20,095,277.46
Revenue Accounts Receivable		963,772.84
Petty Cash		300.00
Miscellaneous Revenue Not Anticipated		243,609.00
Due State of New Jersey:		
Marriage License Fees		975.00
DCA Training Fees		2,944.00
Veterans and Senior Citizens' Deductions		60,500.00
Reserve for Drunk Driving Enforcement Fund- Unappropriated		523.38
Reserve for Recycling Tonnage Grant- Unappropriated		13,571.37
Appropriation Reserve Refunds		837.68
Appropriation Refunds		140,536.61
		21,522,847.34
		24,235,058.65
Decreased by Disbursements:		
2011 Appropriation Expenditures		6,386,953.71
2010 Appropriation Reserves		108,844.83
Petty Cash		300.00
Regional School Taxes		11,031,750.29
County Taxes		3,635,580.34
Tax Overpayments Refunded		7,859.21
Due State of New Jersey:		
Marriage License Fees		825.00
DCA Training Fees		4,089.00
Redemption of Outside Liens		171,419.67
Tax Sale Premiums		43,100.00
Appropriated Grant Reserves:		
Stormwater Management		497.00
Recycling Grant		1,592.00
Drunk Driving Enforcement Fund		8,921.32
Clean Communities		10,119.25
Due Open Space Trust Fund - Open Space Tax Levy		61,599.08
Refund of Miscellaneous Revenue		3,715.80
Refund of Prior Year Revenue		9,402.79
		21,486,569.29
Balance December 31, 2011	A	\$ 2,748,489.36

TOWNSHIP OF ANDOVER
CURRENT FUND
SCHEDULE OF CASH - COLLECTOR
YEAR ENDED DECEMBER 31, 2011

Increased by Receipts:

Taxes Receivable	\$ 19,669,754.22	
Interest and Costs on Taxes	77,826.85	
2012 Prepaid Taxes	120,285.09	
Tax Overpayments	7,859.21	
Outside Liens	171,419.67	
Tax Sale Premiums	43,400.00	
Tax Search Fees	240.00	
Miscellaneous Revenue Not Anticipated	4,492.42	
	<hr/>	<u>\$ 20,095,277.46</u>

Decreased by:

Disbursed to Municipal Treasurer		<u>\$ 20,095,277.46</u>
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TOWNSHIP OF ANDOVER
SCHEDULE OF CASH - GRANT FUNDS
YEAR ENDED DECEMBER 31, 2011

NOT APPLICABLE

TOWNSHIP OF ANDOVER
SCHEDULE OF CASH
GRANT FUNDS
YEAR ENDED DECEMBER 31, 2011

NOT APPLICABLE

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

Year	Balance	2011 Levy	Collections		State of NJ	Cancelled	Transferred	Balance
	Dec. 31, 2010		2010	2011	Veterans and Senior Citizens' Deductions		to Tax Title Liens	
2010	\$ 327,222.58			\$ 320,433.51	\$ (500.00)		\$ 7,289.07	
	327,222.58			320,433.51	(500.00)		7,289.07	
2011		\$ 19,960,414.60	\$ 104,514.74	19,349,320.71	60,080.90	\$ 92,247.44	20,914.20	\$ 333,336.61
	\$ 327,222.58	\$ 19,960,414.60	\$ 104,514.74	\$ 19,669,754.22	\$ 59,580.90	\$ 92,247.44	\$ 28,203.27	\$ 333,336.61

Ref.

A

A

Analysis of 2011 Property Tax Levy

Tax Yield:

General Purpose Tax	\$ 19,918,699.31	
Business Personal Property Taxes	19,507.75	
Added and Omitted Taxes	22,207.54	
		\$ 19,960,414.60
Regional School District Taxes		\$ 11,031,750.29
County Taxes:		
General Tax	\$ 3,277,120.50	
Library Tax	238,261.05	
Health Tax	87,743.04	
Open Space Tax	28,593.33	
Due County for Added and Omitted Taxes	3,648.95	
		3,635,366.87
Local Tax for Open Space - Due Other Trust Funds		61,599.08
		14,728,716.24
Local Tax for Municipal Purposes Levied	5,212,143.00	
Add: Additional Tax Levied	19,555.36	
		5,231,698.36
		\$ 19,960,414.60

TOWNSHIP OF ANDOVER
CURRENT FUND
SCHEDULE OF TAX TITLE LIENS

	<u>Ref.</u>		
Balance December 31, 2010	A		\$ 152,339.84
Increased by:			
Transfer from Taxes Receivable		\$ 28,203.27	
Interest and Costs on Tax Sale		<u>1,333.37</u>	
			<u>29,536.64</u>
Balance December 31, 2011	A		<u>\$ 181,876.48</u>

TOWNSHIP OF ANDOVER
CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	<u>Balance</u> <u>Dec. 31, 2010</u>	<u>Accrued In</u> <u>2011</u>	<u>Collected by</u> <u>Treasurer</u>	<u>Balance</u> <u>Dec. 31, 2011</u>
Clerk:				
Alcoholic Beverage Licenses		\$ 6,926.70	\$ 6,926.70	
Fees and Permits		6,609.90	6,609.90	
Police:				
Fees and Permits		3,953.22	3,953.22	
Health Officer:				
Fees and Permits		3,280.00	3,280.00	
Construction Code Official:				
Fees and Permits		60,124.00	60,124.00	
Municipal Court:				
Fines and Costs	\$ 4,517.36	85,131.77	84,489.25	\$ 5,159.88
Planning Board, Soil Erosion, & Board of Adjustment:				
Fees and Permits		8,746.00	8,746.00	
Recreation Commission:				
Fees and Permits		22,765.00	22,765.00	
Zoning Board:				
Fees and Permits		895.00	895.00	
Cell Tower Rental		91,381.83	91,381.83	
Interest on Investments		11,980.01	11,980.01	
Consolidated Municipal Property Tax Relief Program		52,223.00	52,223.00	
Shared Service- Tax Collector		33,333.34	33,333.34	
Energy Receipts Tax		383,128.00	383,128.00	
Recycling Tonnage Grant		12,290.16	12,290.16	
Garden State Preservation Trust Grant		28,395.00	28,395.00	
Clean Communities Grant		14,399.79	14,399.79	
Click it or Ticket Grant		3,800.00	3,800.00	
DOT Grant- Goodale Road		165,000.00	123,750.00	41,250.00
Body Armor Replacement Fund		1,522.49	1,522.49	
Drunk Driving Enforcement Fund		3,780.00	3,780.00	
Uniform Fire Safety Act		6,000.15	6,000.15	
	<u>\$ 4,517.36</u>	<u>\$ 1,005,665.36</u>	<u>\$ 963,772.84</u>	<u>\$ 46,409.88</u>

Ref. A

A

TOWNSHIP OF ANDOVER
CURRENT FUND
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE
YEAR ENDED DECEMBER 31, 2011

NOT APPLICABLE

TOWNSHIP OF ANDOVER
CURRENT FUND
SCHEDULE OF 2010 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2011

	<u>Balance</u> <u>Dec. 31, 2010</u>	<u>Balance After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
GENERAL GOVERNMENT:				
General Administration:				
Salaries & Wages	\$ 3.30	\$ 3.30		\$ 3.30
Other Expenses	340.70	340.70	\$ 107.97	232.73
Mayor & Council:				
Salaries & Wages	5,159.04	5,159.04		5,159.04
Other Expenses	185.32	185.32		185.32
Municipal Clerk:				
Salaries & Wages	5.49	5.49		5.49
Other Expenses	5,429.56	5,429.56	3,329.45	2,100.11
Financial Administration:				
Salaries & Wages	9,344.54	9,344.54	120.00	9,224.54
Other Expenses	2,753.87	2,753.87	2,712.43	41.44
Data Processing:				
Other Expenses	2,140.51	2,140.51		2,140.51
Revenue Administration (Tax Collection):				
Salaries & Wages	600.13	600.13		600.13
Other Expenses	868.49	868.49	30.16	838.33
Tax Assessment Administration:				
Salaries & Wages	471.28	471.28		471.28
Other Expenses	2,191.54	2,191.54	2,191.54	
Legal Services and Costs:				
Other Expenses	24,928.05	24,928.05	10,903.65	14,024.40
Professional Services - Township:				
Other Expenses	366.50	366.50		366.50
Engineering Services and Costs:				
Other Expenses	6,143.75	6,143.75	1,158.75	4,985.00
Municipal Prosecutor:				
Other Expenses	3,200.00	3,200.00	3,000.00	200.00
Environmental Commission (R.S. 71:56A-1 et seq):				
Other Expenses	600.71	600.71		600.71
Municipal Land Use Law:				
Planning Board:				
Salaries & Wages	1,447.20	1,447.20	1,197.82	249.38
Other Expenses	1,104.91	1,104.91	146.61	958.30
Zoning Officer:				
Salaries & Wages	203.16	203.16		203.16
Other Expenses	116.50	116.50		116.50
Police:				
Salaries & Wages	5,297.44	5,297.44	5,257.12	40.32
Other Expenses	5,140.36	5,140.36	2,515.72	2,624.64
Dispatch:				
Salaries & Wages	14,490.80	14,490.80	13,467.51	1,023.29
Other Expense	733.85	733.85		733.85

TOWNSHIP OF ANDOVER
CURRENT FUND
SCHEDULE OF 2010 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2011

	<u>Balance</u> <u>Dec. 31, 2010</u>	<u>Balance After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
PUBLIC SAFETY:				
Emergency Management Services:				
Other Expenses	\$ 250.00	\$ 250.00		\$ 250.00
Fire Prevention:				
Salaries & Wages	417.64	417.64		417.64
Other Expenses	132.79	132.79		132.79
Municipal Court:				
Salaries & Wages	2,597.53	2,597.53	\$ 300.00	2,297.53
Other Expenses	2,005.67	2,005.67	1,821.99	183.68
PEOSHA:				
Fire Department:				
Other Expenses	165.73	165.73		165.73
Air Bottles for AFD	1,800.00	1,800.00		1,800.00
STREETS AND ROADS:				
Public Works Department:				
Salaries & Wages	9,477.45	9,477.45		9,477.45
Other Expenses	44,219.87	44,219.87	17,305.22	26,914.65
Public Building and Grounds:				
Other Expenses	4,577.15	4,577.15	1,395.82	3,181.33
Garbage Removal Contractual	52,621.98	52,621.98	51,943.86	678.12
HEALTH AND WELFARE:				
Board of Health:				
Salaries & Wages	496.68	496.68	78.00	418.68
Other Expenses	47.40	47.40		47.40
RECREATION AND EDUCATION:				
Parks and Playground:				
Salaries & Wages	567.46	567.46		567.46
Other Expenses	5,187.23	5,187.23	6.50	5,180.73
Other Expenses - Park Maintenance	25.87	25.87		25.87
Celebration of Public Events:				
Other Expenses	1,088.85	1,088.85		1,088.85
UNIFORM CONSTRUCTION CODE:				
State Uniform Construction Code:				
Salaries & Wages	3,877.69	3,877.69	846.83	3,030.86
Other Expenses	456.92	456.92	43.50	413.42
UNCLASSIFIED:				
Street Lighting	1,016.13	1,016.13	167.97	848.16
Reserve for Sick Leave	1,922.52	1,922.52		1,922.52
Utilities	9,987.22	9,987.22	4,053.79	5,933.43
Contingent	5,000.00	5,000.00		5,000.00

TOWNSHIP OF ANDOVER
CURRENT FUND
SCHEDULE OF 2010 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2011

	<u>Balance</u> <u>Dec. 31, 2010</u>	<u>Balance After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
Contributions to:				
Social Security System (O.A.S.I.)	\$ 13,855.11	\$ 13,855.11	\$ 421.70	\$ 13,433.41
Group Insurance Plans for Employees	24,195.80	24,195.80		24,195.80
General Liability Insurance	969.87	969.87		969.87
Worker's Compensation	122.56	122.56		122.56
Economic Development Committee:				
Other Expenses	1,329.68	1,329.68		1,329.68
State and Federal Programs Offset by Revenues:				
Reserve for Drunk Driving Enforcement Fund	10,055.12	10,055.12	10,055.12	
Reserve for Recycling Tonnage Grant	4,521.15	4,521.15	4,521.15	
Clean Communities	10,681.50	10,681.50	10,681.50	
Body Armor Replacement Fund	1,446.70	1,446.70	1,446.70	
Energy Audit Grant	6,794.00	6,794.00	6,794.00	
	<u>\$ 315,178.27</u>	<u>\$ 315,178.27</u>	<u>\$ 158,022.38</u>	<u>\$ 157,155.89</u>

Ref.

Analysis of Balance @ 12/31/2010

Unencumbered	A \$ 195,266.91
Encumbered	A <u>119,911.36</u>
	<u>\$ 315,178.27</u>

Cash Disbursed	\$ 108,844.83
Transfer to Snow Reserve	5,000.00
Transfer to Accumulated Sick Reserve	15,000.00
Transfer to Appropriated Grant Reserves:	
Body Armor Replacement Fund	1,446.70
Recycling Tonnage Grant	4,521.15
Drunk Driving Enforcement Fund	6,571.88
Energy Audit Grant	6,794.00
Clean Communities	10,681.50
Appropriation Reserve Refunds	<u>(837.68)</u>
	<u>\$ 158,022.38</u>

TOWNSHIP OF ANDOVER
CURRENT FUND
SCHEDULE OF REGIONAL SCHOOL DISTRICT TAXES PAYABLE
YEAR ENDED DECEMBER 31, 2011

Increased by:

Levy - Calendar Year 2011

\$ 11,031,750.29

Decreased by:

Payments to Regional School District

\$ 11,031,750.29

TOWNSHIP OF ANDOVER
COUNTY OF SUSSEX
2011
TRUST FUNDS

TOWNSHIP OF ANDOVER
TRUST FUNDS
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	<u>Animal Control Fund</u>	<u>Other Trust Funds</u>
Balance December 31, 2010	B	\$ 5,546.43	\$ 569,963.74
Increased by Receipts:			
Township Dog License Fees		\$ 7,622.80	
Penalties on Dog License Fees		702.00	
Interest on Deposits		34.17	
State Dog License Fees		1,747.20	
Unemployment Insurance Deposits			\$ 17,802.59
Coalition of Affordable Housing Trust Deposits			63.45
Open Space Trust Fund:			
Open Space Levy			61,599.08
Sussex County Open Space			1,000.00
Interest on Deposits			235.51
Special Deposits			111,667.65
Escrow - Recreation Hall Security			10,975.00
Public Defender			2,747.00
Recreation Trust			2,338.00
Traffic Detail			6,360.62
Parking Offense Adjudication Act			4.00
Fire Safety			1,826.00
Smoke Detector Inspection Fees			3,090.00
Municipal Court Bail Restitution			1,203.00
Due to Current Fund:			
Interest on Deposits			384.04
		10,106.17	
		15,652.60	221,295.94
			791,259.68

TOWNSHIP OF ANDOVER
TRUST FUNDS
SCHEDULE OF CASH - TREASURER

	Animal Control Fund	Other Trust Funds
Decreased by Disbursements:		
Administrative Expenses	\$ 9,699.62	
Due to State of New Jersey	1,747.20	
Unemployment Insurance Expenditures		\$ 6,261.16
Open Space Trust Fund Expenditures		48,462.08
Special Deposit Expenses		121,382.36
Escrow - Recreation Hall Security		13,675.00
Public Defender		8,291.55
Recreation Trust -Softball Tourny		3,598.78
Traffic Detail		6,856.18
Fire Safety		1,500.00
Accumulated Sick		60,068.59
Smoke Detector Inspection Fees - Returned		225.00
	\$ 11,446.82	\$ 270,320.70
Balance December 31, 2011	B \$ 4,205.78	\$ 520,938.98

TOWNSHIP OF ANDOVER
ASSESSMENT TRUST FUND
ANALYSIS OF CASH
YEAR ENDED DECEMBER 31, 2011

NOT APPLICABLE

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

	<u>Ref.</u>	
Balance December 31, 2010	B	\$ 5,803.83
Increased by:		
Dog License Fees:		
Collected in Current Year		\$ 7,622.80
Penalties and Interest		736.17
		8,358.97
		14,162.80
Decreased by:		
Expenditures Under R.S. 4:19-15.11		9,699.62
		9,699.62
Balance December 31, 2011	B	\$ 4,463.18

License Fees Collected

<u>Year</u>	<u>Amount</u>
2009	\$ 7,738.40
2010	7,622.80
	7,622.80
Maximum Allowable Reserve	\$ 15,361.20

TOWNSHIP OF ANDOVER
COUNTY OF SUSSEX
2011
GENERAL CAPITAL FUND

TOWNSHIP OF ANDOVER
GENERAL CAPITAL FUND
SCHEDULE OF CASH

	<u>Ref.</u>	
Balance December 31, 2010	C	\$ 714,484.94
Increased by:		
2011 Budget Appropriations:		
Capital Improvement Fund	·	\$ 1,000.00
Improvement Authorization Refunds		2,909.00
Due From New Jersey Department of Transportation - Skytop Phase III		150,000.00
Due to Current Fund:		
Interest Earned		2,579.11
		<u>156,488.11</u>
		<u>870,973.05</u>
Decreased by:		
Improvement Authorization Expenditures		357,940.58
Reserve for Preliminary Engineering Expenses		2,525.00
Due to Current Fund:		
Interfunds Returned		2,579.11
		<u>363,044.69</u>
Balance December 31, 2011	C	<u>\$ 507,928.36</u>

TOWNSHIP OF ANDOVER
GENERAL CAPITAL FUND
ANALYSIS OF CASH

	Balance/ (Deficit) Dec. 31, 2010	Receipts		Disbursements		Transfers		Balance/ (Deficit) Dec. 31, 2011	
		Budget Appropriation	Miscellaneous	Improvement Authorizations	Miscellaneous	From	To		
Capital Improvement Fund	\$ 21,438.88	\$ 1,000.00				\$ 170,722.17	\$ 170,722.17	\$ 22,438.88	
Due to/from Current Fund			\$ 2,579.11		\$ 2,579.11				
Due from New Jersey Department of Transportation Reserve:	(150,000.00)		150,000.00						
Preliminary Engineering Expenses	3,544.93				2,525.00			1,019.93	
To Pay Debt Service	10,978.00							10,978.00	
Fund Balance	98,687.41							98,687.41	
<u>Ord Date</u>	<u>Improvement Description</u>								
05/08/02	Various Improvements		9,820.09			9,820.09			
08/28/03	Various Capital Improvements		5,181.80			5,181.80			
07/27/05	Various Capital Improvements		69,733.11	\$ 23,937.50		34,736.90		11,058.71	
03/27/07	Improvements to Road Drainage		1,334.59			1,334.59			
05/15/07	Various Recreation Improvements		17,040.21		4,743.63			12,296.58	
09/05/07	Various Capital Improvements		182,275.67	2,909.00	65,545.09			119,639.58	
06/13/08	Various Capital Improvements		2,798.57		1,077.23		1,721.34		
03/23/09	Various Road Improvements		58,506.16			58,506.16			
05/11/09	Various Improvements		42,927.12		3,679.30	36,863.30		2,384.52	
04/26/10	Photovoltaic System for Complex		238,413.75		144,421.05			93,992.70	
05/10/10	Various Capital Improvements		101,804.65		43,043.78	22,557.99		36,202.88	
05/09/11	Various Capital Improvements				71,493.00		170,722.17	99,229.17	
		<u>\$ 714,484.94</u>	<u>\$ 1,000.00</u>	<u>\$ 155,488.11</u>	<u>\$ 357,940.58</u>	<u>\$ 5,104.11</u>	<u>\$ 341,444.34</u>	<u>\$ 341,444.34</u>	<u>\$ 507,928.36</u>

TOWNSHIP OF ANDOVER
GENERAL CAPITAL FUND
SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED
YEAR ENDED DECEMBER 31, 2011

NOT APPLICABLE

TOWNSHIP OF ANDOVER
GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord. No.	Improvement Description	Ordinance		Balance December 31, 2010		2011 Authorizations		Paid or Charged	Cancelled to Capital Improvement Fund	Balance December 31, 2011	
		Date	Amount	Funded	Unfunded	Capital Improvement Fund	Deferred Charges to Future Taxation- Unfunded			Funded	Unfunded
2002-11	Various Improvements	05/08/02	\$ 1,840,000.00	\$ 9,820.09					\$ 9,820.09		
2003-10	Various Capital Improvements	05/30/03	291,000.00								
2003-15	Various Capital Improvements	08/28/03	385,000.00	5,181.80						5,181.80	
2004-10	Various Capital Improvements	06/23/04	83,040.00								
2005-17	Various Capital Improvements	07/27/05	658,900.00	69,733.11				\$ 23,937.50	34,736.90	\$ 11,058.71	
2005-21;		10/26/05	140,000.00								
2007-05	Improvements to Road Drainage	03/27/07	110,000.00	1,334.59					1,334.59		
2006-19	Various Capital Improvements	07/24/06	721,000.00								
2006-27	Various Capital Improvements	12/11/06	25,750.00								
2007-06	Various Recreation Improvements	05/15/07	252,000.00	17,040.21				4,743.63		12,296.58	
2007-13	Various Capital Improvements	09/05/07	525,250.00	182,275.67				62,636.09		119,639.58	
2008-08	Various Capital Improvements	06/13/08	581,000.00	2,798.57				1,077.23	1,721.34		
2009-12	Various Road Improvements	03/23/09	130,900.00	58,506.16					58,506.16		
2009-14	Various Improvements	05/11/09	769,000.00	42,927.12				3,679.30	36,863.30	2,384.52	
2010-04	Photovoltaic System for Complex	04/26/10	250,000.00	238,413.75				144,421.05		93,992.70	
2010-07	Various Capital Improvements	05/10/10	629,000.00	101,804.65				43,043.78	22,557.99	36,202.88	
2011-04	Various Capital Improvements	05/09/11	170,722.17			\$ 170,722.17		71,493.00		99,229.17	
				<u>\$ 729,835.72</u>	<u>\$ -0-</u>	<u>\$ 170,722.17</u>	<u>\$ -0-</u>	<u>\$ 355,031.58</u>	<u>\$ 170,722.17</u>	<u>\$ 374,804.14</u>	<u>\$ -0-</u>
		<u>Ref.</u>		C	C		Cash Disbursed Less: Refunds	\$ 357,940.58 (2,909.00)		C	C
								<u>\$ 355,031.58</u>			

TOWNSHIP OF ANDOVER
GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2010	C	\$ 21,438.88
Increased by:		
Current Fund Budget Appropriation		\$ 1,000.00
Cancellation of Fully Funded Improvement Authorizations		<u>170,722.17</u>
		<u>171,722.17</u>
		193,161.05
Decreased by:		
Appropriated to Finance Improvement Authorizations		<u>170,722.17</u>
Balance December 31, 2011	C	<u>\$ 22,438.88</u>

TOWNSHIP OF ANDOVER
GENERAL CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE
YEAR ENDED DECEMBER 31, 2011

NOT APPLICABLE

TOWNSHIP OF ANDOVER
GENERAL CAPITAL FUND
SCHEDULE OF LOAN PAYABLE
YEAR ENDED DECEMBER 31, 2011

NOT APPLICABLE

TOWNSHIP OF ANDOVER
GENERAL CAPITAL FUND
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED
YEAR ENDED DECEMBER 31, 2011

NOT APPLICABLE

TOWNSHIP OF ANDOVER

PART II

SINGLE AUDIT

YEAR ENDED DECEMBER 31, 2011

TOWNSHIP OF ANDOVER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011

Federal Funding Department	Federal Program	CFDA #	Pass Through Entity ID	Grant Number	Grant Period		Grant Award Amount	Grant Receipts	Amount of Expenditures	Cumulative Expenditures
					From	To				
U.S. Department of Transportation (Passed through New Jersey Department of Transportation)	State Highway Projects	20.205	6320-480-078-6320 AIH-TCAP-6010	Skytop Phase III	01/01/10	12/31/11	\$ 150,000.00	\$ 150,000.00		150,000.00
	State Highway Projects	20.205	6320-480-078-6320 AIH-TCAP-6010	N.J. DOT Grant- Goodale Road	01/01/11	12/31/12	165,000.00	123,750.00	\$ 69,860.88	69,860.88
	Click-It Ticket	20.614	100-066-1160- 113-YHTS-6120	N/A	01/01/11	12/31/12	3,800.00	3,800.00		
Sub Total Department of Transportation								277,550.00	69,860.88	219,860.88
Environmental Protection Agency: (Passed through New Jersey Department of Environmental Protection)	Stormwater Management - Municipalities	4801-100-042-4801 66.454	44-VB78-6110	N/A	01/01/11	12/31/11	2,117.00		497.00	497.00
Sub Total Environmental Protection Agency									497.00	497.00
TOTAL FEDERAL AWARDS								<u>\$ 277,550.00</u>	<u>\$ 70,357.88</u>	<u>\$ 220,357.88</u>

N/A- Not Available

SEE NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

TOWNSHIP OF ANDOVER
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011

New Jersey Agency or Department	Name of Program	State Grant Award Number	Grant Period		Grant Award	Amount Received	Amount of Expenditures	Cumulative Expenditures
			From	To				
Department of Environmental Protection	Clean Communities Act	765-042-4900- 004-V42Y-6020	01/01/09	12/31/11	\$ 17,546.25		\$ 10,119.25	\$ 15,762.25
			01/01/10	12/31/12	14,399.79	\$ 14,399.79		
	Recycling Tonnage Grant	452-042-4900 001-V42Y	01/01/09	12/31/12	6,359.34		1,592.00	3,068.16
			01/01/10	12/31/12	12,290.16	12,290.16		
			01/01/11	12/31/12	13,571.37	13,571.37		
Subtotal - Department of Environmental Protection						40,261.32	11,711.25	18,830.41
Department of Law and Public Safety	Drunk Driving Enforcement Fund	100-078-6400- 260-YYYY	01/01/09	12/31/12	16,583.19		12,404.56	12,404.59
			01/01/11	12/31/12	3,780.00	3,780.00	1,225.90	1,225.90
			01/01/11	12/31/12	523.38	523.38		
	Body Armor Replacement Fund	718-066-1020 001-YCJS-6120	01/01/10	12/31/11	1,522.49	1,522.49	1,522.49	1,522.49
Subtotal - Department of Law and Public Safety						5,825.87	15,152.95	15,152.98
TOTAL STATE AWARDS						\$ 46,087.19	\$ 26,864.20	\$ 33,983.39

SEE NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

TOWNSHIP OF ANDOVER
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED DECEMBER 31, 2011

Note 1. GENERAL

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

Note 2. BASIS OF ACCOUNTING

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

Note 3. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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



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

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

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

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

We have audited the financial statements of the Township of Andover, in the County of Sussex (the "Township") as of and for the years ended, December 31, 2011 and 2010 and have issued our report thereon dated April 24, 2012 which indicated that the financial statements have been prepared on an other comprehensive basis of accounting. That report also indicated that the scope of our audit did not include the general fixed assets account group. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Responses as Finding 2011-01 that we consider to be a significant deficiency in internal control over financial reporting. 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.

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

Compliance and Other Matters

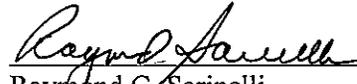
As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we reported to management in the comments and recommendations section of this report.

The Township's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit the Township's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Mayor and Members of the Township Committee, and to meet the requirements for filing with the Division of Local Government Services, and federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Mount Arlington, New Jersey
April 24, 2012

NISIVOC CIA LLP



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

TOWNSHIP OF ANDOVER
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2011

Summary of Auditors' Results:

- A qualified report was issued on the Township's financial statements prepared on another comprehensive basis of accounting as the scope of our audit did not include the general fixed assets account group.
- The audit did not disclose any material weaknesses in the internal controls of the Township.
- The audit did not disclose any noncompliance that is material to the financial statements of the Township.
- The Township was not subject to the single audit provisions of Federal OMB Circular A-133 and New Jersey's OMB Circular NJOMB-04-04 *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* for 2011 as grant expenditures were less than the single audit thresholds of \$500,000 identified in the Circulars.

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

- The audit did not disclose any findings required to be reported under Generally Accepted Government Auditing Standards, except as follows:

Finding 2011-1

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

Management's Response

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

Findings and Questioned Costs for Federal Awards:

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

Findings and Questioned Costs for State Awards:

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

TOWNSHIP OF ANDOVER
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2011

The prior year audit finding regarding segregation of duties has not been resolved and is included as finding 2011-1.

TOWNSHIP OF ANDOVER

PART III

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2011

TOWNSHIP OF ANDOVER
COMMENTS AND RECOMMENDATIONS

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

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

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

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

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

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

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

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

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

TOWNSHIP OF ANDOVER
COMMENTS AND RECOMMENDATIONS
(Continued)

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

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

Collection of Interest on Delinquent Taxes and Assessments

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

On January 1, 2011 the governing body adopted the following resolution authorizing interest to be charged on delinquent taxes charges:

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

On all delinquents to and including December 31, 2011, at the rate or rates heretofore governing, and on all delinquents on and after January 1, 2011 at the rate of 8% per annum for and upon the first \$1,500 of the delinquency, the rate of 18% per annum for and upon any amount of the delinquency in excess of \$1,500, and the rate of 6% per annum for and upon any amount in excess of \$10,000; and that a grace period of 10 days will be allowed on taxes due February 1, May 1, August 1, and November 1. If taxes are not paid by the 10th, interest shall be charged from the due date.

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

Delinquent Taxes and Tax Title Liens

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

Year	Tax Title Liens
2011	11
2010	9
2009	12

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

Verification of Delinquent Taxes and Other Charges

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

Type	Number Mailed
Payment of 2012 Taxes	20
Payment of 2011 Taxes	20
Delinquent Taxes	15
Tax Title Liens	1

TOWNSHIP OF ANDOVER
COMMENTS AND RECOMMENDATIONS
(Continued)

Payroll

Our review of the records of the Payroll account revealed that the analysis of payroll agency is not utilized to prepare the monthly reconciliations of the payroll agency account. As a result, the reconciled balance and the balance on the agency spreadsheet were not in agreement at year end.

It is recommended that monthly bank reconciliations be prepared with the detailed analysis of agency receipts and disbursements to ensure both the accuracy of the bank reconciliation and the detail of the balance by the various agencies.

Management's Response

The Township will take steps in 2012, to ensure that all procedures are properly completed.

Municipal Court

The report of the Municipal Court has been forwarded to the Division of Local Government Services and the Township's Magistrate under separate cover. Reflected below is a summary of receipts and disbursements for the year ended December 31, 2011.

RECEIPTS AND DISBURSEMENTS FOR THE YEAR ENDED DECEMBER 31.

<u>AGENCY</u>	<u>BALANCE</u> 12/31/	<u>CASH</u> <u>RECEIVED</u>	<u>CASH</u> <u>DISBURSED</u>	<u>BALANCE</u> 12/31/
State of New Jersey	\$ 2,640.14	\$ 52,885.10	\$ 53,227.12	\$ 2,298.12
County of Sussex	2,498.00	37,172.00	37,549.00	2,121.00
Township of Andover	4,517.36	84,862.40	84,219.88	5,159.88
Township of Andover - POAA		4.00	4.00	
Interest	3.64	28.97	30.93	1.68
Fish and Game	100.00	350.00	315.00	135.00
Parks and Forest		250.00	250.00	
Conditional Discharge	42.00	1,668.00	1,585.00	125.00
Restitution		1,142.00	1,388.00	(246.00)
Public Defender	525.00	2,447.00	2,947.00	25.00
Miscellaneous	163.03		163.03	
TOTAL	<u>\$ 10,489.17</u>	<u>\$ 180,809.47</u>	<u>\$ 181,678.96</u>	<u>\$ 9,619.68</u>

Our review of the records of the municipal court revealed several items that were still open that we had noted during the course of the past several years. Both, the Regular Account and Bail Account were not being properly reconciled on a monthly basis; payments to various agencies were not being made by the 15th of the following month; several payments to the various agencies were exceeding receipts for those agencies during the year; and the analysis of the bail on hand was not in agreement with the bank reconciliation. However, during the year 2011 the Township added new personnel who worked on implementing our previous recommendations to make sure the court runs properly in the future. As a corrective action has either been implemented or is in the process of being implemented, no formal recommendations are deemed necessary for the year ending December 31, 2011.

TOWNSHIP OF ANDOVER
COMMENTS AND RECOMMENDATIONS
(Continued)

Fixed Asset Accounting and Reporting Records

During the year, the Township did not update their records of additions and deletions with the appraisal report. Items were not recorded so there is not an accurate listing of Township assets. It is recommended that the Township update their assets listing and properly record any additions or deletions during the year.

Management's Response

The fixed assets accounting and reporting records will be updated in 2012.

Land Use Board

During our review of miscellaneous revenue, it was identified that amounts being received by the Land Use Board are not being turned over to the Treasurer regularly and that proper documentation is not being submitted when funds are remitted to the Treasurer.

It is recommended that Land Use Board fees be recorded, turned over to the Treasurer and deposited in a timely manner, and include proper documentation.

Management's Response

Administration will ensure that proper procedures and oversight will be implemented to ensure that receipts are recorded, turned over to the Treasurer and deposited in a timely manner.

TOWNSHIP OF ANDOVER
SUMMARY OF RECOMMENDATIONS

It is recommended that:

1. The Township examine its policies and procedures in order to mitigate its segregation of duties finding.
2. Monthly bank reconciliations be prepared with the detailed analysis of payroll agency receipts and disbursements to ensure both the accuracy of the bank reconciliation and the detail of the balance by various agency.
3. The Township update their fixed assets listing and properly record any additions or deletions during the year.
4. All Land Use Board fees be recorded, turned over to the Treasurer and deposited in a timely manner, and include proper documentation.

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