

REPORT OF AUDIT
BOROUGH OF ANDOVER
COUNTY OF SUSSEX
DECEMBER 31, 2021

BOROUGH OF ANDOVER, N.J.

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BOROUGH OF ANDOVER

PART I

REPORT OF AUDIT ON FINANCIAL STATEMENTS

AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2021



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

Adverse Opinion on U.S. Generally Accepted Accounting Principles

We have audited the accompanying balance sheets – regulatory basis of the various funds and account group of the Borough of Andover in the County of Sussex, as of December 31, 2021 and 2020, the related statement of operations and changes in fund balance – regulatory basis for the years then ended, and the related statement of revenues -regulatory basis and the statement of expenditures – regulatory basis of the various funds for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the accompanying financial statements referred to above do not present fairly the financial position of each fund of the Borough of Andover as of December 31, 2021 and 2020, or changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") and Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Borough of Andover, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion.



Honorable Mayor and
Members of the Borough Council
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As described in Note 1 of the financial statements, the financial statements are prepared by the Borough of Andover on the basis of the financial reporting provisions prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of New Jersey.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above, present fairly, in all material respects, the regulatory basis balances sheets and account group as of December 31, 2021 and 2020, the regulatory basis statements of operations for the years then ended and the regulatory basis statements of revenues and expenditures and changes in fund balance for the year ended December 31, 2021 in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Borough of Andover's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.



In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Borough's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Other Information

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

The supplementary information listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance



Honorable Mayor and
Members of the Borough Council
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with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2022 on our consideration of the Borough of Andover's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of Andover's internal control over financial reporting and compliance.



Steven D. Wielkotz, C.P.A.
Registered Municipal Accountant
No. CR00413



WIELKOTZ & COMPANY, LLC
Certified Public Accountants
Pompton Lakes, New Jersey

August 22, 2022



Borough of Andover, N.J.
Comparative Balance Sheet - Regulatory Basis

Current Fund

December 31,

	<u>Ref.</u>	<u>2021</u>	<u>2020</u>
<u>Assets</u>			
Current Fund:			
Cash	A-4	470,463.37	545,574.40
		<u>470,463.37</u>	<u>545,574.40</u>
Due From State of New Jersey:			
Senior Citizen and Veteran Deductions	A-9	1,557.29	1,807.29
		<u>472,020.66</u>	<u>547,381.69</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Taxes Receivable	A-5	63,488.38	58,582.90
Tax Title Liens Receivable	A-6	44,806.54	47,806.27
Property Acquired for Taxes -			
Assessed Valuation	A-7	391,400.00	391,400.00
Interfund Receivables:			
Federal and State Grants Receivable	A-10		21,355.03
Animal Control Trust Fund	A-10	68.40	
General Capital Fund	A-10	144,880.64	3,250.00
Water Operating Fund	A-10	6,440.98	
		<u>651,084.94</u>	<u>522,394.20</u>
Deferred Charges:			
Operating Deficit	A-23	7,986.52	
		<u>1,131,092.12</u>	<u>1,069,775.89</u>
Federal and State Grant Fund:			
Cash			
Grants Receivable	A-18	179,091.59	162,990.48
Due From Current Fund	A-17	5,063.57	
		<u>184,155.16</u>	<u>162,990.48</u>
		<u>1,315,247.28</u>	<u>1,232,766.37</u>

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

Borough of Andover, N.J.

Comparative Balance Sheet - Regulatory Basis

Current Fund

December 31,

	<u>Ref.</u>	<u>2021</u>	<u>2020</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Current Fund:			
Appropriation Reserves:	A-3;A-11	86,563.24	98,357.29
Reserve for Encumbrances	A-11;A-21	7,774.99	23,751.19
Interfunds Payable:			
Federal and State Grant Fund	A-10	5,063.57	
Animal Control Trust Fund	A-10		265.80
Water Operating Fund	A-10		1,779.50
Tax Overpayments	A-12	11,113.44	14,484.15
Accounts Payable	A-12	19,294.87	
Due To State of New Jersey:			
Training Fees	A-12	460.00	521.00
Marriage Surcharge	A-12	25.00	
Reserve for:			
Master Plan	A-12	8,507.79	8,507.79
Liquidation of Tax Title Liens	A-12	5,000.00	5,000.00
Revaluation	A-12	5,000.00	5,000.00
Payroll Deductions Payable			
Prepaid Taxes	A-13	10,940.70	2,133.36
County Taxes Payable	A-14	699.63	17.66
		<u>160,443.23</u>	<u>159,817.74</u>
Reserve for Receivables	Contra	651,084.94	522,394.20
Fund Balance	A-1	319,563.95	387,563.95
		<u>1,131,092.12</u>	<u>1,069,775.89</u>
Federal and State Grant Fund:			
Interfund Payable - Current Fund	A-17		21,355.03
Appropriated Reserve for Grants	A-19	182,832.65	141,634.94
Unappropriated Reserves	A-20	0.51	0.51
Encumbrances Payable	A-22	1,322.00	
		<u>184,155.16</u>	<u>162,990.48</u>
		<u>1,315,247.28</u>	<u>1,232,766.37</u>

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

Borough of Andover, N.J.

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

Current Fund

Year Ended December 31,

	<u>Ref.</u>	<u>2021</u>	<u>2020</u>
Revenues and Other Income:			
Fund Balance Utilized	A-2	68,000.00	68,000.00
Miscellaneous Revenue Anticipated	A-2	203,844.41	516,609.76
Receipts from Delinquent Taxes	A-2	65,537.35	35,043.67
Receipts from Current Taxes	A-2	1,882,100.86	1,953,500.42
Non-Budget Revenue	A-2	38,646.08	22,328.63
Other Credits to Income:			
Interfunds Returned	A-10	24,605.03	7,351.25
Statutory Excess-Animal Control Trust Fund	A-10	400.00	
Unexpended Balance of			
Appropriation Reserves	A-11	49,864.16	39,194.20
Various Reserves Canceled			1,441.03
Total Revenues and Other Income		<u>2,332,997.89</u>	<u>2,643,468.96</u>
Expenditures:			
Budget and Emergency Appropriations:			
Operations - Within Caps:			
Salaries and Wages	A-3	156,690.00	140,434.00
Other Expenses	A-3	197,989.00	198,752.00
Deferred Charges and Statutory			
Expenditures - Municipal - Within Caps	A-3	30,967.00	23,235.00
Operations - Excluded From CAPS:			
Salaries and Wages	A-3	13,796.00	13,797.00
Other Expenses	A-3	89,335.65	110,353.00
Capital Improvements - Excluded from Caps	A-3	72,750.00	384,500.00
Municipal Debt Service - Excluded from Caps	A-3	2,220.00	28,350.00
Deferred Charges and Statutory			
Expenditures - Municipal - Outside Caps	A-3	20,000.00	
Interfund Advances	A-10	151,390.02	24,605.03
County Taxes including Added Taxes	A-14	374,391.39	400,783.85
Local and Regional School Taxes	A-15	1,211,272.00	1,261,385.00
Municipal Open Space Taxes	A-16	20,183.35	20,198.86
Total Expenditures		<u>2,340,984.41</u>	<u>2,606,393.74</u>
Statutory Excess to Fund Balance	A-23	<u>(7,986.52)</u>	<u>37,075.22</u>
Deficit in Operations to be raised in Budget of Succeeding Year		<u>7,986.52</u>	
Fund Balance, January 1,	A;A-1	<u>387,563.95</u>	<u>418,488.73</u>
		387,563.95	455,563.95
Decreased by:			
Fund Balance Utilized as Budget Revenue		68,000.00	68,000.00
Fund Balance, December 31,	A	<u>319,563.95</u>	<u>387,563.95</u>

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

Borough of Andover, N.J.

Statement of Revenues - Regulatory Basis

Current Fund

Year Ended December 31, 2021

	<u>Ref.</u>	<u>Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Fund Balance Anticipated	A-1	<u>68,000.00</u>	<u>68,000.00</u>	
Miscellaneous Revenues:				
Licenses:				
Alcoholic Beverages	A-8	890.00	891.88	1.88
Fines and Costs:				
Municipal Court	A-8	1,700.00	930.88	(769.12)
Energy Receipts Tax	A-8	127,232.00	127,232.00	
Uniform Construction Code Fees	A-8	8,000.00	11,703.00	3,703.00
Land Use/Zoning Secretary Sandyston Township	A-8	17,054.00	17,385.00	331.00
Public and Private Revenues:				
NJ Transportation Trust Fund	A-18	29,750.00	29,750.00	
Recycling Tonnage Grant	A-18	11,951.65	11,951.65	
Clean Communities	A-18	4,000.00	4,000.00	
Total Miscellaneous Revenues	A-1	<u>200,577.65</u>	<u>203,844.41</u>	<u>3,266.76</u>
Receipts from Delinquent Taxes	A-1;A-2	<u>48,000.00</u>	<u>65,537.35</u>	<u>17,537.35</u>
Subtotal General Revenues		<u>316,577.65</u>	<u>337,381.76</u>	<u>20,804.11</u>
Amount to be Raised by Taxes for Support of Municipal Budget-Local Tax for Municipal Purposes				
Including Reserve for Uncollected Taxes	A-2	<u>349,437.00</u>	<u>358,521.12</u>	<u>9,084.12</u>
Budget Totals		<u>666,014.65</u>	<u>695,902.88</u>	<u>29,888.23</u>
Non-Budget Revenue	A-1;A-2	<u>666,014.65</u>	<u>38,646.08</u>	<u>38,646.08</u>
		<u>666,014.65</u>	<u>734,548.96</u>	<u>68,534.31</u>
	A-3			

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

Borough of Andover, N.J.

Statement of Revenues - Regulatory Basis

Current Fund

Year Ended December 31, 2021

<u>Analysis of Realized Revenues</u>	<u>Ref.</u>		
Revenue from Collections	A-1;A-5	1,882,100.86	
Allocated to School and County Taxes	A-5	<u>1,605,846.74</u>	
Balance for Support of Municipal Budget Appropriations		276,254.12	
Add : Appropriation - Reserve for Uncollected Taxes	A-3	<u>82,267.00</u>	
Amount for Support of Municipal Budget Appropriations	A-2	<u><u>358,521.12</u></u>	
Receipts from Delinquent Taxes:			
Delinquent Taxes			
Taxes Receivable	A-5	56,913.57	
Tax Title Liens Receivable	A-6	<u>8,623.78</u>	
	A-2	<u><u>65,537.35</u></u>	
<u>Analysis of Non-Budget Revenues</u>			
	<u>Ref.</u>		
Miscellaneous Revenues Not Anticipated:			
Revenues Accounts Receivable:			
Clerk/Board of Health/Land Use/Zoning	A-8	7,715.00	
Tax Collector / Interest & Costs on Taxes	A-8	14,848.61	
Interest on Investments	A-8	<u>531.84</u>	
		23,095.45	
Cable T.V. Franchise Fee		1,717.00	
Miscellaneous		1,709.63	
Vacant Property		12,000.00	
Vet. & Sr. Citizen Admin. Fees		<u>124.00</u>	
	A-4	15,550.63	
	A-2	<u><u>38,646.08</u></u>	

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

Borough of Andover, N.J.
Statement of Expenditures - Regulatory Basis
Current Fund
Year Ended December 31, 2021

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
Operations - within "CAPS"						
General Government:						
Mayor and Committee		19,175.00	19,339.00	19,338.23	0.77	
Salaries and Wages						
Other Expenses		2,700.00	2,700.00	2,483.17	216.83	
Municipal Clerk						
Salaries and Wages		51,435.00	52,060.93	52,060.93		
Other Expenses		7,740.00	8,740.00	8,631.19	108.81	
Financial Administration						
Salaries and Wages		17,340.00	18,785.99	18,785.99		
Other Expenses		4,200.00	3,200.00	2,449.26	750.74	
Audit Services		14,900.00	14,900.00		14,900.00	
Computer Services		8,500.00	8,500.00	8,202.97	297.03	
Collection of Taxes						
Salaries and Wages		1,700.00	1,700.39	1,700.39		
Other Expenses						
Assessment of Taxes						
Salaries and Wages		12,412.00	12,412.33	12,412.33		
Other Expenses		650.00	650.00	650.00		
Revaluation		5,000.00	5,000.00	120.13	4,879.87	
Legal Services and Costs						
Other Expenses		11,000.00	11,000.00	2,123.59	8,876.41	
Engineering Services and Costs						

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

Borough of Andover, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2021

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
Other Expenses		5,000.00	6,400.00	4,819.63	1,580.37	
Municipal Land Use Law (N.J.S.A. 40:55 D-1 Et Seq..)						
Salaries and Wages		7,077.00	7,077.00	7,076.77	0.23	
Other Expenses		4,250.00	4,250.00	4,108.90	141.10	
Master Plan/Housing		6,000.00	6,000.00		6,000.00	
Code Enforcement						
Salaries and Wages		5,254.00	6,375.00	6,375.00		
Other Expenses		300.00	500.00	402.86	97.14	
Insurance						
General Liability		32,098.00	32,098.00	32,098.00		
Fire Department ESIP Insurance		4,210.00	4,210.00	4,199.00	11.00	
Worker's Compensation Insurance		5,386.00	5,386.00	4,716.00	670.00	
Police:						
Salaries and Wages Crossing Guards		4,774.00	4,326.27	3,634.00	692.27	
Other Expenses Crossing Guards		500.00	300.00		300.00	
Emergency Management Services:						
Salaries and Wages		672.00	673.00	672.20	0.80	
Other Expenses		600.00	599.00	458.00	141.00	
Public Safety:						
Aid to Volunteer Fire Co. - Contribution		6,000.00	6,000.00	6,000.00		
Aid to Volunteer Fire Co.- Fire Equipment Maintenance		15,000.00	15,000.00	8,222.09	6,777.91	
First Aid Organization - Contribution		4,000.00	4,000.00	4,000.00		

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

Borough of Andover, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2021

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
Uniform Fire Safety Act (Ch. 383, P.L. 1983):						
Fire Official						
Salaries and Wages		850.00	850.00	805.00	45.00	
Other Expenses		10.00	10.00		10.00	
Streets and Roads:						
Road Equipment Repair & Maintenance		10,000.00	8,600.00	440.00	8,160.00	
Sanitation:						
Garbage Collection (P.L. 1987 - Ch. 74)		11,000.00	11,000.00	10,887.84	112.16	
Recycling						
Other Expenses		6,000.00	6,000.00	5,904.00	96.00	
Public Buildings and Grounds						
Salaries and Wages		4,804.00	4,804.00	4,119.62	684.38	
Other Expenses		7,000.00	7,700.00	7,293.82	406.18	
Health and Welfare						
Board of Health						
Salaries and Wages		1,172.00	1,172.02	1,172.02		
Other Expenses		700.00	700.00	357.34	342.66	
Animal Control						
Salaries and Wages		3,098.00	3,098.00	2,934.00	164.00	
Other Expenses		200.00	36.00		36.00	
Parks and Playgrounds						
Salaries and Wages		13,120.00	8,874.07	8,847.00	27.07	
Other Expenses		4,700.00	6,300.00	5,864.96	435.04	

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

Borough of Andover, N.J.
Statement of Expenditures - Regulatory Basis
Current Fund
Year Ended December 31, 2021

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
Celebration of Public Events						
Other Expenses		1,700.00	1,700.00	695.61	1,004.39	
Electricity		13,000.00	12,300.00	11,569.59	730.41	
Telephone		2,000.00	1,200.00	723.39	476.61	
Natural Gas		3,000.00	3,000.00	2,300.48	699.52	
State Uniform Construction Code:						
Construction Code Official/Building Inspector		10,192.00	10,192.00	10,191.85	0.15	
Salaries and Wages		10.00	10.00		10.00	
Other Expenses						
Plumbing Sub Code Official		1,700.00	2,400.00	2,380.00	20.00	
Salaries and Wages						
Fire Sub Code Official		850.00	850.00	525.00	325.00	
Salaries and Wages						
Electrical Sub Code Official		1,700.00	1,700.00	1,295.00	405.00	
Salaries and Wages						
Unclassified:						
Municipal Alliance		500.00				
Total Operations Within "CAPS"		355,179.00	354,679.00	294,047.15	60,631.85	
Within "CAPS"		355,179.00	354,679.00	294,047.15	60,631.85	
Detail:						
Salaries and Wages	A-1	157,325.00	156,690.00	154,325.33	2,364.67	
Other Expenses	A-1	197,854.00	197,989.00	139,721.82	58,267.18	

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

Borough of Andover, N.J.
Statement of Expenditures - Regulatory Basis
Current Fund
Year Ended December 31, 2021

	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
<u>General Appropriations</u>						
Deferred Charges and Statutory Expenditures-						
Municipal Within "CAPS"						
Statutory Expenditures						
Contribution to:						
Public Employees' Retirement System		12,037.00	12,037.00	12,037.00		
Social Security System (O.A.S.I.)		18,830.00	18,830.00	13,723.22	5,106.78	
Unemployment Compensation Insurance		100.00	100.00	51.12	48.88	
Total Deferred Charged and Statutory						
Expenditures - Municipal within "CAPS"	A-1	30,967.00	30,967.00	25,811.34	5,155.66	
 Total General Appropriations for Municipal						
Purposes within "CAPS"		386,146.00	385,646.00	319,858.49	65,787.51	
Operations - Excluded From "CAPS"						
Interlocal Municipal Service Agreements:						
"911" Dispatching Communications						
Other Expenses		8,000.00	8,000.00	8,000.00		
County of Sussex						
Road Repairs and Maintenance						
Other Expenses		27,000.00	27,000.00	6,347.03	20,652.97	
Municipal Court - Andover Township						
Other Expenses		25,500.00	25,500.00	25,500.00		
Land Use/Zoning Secretary						
Sandyston Township - Salaries and Wages		13,796.00	13,796.00	13,795.93	0.07	

Borough of Andover, N.J.
Statement of Expenditures - Regulatory Basis
Current Fund
Year Ended December 31, 2021

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
Financial Administration						
Wantage Township - Other Expense						
Tax Collector - Wantage Township		12,384.00	12,384.00	12,384.00		
Other Expenses						
COVID 19						
Total Other Operations - Excluded From "CAPS"		<u>86,680.00</u>	<u>86,680.00</u>	<u>66,026.96</u>	<u>20,653.04</u>	
Public and Private Programs Offset By Revenues						
Municipal Alliance on Drug and Alcohol Abuse						
Local Share			500.00	377.31	122.69	
Recycling Tonnage Grant- Reserve						
Other Expenses			11,951.65	11,951.65		
State of N.J. Clean Communities Grant						
Other Expenses		<u>4,000.00</u>	<u>4,000.00</u>	<u>4,000.00</u>		
Total Public and Private Programs Offset						
By Revenues		<u>4,000.00</u>	<u>16,451.65</u>	<u>16,328.96</u>	<u>122.69</u>	
Total Operations - Excluded from "CAPS"		<u>90,680.00</u>	<u>103,131.65</u>	<u>82,355.92</u>	<u>20,775.73</u>	
Detail:						
Salaries and Wages	A-1	<u>13,796.00</u>	<u>13,796.00</u>	<u>13,795.93</u>	<u>0.07</u>	
Other Expenses	A-1	<u>76,884.00</u>	<u>89,335.65</u>	<u>68,559.99</u>	<u>20,775.66</u>	
Capital Improvements - Excluded From "CAPS"						
Capital Improvement Fund		<u>17,000.00</u>	<u>17,000.00</u>	<u>17,000.00</u>		
Purchase Fire Truck		<u>10,000.00</u>	<u>10,000.00</u>	<u>10,000.00</u>		
Improvements to Parks		<u>13,000.00</u>	<u>13,000.00</u>	<u>13,000.00</u>		

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

Borough of Andover, N.J.
Statement of Expenditures - Regulatory Basis
Current Fund
Year Ended December 31, 2021

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
Purchase Turnout Gear		3,000.00	3,000.00	3,000.00		
NJ Transportation Trust Fund Authority Act		29,750.00	29,750.00	29,750.00		
Total Capital Improvements Excluded from "CAPS"	A-1	72,750.00	72,750.00	72,750.00		
Municipal Debt Service-Excluded from "CAPS"						
Payment of Bond Anticipation Notes		2,220.00	2,220.00	2,220.00		
Interest on Notes		2,220.00	2,220.00	2,220.00		
Total Municipal Debt Service - Excluded from "CAPS"	A-1	2,220.00	2,220.00	2,220.00		
Deferred Charges:						
Purchase of Land	A-1	20,000.00	20,000.00	20,000.00		
Total General Appropriations for Municipal Purposes Excluded from "CAPS"		185,650.00	198,101.65	177,325.92	20,775.73	
Subtotal General Appropriations		571,796.00	583,747.65	497,184.41	86,563.24	
Reserve for Uncollected Taxes		82,267.00	82,267.00	82,267.00		
Total General Appropriations		654,063.00	666,014.65	579,451.41	86,563.24	
			A-2		A	
<u>Analysis of Paid or Charged</u>						
Reserve for Uncollected Taxes	A-2			82,267.00		
Cash Disbursed	A-4			443,707.77		
Federal and State Grant Fund	A-19			45,701.65		
Encumbrances Payable	A-21			7,774.99		
				579,451.41		

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

Borough of Andover, N.J.

Comparative Balance Sheet - Regulatory Basis

Trust Funds

December 31,

	<u>Ref.</u>	<u>2021</u>	<u>2020</u>
<u>Assets</u>			
Animal Control Trust Fund:			
Cash- Treasurer	B-1	1,420.40	1,278.40
Interfund - Current Fund	B-3		265.80
Due From - State of New Jersey	B-4	1.20	
		<u>1,421.60</u>	<u>1,544.20</u>
Other Trust Funds:			
Cash - Treasurer	B-1	<u>131,336.25</u>	<u>157,435.30</u>
		<u>132,757.85</u>	<u>158,979.50</u>
<u>Liabilities, Reserves & Fund Balance</u>			
Animal Control Trust Fund:			
Reserve Animal Control Trust Fund			
Expenditures	B-2	1,353.20	1,372.40
Interfund - Current	B-3	68.40	
Due to State Department of Health	B-4		139.80
Prepaid Licenses	B-5		32.00
		<u>1,421.60</u>	<u>1,544.20</u>
Other Trust Fund:			
Escrow Deposits	B-6	16,372.10	11,019.48
Reserve for Small Cities Revolving Loan	B-6	32,153.11	32,153.11
COAH	B-6	3,621.77	3,619.98
Open Space	B-6	44,028.64	41,520.29
Tax Sale Premiums	B-6	29,700.00	52,000.00
Snow Removal/Storm Recovery	B-6	4,960.18	14,696.32
Court POAA	B-6	50.00	48.00
Park Deposits	B-6	450.00	450.00
Payroll	B-6	0.45	1,928.12
		<u>131,336.25</u>	<u>157,435.30</u>
		<u>132,757.85</u>	<u>158,979.50</u>

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

Borough of Andover, N.J.

Comparative Balance Sheet - Regulatory Basis

General Capital Fund

December 31,

	<u>Ref.</u>	<u>2021</u>	<u>2020</u>
<u>Assets</u>			
Cash	C-2;C-3	331,154.93	403,625.57
Deferred Charges to Future Taxation			
Unfunded	C-5	125,000.00	160,000.00
		<u>456,154.93</u>	<u>563,625.57</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Interfund - Current Fund	C-4	144,880.64	3,250.00
Capital Improvement Fund	C-6	64,841.15	65,203.02
Improvement Authorizations:			
Funded	C-7	79,306.25	70,526.89
Unfunded	C-7	14,119.97	14,119.97
Reserve for:			
Purchase of Fire Truck	C-8		97,638.13
Improve. to Streets & Roads	C-8	36,798.57	36,798.57
Debt Service	C-8	36,500.00	36,500.00
Purchase Turnout Gear	C-8	8,382.03	8,262.67
Purchase of Fire Equipment	C-8	3,326.08	3,326.08
Improvements to Parks	C-8	48,064.21	48,064.21
Bond Anticipation Notes	C-9		160,000.00
Fund Balance	C-1	19,936.03	19,936.03
		<u>456,154.93</u>	<u>563,625.57</u>

Footnote C: There were Bonds and Notes Authorized But Not Issued of \$125,000.00 and \$-0-
December 31, 2021 and 2020. See Exhibit C-10.

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

Borough of Andover, N.J.

Comparative Schedule of Fund Balance - Regulatory Basis

General Capital Fund

Year Ended December 31,

	<u>Ref.</u>	<u>2021</u>	<u>2020</u>
Balance - December 31, 2020	C	<u>19,936.03</u>	<u>19,936.03</u>
Balance - December 31, 2021	C	<u>19,936.03</u>	<u>19,936.03</u>

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

Borough of Andover, N.J.

Comparative Balance Sheet - Regulatory Basis

Water Utility Fund

December 31,

	<u>Ref</u>	<u>2021</u>	<u>2020</u>
<u>Assets</u>			
Operating Fund:			
Cash-Treasurer	D-4	157,912.95	139,978.56
Interfund - General Capital Fund	D-7		
Interfund - Current Fund	D-7		1,779.50
Interfund - Water Capital Fund	D-7		132.27
		<u>157,912.95</u>	<u>141,890.33</u>
Receivables with Full Reserves:			
Consumer Accounts	D-6	<u>14,490.35</u>	<u>16,421.33</u>
Total Operating Fund		<u>172,403.30</u>	<u>158,311.66</u>
Capital Fund:			
Cash	D-4;D-5	127,846.68	246,610.20
Due From Water Operating Fund			
Fixed Capital*	D-8	399,579.41	399,579.41
Fixed Capital Authorized and Uncompleted*	D-9	312,628.40	253,700.00
Interfund - Water Operating Fund	D-7	8,707.58	
Due From State of N.J. - ARP	D-18	<u>29,464.20</u>	
Total Capital Fund		<u>878,226.27</u>	<u>899,889.61</u>
Total Assets		<u>1,050,629.57</u>	<u>1,058,201.27</u>

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

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

Borough of Andover, N.J.

Comparative Balance Sheet - Regulatory Basis

Water Utility Fund

December 31,

	<u>Ref</u>	<u>2021</u>	<u>2020</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Operating Fund:			
Appropriation Reserve			
Unencumbered	D-3;D-10	16,592.32	32,281.46
Encumbered	D-3;D-10	1,212.50	781.17
Interfund - Current Fund	D-7	6,440.98	
Interfund - Water Capital Fund	D-7	8,707.58	
Water Rent Overpayments	D-11	7,543.29	6,811.92
Accrued Interest on Bond Anticipation Notes	D-12	7,596.83	7,596.83
		<u>48,093.50</u>	<u>47,471.38</u>
Reserve for Receivables	Contra	14,490.35	16,421.33
Fund Balance	D-1	109,819.45	94,418.95
Total Operating Fund		<u>172,403.30</u>	<u>158,311.66</u>
Capital Fund:			
Interfund - Water Operating Fund	D-7		132.27
Improvement Authorizations:			
Funded	D-13	31,896.61	123,563.66
Reserve for Water Tower	D-14	8,707.58	
Reserve for Water Meters	D-14	68,238.57	65,738.57
Capital Improvement Fund	D-15	57,175.70	57,175.70
Reserve for Amortization	D-16	431,079.41	431,079.41
Reserve for Deferred Amortization	D-17	281,128.40	222,200.00
Total Capital Fund		<u>878,226.27</u>	<u>899,889.61</u>
Total Liabilities, Reserves and Fund Balances		<u>1,050,629.57</u>	<u>1,058,201.27</u>

Footnote: There were no Bonds and Notes Authorized But Not Issued on December 31, 2021 and 2020.

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

Borough of Andover, N.J.

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

Water Utility Operating Fund

Year Ended December 31,

	<u>Ref.</u>	<u>2021</u>	<u>2020</u>
Revenue and Other Income Realized:			
Operating Surplus Anticipated	D-2	18,368.00	25,755.00
Rents	D-2	105,719.85	104,500.53
Non-Budget Revenues	D-2	1,448.61	3,998.94
Other Credits to Income:			
Unexpended Balance of			
Appropriation Reserves	D-10	26,600.04	922.70
Total Income		<u>152,136.50</u>	<u>135,177.17</u>
Expenditures:			
Operating	D-3	92,506.98	96,910.00
Capital Improvements	D-3	22,500.00	22,500.00
Deferred Charges and			
Statutory Expenditures	D-3	3,361.02	1,345.00
Total Expenditures		<u>118,368.00</u>	<u>120,755.00</u>
Statutory Excess to Surplus		33,768.50	14,422.17
Fund Balance - January 1,	D;D-1	<u>94,418.95</u>	<u>105,751.78</u>
		128,187.45	
Decreased by:			
Utilized as Anticipated Revenue	D-1	<u>18,368.00</u>	<u>25,755.00</u>
Fund Balance - December 31,		<u><u>109,819.45</u></u>	<u><u>94,418.95</u></u>

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

Borough of Andover, N.J.
Statement of Revenues - Regulatory Basis
Water Utility Operating Fund
Year Ended December 31, 2021

	<u>Ref.</u>	<u>Anticipated</u>	<u>Realized</u>	<u>Excess / (Deficit)</u>
Operating Surplus Anticipated	D-1	18,368.00	18,368.00	
Rents	D-1;D-6	100,000.00	105,719.85	5,719.85
Non-Budget Revenues	D-1		1,448.51	1,448.51
Budget Totals		<u>118,368.00</u>	<u>125,536.36</u>	<u>7,168.36</u>
		D-3		
<u>Analysis of Realized Revenues</u>				
Non-Budget Revenues				
Interest on Investments			198.51	
Miscellaneous			1,250.00	
	D-1		<u>1,448.51</u>	

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

Borough of Andover, N.J.

Statement of Expenditures - Regulatory Basis

Water Utility Operating Fund

Year Ended December 31, 2021

	<u>Ref.</u>	<u>Budget</u>	<u>Appropriated</u>	<u>Expended</u>	
			Budget After <u>Modification</u>	Paid or <u>Charged</u>	<u>Reserved</u>
Operating:					
Salaries and Wages		18,528.00	23,527.44	23,527.44	
Other Expenses		65,000.00	58,530.84	43,996.02	14,534.82
Audit		3,100.00	3,100.00	1,042.50	2,057.50
Utilities		7,200.00	7,348.70	7,348.70	
Total Operating	D-1	<u>93,828.00</u>	<u>92,506.98</u>	<u>75,914.66</u>	<u>16,592.32</u>
Capital Improvements:					
Water Tower		20,000.00	20,000.00	20,000.00	
Water Meters		2,500.00	2,500.00	2,500.00	
Total Capital Improvements	D-1	<u>22,500.00</u>	<u>22,500.00</u>	<u>22,500.00</u>	
Deferred Charges and Statutory Expenditures					
Statutory Expenditures:					
Contribution to:					
Social Security System (O.A.S.I.)		2,040.00	3,361.02	3,361.02	
Total Deferred Charges and Statutory Expenditures	D-1	<u>2,040.00</u>	<u>3,361.02</u>	<u>3,361.02</u>	
Total Water/Sewer Utility Appropriations		<u>118,368.00</u>	<u>118,368.00</u>	<u>101,775.68</u>	<u>16,592.32</u>
			D-2		
Disbursed	Ref. D-4			100,563.18	
Encumbered	D			1,212.50	
				<u>101,775.68</u>	

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

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

	<u>Ref.</u>	<u>2021</u>	<u>2020</u>
<u>Assets</u>			
Cash	E-1	<u>2,000.00</u>	<u>2,000.00</u>
<u>Liabilities and Reserves</u>			
Reserve for Public Assistance	E-3	<u>2,000.00</u>	<u>2,000.00</u>

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

Borough of Andover, N.J.

Comparative Statement of General Fixed Assets - Regulatory Basis

December 31,

	<u>2021</u>	<u>2020</u>
<u>General Fixed Assets</u>		
Land	855,300.00	855,300.00
Buildings	991,090.00	991,090.00
Machinery and Equipment (Including Vehicles)	<u>1,171,670.32</u>	<u>1,062,320.80</u>
	<u>3,018,060.32</u>	<u>2,908,710.80</u>
Investments In General Fixed Assets	<u>3,018,060.32</u>	<u>2,908,710.80</u>

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

BOROUGH OF ANDOVER, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements of the Borough of Andover have been prepared in conformity with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Borough accounts for its financial transactions through the following separate funds which differ from the fund structure required by GAAP.

A. Reporting Entity

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

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

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

BOROUGH OF ANDOVER, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(CONTINUED)**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The Borough has the following funds and account groups:

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

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

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

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

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

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

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

BOROUGH OF ANDOVER, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(CONTINUED)**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

BOROUGH OF ANDOVER, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(CONTINUED)**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Budgets and Budgetary Accounting

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

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

Animal Control Trust Fund
General Capital Fund

Trust Funds
Water Capital Fund

Public Assistance Fund

The governing body shall introduce and approve the annual budget not later than February 10, of the fiscal year. The budget shall be adopted not later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. Emergency appropriations, those made after the adoption of the budget and determination of the tax rate, may be authorized by the governing body of the municipality. During the last two months of the fiscal year, the governing body may, by a 2/3 vote, amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the Governing Body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2021, the Governing Body did increase the original Current Fund budget, and several budget transfers were approved by the Governing Body.

BOROUGH OF ANDOVER, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(CONTINUED)**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

BOROUGH OF ANDOVER, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(CONTINUED)**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

No depreciation has been provided for in the financial statements.

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

BOROUGH OF ANDOVER, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(CONTINUED)**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Impact of Recently Issued Accounting Principles

Recently Issued and Adopted Accounting Pronouncements

A review of the recently issued and adopted pronouncements did not identify any statement which affect the financial statement presented for the period.

C. Basic Financial Statements

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

NOTE 2: BUDGETARY INFORMATION

Under New Jersey State Statutes, the annual budget is required to be a balanced cash basis document. To accomplish this, the municipality is required to establish a reserve for uncollected taxes. The 2021 statutory budget included a reserve for uncollected taxes in the amount of \$82,267.00. The amount of fund balance budgeted to balance the 2021 statutory budget was \$68,000.00.

BOROUGH OF ANDOVER, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(CONTINUED)**

NOTE 2: BUDGETARY INFORMATION (CONTINUED)

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

NJSA 40A:4-87 permits special items of revenue and appropriations to be inserted into the annual budget when the item has been made available by any public or private funding source and the item was not determined at the time of budget adoption. During 2021, the Governing Body did not add any special items of revenue.

The municipality may make emergency appropriations, after the adoption of the budget, for a purpose which was not foreseen at the time the budget was adopted or for which adequate provision was not made therein. This type of appropriation shall be made to meet a pressing need for public expenditure to protect or promote the public health, safety, morals or welfare or to provide temporary housing or public assistance prior to the next succeeding fiscal year. Emergency appropriations, except those classified as a special emergency, must be raised in the budgets of the succeeding year. Special emergency appropriations are permitted to be raised in the budgets of the succeeding three or five years.

NOTE 3: FIXED ASSETS

The following schedule is a summarization of the changes in the general fixed assets account group for the year 2021.

	Balance <u>Dec. 31, 2020</u>	<u>Additions</u>	Balance <u>Dec. 31, 2021</u>
Land	\$855,300.00	\$	\$855,300.00
Building	991,090.00		991,090.00
Equipment	<u>1,062,320.00</u>	<u>109,349.52</u>	<u>1,171,669.52</u>
	<u>\$2,908,710.00</u>	<u>\$109,349.52</u>	<u>\$3,018,059.52</u>

NOTE 4: MUNICIPAL DEBT

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

BOROUGH OF ANDOVER, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(CONTINUED)**

NOTE 4: MUNICIPAL DEBT (CONTINUED)

The Borough's debt is summarized as follows:

	<u>Year 2021</u>	<u>Year 2020</u>	<u>Year 2019</u>
<u>Issued:</u>			
General Fund:			
Bonds and Notes	<u>\$0.00</u>	<u>\$160,000.00</u>	<u>\$200,000.00</u>
Net Debt Issued	<u>0.00</u>	<u>160,000.00</u>	<u>200,000.00</u>
General Fund			
Authorized But Not Issued	<u>125,000.00</u>	<u> </u>	<u> </u>
Net Bonds and Notes Issued and			
Authorized But Not Issued	<u>\$125,000.00</u>	<u>\$160,000.00</u>	<u>\$200,000.00</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 .128%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Regional School Debt	\$410,684.93	\$410,684.93	\$0.00
General Debt	<u>125,000.00</u>	<u>36,500.00</u>	<u>88,500.00</u>
	<u>\$535,684.93</u>	<u>\$447,184.93</u>	<u>\$88,500.00</u>

Net Debt \$88,500.00 divided by equalized valuation basis per N.J.S. 40A:2-2 as amended, \$68,637,937.33 = .128%.

SUMMARY OF AVERAGE EQUALIZED VALUATION

2020	\$74,387,240.00	
2019	\$63,480,860.00	
2018		\$68,045,712.00

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

3 ½% of Equalized Valuation Basis (Municipal)	\$2,402,327.81
Net Debt	<u>88,500.00</u>
Remaining Borrowing Power	<u>\$2,313,827.81</u>

The above information does not agree with the annual debt statement, an amended annual debt statement should be filed.

BOROUGH OF ANDOVER, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(CONTINUED)**

NOTE 4: MUNICIPAL DEBT (CONTINUED)

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

Cash receipts from fees, rents or other charges for year	\$108,099.83
Deductions:	
Operating and Maintenance Cost	92,506.98
Deferred Charges and Statutory Expenditures	<u>3,361.02</u>
Excess in Revenue	<u>95,868.00</u>
	<u>\$12,231.83</u>

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

The foregoing debt information is in agreement with the Annual Debt Statement filed by the Chief Financial Officer, an amended copy will be filed.

NOTE 5: BOND ANTICIPATION NOTES

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

The following activity related to bond anticipation notes occurred during the calendar year ended December 31, 2021.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Notes Payable:				
General Capital:				
SB One Bank	<u>\$160,000.00</u>	<u>\$</u>	<u>\$160,000.00</u>	<u>\$-0-</u>

BOROUGH OF ANDOVER, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(CONTINUED)**

NOTE 6: DUE TO/FROM OTHER FUNDS

Balances due to/from other funds at December 31, 2021 consist of the following:

\$68.40 Due from Animal Control Trust Fund to Current Fund for various receipts/ disbursements.

144,880.64 Due to Current Fund from General Capital Fund for various receipts/disbursements.

5,063.57 Due from Current Fund to Federal and State Grant Fund for cash receipts and cash disbursements.

6,440.98 Due to Current Fund from Water Operational Fund for various receipts/disbursements.

8,707.58 Due to Water Capital Fund from Water Operating Fund for various receipts and disbursements.

\$165,161.17

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

NOTE 7: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2021 and 2020 which were appropriated and included as anticipated revenue in their own respective funds for the years ending December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Current Fund	<u>\$68,000.00</u>	<u>\$68,000.00</u>
Water Utility Operating Fund	<u>\$24,450.00</u>	<u>\$18,368.00</u>

BOROUGH OF ANDOVER, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(CONTINUED)**

NOTE 8: LOCAL AND REGIONAL DISTRICT SCHOOL TAXES

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

NOTE 9: PENSION PLAN

Description of Plans:

Borough employees participate in one of the two contributory, defined benefit public employee retirement systems: the State of New Jersey Public Employees' Retirement System (PERS) or the State of New Jersey Police and Firemen's Retirement System (PFRS); or the Defined Contribution Retirement Program (DCRP), a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) 401(a).

Public Employees' Retirement System (PERS)

Plan Description

The State of New Jersey Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the "Division"). For additional information about the PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

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BOROUGH OF ANDOVER, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(CONTINUED)**

NOTE 9: PENSION PLAN (CONTINUED)

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

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Defined Contribution Retirement Program

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or PFRS, the employee may be eligible to enroll in the DCRP. 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 the DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

BOROUGH OF ANDOVER, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(CONTINUED)**

NOTE 9: PENSION PLAN (CONTINUED)

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

Defined Contribution Retirement Program (continued)

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

Contribution Requirements

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

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

<u>Year</u>	<u>PERS</u>	<u>DCRP</u>
2021	\$12,037.00	\$-0-
2020	\$10,685.00	-0-
2019	13,908.00	-0-

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

Public Employees Retirement System (PERS)

At December 31, 2021, the Borough had a liability of \$131,290.00 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as

BOROUGH OF ANDOVER, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(CONTINUED)**

NOTE 9: PENSION PLAN (CONTINUED)

Public Employees Retirement System (PERS), (continued)

of that date. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2021, the Borough's proportion was 0.0011082589 percent, which was an increase/(decrease) of 0.0000079339 percent from its proportion measured as of June 30, 2020.

For the year ended December 31, 2021, the Borough recognized pension expense of \$12,037.00. At December 31, 2021, deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$2,071.00	\$940.00
Changes of assumptions	684.00	46,740.00
Net difference between projected and actual earnings on pension plan investments	-	34,585.00
Changes in proportion and differences between the Borough's contributions and proportionate share of contributions	<u>2,021.00</u>	<u>32,901.00</u>
Total	<u>\$4,776.00</u>	<u>\$115,166.00</u>

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (June 30, 2021) will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions (excluding changes in proportion) will be recognized in pension expense as follows:

Year ended June 30:	
2022	(\$30,979.00)
2023	(22,119.00)
2024	(15,081.00)
2025	(11,337.00)
2026	4.00

BOROUGH OF ANDOVER, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(CONTINUED)**

NOTE 9: PENSION PLAN (CONTINUED)

Public Employees Retirement System (PERS), (continued)

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.13, 5.16, 5.21, 5.63, 5.48, 5.57, 5.72, and 6.44 years for 2021, 2020, 2019, 2018, 2017, 2016, 2015 and 2014 amounts, respectively.

Additional Information

Local Group Collective balances at June 30, 2021 and June 30, 2020 are as follows:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Collective deferred outflows of resource	\$1,164,738,169	\$2,347,583,337
Collective deferred inflows of resources	8,339,123,762	7,849,949,467
Collective net pension liability	11,846,499,172	16,435,616,426
Borough's Proportion	0.0011082589%	0.0011003250%

Actuarial Assumptions

The collective total pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of July 1, 2020, which rolled forward to June 30, 2021. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	2.00-6.00% (based on years of service)
Thereafter	3.00-7.00% (based on years of service)
Investment Rate of Return	7.00%

BOROUGH OF ANDOVER, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(CONTINUED)**

NOTE 9: PENSION PLAN (CONTINUED)

Public Employees Retirement System (PERS), (continued)

Actuarial Assumptions (continued)

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Mortality Rates

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and a 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2021) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2021 are summarized in the following table:

BOROUGH OF ANDOVER, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(CONTINUED)**

NOTE 9: PENSION PLAN (CONTINUED)

Public Employees Retirement System (PERS), (continued)

Long-Term Rate of Return (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	27.00%	8.09%
Non-U.S. Developed Market Equity	13.50%	8.71%
Emerging Market Equity	5.50%	10.96%
Private Equity	13.00%	11.30%
Real Assets	8.00%	9.15%
Real Estate	3.00%	7.40%
High Yield	2.00%	3.75%
Private Credit	8.00%	7.60%
Investment Grade Credit	8.00%	1.68%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	0.95%
Risk Mitigation Strategies	3.00%	3.35%

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

BOROUGH OF ANDOVER, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(CONTINUED)**

NOTE 9: PENSION PLAN (CONTINUED)

Public Employees Retirement System (PERS), (continued)

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

The following presents the collective net pension liability of the participating employers as of June 30, 2021, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1- percentage point lower or 1 percentage-point higher than the current rate:

	June 30, 2021		
	1% Decrease <u>6.00%</u>	At Current Discount Rate <u>7.00%</u>	1% Increase <u>8.00%</u>
Borough's proportionate share of the pension liability	\$180,696.00	\$131,290.00	\$91,949.00

Pension Plan Fiduciary Net Position

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

NOTE 10: ACCRUED SICK AND VACATION BENEFITS

The Mayor & Council are in the process of writing a personnel manual in regard to accrued sick and vacation benefits. As of December 31, 2021, the Mayor and Council are not allowing any employee to accumulate any of their benefits.

NOTE 11: CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Borough's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. As of December 31, 2021, \$-0- of the Borough's bank balance of \$1,233,501.40 was exposed to custodial credit risk.

BOROUGH OF ANDOVER, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(CONTINUED)**

NOTE 11: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments

Investment Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

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

NOTE 12: RISK MANAGEMENT

The Borough is exposed to various risks of loss related to general liability, automobile coverage, damage and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Borough has obtained insurance coverage to guard against these events which will provide minimum exposure to the Borough should they occur. During the 2021 calendar year, the Borough did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

NOTE 13: PUBLIC ASSISTANCE

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

BOROUGH OF ANDOVER, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(CONTINUED)**

NOTE 14: HEALTH INSPECTIONS

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

NOTE 15: TAXES COLLECTED IN ADVANCE

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

	Balance <u>Dec 31, 2021</u>	Balance <u>Dec 31, 2020</u>
Prepaid Taxes	<u>\$10,940.70</u>	<u>\$2,133.36</u>
Cash Liability for Taxes Collected in Advance	<u>\$10,940.70</u>	<u>\$2,133.36</u>

NOTE 16: CONTINGENT LIABILITIES

We are advised by the Borough's Counsel that there are three tort claim notices that were submitted to the Borough's insurer.

NOTE 17: OTHER MATTERS

On March 9, 2020, Governor Phil Murphy signed Executive Order No. 103 that declared a State of Emergency and Public Health Emergency across all 21 counties in New Jersey in response to address the novel coronavirus (COVID-19) outbreak. At the time of this report, the State of Emergency and Public Health Emergency remains in effect. In efforts to reduce the spread of the virus, many companies and organizations have either reduced staff or closed down, thus creating a potential financial dilemma among many of the taxpayers of the Borough of Andover. The Borough has identified several risks as a result of this pandemic, including possible delays in the collection of real estate taxes and swim pool membership fees, revenue shortfalls in general permit revenue and cash flow shortages as a result of these delayed collections and increased health emergency costs. During 2021, the Borough did not receive reimbursement of health emergency costs associated with the pandemic from FEMA and/or the Federal CARES Act funding provided to the State or County Governments.

In addition, during 2021 revenues of the Borough were not materially affected.

BOROUGH OF ANDOVER, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(CONTINUED)**

NOTE 18: SUBSEQUENT EVENTS

On March 11, 2021, President Biden signed the American Rescue Plan Act of 2021 into effect. This plan, among other things, provides direct federal funding to aid county and municipal governments to help offset revenue losses, cover increased costs incurred during the coronavirus pandemic response and to make necessary investments in water, sewer or broadband infrastructure. The amount of federal aid available to the Borough of Andover is \$58,928.40 which will be available for use until December 31, 2024. This amount will be distributed to the Borough in two installments. The first installment within 120 days of the State receiving the funding from the Federal government and the second installment one year after the receipt of the first installment.

The Borough has evaluated subsequent events through August 22, 2022, the date which the financial statements were available to be issued and no other items were noted for disclosure.

SUPPLEMENTARY DATA

BOROUGH OF ANDOVER, N.J.

OFFICIALS IN OFFICE AND SURETY BONDS
YEAR ENDED DECEMBER 31, 2021

The following officials were in office during the period under audit:

<u>Name</u>	<u>Title</u>
John A. Morgan	Mayor
John P. Hoag	Councilperson
Lynn Delfing	Councilperson
Mel Dennison	Councilperson
Peter Pearson	Councilperson
Bob Smith	Councilperson
Kim Walter	Councilperson
Beth Brothman	Municipal Clerk & Assess. Search Officer, Registrar, Planning & Zoning Board Secretary, Recycling Coordinator, Construction Officer Secretary
Cindy Smith	Sec. of Board of Health
Francis J. McGovern	Attorney
Michelle LaStarza	CFO
Melissa Caton	Tax Collector
County Shared Service	Fire Prevention
Michael Johnson	Zoning & Code Officer
Harold Pellow	Engineer
Rod Schmidt	Construction Official & Building Inspector, Building Sub-Code Official
Joseph A. Ferraris, Jr.	Assessor
Alan DeCarolis	Animal Control Officer

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

Borough of Andover
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

Federal Grantor/Pass-Through Grantor/ Program Title	Federal C.F.D.A. Number	Program or Award Amount	Grant Period To/From	Receipts	Expended	12/31/2021		MEMO Cumulative Total Expenditures
						(Receivable)	Reserve Balance	
WATER UTILITY CAPITAL FUND								
U.S. Department of Treasury								
Pass-through New Jersey Department of Community Affairs - Division of Local Government Services:								
Local Fiscal Recovery Funds	21.027	58,928.40	3/1/21-12/31/26	29,464.20	30,595.45	(29,464.20)	28,332.95	30,595.45
TOTAL FEDERAL AID				<u>29,464.20</u>	<u>30,595.45</u>	<u>(29,464.20)</u>	<u>28,332.95</u>	<u>30,595.45</u>

Note: This schedule was not subject to an audit in accordance with the Uniform Guidance.

Borough of Andover
Schedule of Expenditures of State Financial Assistance
For the Year Ended December 31, 2021

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period From/To	12/31/2020		Receipts	Expended	12/31/2021		MEMO Cumulative Total Expenditures
				(Receivable)	Reserve Balance			(Receivable)	Reserve Balance	
FEDERAL AND STATE GRANT FUND										
NJ Department of Solid Waste Administration:	4900-752-042-4900-001-V42Y-6020	7,761.98	1/1/12-12/31/12		1,733.33		1,085.40		647.93	7,114.05
	4900-752-042-4900-001-V42Y-6020	1,926.47	1/1/13-12/31/13		1,926.47				1,926.47	
	4900-752-042-4900-001-V42Y-6020	7,048.00	1/1/14-12/31/14		7,048.00				7,048.00	
	4900-752-042-4900-001-V42Y-6020	5,642.00	1/1/15-12/31/15		5,642.00				5,642.00	
	4900-752-042-4900-001-V42Y-6020	8,065.00	1/1/16-12/31/16		8,065.00				8,065.00	
	4900-752-042-4900-001-V42Y-6020	3,005.00	1/1/17-12/31/17		3,005.00				3,005.00	
	4900-752-042-4900-001-V42Y-6020	2,894.25	1/1/18-12/31/18		2,894.25				2,894.25	
	4900-752-042-4900-001-V42Y-6020	15,310.00	1/1/19-12/31/19		15,310.00				15,310.00	
	4900-752-042-4900-001-V42Y-6020	13,783.51	1/1/20-12/31/20		13,783.51	11,951.65			13,783.51	
	4900-752-042-4900-001-V42Y-6020	11,951.65	1/1/21-12/31/21			11,951.65	1,085.40		11,951.65	7,114.05
						59,407.56				70,273.81
Clean Communities	4900-765-042-4900-004-V42Y-6020	4,000.00	1/1/15-12/31/15		-					4,000.00
	4900-765-042-4900-004-V42Y-6020	4,000.00	1/1/16-12/31/16							4,000.00
	4900-765-042-4900-004-V42Y-6020	4,000.00	1/1/17-12/31/17		1,531.05		1,531.05			4,000.00
	4900-765-042-4900-004-V42Y-6020	4,000.00	1/1/18-12/31/18		4,000.00		458.95		3,541.05	458.95
	4900-765-042-4900-004-V42Y-6020	4,000.00	1/1/19-12/31/19		4,000.00				4,000.00	
	4900-765-042-4900-004-V42Y-6020	4,000.00	1/1/20-12/31/20		4,000.00	4,000.00			4,000.00	
4900-765-042-4900-004-V42Y-6020	4,000.00	1/1/21-12/31/21			13,531.05	1,990.00		15,541.05	12,458.95	
Total NJ Department of Solid Waste Administration:										
NJ Department of Law and Public Safety:					-	15,951.65	3,075.40		85,814.86	19,573.00
NJ Department of Transportation										
NJ Department of Transportation										
TOTAL STATE AID										

Total NJ Department of Solid Waste Administration:

NJ Department of Law and Public Safety:
SLAEHOP - Emergency Management

NJ Department of Transportation
Municipal Aid - West High St.
Municipal Aid - Lindley Court
Municipal Aid - Prospect and Old Creamery
Municipal Aid - Railroad Ave

COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE

CURRENT FUND

	<u>Year 2021</u>		<u>Year 2020</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<u>Revenue and Other Income Realized</u>				
Fund Balance Utilized	68,000.00	2.915%	68,000.00	2.572%
Miscellaneous - From Other Than				
Local Property Tax Levies	203,844.41	8.737%	516,609.76	19.543%
Collection of Delinquent Taxes				
and Tax Title Liens	65,537.35	2.809%	35,043.67	1.326%
Collection of Current				
Tax Levy	1,882,100.86	80.673%	1,953,500.42	73.899%
Other Credits to Income	113,515.27	4.866%	70,315.11	2.660%
<u>Total Revenue and Other Income Realized</u>	<u>2,332,997.89</u>	<u>100.00%</u>	<u>2,643,468.96</u>	<u>100.00%</u>
<u>Expenditures</u>				
Budget Expenditures:				
Municipal Purposes	583,747.65	24.936%	899,421.00	34.508%
Local and Regional School Taxes	374,391.39	15.993%	1,261,385.00	48.396%
County Taxes	1,211,272.00	51.742%	400,783.85	15.377%
Municipal Open Space Taxes	20,183.35	0.862%	20,198.86	0.775%
Other Expenditures	151,390.02	6.467%	24,605.03	0.944%
<u>Total Expenditures</u>	<u>2,340,984.41</u>	<u>100.00%</u>	<u>2,606,393.74</u>	<u>100.00%</u>
Excess (Deficit) in Revenue	(7,986.52)		37,075.22	
Expenditures Included Above Which are by				
 Statute Deferred Charges to Budget				
 of Succeeding Year	<u>7,986.52</u>			
Statutory Excess to Fund Balance	(0.00)		37,075.22	
Fund Balance, January 1,	<u>387,563.95</u>		<u>418,488.73</u>	
	387,563.95		455,563.95	
Less:				
Utilized as Anticipated Revenue	<u>68,000.00</u>		<u>68,000.00</u>	
Fund Balance, December 31,	<u>319,563.95</u>		<u>387,563.95</u>	

COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE

WATER UTILITY OPERATING FUND

	<u>Year 2021</u>		<u>Year 2020</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<u>Revenue and Other Income Realized</u>				
Fund Balance Utilized	18,368.00	12.07%	25,755.00	19.05%
Collection of Water Rents	105,719.85	69.49%	104,500.53	77.31%
Miscellaneous - From Other				
Than Water Rents	1,448.61	0.95%	3,998.94	2.96%
Other Credits to Income	26,600.04	17.48%	922.70	0.68%
<u>Total Revenue and Other Income Realized</u>	<u>152,136.50</u>	<u>100.00%</u>	<u>135,177.17</u>	<u>100.00%</u>
<u>Expenditures</u>				
Budget Expenditures:				
Operating	92,506.98	78.15%	96,910.00	80.25%
Capital Improvements	22,500.00	19.01%	22,500.00	18.63%
Deferred Charges and Statutory Expenditures	3,361.02	2.84%	1,345.00	1.11%
<u>Total Expenditures</u>	<u>118,368.00</u>	<u>100.00%</u>	<u>120,755.00</u>	<u>100.00%</u>
Statutory Excess to Fund Balance	33,768.50		14,422.17	
Fund Balance, January 1,	<u>94,418.95</u>		<u>105,751.78</u>	
	128,187.45		120,173.95	
Less:				
Utilized as Anticipated Revenue	<u>18,368.00</u>		<u>25,755.00</u>	
Fund Balance, December 31,	<u>109,819.45</u>		<u>94,418.95</u>	

SCHEDULE OF TAX RATE INFORMATION

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Tax Rate	<u>2.911</u>	<u>3.008</u>	<u>3.029</u>

Apportionment of Tax Rate:

Municipal	.520	.508	.494
Municipal Open Space	.029	.029	.029
County	.558	.597	.570
Local and Regional School	1.804	1.874	1.936

Assessed Valuation

2021	\$63,744,415.00		
2020		\$67,327,800.00	
2019			\$67,283,600.00

COMPARISON OF TAX LEVIES AND COLLECTION CURRENTLY

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

<u>Year</u>	<u>Tax Levy</u>	<u>Collections</u>	<u>Currently</u> <u>Percentage of</u> <u>Collections</u>
2021	\$1,958,584.41	\$1,882,100.86	96.09%
2020	2,025,309.13	1,953,500.42	96.45%
2019	2,038,506.58	1,995,882.13	97.91%

DELINQUENT TAXES AND TAX TITLE LIENS

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

<u>Year</u>	<u>Amount of</u> <u>Delinquent</u> <u>Taxes</u>	<u>Amount of</u> <u>Tax Title</u> <u>Liens</u>	<u>Total</u> <u>Delinquent</u>	<u>Percentage</u> <u>of</u> <u>Tax Levy</u>
2021	\$63,488.38	\$44,806.54	\$108,294.32	5.53%
2020	58,582.90	47,806.27	106,389.17	5.25%
2019	36,712.99	40,295.30	77,008.29	3.78%

PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

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

<u>Year</u>	<u>Amount</u>
2021	\$391,400.00
2020	391,400.00
2019	391,400.00

COMPARISON OF WATER UTILITY LEVIES

<u>Year</u>	<u>Levy</u>	<u>Cash Collections</u>
2021	\$103,343.13	\$105,719.85
2020	108,164.07	104,500.53
2019	101,552.67	98,624.64

COMPARATIVE SCHEDULE OF FUND BALANCES

	<u>Year</u>	<u>Balance Dec. 31</u>	<u>Utilized in Budget of Succeeding Year</u>
Current Fund:	2021	\$319,563.95	\$68,000.00
	2020	387,563.95	68,000.00
	2019	418,488.73	68,000.00
	2018	298,510.55	68,000.00
	2017	297,615.08	62,500.00
Water Utility Operating Fund:	2021	\$109,819.45	\$24,540.00
	2020	94,418.95	18,368.00
	2019	105,751.78	25,755.00
	2018	130,835.55	25,694.00
	2017	103,716.92	26,744.00

Borough of Andover, N.J.
Schedule of Cash - Treasurer
Current Fund
Year Ended December 31, 2021

	<u>Ref.</u>		<u>Current Fund</u>
Balance - December 31, 2020	A		545,574.40
Increased by Receipts:			
Miscellaneous Revenue Not Anticipated	A-2	15,550.63	
Taxes Receivable	A-5	1,932,131.07	
Tax Title Liens Receivable	A-6	8,623.78	
Revenue Accounts Receivable	A-8	181,238.21	
Due From State - Senior Citizen and Veteran Deductions	A-9	5,000.00	
Interfunds	A-10	34,639.08	
Various Cash Liabilities and Reserves	A-12	11,138.44	
Prepaid Taxes	A-13	<u>10,940.70</u>	
			<u>2,199,261.91</u>
			2,744,836.31
Decreased by Disbursements:			
Current Year Budget Appropriations	A-3	443,707.77	
Interfunds	A-10	161,879.79	
Appropriation Reserves	A-11	52,949.45	
Various Cash Liabilities and Reserves	A-12	10,671.16	
County Taxes Payable	A-14	373,709.42	
Local and Regional School Taxes Payable	A-15	1,211,272.00	
Municipal Open Space Payable	A-16	<u>20,183.35</u>	
			<u>2,274,372.94</u>
Balance - December 31, 2021	A		<u><u>470,463.37</u></u>

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

Current Fund

Year Ended December 31, 2021

<u>Year</u>	<u>Balance, Dec. 31, 2020</u>	<u>Levy</u>	<u>Added Taxes</u>	<u>Collected</u> <u>2020</u>	<u>2021</u>	<u>Senior Citizen and Veteran Deductions</u>	<u>Transferred to Tax Title Liens</u>	<u>Cancelled</u>	<u>Balance, Dec. 31, 2021</u>
2014	311.61								311.61
2015	1,357.71								1,357.71
2020	56,913.58				56,913.57			0.01	
	58,582.90				56,913.57			0.01	1,669.32
		1,954,934.51	3,649.90	2,133.36	1,875,217.50	4,750.00	5,624.05	9,040.44	61,819.06
2021	58,582.90	1,954,934.51	3,649.90	2,133.36	1,932,131.07	4,750.00	5,624.05	9,040.45	63,488.38
<u>A</u>				<u>A-2;A-13</u>	<u>A-2;A-4</u>	<u>A-2;A-9</u>	<u>A-6</u>		<u>A</u>

Analysis of Tax Levy

<u>Tax yield:</u>	<u>Ref.</u>
General Purpose Tax	1,954,934.51
Added Tax (R.S. 54:4-63.1 et seq.)	3,649.90
	<u>1,958,584.41</u>
<u>Tax Levy:</u>	
County Tax	373,691.76
Added County Taxes	699.63
Total County Tax	374,391.39
Local District School Tax	1,211,272.00
Municipal Open Space Tax	20,183.35
	<u>1,605,846.74</u>
Local Tax for Municipal Purposes	
Additional Taxes	352,737.67
	<u>1,958,584.41</u>

Borough of Andover, N.J.**Schedule of Tax Title Liens Receivable****Current Fund****Year Ended December 31, 2021**

	<u>Ref.</u>	
Balance - December 31, 2020	A	47,806.27
Increased by:		
Transferred from 2021 Taxes Receivable	A-5	<u>5,624.05</u>
		53,430.32
Decreased by:		
Receipts	A-2;A-4	<u>8,623.78</u>
Balance - December 31, 2021	A	<u><u>44,806.54</u></u>

**Schedule of Property Acquired for
Taxes Assessed Valuation****Current Fund****Year Ended December 31, 2021**

	<u>Ref.</u>	
Balance - December 31, 2020	A	<u><u>391,400.00</u></u>
Balance - December 31, 2021	A	<u><u>391,400.00</u></u>

Borough of Andover, N.J.

Schedule of Revenue Accounts Receivable

Current Fund

Year Ended December 31, 2021

	<u>Ref.</u>	<u>Accrued</u>	<u>Collected</u>
Clerk:			
Licenses:			
Alcoholic Beverages	A-2	891.88	891.88
Clerk, Health, Planning and Zoning			
Miscellaneous Revenue not Anticipated	A-2	7,715.00	7,715.00
Municipal Court :			
Fines and Costs	A-2	930.88	930.88
Tax Collector/Assessor			
Miscellaneous Revenue not Anticipated	A-2	14,848.61	14,848.61
Interest on Investments and Deposits			
Miscellaneous Revenue not Anticipated	A-2	531.84	531.84
Energy Receipts Taxes	A-2	127,232.00	127,232.00
Uniform Construction Code:			
Fees and Permits - Building	A-2	11,665.00	11,665.00
Land Use Secretary - Sandyston Township	A-2	17,385.00	17,385.00
		<u>181,200.21</u>	<u>181,200.21</u>
		A-4	

Borough of Andover, N.J.

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

Current Fund

Year Ended December 31, 2021

	<u>Ref.</u>		
Balance - December 31, 2020	A		1,807.29
Increased by:			
Senior Citizens' Deductions Per Tax Billing		750.00	
Veterans' Deductions Per Tax Billing		<u>4,250.00</u>	
	A-5		<u>5,000.00</u>
			6,807.29
Decreased by:			
Disallowed by Tax Collector	A-5	250.00	
State Share of Senior Citizens and Veteran			
Deductions Received in Cash	A-4	<u>5,000.00</u>	
			<u>5,250.00</u>
Balance - December 31, 2021	A		<u><u>1,557.29</u></u>

Borough of Andover, N.J.

Schedule of Interfunds Receivables/(Payables)

Current Fund

Year Ended December 31, 2021

<u>Fund</u>	<u>Ref.</u>	Due From/(To) Balance			Due From/(To) Balance	
		<u>Dec. 31, 2020</u>	<u>Increased</u>	<u>Decreased</u>	<u>Dec. 31, 2021</u>	
Federal and State Grants	A	21,355.03		26,418.60	(5,063.57)	
Animal Control Trust Fund	A	(265.80)	65.80	400.00	68.40	
Other Trust	A		20,183.35	20,183.35		
General Capital Fund	A	3,250.00	141,630.64		144,880.64	
Water Operating Fund	A	(1,779.50)		8,220.48	6,440.98	
		<u>22,559.73</u>	<u>161,879.79</u>	<u>55,222.43</u>	<u>146,326.45</u>	
<u>Analysis</u>						
Due To Current Fund	A-1	24,605.03			151,390.02	
Due From Current Fund	A	(2,045.30)			(4,995.17)	
		<u>22,559.73</u>			<u>146,394.85</u>	
Statutory Excess	A-1			400.00		
Disbursed	A-4		161,879.79			
Received	A-4			34,639.08		
Municipal Open Space	A-16			20,183.35		
			<u>161,879.79</u>	<u>55,222.43</u>		

Borough of Andover, N.J.
Schedule of Appropriation Reserves
Current Fund
Year Ended December 31, 2021

	Balance, Dec. 31, <u>2020</u>	Balance after <u>Transfers</u>	<u>Paid or Charged</u>	Balance <u>Lapsed</u>
Salaries and Wages Within "CAPS":				
Municipal Clerk	305.62	305.62		305.62
Assessment of Taxes	0.04	0.04		0.04
Municipal Land Use Law	0.96	0.96		0.96
Code Enforcement	561.00	561.00		561.00
Fire Official	75.00	75.00		75.00
Public Building and Grounds	1,438.01	1,438.01		1,438.01
Board of Health	33.00	33.00		33.00
Parks and Playgrounds	7,057.20	7,057.20		7,057.20
Construction Code Official/Building Inspector	0.96	0.96		0.96
Plumbing Subcode Official	900.00	900.00		900.00
Fire Sub Code Official	1,105.00	1,105.00		1,105.00
Electrical Sub Code Official	860.00	860.00		860.00
Total Salaries and Wages Within "CAPS"	<u>12,336.79</u>	<u>12,336.79</u>		<u>12,336.79</u>
Other Expenses Within "CAPS":				
Mayor and Committee	527.39	527.39		527.39
Municipal Clerk	391.17	391.17	388.94	2.23
Audit Services	14,337.50	14,337.50	14,337.50	
Computer Services	1,315.04	1,315.04	1,276.60	38.44
Revaluation	4,899.84	4,899.84		4,899.84
Legal Services and Costs	6,518.91	6,518.91	6,518.91	
Engineering Services and Costs	2,141.96	2,141.96	2,085.73	56.23
Municipal Land Use Law	1,075.68	1,075.68	100.80	974.88
Master Plan/Housing	6,000.00	6,000.00		6,000.00
Code Enforcement	77.47	77.47		77.47
Police - Crossing Guards	85.93	85.93		85.93
Emergency Management Services	151.00	151.00		151.00
Aid to Volunteer Fire Company Contribution	1,000.00	1,000.00	1,000.00	
First Aid Organization Contribution	11,870.26	11,870.26	746.62	11,123.64
Fire Official	10.00	10.00		10.00
Streets and Roads	6,445.37	6,445.37	5,634.26	811.11
Garbage Collection	1,019.48	1,019.48	907.32	112.16
Recycling	1,276.80	1,276.80	590.40	686.40
Public Buildings and Grounds	2,639.02	2,639.02	582.13	2,056.89
Board of Health	655.00	655.00		655.00
Animal Control	200.00	200.00		200.00
Parks and Playgrounds	2,801.60	2,801.60		2,801.60
Celebration of Public Events	1,102.33	1,102.33		1,102.33
Electricity	1,189.05	1,189.05	1,997.82	(808.77)
Telephone	999.38	999.38	90.23	909.15
Fuel Oil	1,393.10	1,393.10	79.43	1,313.67
Construction Code Official/Building Inspector	10.00	10.00		10.00
Municipal Alliance	213.75	213.75		213.75
Total Other Expenses Within "CAPS"	<u>70,347.03</u>	<u>70,347.03</u>	<u>36,336.69</u>	<u>34,010.34</u>

Borough of Andover, N.J.
Schedule of Appropriation Reserves
Current Fund
Year Ended December 31, 2021

	Balance, Dec. 31, <u>2020</u>	Balance after <u>Transfers</u>	<u>Paid or Charged</u>	<u>Balance Lapsed</u>
Deferred Charges and Statutory Expenditures				
Within "CAPS":				
Social Security (O.A.S.I.)	526.30	526.30		526.30
Unemployment Compensation Insurance	57.24	57.24		57.24
Total Deferred Charges and Statutory				
Expenditures Within "CAPS"	583.54	583.54		583.54
Total Reserves Within "CAPS"	83,267.36	83,267.36	36,336.69	46,930.67
Salaries & Wages Excluded From "CAPS":				
Sandyston Township				
Land Use/Zoning Secretary	271.56	271.56		271.56
Total Salary & Wages Excluded From "CAPS"	271.56	271.56		271.56
Other Expenses Excluded From "CAPS":				
County of Sussex				
Road Repair and Maintenance	19,295.48	19,295.48	16,772.26	2,523.22
Wantage Township				
Financial Administration	979.21	979.21	840.50	138.71
Total Other Expenses Excluded from "CAPS"	20,274.69	20,274.69	17,612.76	2,661.93
Capital Improvements Excluded from "CAPS"				
NJ Transportation Trust Fund Authority Act	18,294.87	18,294.87	18,294.87	
Total Capital Improvements Excluded from "CAPS"	18,294.87	18,294.87	18,294.87	
Total Reserves Excluded from "CAPS"	38,841.12	38,841.12	35,907.63	2,933.49
Total Reserves	122,108.48	122,108.48	72,244.32	49,864.16
				A-1

Ref

Analysis of Appropriation Reserves:

Unencumbered	A	98,357.29
Encumbered	A	23,751.19
		<u>122,108.48</u>

Analysis of Paid or Charged:

Cash Disbursed	A-4	52,949.45
Accounts Payable	A-12	19,294.87
		<u>72,244.32</u>

Borough of Andover, N.J.
Schedule of Various Cash Liabilities and Reserves
Current Fund
Year Ended December 31, 2021

<u>Liabilities and Reserves</u>	<u>Ref.</u>	<u>Balance</u> <u>Dec. 31, 2020</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance</u> <u>Dec. 31, 2021</u>
<u>Liabilities:</u>					
Due State of NJ DCA Training Fees	A	521.00		61.00	460.00
Due State of NJ Marriage License Fees	A		25.00		25.00
Tax Overpayments	A	14,484.15	11,113.44	14,484.15	11,113.44
Accounts Payable	A		19,294.87		19,294.87
<u>Reserves for:</u>					
Master Plan	A	8,507.79			8,507.79
Liquidation of Tax Title Liens	A	5,000.00			5,000.00
Revaluation	A	5,000.00			5,000.00
		<u>33,512.94</u>	<u>30,433.31</u>	<u>14,545.15</u>	<u>49,401.10</u>
Applied to Taxes Receivable	A-5			3,873.99	
Received	A-4		11,138.44		
Disbursed	A-4			10,671.16	
Appropriations Reserves	A-11		19,294.87		
			<u>30,433.31</u>	<u>14,545.15</u>	

Borough of Andover, N.J.

Schedule of Prepaid Taxes

Current Fund

Year Ended December 31, 2021

	<u>Ref.</u>	
Balance - December 31, 2020	A	2,133.36
Increased by:		
Receipts - Prepaid Taxes	A-4	<u>10,940.70</u>
		13,074.06
Decreased by:		
Applied to 2021 Taxes	A-5	<u>2,133.36</u>
Balance - December 31, 2021	A	<u><u>10,940.70</u></u>

Borough of Andover, N.J.
Schedule of County Taxes Payable

Current Fund

Year Ended December 31, 2021

	<u>Ref.</u>		
Balance - December 31, 2020	A		17.66
Increased by:			
Levy- 2021	A-5	373,691.76	
Added and Omitted Taxes	A-5	699.63	
	A-1		<u>374,391.39</u>
			374,409.05
Decreased by:			
Payments	A-4		<u>373,709.42</u>
Balance - December 31, 2021	A		<u><u>699.63</u></u>

A-15

Schedule of Regional School Taxes Payable

Current Fund

Year Ended December 31, 2021

	<u>Ref.</u>	
Increased by:		
Levy- 2021	A-1;A-5	<u><u>1,211,272.00</u></u>
Decreased by:		
Payments	A-4	<u><u>1,211,272.00</u></u>

Borough of Andover, N.J.
Schedule of Municipal Open Space Taxes Payable
Current Fund
Year Ended December 31, 2021

	<u>Ref.</u>		
Increased by:			
Levy- 2021	A-1;A-5	20,183.35	
		<hr/>	<u>20,183.35</u>
Decreased by:			
Interfund - Other Trust Fund	A-4:A-10		<u>20,183.35</u>

Borough of Andover, N.J.

Schedule of Interfunds

Federal and State Grant Fund

Year Ended December 31, 2021

<u>Fund</u>	<u>Ref.</u>	Due From/(To) Balance <u>Dec. 31, 2020</u>	<u>Increased</u>	<u>Decreased</u>	Due From/(To) Balance <u>Dec. 31, 2021</u>
Current Fund	A	<u>(21,355.03)</u>	<u>29,600.54</u>	<u>3,181.94</u>	<u>5,063.57</u>
		<u>Ref.</u>			
Grants Receivable		A-18	29,600.54		
Appropriated Grants		A-19		3,181.94	
			<u>29,600.54</u>	<u>3,181.94</u>	

Borough of Andover, N.J.

Schedule of Grants Receivable

Federal and State Grant Fund

Year Ended December 31, 2021

<u>Grant</u>	Balance	Budget	Received	Balance
	<u>Dec. 31, 2020</u>	<u>Revenue</u>		<u>Dec. 31, 2021</u>
Recycling Tonnage Reserve	-	11,951.65	11,951.65	-
Clean Communities	-	4,000.00	4,000.00	-
NJ Transportation Trust - Municipal Aid	-			-
Prospect and Old Creamery	117,012.47			117,012.47
Lindley Court	24,574.48			24,574.48
West High St.	21,403.53			21,403.53
Railroad		29,750.00	13,648.89	16,101.11
	<u>162,990.48</u>	<u>45,701.65</u>	<u>29,600.54</u>	<u>179,091.59</u>
	A	A-2	A-17	A

Schedule of Appropriated Reserves for Grants

Federal and State Grant Fund

Year Ended December 31, 2021

Grant	Balance Dec. 31, 2020	Transfer from 2021 Budget	Expended	Balance Dec. 31, 2021
Recycling Tonnage Grant	59,407.05	11,951.65	1,085.40	70,273.30
Clean Communities	13,531.05	4,000.00	1,990.00	15,541.05
NJ Transportation Trust - Municipal Aid				
Prospect and Old Creamery	36,003.81			36,003.81
Lindley Court	2,127.16			2,127.16
West High St.	28,642.99			28,642.99
Railroad		29,750.00	1,428.54	28,321.46
Emergency Management Fund	1,922.88			1,922.88
	<u>141,634.94</u>	<u>45,701.65</u>	<u>4,503.94</u>	<u>182,832.65</u>
	A	A-3		A
Interfund - Current Fund		A-17	3,181.94	
Encumbered		A-22	<u>1,322.00</u>	
			<u>4,503.94</u>	

Borough of Andover, N.J.**Schedule of Unappropriated Reserves for Grants****Federal and State Grant Fund****Year Ended December 31, 2021**

<u>Grant</u>	Balance <u>Dec. 31, 2020</u>	Balance <u>Dec. 31, 2021</u>
Recycling Tonnage	<u>0.51</u>	<u>0.51</u>
	A	A

Borough of Andover, N.J.
Schedule of Encumbrances Payable
Current Fund
Year Ended December 31, 2021

	<u>Ref.</u>	
Increased by:		
Encumbrances	A-3	<u>7,774.99</u>
Balance - December 31, 2021	A	<u><u>7,774.99</u></u>

Borough of Andover, N.J.
Schedule of Encumbrances Payable
Federal and State Grant Fund
Year Ended December 31, 2021

	<u>Ref.</u>	
Increased by:		
Encumbrances	A-19	<u>1,322.00</u>
Balance - December 31, 2021	A	<u><u>1,322.00</u></u>

Borough of Andover, N.J.
Schedule of Deferred Charges
Current Fund
Year Ended December 31, 2021

	<u>Ref.</u>	
Increased by:		
Operating Deficit	A-1	<u>8,356.12</u>
Balance - December 31, 2021	A	<u><u>8,356.12</u></u>

Borough of Andover, N.J.

Schedule of Cash

Trust Funds

Year Ended December 31, 2021

	<u>Ref.</u>	Animal Control Trust <u>Fund</u>	Other Trust <u>Funds</u>
Balance - December 31, 2020	B	<u>1,278.40</u>	<u>157,435.30</u>
Increased by Receipts:			
Dog License Fees - Borough	B-2	618.80	
Late Fees	B-2	40.00	
Miscellaneous	B-2	8.00	
Interfund - Current	B-3	1.03	
Dog License Fees - State Share	B-4	154.20	
Other Trust Funds	B-6		332,097.29
Total Receipts		<u>822.03</u>	<u>332,097.29</u>
		2,100.43	489,532.59
Decreased by Disbursements:			
Reserve Animal Control Trust			
Fund Expenditures	B-2	318.00	
Interfund - Current	B-3	66.83	
Dog License Fees - State Share	B-4	295.20	
Other Trust Funds	B-6		358,196.34
Total Disbursements		<u>680.03</u>	<u>358,196.34</u>
Balance - December 31, 2021	B	<u><u>1,420.40</u></u>	<u><u>131,336.25</u></u>

Borough of Andover, N.J.

Reserve for Animal Control Trust Fund Expenditures

Trust Funds

Year Ended December 31, 2021

	<u>Ref.</u>		
Balance - December 31, 2020	B		1,372.40
Increased by:			
Dog License Fees:			
Dog Licenses	B-1	618.80	
Late Fees	B-1	40.00	
Miscellaneous	B-1	8.00	
Pre-Paid Licenses Applied	B-5	32.00	
		<u>698.80</u>	
			<u>2,071.20</u>
Decreased by:			
Expenditures R.S. 4:19-1511	B-1	318.00	
Statutory Excess - Due Current Fund	B-3	400.00	
		<u>718.00</u>	
Balance - December 31, 2021	B		<u><u>1,353.20</u></u>

License Fees Collected

<u>Year</u>	
2019	734.40
2020	618.80
	<u><u>1,353.20</u></u>

Borough of Andover, N.J.

Schedule of Interfunds

Trust Fund

Year Ended December 31, 2021

	Due (to)/from Balance Dec. 31, 2020	Increased	Decreased	Due (to)/from Balance Dec. 31, 2021
Interfund - Current Fund:				
Animal Control Trust Fund	265.80	401.03	66.83	(68.40)
	<u>265.80</u>	<u>401.03</u>	<u>66.83</u>	<u>(68.40)</u>
	B			B
Cash Disbursements - Animal Control Trust Fund			66.83	
Ref. B-1				
Cash Receipts - Other Trust Fund		1.03		
Ref. B-1				
Statutory Excess - Animal Control Trust Fund		400.00		
Ref. B-2				
		<u>401.03</u>	<u>66.83</u>	

B-4

Borough of Andover, N.J.

Schedule of Due To (From) State Department of Health

Trust Funds

Year Ended December 31, 2021

	<u>Ref.</u>	
Balance - December 31, 2020	B	139.80
Increased by:		
State Fees Collected	B-1	<u>154.20</u>
		294.00
Decreased by:		
Fees Paid to State	B-1	<u>295.20</u>
Balance - December 31, 2021	B	<u><u>(1.20)</u></u>

B-5

Borough of Andover, N.J.

Schedule of Pre-Paid Dog Licenses

Trust Funds

Year Ended December 31, 2021

Balance - December 31, 2020	B	<u><u>32.00</u></u>
Decreased by:		
Pre-Payments Applied to Current Year - Borough	B-2	<u><u>32.00</u></u>

Borough of Andover, N.J.

Schedule of Other Trust Funds

Trust Funds

Year Ended December 31, 2021

	Balance <u>Dec. 31, 2020</u>	<u>Increased</u>	<u>Decreased</u>	Balance <u>Dec. 31, 2021</u>
Small Cities - Revolving Loan	32,153.11			32,153.11
Escrow Deposits	11,019.48	9,634.00	4,281.38	16,372.10
Tax Sale Premiums	52,000.00		22,300.00	29,700.00
COAH	3,619.98	1.79		3,621.77
Open Space	41,520.29	20,183.35	17,675.00	44,028.64
Snow Removal/Storm Recovery	14,696.32		9,736.14	4,960.18
Outside Liens		37,763.20	37,763.20	
Court POAA	48.00	2.00		50.00
Payroll	1,928.12	263,462.95	265,390.62	0.45
Park Deposits	450.00	1,050.00	1,050.00	450.00
	<u>157,435.30</u>	<u>332,097.29</u>	<u>358,196.34</u>	<u>131,336.25</u>
	B	B-1	B-1	B

Borough of Andover, N.J.

Schedule of Cash

General Capital Fund

Year Ended December 31, 2021

	<u>Ref.</u>		
Balance - December 31, 2020	C;C-3		403,625.57
Increased by Receipts:			
Interfund Current	C-4	141,630.64	
Capital Improvement Fund	C-6	17,000.00	
Various Reserves	C-8	<u>26,000.00</u>	
			<u>184,630.64</u>
			588,256.21
Decreased by Disbursements:			
Improvement Authorizations	C-7	116,220.64	
Bond Anticipation Notes	C-9	125,000.00	
Various Reserves	C-8	<u>15,880.64</u>	
			<u>257,101.28</u>
Balance - December 31, 2021	C;C-3		<u><u>331,154.93</u></u>

Borough of Andover, N.J.

Analysis of Cash

General Capital Fund

Year Ended December 31, 2021

	Balance Dec. 31, 2020	Receipts		Disbursements		Transfers		Balance Dec. 31, 2021
		Budget Appropriation	Receipts Miscellaneous	Improvement Authorizations	Miscellaneous	From	To	
Fund Balance	19,936.03							19,936.03
Capital Improvement Fund	65,203.02	17,000.00				17,361.87		64,841.15
Interfund -Current Fund	3,250.00		141,630.64					144,880.64
Reserves:								
Reserve for Purchase of Fire Truck	97,638.13	10,000.00				107,638.13		-
Reserve for Improve Streets and Roads	36,798.57							36,798.57
Reserve for Debt Service	36,500.00							36,500.00
Reserve for Improve. To Parks	48,064.21	13,000.00			13,000.00			48,064.21
Reserve for Purchase of Fire Equipment	3,326.08							3,326.08
Reserve for Purchase of Turnout Gear	8,262.67	3,000.00			2,880.64			8,382.03
Improvement Authorizations								
10/22/01 Purchase of Utility Pumper	35,485.51							35,485.51
11/12/13 Acquisition of Land	14,119.97				125,000.00			(110,880.03)
06/13/16 Improvements to Senior Center	1,901.38			1,901.38				-
02/13/17 Emergency Repair to Senior Center	8,494.51			7,657.09				837.42
10/12/20 Purchase of Computer	1,293.00			1,230.00				63.00
10/12/20 Improvements to Old Creamery/Prospect	23,352.49			5,389.87				17,962.62
Purchase of a Fire Truck				100,042.30			125,000.00	24,957.70
	403,625.57	43,000.00	141,630.64	116,220.64	140,880.64	125,000.00	125,000.00	331,154.93
	C: C-2							C: C-2

Borough of Andover, N.J.

Schedule of Interfund Accounts Payable

General Capital Fund

Year Ended December 31, 2021

	<u>Ref.</u>	<u>Current Fund</u>
Balance - December 31, 2020	C	3,250.00
Decreased by:		
Cash Receipts	C-2	<u>141,630.64</u>
Balance - December 31, 2021	C	<u><u>144,880.64</u></u>

Borough of Andover, N.J.

Schedule of Deferred Charges to Future Taxation - Unfunded

General Capital Fund

Year Ended December 31, 2021

<u>Improvement Description</u>	Notes paid		
	Balance Dec. 31, 2020	by Budget Appropriation	Balance Dec. 31, 2021
			<u>Expenditures</u>
11/12/13 Acquisition of Land	160,000.00	35,000.00	125,000.00
	<u>C</u>	<u>C-9</u>	<u>C</u>
			<u>C-9</u>

Borough of Andover, N.J.
Schedule of Capital Improvement Fund
General Capital Fund
Year Ended December 31, 2021

	<u>Ref.</u>	
Balance - December 31, 2020	C	65,203.02
Increased by:		
Budget Appropriation	C-2	<u>17,000.00</u> 82,203.02
Decreased by:		
Appropriated to Finance Improvement Authorizations	C-7	<u>17,361.87</u>
Balance - December 31, 2021	C	<u><u>64,841.15</u></u>

Borough of Andover, N.J.
Schedule of Improvement Authorizations
General Capital Fund
Year Ended December 31, 2021

Improvement Description General Improvements:	Ordinance Date	Amount	Balance Dec. 31, 2020		2021 Authorizations	Paid or Charged	Balance Dec. 31, 2021	
			Funded	Unfunded			Funded	Unfunded
Purchase of Utility Pump	10/22/01	286,941.00	35,485.51				35,485.51	
Acquisition of Land	11/12/13	420,000.00		14,119.97				14,119.97
Improvements to Senior Center	06/13/16	10,000.00	1,901.38			1,901.38		
Emergency Repair to Senior Center	02/13/17	25,000.00	8,494.51			7,657.09	837.42	
Purchase of Computer	10/12/20	1,293.00	1,293.00			1,230.00	63.00	
Improvements to Old Creamery/Prospect	10/12/20	32,000.00	23,352.49		125,000.00	5,389.87	17,962.62	
Purchase of a Fire					125,000.00	100,042.30	24,957.70	
			70,526.89	14,119.97	125,000.00	116,220.64	79,306.25	14,119.97
			C	C		C-2	C	C
Capital Improvement Fund			Ref.		17,361.87			
Capital Reserves			C-6		107,638.13			
			C-8		125,000.00			

Borough of Andover, N.J.

Schedule of Various Reserves

General Capital Fund

Year Ended December 31, 2021

<u>Description</u>	<u>Balance Dec. 31, 2020</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance Dec. 31, 2021</u>
Purchase of Fire Truck	97,638.13	10,000.00	107,638.13	
Improve. to Streets & Roads	36,798.57			36,798.57
Debt Service	36,500.00			36,500.00
Purchase Turnout Gear	8,262.67	3,000.00	2,880.64	8,382.03
Purchase of Fire Equipment	3,326.08			3,326.08
Improvements to Parks	48,064.21	13,000.00	13,000.00	48,064.21
	<u>230,589.66</u>	<u>26,000.00</u>	<u>123,518.77</u>	<u>133,070.89</u>
	C			C

	<u>Ref.</u>		
Cash Receipt	C-2	26,000.00	
Cash Disbursement	C-2		15,880.64
Improvement Authorizations	C-7		107,638.13
		<u>26,000.00</u>	<u>123,518.77</u>

Borough of Andover, N.J.

Schedule of Bond Anticipation Notes Payable

General Capital Fund

Year Ended December 31, 2021

Ord. Date	Improvement Description	Date of Original Issue	Date of Issue	Date of Maturity	Interest Rate	Balance	
						Dec. 31, 2020	Decreased
11/12/2013	Acquisition of Land		02/28/20	02/26/21	1.85%	160,000.00	160,000.00
						160,000.00	160,000.00
						C	
						Ref.	
					Disbursed	C-2	125,000.00
					Funded by Budget Appropriation	C-5	35,000.00
							160,000.00

Borough of Andover, N.J.

Schedule of Bonds and Notes Authorized But Not Issued

General Capital Fund

Year Ended December 31, 2021

<u>Date</u>	<u>Improvement Description</u>	<u>Increased By Cancelled BAN</u>	<u>Balance Dec. 31, 2021</u>
	Acquisition of Land	125,000.00	125,000.00
		<u>C-7</u>	<u>Footnote C</u>

Borough of Andover, N.J.

Schedule of Cash

Water Utility Fund

Year Ended December 31, 2021

	<u>Ref.</u>	<u>Operating</u>	<u>Capital</u>
Balance - December 31, 2020	D; D-5	<u>139,978.56</u>	<u>246,610.20</u>
Increased by Receipts:			
Miscellaneous Revenue Not Anticipated	D-2	1,448.61	
Consumer Accounts Receivable	D-6	98,907.93	
Interfund-Current Fund	D-7	8,220.48	
Interfund-Water Capital	D-7	8,839.85	
Water Overpayments	D-11	7,543.29	
Reserve for:			
Water Meters and Towers	D-14		11,207.58
Due From the State of N.J.-ARP	D-18		29,464.20
		<u>124,960.16</u>	<u>40,671.78</u>
		<u>264,938.72</u>	<u>287,281.98</u>
Decreased by Disbursements:			
Budget Appropriations	D-3	100,563.18	
Interfund - Water Operating Fund	D-7		8,839.85
Improvement Authorizations	D-13		150,595.45
Appropriation Reserves	D-10	6,462.59	
		<u>107,025.77</u>	<u>159,435.30</u>
Balance - December 31, 2021	D; D-5	<u><u>157,912.95</u></u>	<u><u>127,846.68</u></u>

Borough of Andover, N.J.

Analysis of Cash

Water Utility Capital Fund

Year Ended December 31, 2021

	Balance Dec. 31, 2020	Miscellaneous Receipts	Improvement Authorizations	Disbursements Miscellaneous	Transfers To	From	Balance Dec. 31, 2021
Capital Improvement Fund	57,175.70						57,175.70
Reserve for Water Tower		8,707.58					8,707.58
Reserve for Water Meters	65,738.57	2,500.00		8,839.85			68,238.57
Interfund - Water Operating Fund	132.27						(8,707.58)
Due From State of N.J. - ARP		29,464.20			58,928.40		(29,464.20)
Improvement Authorizations							
06/04/08 Supply and Distribution System	868.95						868.95
11/08/10 Fire Hydrant Repair	397.70						397.70
12/27/10 Purchase of Storage Building	2,000.00						2,000.00
12/27/10 Repairs to Water Main Breaks	280.01						280.01
11/14/11 New Pump Controller at Pump House	17.00		120,000.00				17.00
09/14/20 Improvement to Water Tower	120,000.00		30,595.45				
10/12/21 Improvement to Water Tower			150,595.45				
	246,610.20	40,671.78	30,595.45	8,839.85	58,928.40	58,928.40	28,332.95
							127,846.68
							D;D-4

Borough of Andover, N.J.
Schedule of Consumer Accounts Receivable
Water Utility Operating Fund
Year Ended December 31, 2021

	Balance Dec. 31, 2020	Charges	Decreased	Balance Dec. 31, 2021
Consumer Accounts Receivable	16,421.33	103,788.87	105,719.85	14,490.35
	D			D
Rents Received			98,907.93	
Overpayments Applied			6,811.92	
			105,719.85	
			D-2	

Borough of Andover, N.J.

Schedule of Interfund Accounts Receivable (Payable)

Water Utility Fund

Year Ended December 31, 2021

	<u>Ref.</u>	<u>Water Operating Fund</u>		<u>Water Capital Fund</u>
		<u>Water Capital Fund</u>	<u>Current Fund</u>	<u>Water Operating Fund</u>
Balance - December 31, 2020	D	132.27	1,779.50	(132.27)
Increased by:				
Cash Disbursements	D-4			8,839.85
Cash Receipts	D-4	<u>8,839.85</u>	<u>8,220.48</u>	
Balance - December 31, 2021	D	<u>(8,707.58)</u>	<u>(6,440.98)</u>	<u>8,707.58</u>

Borough of Andover, N.J.

Schedule of Fixed Capital

Water Utility Capital Fund

Year Ended December 31, 2021

<u>Description</u>	<u>Balance Dec. 31, 2020</u>	<u>Balance Dec. 31, 2021</u>
Plumbing Equipment	11,172.30	11,172.30
Storage Tanks and Standpipes	17,930.56	17,930.56
Meters	10,119.91	10,119.91
Water Hydrants	1,239.00	1,239.00
Equipment	3,374.00	3,374.00
Water and Sewer Lines	44,740.80	44,740.80
Fire Tanks and Standpipes	3,166.96	3,166.96
Wells	4,059.50	4,059.50
Fence	2,330.00	2,330.00
Pump	17,914.00	17,914.00
Renovate Water Tower	10,000.00	10,000.00
Service Pipes and Stops	1,845.55	1,845.55
Pumping System Land	1,652.00	1,652.00
Miscellaneous Supplies	5,896.33	5,896.33
Improvements to Water Lines	153,478.50	153,478.50
Improvements to Water Tower	97,660.00	97,660.00
Water Mains	13,000.00	13,000.00
	<u>399,579.41</u>	<u>399,579.41</u>
	D	D

Borough of Andover, N.J.

Schedule of Fixed Capital Authorized and Uncompleted

Water Utility Capital Fund

Year Ended December 31, 2021

<u>Description</u>	<u>Ordinance</u>		<u>Balance, Dec. 31, 2020</u>	<u>2021 Authorizations Deferred Reserve for Amortization</u>	<u>Balance, Dec. 31, 2021</u>
	<u>Date</u>	<u>Amount</u>			
Water Utility Imp. To the Water Supply and Distribution System	06/04/08	111,500.00	111,500.00		111,500.00
Fire Hydrant Repair	11/08/10	4,000.00	4,000.00		4,000.00
Purchase of Storage Building	12/27/10	2,000.00	2,000.00		2,000.00
Repairs to Water Main Breaks	12/27/10	10,300.00	10,300.00		10,300.00
New Pump Controller at Pump House	11/14/11	5,900.00	5,900.00		5,900.00
Improvement to Water Tower	09/14/20	120,000.00	120,000.00		120,000.00
Improvement to Water Tower	10/12/21	58,928.40		58,928.40	58,928.40
			<u>253,700.00</u>	<u>58,928.40</u>	<u>312,628.40</u>
			D	D-13	D

Borough of Andover, N.J.

Schedule of Appropriation Reserves

Water Utility Operating Fund

Year Ended December 31, 2021

		Balance, Dec. 31, <u>2020</u>	Balance After <u>Transfers</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Operating:					
Other Expenses		26,454.71	26,454.71	2,342.59	24,112.12
Audit		4,120.00	4,120.00	4,120.00	
Utilities		2,487.92	2,487.92		2,487.92
		<u>33,062.63</u>	<u>33,062.63</u>	<u>6,462.59</u>	<u>26,600.04</u>
				D-4	D-1
	<u>Ref.</u>				
Unencumbered	D	32,281.46			
Encumbered	D	<u>781.17</u>			
		<u>33,062.63</u>			

Borough of Andover, N.J.
Schedule of Overpayments
Water Utility Operating Fund
Year Ended December 31, 2021

	<u>Ref.</u>	
Balance - December 31, 2020	D	6,811.92
Increased by:		
Collections	D-4	7,543.29
		<u>14,355.21</u>
Decreased by:		
Refunded	D-4	
Applied	D-6	6,811.92
		<u>6,811.92</u>
Balance - December 31, 2021	D	<u><u>7,543.29</u></u>

Borough of Andover, N.J.
Schedule of Accrued Interest
Water Utility Operating Fund
Year Ended December 31, 2021

	<u>Ref.</u>	Bond Anticipation <u>Notes</u>
Balance - December 31, 2020	D	<u><u>7,596.83</u></u>
Balance - December 31, 2021	D	<u><u>7,596.83</u></u>

Borough of Andover, N.J.

Schedule of Improvement Authorizations

Water Utility Capital Fund

Year Ended December 31, 2021

<u>Improvement Description</u>	<u>Ordinance Date</u>	<u>Amount</u>	<u>Balance</u>		<u>2021 Authorizations</u>	<u>Expenditures</u>	<u>Balance</u>	
			<u>Dec. 31, 2020</u>	<u>Funded</u>			<u>Dec. 31, 2021</u>	<u>Funded</u>
Repair and Maint. Of Water Meters	06/04/08	111,500.00	868.95				868.95	
Supply and Distribution System	11/08/10	4,000.00	397.70				397.70	
Fire Hydrant Repair	12/27/10	2,000.00	2,000.00				2,000.00	
Purchase of Storage Building	12/27/10	10,300.00	280.01				280.01	
Repairs to Water Main Breaks	11/14/11	5,900.00	17.00				17.00	
New Pump Controller at Pump House	09/14/20	120,000.00	120,000.00			120,000.00		
Improvement to Water Tower	10/12/21	58,928.40			58,928.40	30,595.45	28,332.95	
Improvement to Water Tower					<u>58,928.40</u>	<u>150,595.45</u>	<u>31,896.61</u>	
			<u>123,563.66</u>	<u>D</u>	<u>D-9; D-17</u>		<u>D</u>	

Borough of Andover, N.J.

Schedule of Reserves

Water Utility Capital Fund

Year Ended December 31, 2021

<u>Description</u>	<u>Balance</u> <u>Dec. 31, 2020</u>	<u>Increased</u>	<u>Balance</u> <u>Dec. 31, 2021</u>
Reserve for Water Tower		8,707.58	8,707.58
Reserve for Water Meters	<u>65,738.57</u>	<u>2,500.00</u>	<u>68,238.57</u>
	<u>65,738.57</u>	<u>11,207.58</u>	<u>76,946.15</u>
	D	D-4	D

D-15

Borough of Andover, N.J.
Schedule of Capital Improvement Fund
Water Utility Capital Fund
Year Ended December 31, 2021

	<u>Ref.</u>	
Balance - December 31, 2020	D	<u><u>57,175.70</u></u>
Balance - December 31, 2021	D	<u><u>57,175.70</u></u>

D-16

Schedule of Reserve for Amortization
Water Utility Capital Fund
Year Ended December 31, 2021

	<u>Ref.</u>	
Balance - December 31, 2020	D	<u><u>431,079.41</u></u>
Balance - December 31, 2021	D	<u><u>431,079.41</u></u>

Borough of Andover, N.J.

Schedule of Deferred Reserve for Amortization

Water Utility Capital Fund

Year Ended December 31, 2021

<u>Improvement Description</u>	<u>Date of Ordinance</u>	<u>Balance, Dec. 31, 2020</u>	<u>Fixed Capital Authorized</u>	<u>Balance, Dec. 31, 2021</u>
Water Utility Improvements to the Water Supply and Distribution System	06/03/04	80,000.00		80,000.00
Fire Hydrant Repair	11/08/10	4,000.00		4,000.00
Purchase of Storage Building	12/27/10	2,000.00		2,000.00
Repairs to Water Main Breaks	12/27/10	10,300.00		10,300.00
Repairs to Water Tower	09/12/11	5,900.00		5,900.00
Improvement to Water Tower	09/14/20	120,000.00		120,000.00
Improvement to Water Tower	10/12/21		58,928.40	58,928.40
		<u>222,200.00</u>	<u>58,928.40</u>	<u>281,128.40</u>
		<u>D</u>	<u>D-18</u>	<u>D</u>

Borough of Andover, N.J.

Schedule of Due from State of N.J. - ARP

Water Utility Capital Fund

Year Ended December 31, 2021

<u>Purpose</u>	Increased by <u>Grant Awarded</u>	Decreased by <u>Receipts</u>	Balance <u>Dec. 31, 2021</u>
Emergency Authorization	<u>58,928.40</u>	<u>29,464.20</u>	<u>29,464.20</u>
	D-17	D-4	D

Borough of Andover, N.J.
Schedule of Cash-Treasurer
Public Assistance Fund
Year Ended December 31, 2021

	<u>Ref.</u>	<u>P.A.T.F.</u> <u>Account #1</u>
Balance - December 31, 2020	E;E-2	<u>2,000.00</u>
Balance - December 31, 2021	E;E-2	<u>2,000.00</u>

Borough of Andover, N.J.
Schedule of Cash and Reconciliation
Public Assistance Fund
Year Ended December 31, 2021

	<u>Ref.</u>	
Balance - December 31, 2020	E-1	<u><u>2,000.00</u></u>
Balance - December 31, 2021	E-1	<u><u>2,000.00</u></u>
<u>Reconciliation - December 31, 2021</u>		<u>P.A.T.F.</u> <u>Account #1</u>
Balance on Deposit per Statement of: Provident Bank		<u><u>2,000.00</u></u>
Balance - December 31, 2021		<u><u>2,000.00</u></u>

Borough of Andover, N.J.**Schedule of Reserve for Public Assistance****Public Assistance Fund****Year Ended December 31, 2021**

	<u>Ref.</u>	
Balance - December 31, 2020	E	<u>2,000.00</u>
Balance - December 31, 2021	E	<u>2,000.00</u>

BOROUGH OF ANDOVER

PART II

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

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2021



WIELKOTZ & COMPANY ^{LLC}

CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements-regulatory basis of the Borough of Andover in the County of Sussex as of and for the year ended December 31, 2021 and the related notes to the financial statements, and have issued our report thereon dated August 22, 2022, which was adverse due to being presented in accordance with New Jersey regulatory basis of accounting.

Internal Control Over Financial Reporting

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

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



Honorable Mayor and
Members of the Borough Council
Page 2

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as 2020-01, that we consider to be a significant deficiency.

Compliance and Other Matters

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

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

Purpose of this Report

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



Steven D. Wielkottz, C.P.A.
Registered Municipal Accountant
No. 413



WIELKOTZ & COMPANY, LLC
Certified Public Accountants

Pompton Lakes, New Jersey

August 22, 2022



BOROUGH OF ANDOVER

SUMMARY OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2021

Summary of Auditor's Results:

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

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

The Borough was not subject to the single audit provisions of Uniform Guidance and State Circular 15-08 OMB for 2021 as grant expenditures were less than the single audit thresholds identified in the Circulars.

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

The audit did disclose findings required to be reported under Generally Accepted Government Auditing Standards, as follows:

Finding 2021-01:

Segregation of Duties

The Borough does not maintain an adequate segregation of duties within the Treasury and Payroll Department. Segregation of duties refers to separating those functions that place too much control over a transaction or class of transactions that would enable a person to misappropriate funds and prevent detection within a reasonable period of time. The Chief Financial Officer controls disbursements of funds, has control of checks, and reconciles bank statements. Within the payroll department, preparation of payroll, signing of checks and bank reconciliation is also performed by one employee, there is also a lack of internal controls within the computer software system. These situations occur because of the limited number of employees qualified to perform other accounting functions. The Borough was made aware of this lack on internal control and will consider strengthening Internal Control within reason of the costs and benefits derived.

Recommendation:

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

Management Response:

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

Findings and Questioned Costs for Federal Awards:

Not applicable

Findings and Questioned Costs for State Awards:

Not applicable

BOROUGH OF ANDOVER

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2021

Finding 2020-01:

Condition:

The Borough does not maintain an adequate segregation of duties within the Treasury and Payroll Department. Segregation of duties refers to separating those functions that place too much control over a transaction or class of transactions that would enable a person to misappropriate funds and prevent detection within a reasonable period of time. The Chief Financial Officer controls disbursements of funds, has control of checks, and reconciles bank statements. Within the payroll department, preparation of payroll, signing of checks and bank reconciliation is also performed by one employee, there is also a lack of internal controls within the computer software system. These situations occur because of the limited number of employees qualified to perform other accounting functions. The Borough was made aware of this lack on internal control and will consider strengthening Internal Control within reason of the costs and benefits derived.

Current Status:

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

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GENERAL COMMENTS

Cash Balances

Cash balances in all funds were verified by independent certificates obtained from the depositories as of December 31, 2021, and at August 22, 2022, in connection with the supplemental reconciliations made for all officials. Cash on hand was counted on that date.

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

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

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

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

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

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

Effective July 1, 2020, the bid threshold in accordance with N.J.S.A. 40A:11-3 and 40A:11-4 (as amended) is \$17,500.00 and with a qualified purchasing agent the threshold may be up to \$44,000.00.

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

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

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

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

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

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

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

Collection of Interest on Delinquent Taxes and Assessments

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

The Governing Body on January 6, 2021 adopted the following resolutions authorizing interest to be charged on delinquent taxes:

BE IT FURTHER RESOLVED that the interest rate on delinquent taxes shall be 8% per annum on the first \$1,500.00 of the delinquency and 18% per annum on any amount in excess of \$1,500.00 and a penalty of 6% against a delinquency in excess of \$10,000.00 on properties that fail to pay the delinquency prior to the end of the calendar year, and any balances under \$5.00 can be cancelled, and

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

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

Delinquent Taxes and Tax Title Liens

The last tax sale was held on December 9, 2020 and was complete, except for properties in bankruptcy. A tax sale should be held each year.

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

<u>Year</u>	<u>Number of Liens</u>
2021	8
2020	9
2019	9

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

Verification of Delinquent Taxes and Other Charges

A test verification of delinquent charges and current payments was made in accordance with the requirements of the Division of Local Government Services.

The result of the test which was made as of December 31, 2021 is not yet known, but a separate report will be rendered if any irregularities are developed.

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

Segregation of Duties

The Borough does not maintain an adequate segregation of duties within the Treasury and Payroll Department. Segregation of duties refers to separating those functions that place too much control over a transaction or class of transactions that would enable a person to misappropriate funds and prevent detection within a reasonable period of time. The Chief Financial Officer controls disbursements of funds, has control of checks, and reconciles bank statements. Within the payroll department, preparation of payroll, signing of checks and bank reconciliation is also performed by one employee, there is also a lack of internal controls within the computer software system. These situations occur because of the limited number of employees qualified to perform other accounting functions.

Management Response:

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

OTHER COMMENTS

Finance

1. Various purchases, across funds, were not properly encumbered.

Management Response:

The requisition and purchase process will be reviewed for possible solutions.

RECOMMENDATIONS

1. That the Borough consider strengthening internal control in the treasury and payroll departments.
2. That all requisitions be properly approved and encumbered prior to purchase.

Status of Prior Years' Audit Findings/Recommendations

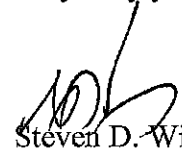
A review was performed on all prior years' recommendations and corrective action was taken on all with the exception of the following which is included in this year's recommendations:

1. That the Borough consider strengthening internal control in the treasury and payroll departments.
2. That all requisitions be properly approved and encumbered prior to purchase.

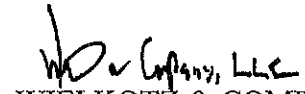
The problems and weaknesses noted in my review were not of such magnitude that they would affect my ability to express an opinion on the financial statements taken as a whole.

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

Very truly yours,



Steven D. Wielkottz, C.P.A.
Registered Municipal Accountant
No. 413



WIELKOTZ & COMPANY, LLC
Certified Public Accountants