

REPORT OF AUDIT
BOROUGH OF SUSSEX
COUNTY OF SUSSEX
DECEMBER 31, 2016

BOROUGH OF SUSSEX, N.J.
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YEAR ENDED DECEMBER 31, 2016

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BOROUGH OF SUSSEX

PART I

REPORT OF AUDIT ON FINANCIAL STATEMENTS

AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2016

Ferraioli, Wielkotz, Cerullo & Cuva, P.A.

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

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

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

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the Borough Council
Borough of Sussex
Sussex, New Jersey 07461

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Borough of Sussex in the County of Sussex, as of December 31, 2016 and 2015, the related statement of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are



Honorable Mayor and
Members of the Borough Council
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appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Borough of Sussex as of December 31, 2016 and 2015, or changes in financial position for the years then ended.

Basis for Qualified Opinion on Regulatory Basis Accounting Principles

We are unable to obtain sufficient evidence to support the cost of fixed assets. As more fully describe in Note 1, due to the length of time over which these fixed assets were acquired, it is not practical to determine their actual costs. We are, therefore, unable to express an opinion as to the general fixed assets account group at December 31, 2016, and 2015, stated as \$4,415,248.00 and \$4,415,248.00, respectively.

As described in Note 19 of the financial statements, the Borough participates in a Length of Service Award Program (LOSAP) volunteer fire and rescue personnel. The amount reflected in the trust fund statements of \$256,203.49 and \$223,546.90 for 2016 and 2015, respectively, were not audited and, therefore, we express no opinion on the LOSAP program.



Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of the matter described in “Basis for Qualified Opinion on Regulatory Basis Accounting Principles” paragraph, the financial statements referred to above present fairly, in all material respects, the regulatory basis balances sheets as of December 31, 2016 and 2015, the regulatory basis statements of operations for the years then ended and the regulatory basis statements of revenues and expenditures for the year ended December 31, 2016 in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Other Information

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

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

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

Honorable Mayor and
Members of the Borough Council
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2017 on our consideration of the Borough of Sussex'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 Sussex's internal control over financial reporting and compliance.



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

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

Newton, New Jersey

May 9, 2017

Borough of Sussex, N.J.

Comparative Balance Sheet - Regulatory Basis

Current Fund

December 31,

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
<u>Assets</u>			
Current Fund:			
Cash	A-4	674,229.99	536,995.55
Change Fund	A-5	100.00	100.00
Escrow on Purchase of 3 E Main St	A-6	1,000.00	1,000.00
		<u>675,329.99</u>	<u>538,095.55</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Taxes Receivable	A-7	82,743.06	116,564.45
Tax Title Liens Receivable	A-8	57,716.50	90,226.10
Property Acquired for Taxes - Assessed Valuation	A-9	217,700.00	217,700.00
Interfund Receivables:			
Animal Control Trust Fund	A-11	2,116.60	
		<u>360,276.16</u>	<u>424,490.55</u>
Deferred Charges:			
Emergency Authorization (40:A4-55)	A-13		45,000.00
Overexpenditure in Appropriation	A-14	952.30	
		<u>952.30</u>	<u>45,000.00</u>
		<u>1,036,558.45</u>	<u>1,007,586.10</u>
Federal and State Grant Fund:			
Interfund - Current Fund	A-23	48,219.43	46,226.29
		<u>1,084,777.88</u>	<u>1,053,812.39</u>

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

Borough of Sussex, N.J.

Comparative Balance Sheet - Regulatory Basis

Current Fund

December 31,

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Current Fund:			
Appropriation Reserves			
Unencumbered	A-3;A-15	134,088.78	109,009.49
Encumbered	A-3;A-15	7,529.71	19,150.78
Interfunds Payable:			
Federal and State Grant Fund	A-11	48,219.43	46,226.29
Other Trust Fund	A-11		12.00
General Capital	A-11	19,278.24	19,278.24
Emergency Note	A-12		40,000.00
Tax Overpayments	A-16	3,284.67	2,493.87
Reserve for:			
Revaluation	A-16	7,662.12	27,742.12
Due to State of New Jersey:			
Marriage Surcharge	A-16	103.00	125.00
Senior Citizen and Veteran Deductions	A-17	2,324.97	2,574.97
Municipal Court - Fines and Penalties	A-18		150.00
Prepaid Taxes	A-19	15,412.77	42,694.41
County Taxes Payable	A-20	26,663.05	
		<u>264,566.74</u>	<u>309,457.17</u>
Reserve for Receivables			
Fund Balance	Contra A-1	360,276.16 411,715.55	424,490.55 273,638.38
		<u>1,036,558.45</u>	<u>1,007,586.10</u>
Federal and State Grant Fund:			
Appropriated Reserve for Grants	A-25	42,645.32	41,350.60
Unappropriated Reserve for Grants	A-26	5,574.11	4,875.69
		<u>48,219.43</u>	<u>46,226.29</u>
		<u>1,084,777.88</u>	<u>1,053,812.39</u>

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

Borough of Sussex, N.J.

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

Current Fund

Year Ended December 31,

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
Revenues and Other Income:			
Fund Balance Utilized	A-2	103,500.00	93,500.00
Miscellaneous Revenue Anticipated	A-2	270,735.64	279,646.40
Receipts from Delinquent Taxes	A-2	153,884.16	114,508.66
Receipts from Current Taxes	A-2	3,968,903.42	3,636,516.87
Non-Budget Revenue	A-2	50,883.75	43,763.76
Other Credits to Income:			
Statutory Excess-Animal Control	A-11	2,116.60	
Unexpended Balance of			
Appropriation Reserves	A-15	51,924.45	79,870.86
Total Revenues and Other Income		<u>4,601,948.02</u>	<u>4,247,806.55</u>
Expenditures:			
Budget and Emergency Appropriations:			
Operations - Within "CAPS"			
Salaries and Wages	A-3	292,392.00	179,347.00
Other Expenses	A-3	539,448.00	498,620.00
Deferred Charges and Statutory Expenditures -			
Municipal - Within "CAPS"			
Operations - Excluded From CAPS:	A-3	33,906.58	25,070.00
Other Expenses	A-3	132,404.63	315,775.92
Capital Improvements - Excluded from Caps	A-3	166,000.00	101,000.00
Municipal Debt Service - Excluded from Caps	A-3	76,165.52	105,800.95
Deferred Charges and Statutory Expenditures -			
Municipal - Excluded from Caps	A-3	44,925.09	44,925.00
Refund of Prior Year Taxes	A-4	61,391.88	
Interfund and Other Receivables Advanced	A-11	2,116.60	
Regional School Tax	A-21	1,537,545.00	1,393,950.00
Regional High School Tax	A-22	760,743.00	817,789.00
County Taxes including Added Taxes	A-20	714,284.85	641,507.00
Total Expenditures		<u>4,361,323.15</u>	<u>4,123,784.87</u>
Excess (Deficit) Revenue Over Expenditures		240,624.87	124,021.68
Adjustment to Income Before Fund Balance			
Expenditures Included above Which are by Statute			
Deferred Charges to Budget of Succeeding Year		952.30	
Statutory Excess to Fund Balance		241,577.17	124,021.68
Fund Balance, January 1,	A	<u>273,638.38</u>	<u>243,116.70</u>
		515,215.55	367,138.38
Decreased by:			
Fund Balance Utilized as Budget Revenue		<u>103,500.00</u>	<u>93,500.00</u>
Fund Balance, December 31,	A	<u><u>411,715.55</u></u>	<u><u>273,638.38</u></u>

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

Borough of Sussex, N.J.
Statement of Revenues - Regulatory Basis
Current Fund
Year Ended December 31, 2016

	<u>Ref.</u>	<u>Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Fund Balance Anticipated	A-1	<u>103,500.00</u>	<u>103,500.00</u>	<u> </u>
Miscellaneous Revenues:				
Licenses:				
Alcoholic Beverages	A-10	4,400.00	4,400.00	
Fees and Permits	A-10	12,600.00	12,869.00	269.00
Municipal Court	A-10	15,500.00	17,117.01	1,617.01
Parking Rent	A-10	11,500.00	11,235.00	(265.00)
Energy Receipts Tax	A-10	164,665.00	164,665.00	
Consolidated Municipal Property Tax Relief Aid	A-10	22,808.00	22,808.00	
Special Items of General Revenue Anticipated				
With Prior Written Consent of Director of				
Local Government Services:				
Public and Private Revenues:				
Clean Communities	A-24	4,875.69	4,875.69	
Recycling Tonnage	A-24	4,540.94	4,540.94	
Other Special Items:				
Housing Inspection Fees	A-10	<u>27,000.00</u>	<u>28,225.00</u>	<u>1,225.00</u>
Total Miscellaneous Revenues	A-1	<u>267,889.63</u>	<u>270,735.64</u>	<u>2,846.01</u>
Receipts from Delinquent Taxes	A-1;A-2	<u>128,000.37</u>	<u>153,884.16</u>	<u>25,883.79</u>
Subtotal General Revenues		<u>499,390.00</u>	<u>528,119.80</u>	<u>28,729.80</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>926,876.00</u>	<u>1,098,306.57</u>	<u>171,430.57</u>
Budget Totals		<u>1,426,266.00</u>	<u>1,626,426.37</u>	<u>200,160.37</u>
Non-Budget Revenue	A-1;A-2	<u> </u>	<u>50,883.75</u>	<u>50,883.75</u>
		<u>1,426,266.00</u>	<u>1,677,310.12</u>	<u>251,044.12</u>
	A-3			

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

Borough of Sussex, N.J.
Statement of Revenues - Regulatory Basis
Current Fund
Year Ended December 31, 2016

<u>Analysis of Realized Revenues</u>	<u>Ref.</u>		
Revenue from Collections	A-1;A-7		3,968,903.42
Allocated to School and County Taxes	A-7		<u>3,012,572.85</u>
Balance for Support of Municipal Budget Appropriations			956,330.57
Add : Appropriation - Reserve for Uncollected Taxes	A-3		<u>141,976.00</u>
Amount for Support of Municipal Budget Appropriations	A-2		<u><u>1,098,306.57</u></u>
Receipts from Delinquent Taxes:			
Delinquent Taxes			
Taxes Receivable	A-7	109,486.79	
Tax Title Liens Receivable	A-8	<u>44,397.37</u>	
			<u><u>153,884.16</u></u>
			A-2
<u>Analysis of Non-budget Revenues</u>			
Miscellaneous Revenues Not Anticipated:			
Revenues Accounts Receivable:			
Clerk	A-10	26.50	
Tax Collector	A-10	32,838.75	
Interest on Investments	A-10	<u>1,052.02</u>	
			33,917.27
Cable TV. Franchise Fee		7,856.00	
Planning Board Applications		950.00	
Veteran & Sr. Citizen Admin. Fees		265.00	
Copies		4.23	
Void Checks		610.00	
Reimbursements		<u>7,281.25</u>	
	A-4		<u>16,966.48</u>
	A-2		<u><u>50,883.75</u></u>

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

Borough of Sussex, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2016

	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>	<u>Overexpended</u>
<u>General Appropriations</u>							
Operations Within "CAPS"							
Administrative and Executive							
Salaries and Wages		114,000.00	108,000.00	107,839.77	160.23		
Other Expenses		62,115.00	58,615.00	53,214.30	5,400.70		
Elections							
Other Expenses		1,300.00	1,300.00	1,078.25	221.75		
Financial Administration							
Other Expenses		25,500.00	25,500.00	11,816.92	13,683.08		
Collection of Taxes							
Other Expenses		1,550.00	1,550.00	1,193.27	356.73		
Tax Maps		2,000.00	500.00		500.00		
Legal Services and Costs							
Other Expenses		62,000.00	52,000.00	33,933.18	18,066.82		
Engineering Services and Costs							
Other Expenses		26,500.00	16,500.00	5,224.75	11,275.25		
Municipal Land Use Law : (N.J.S. 40:55D-11)							
Planning Board							
Salaries and Wages		6,000.00	6,000.00	6,250.00			250.00
Other Expenses		14,000.00	14,000.00	13,756.58	243.42		
Insurance:							
Group Insurance Plan for Employees		66,037.00	67,000.00	59,132.95	7,867.05		
Workers Compensation Insurance		15,965.00	15,965.00	15,962.40	2.60		
Surety Bonds		1.00	1.00		1.00		
Other Insurance Premiums		43,891.00	43,891.00	43,890.60	0.40		
Health Benefit Waiver		4,500.00	4,500.00	4,500.00			

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

Borough of Sussex, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2016

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>	<u>Overexpended</u>
Police							
Salaries and Wages		28,000.00	28,000.00	25,742.60	2,257.40		
Other Expenses		250.00	250.00		250.00		
Office of Emergency Management							
Salaries and Wages		1,127.00	1,127.00	1,127.00			
Fire							
Aid to Volunteer Fire Department		45,000.00	45,000.00	45,000.00			
Streets and Roads:							
Road Repairs and Maintenance							
Salaries and Wages		87,000.00	118,000.00	117,419.65	580.35		
Other Expenses		65,400.00	65,400.00	51,941.99	13,458.01		
Snow Removal							
Salaries and Wages		12,250.00	12,250.00		12,250.00		
Other Expenses		19,500.00	19,500.00	16,106.27	3,393.73		
Street Lighting							
Other Expenses		25,000.00	25,000.00	23,438.93	1,561.07		
Garbage and Trash Removal							
Other Expenses		3,500.00	3,500.00	3,436.12	63.88		
Public Buildings and Grounds							
Salaries and Wages		5,265.00	5,265.00	1,445.00	3,820.00		
Other Expenses		56,900.00	56,900.00	48,865.15	8,034.85		
Health and Welfare:							
Board of Health							
Other Expenses		75.00	75.00	20.70	54.30		

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

Borough of Sussex, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2016

	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>	<u>Overexpended</u>
<u>General Appropriations</u>							
Board of Recreation		2,500.00	2,500.00	996.78	1,503.22		
Other Expenses							
Celebration of Public Event		500.00	500.00	261.50	238.50		
Other Expenses							
Zoning Official		13,500.00	13,500.00	13,201.69	298.31		
Salaries and Wages		500.00	500.00		500.00		
Other Expenses							
Unclassified:							
Reserve for Pending Tax Appeals		1.00	1.00		1.00		
Other Expenses							
Clove Lake Restoration		5,000.00	5,000.00	2,045.06	2,954.94		
Other Expenses		14,000.00	14,000.00	8,356.13	5,643.87		
Gasoline & Diesel Fuel		830,627.00	831,590.00	717,197.54	114,642.46		250.00
Total Operations within "CAPS"		830,627.00	831,590.00	717,197.54	114,642.46		250.00
Total Operations within "CAPS" Including Contingent							
Detail:							
Salaries and Wages	A-1	267,142.00	292,142.00	273,025.71	19,366.29		250.00
Other Expenses	A-1	563,485.00	539,448.00	444,171.83	95,276.17		

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

Borough of Sussex, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2016

	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>	<u>Overexpended</u>
<u>General Appropriations</u>							
Deferred Charges and Statutory Expenditures - Municipal within "CAPS"							
Statutory Expenditures:							
Contribution to:							
Public Employees' Retirement System		11,703.00	11,703.00	11,703.00			
Social Security System (O.A.S.I.)		20,000.00	20,000.00	20,702.30			702.30
Unemployment Compensation Insurance		1,500.00	1,500.00	1,473.25	26.75		
Defined Contribution Retirement Program		1.28	1.28		1.28		
Total Deferred Charged and Statutory Expenditures - Municipal within "CAPS"	A-1	33,204.28	33,204.28	33,878.55	28.03		702.30
Total General Appropriations for Municipal Purposes within "CAPS"		863,831.28	864,794.28	751,076.09	114,670.49		952.30
Operations - Excluded from "CAPS"							
Insurance							
Group Insurance Plan for Employees		963.00					
Aid to Vol. Fire Department LOSAP		18,000.00	18,000.00		18,000.00		
Total Other Operations - Excluded From Caps		18,963.00	18,000.00		18,000.00		
Interlocal Municipal Service Agreements							
Township of Wantage:							
Tax Collector							
Other Expenses		8,660.00	8,660.00	8,660.00			

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

Borough of Sussex, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2016

	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>	<u>Overexpended</u>
<u>General Appropriations</u>							
Tax Assessor		10,800.00	10,800.00	10,800.00			
Other Expenses							
Municipal Court		40,575.00	40,575.00	40,575.00			
Other Expenses							
Construction Agreement		5,000.00	5,000.00		5,000.00		
Other Expenses							
Township of Vernon							
"911" Dispatching Communication		16,053.00	16,053.00	16,053.00			
Other Expenses							
Animal Control Agreement		10,100.00	10,100.00	10,008.00	92.00		
Other Expenses							
Animal Census		1,800.00	1,800.00		1,800.00		
Other Expenses							
Township of Lafayette							
Finance Office							
Other Expenses		12,000.00	12,000.00	10,200.00	1,800.00		
Total Public and Private Program Offset by Revenue		<u>104,988.00</u>	<u>104,988.00</u>	<u>96,296.00</u>	<u>8,692.00</u>		
Public and Private Programs Offset by Revenues							
Recycling Tonnage Grant		4,540.94	4,540.94	4,540.94			
Other Expenses							
Clean Communities Grant		4,875.69	4,875.69	4,875.69			
Other Expenses		9,416.63	9,416.63	9,416.63			
Total Public and Private Program Offset By Revenues		<u>133,367.63</u>	<u>132,404.63</u>	<u>105,712.63</u>	<u>26,692.00</u>		
Total Operations - Excluded from "CAPS"							

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

Borough of Sussex, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2016

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>	<u>Overexpended</u>
Detail:							
Other Expenses	A-1	133,367.63	132,404.63	105,712.63	26,692.00		
Capital Improvements:							
Capital Improvement Fund		63,000.00	63,000.00	63,000.00			
Improvements to Streets and Roads		19,000.00	19,000.00	19,000.00			
Purchases of Equipment		12,000.00	12,000.00	12,000.00			
Improvements to Municipal Properties		15,000.00	15,000.00	14,754.00	246.00		
Purchase of Fire Truck		25,000.00	25,000.00	25,000.00			
Purchase of Fire Equipment		5,000.00	5,000.00	4,990.00	10.00		
Purchase of Ambulance		12,000.00	12,000.00	12,000.00			
Purchase of DPW Equipment		15,000.00	15,000.00	15,000.00			
Total Capital Improvements Excluded from "CAPS"	A-1	166,000.00	166,000.00	165,744.00	256.00		
Municipal Debt Service:							
Payment of Bond Anticipation Notes and Capital Notes		65,729.00	65,729.00	65,729.00			
Interest on Notes		1,512.00	1,512.00	1,511.77		0.23	
Loan Repayments Principal and Interest		8,445.00	8,445.00	8,444.75		0.25	
Interest on Special Emergency Note Payable		480.00	480.00	480.00			
Total Municipal Debt Service-Excluded from "CAPS"	A-1	76,166.00	76,166.00	76,165.52		0.48	
Deferred Charges:							
Special Emergency Authorizations- 5 Years (N.J.S. 40A:4-55)		25,000.00	25,000.00	25,000.00			

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

Borough of Sussex, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2016

	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>	<u>Overexpended</u>
<u>General Appropriations</u>							
Deferred Charges to Future Taxation Unfunded: Ordinance # 09-17		19,925.09	19,925.09	19,925.09			
Total Deferred Charges - Municipal - Excluded from "CAPS"	A-1	<u>44,925.09</u>	<u>44,925.09</u>	<u>44,925.09</u>			
Total General Appropriations for Municipal Purposes Excluded from "CAPS"		420,458.72	419,495.72	392,547.24	26,948.00	0.48	
Subtotal General Appropriations		<u>1,284,290.00</u>	<u>1,284,290.00</u>	<u>1,143,623.33</u>	<u>141,618.49</u>	<u>0.48</u>	<u>952.30</u>
Reserve for Uncollected Taxes		<u>141,976.00</u>	<u>141,976.00</u>	<u>141,976.00</u>			
Total General Appropriations		<u>1,426,266.00</u>	<u>1,426,266.00</u>	<u>1,285,599.33</u>	<u>141,618.49</u>	<u>0.48</u>	<u>952.30</u>
			A-2				A-14

Analysis of Paid or Charged

Reserve for Uncollected Taxes	A-2	141,976.00
Cash Disbursed	A-4	1,109,206.70
Reserve for Federal and State Grants	A-25	9,416.63
Deferred Charges - Special Emergency	A-13	25,000.00
		<u>1,285,599.33</u>

Analysis of Appropriation Reserves

Unencumbered	A	134,088.78
Encumbered	A	7,529.71
		<u>141,618.49</u>

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

Borough of Sussex, N.J.

Comparative Balance Sheet - Regulatory Basis

Trust Funds

December 31,

<u>Assets</u>	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
Animal Control Trust Fund:			
Cash- Treasurer	B-1	8,920.14	8,124.20
Due from State	B-6	0.60	
Interfund - Other Trust Fund	B-2		246.46
		<u>8,920.74</u>	<u>8,370.66</u>
Other Trust Funds:			
Cash	B-1	190,246.51	65,254.42
Due from Current Fund	B-9		12.00
Interfund - Animal Control	B-3	666.54	
		<u>190,913.05</u>	<u>65,266.42</u>
Emergency Services Volunteer Length of Service Award Program (Unaudited):			
Cash in Plan	B-1	237,703.49	205,796.90
Contributions Receivable	B-10	18,500.00	17,750.00
		<u>256,203.49</u>	<u>223,546.90</u>
		<u>456,037.28</u>	<u>297,183.98</u>

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

Borough of Sussex, N.J.

Comparative Balance Sheet - Regulatory Basis

Trust Funds

December 31,

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
<u>Liabilities, Reserves & Fund Balance</u>			
Animal Control Trust Fund:			
Due to Other Trust Fund	B-2	666.54	
Reserve for Animal Control			
Trust Expenditures	B-4	6,137.60	6,117.20
Due To Current Fund	B-5	2,116.60	2,249.86
Due to State Department of Health	B-6		3.60
		<u>8,920.74</u>	<u>8,370.66</u>
Other Trust Fund:			
Due to Animal Control Fund	B-3		246.46
Reserve for Various Reserves	B-7	169,113.05	64,859.96
Encumbrances Payable	B-8	21,800.00	160.00
		<u>190,913.05</u>	<u>65,266.42</u>
Emergency Services Volunteer Length of Service Award Program (Unaudited):			
Net Assets Available for Benefits	B-11	256,203.49	223,546.90
		<u>456,037.28</u>	<u>297,183.98</u>

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

Borough of Sussex, N.J.

Comparative Balance Sheet - Regulatory Basis

General Capital Fund

December 31,

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
<u>Assets</u>			
Cash	C-2;C-3	245,456.76	115,927.61
Interfund - Current Fund	C-4	19,278.24	19,278.24
Grants Receivable:			
New Jersey Department of Transportation	C-5		35,014.25
Deferred Charges to Future Taxation:			
Funded	C-6	8,319.84	16,475.64
Unfunded	C-7	674,369.00	285,022.09
		<u>947,423.84</u>	<u>471,717.83</u>
 <u>Liabilities, Reserves and Fund Balance</u>			
Capital Improvement Fund	C-8	47,760.01	9,760.01
Improvement Authorizations:			
Funded	C-9	72,189.03	105,405.69
Unfunded	C-9	50,892.51	95,000.00
Bond Anticipation Notes Payable	C-10	160,729.00	131,457.00
Green Acres Trust Loan Payable	C-11	8,319.84	16,475.64
Reserve for Encumbrances	C-12	458,939.21	2,025.25
Reserve for Various Reserves	C-13	148,037.24	111,037.24
Fund Balance	C-1	557.00	557.00
		<u>947,423.84</u>	<u>471,717.83</u>

Footnote C: There were Bonds and Notes Authorized But Not Issued on December 31, 2016 and 2015 in the Amount of \$513,640.00 and \$153,565.09 per Exhibit C-14.

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

Borough of Sussex, N.J.

Comparative Schedule of Fund Balance - Regulatory Basis

General Capital Fund

December 31,

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
Balance - January 1,	C	<u>557.00</u>	<u>42,500.00</u>
Balance - December 31,	C	<u>557.00</u>	<u>557.00</u>

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

Comparative Balance Sheet - Regulatory Basis

Water/Sewer Utility Fund

December 31,

	<u>Ref</u>	<u>2016</u>	<u>2015</u>
<u>Assets</u>			
Operating Fund:			
Cash-Treasurer	D-5	394,591.23	496,703.93
Due From Water/Sewer Utility Capital Fund	D-16		0.45
		<u>394,591.23</u>	<u>496,704.38</u>
Receivables with Full Reserves:			
Consumer Accounts	D-7	945,892.36	825,895.01
Other Receivables	D-8	4,500.00	4,500.00
Water/Sewer Liens Receivable	D-9	17,009.19	19,339.51
		<u>967,401.55</u>	<u>849,734.52</u>
Deferred Charges:			
Overexpenditure of Appropriations	D-20	1,702.23	
Operating Deficit	D-20	78,601.35	47,334.81
		<u>80,303.58</u>	<u>47,334.81</u>
Total Operating Fund		<u>1,442,296.36</u>	<u>1,393,773.71</u>
Capital Fund:			
Cash	D-5;D-6	2,047,192.42	474,555.23
Grants Receivable	D-10	400,000.00	
Fixed Capital*	D-11	16,917,574.84	15,790,486.16
Fixed Capital Authorized and Uncompleted*	D-12	4,925,000.00	4,180,000.00
NJ Environmental Infrastructure Trust Receivable	D-13	299,252.00	299,252.00
Interfund Receivable:			
Water/Sewer Operating	D-16	15,000.00	
NJ Department of Transportation Receivable	D-17	304.16	6,935.00
Total Capital Fund		<u>24,604,323.42</u>	<u>20,751,228.39</u>
Total Assets		<u>26,046,619.78</u>	<u>22,145,002.10</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 Sussex, N.J.

Comparative Balance Sheet - Regulatory Basis

Water/Sewer Utility Fund

	December 31,		
	<u>Ref</u>	<u>2016</u>	<u>2015</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Operating Fund:			
Appropriation Reserve:			
Unencumbered	D-4;D-15	69,943.75	40,167.65
Encumbered	D-4;D-15	39,507.02	85,384.01
Water/Sewer Overpayments	D-14	2,898.51	3,510.60
Interfund Payable:			
Water / Sewer Utility Capital Fund	D-16	15,000.00	
Accrued Interest on Bonds, Loans and Notes	D-18	19,325.07	17,203.13
Accounts Payable	D-19	13,446.66	
		<u>160,121.01</u>	<u>146,265.39</u>
Reserve for Receivables	Contra	967,401.55	849,734.52
Fund Balance	D-1	314,773.80	397,773.80
Total Operating Fund		<u>1,442,296.36</u>	<u>1,393,773.71</u>
Capital Fund:			
Interfund Payable			
Water / Sewer Utility Operating Fund	D-16		0.45
Improvement Authorizations:			
Funded	D-21	424,799.01	435,072.98
Unfunded	D-21	3,547,226.06	1,911,054.86
Capital Improvement Fund	D-22	22,920.00	98,320.00
Reserve for Amortization	D-23	11,615,533.78	10,976,878.30
Reserve for Deferred Amortization	D-24	564,444.00	281,250.00
Serial Bonds Payable	D-25	5,118,000.00	5,378,000.00
Bond Anticipation Notes Payable	D-26	1,875,000.00	225,000.00
General Obligation Loans Payable:			
NJ Environment Infrastructure Trust Loan Payable	D-27	1,250,542.46	1,329,357.86
Reserve for:			
Capital Outlay	D-28	72,181.69	47,181.69
Encumbrances	D-29	65,426.71	23,228.46
Debt Service	D-30	45,883.79	45,883.79
Fund Balance	D-2	2,365.92	
Total Capital Fund		<u>24,604,323.42</u>	<u>20,751,228.39</u>
Total Liabilities, Reserves and Fund Balances		<u>26,046,619.78</u>	<u>22,145,002.10</u>

Footnote D: There Were \$1,380,000 and \$1,780,000.00 Bonds and Notes Authorized But Not Issued on December 31, 2016 and 2015 as per Exhibit D-31.

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

Borough of Sussex, N.J.

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

Water/Sewer Utility Operating Fund

Year Ended December 31,

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
Revenue and Other Income Realized:			
Operating Surplus Anticipated	D-3	83,000.00	83,046.00
Water/Sewer Rents	D-3	2,229,999.26	2,286,254.02
Water/Sewer Liens Redeemed	D-3	20,357.00	4,885.00
Miscellaneous Revenues Anticipated	D-3	4,659.77	33,674.44
Miscellaneous Revenues Not Anticipated	D-3	25,564.41	13,530.21
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	D-15	46,229.18	836.45
Total Income		<u>2,409,809.62</u>	<u>2,422,226.12</u>
Expenditures:			
Operating	D-4	1,748,892.00	1,721,675.00
Capital Improvements	D-4	120,000.00	120,000.00
Debt Service	D-4	559,882.16	581,150.00
Deferred Charges and			
Statutory Expenditures	D-4	12,302.00	46,735.93
Deficits In Operation in Prior Years	D-4	47,334.81	
Total Expenditures		<u>2,488,410.97</u>	<u>2,469,560.93</u>
Operating Deficit to be Raised in Budget of Succeeding Year	D-20	<u>(78,601.35)</u>	<u>(47,334.81)</u>
Fund Balance - January 1,	D	397,773.80	480,819.80
Decreased by:			
Utilized as Anticipated Revenue		<u>83,000.00</u>	<u>83,046.00</u>
Fund Balance - December 31,	D	<u>314,773.80</u>	<u>397,773.80</u>

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

Borough of Sussex, N.J.

Statement of Fund Balance - Regulatory Basis

Water/Sewer Utility Capital Fund

Year Ended December 31, 2016

	<u>Ref.</u>	
Increased by:		
Improvement Authorization Canceled	D-23	<u>2,365.92</u>
Balance - December 31, 2016	D	<u><u>2,365.92</u></u>

D-3

Statement of Revenues - Regulatory Basis

Water/Sewer Utility Operating Fund

Year Ended December 31, 2016

	<u>Ref.</u>	<u>Anticipated</u>	<u>Realized</u>	<u>Excess (Deficit)</u>
Operating Surplus Anticipated	D-1	83,000.00	83,000.00	
Water/Sewer Rents	D-1;D-7	2,290,600.00	2,229,999.26	(60,600.74)
Additional Rents New Meters		91,260.00		(91,260.00)
Water/Sewer Liens Redeemed	D-1;D-9		20,357.00	20,357.00
Miscellaneous Revenue	D-1;D-5	46,197.00	4,659.77	(41,537.23)
Budget Totals		<u>2,511,057.00</u>	<u>2,338,016.03</u>	<u>(173,040.97)</u>
Non-Budget Revenue	D-1		25,564.41	25,564.41
		<u>2,511,057.00</u>	<u>2,363,580.44</u>	<u>(147,476.56)</u>
		D-4		
<u>Analysis of Non-Budget Revenues</u>				
Interest on Deposits- Water/Sewer Capital	D-16		631.17	
Fire Hydrant Servicing		3,750.00		
Hook-ups		4,200.00		
Interest on Delinquent Payments		16,629.66		
Interest on Investments				
Water/Sewer Operating		<u>353.58</u>		
	D-5		<u>24,933.24</u>	
			<u>25,564.41</u>	
			D-3	

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

Borough of Sussex, N.J.
Statement of Expenditures - Regulatory Basis
Water/Sewer Operating Fund
Year Ended December 31, 2016

Ref.	Appropriated		Expended		Unexpended Balance Cancelled	Overexpended
	Budget	Budget After Modification	Paid or Charged	Reserved		
	148,100.00	148,100.00	121,439.61	26,660.39		
	1,605,792.00	1,600,792.00	1,518,001.62	82,790.38		
D-1	<u>1,753,892.00</u>	<u>1,748,892.00</u>	<u>1,639,441.23</u>	<u>109,450.77</u>		
Operating:						
Salaries and Wages						
Other Expenses						
Total Operating						
Capital Improvements:						
Capital Improvement Fund	95,000.00	95,000.00	95,000.00			
Capital Outlay	25,000.00	25,000.00	25,000.00			
Total Capital Improvements	<u>120,000.00</u>	<u>120,000.00</u>	<u>120,000.00</u>			
Debt Service:						
Payment of Bond Principal	260,000.00	260,000.00	260,000.00		20,000.00	
Payment of Bond Anticipation Notes and Capital Notes	30,000.00	35,000.00	15,000.00			
Interest on Bonds	176,398.00	176,398.00	176,398.00			
Interest on Notes	4,015.00	4,015.00	4,015.00			
NJIT Principal Payments	78,816.00	78,816.00	76,667.16		2,148.84	
NJIT Interest Payments	27,802.00	27,802.00	27,802.00			
Total Debt Service	<u>577,031.00</u>	<u>582,031.00</u>	<u>559,882.16</u>		<u>22,148.84</u>	

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

Borough of Sussex, N.J.
Statement of Expenditures - Regulatory Basis
Water/Sewer Operating Fund
Year Ended December 31, 2016

<u>Ref.</u>	<u>Appropriated</u>	<u>Budget</u>	<u>After</u>	<u>Modification</u>	<u>Expended</u>	<u>Unexpended</u>	<u>Overexpended</u>
	<u>Budget</u>	<u>Balance</u>	<u>Paid or</u>	<u>Charged</u>	<u>Reserved</u>	<u>Cancelled</u>	
Deferred Charges and Statutory Expenditures:							
Deferred Charges:							
Emergency Authorization	47,832.00	47,832.00		47,334.81		497.19	
Operating Deficit							
Statutory Expenditures:							
Contribution to:							
Public Employees' Retirement System	7,802.00	7,802.00		7,802.00			1,632.61
Social Security System (O.A.S.I.)	4,000.00	4,000.00		5,632.61			69.62
Unemployment Compensation Insurance	500.00	500.00		569.62			
Total Deferred Charges and Statutory Expenditures	60,134.00	60,134.00		61,339.04		497.19	1,702.23
Total Water/Sewer Utility Appropriations	2,511,057.00	2,511,057.00		2,380,662.43		109,450.77	1,702.23
			D-3				D-20
<u>Analysis of Paid or Charged</u>							
Cash Disbursed				2,110,112.62			
Interfund - Water/Sewer Capital Fund				15,000.00			
Accrued Interest				208,215.00			
Deferred Charges				47,334.81			
				2,380,662.43			
<u>Analysis of Appropriation Reserves</u>							
Unencumbered					69,943.75		
Encumbered					39,507.02		
					109,450.77		

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

Borough of Sussex, N.J.

General Fixed Assets Account Group

Comparative Balance Sheet

December 31,

(UNAUDITED)

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
Land, Building and Building Improvements	2,141,800.00	2,141,800.00
Machinery and Equipment	<u>2,273,448.00</u>	<u>2,273,448.00</u>
	<u>4,415,248.00</u>	<u>4,415,248.00</u>
<u>RESERVES</u>		
Investment in Fixed Assets	<u>4,415,248.00</u>	<u>4,415,248.00</u>

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

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

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 Sussex 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 separate funds which differ from the fund structure required by GAAP.

A. Reporting Entity

The Borough of Sussex (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, water/sewer system, 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 be 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 NJS 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 SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(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 Trust 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/Sewer Operating and Water/Sewer Capital Funds - These funds account for the operations and acquisition of capital facilities of the municipally owned Water/Sewer utility.

Public Assistance Fund - The Borough transferred administration of the general assistance program to the Sussex County Board of Social Services.

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

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Basis of Accounting

A modified accrual basis of accounting is followed by the Borough of Sussex. 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 (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, remain 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, Water/Sewer Operating Fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual.

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(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. 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	Trust Fund
General Capital Fund	Water/Sewer Utility Capital 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 calendar 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 2016, the Governing Body did not increase the Current Fund or Water/Sewer budgets. In addition, several budget transfers were approved by the governing body.

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(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 appropriation 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.

Compensated Absences - Expenditures relating to obligations for unused vested accumulated vacation and sick pay are not recorded until paid. GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining obligations be recorded as a long-term obligation.

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.

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 fair value cost and are limited by NJSA 40A:5-15.1(a).

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 Sussex 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 and sidewalks and drainage systems are not capitalized.

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

No depreciation has been provided for in the financial statements.

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

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

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

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

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(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.

Recent Accounting Pronouncements

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

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

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

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

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Recent Accounting Pronouncements (continued)

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

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

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

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

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Recent Accounting Pronouncements (continued)

In January 2016, the Government Accounting Standards Board issued GASB Statement No. 80, *Blending Requirements for Certain Component Units*, which provides clarity about how certain component units incorporated as not-for-profit corporations should be presented in the financial statements of the primary state or local government. The Borough is currently reviewing what effect, if any, this Statement might have on future financial statements.

In March 2016, the Government Accounting Standards Board issued GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The Borough is currently reviewing what effect, if any, this Statement might have on future financial statements.

In March 2016, the Government Accounting Standards Board issued GASB Statement No. 82, *Pension Issues - an Amendment of GASB Statements No. 67, No. 68 and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statement No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement is effective for reporting periods beginning after June 15, 2016. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice.

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.

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

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 2016 statutory budget included a reserve for uncollected taxes in the amount of \$141,976.00 to balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2016 statutory budget was \$103,500.00.

Interdepartment 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 the Borough Council.

N.J.S.A. 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 2016, there were no special items of revenue and appropriation inserted into the annual budget.

The municipality may make emergency appropriations, after the adoption of the budget, for a purpose which was not foreseen at the time the budget was adopted or for which adequate provision was not made therein. This type of appropriation shall be made to meet a pressing need for public expenditure to protect or promote the public health, safety, morals or welfare or to provide temporary housing or public assistance prior to the next succeeding fiscal year.

Emergency appropriations, except those classified as a special emergency, must be raised in the budgets of the succeeding year. Special emergency appropriations are permitted to be raised in the budgets of the succeeding three or five years. During 2016, there were no special emergency authorizations.

NOTE 3: GENERAL FIXED ASSETS (UNAUDITED)

The following schedule is a summarization of changes in the general fixed assets account group for the year 2016.

	<u>Dec. 31, 2015</u>	<u>Dec. 31, 2016</u>
Land and Buildings	\$2,141,800.00	\$2,141,800.00
Machinery & Equipment	<u>2,273,448.00</u>	<u>2,273,448.00</u>
	<u>\$4,415,248.00</u>	<u>\$4,415,248.00</u>

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

NOTE 4: MUNICIPAL DEBT

Long-term debt as of December 31, 2016 consisted of the following:

	<u>Balance</u> <u>Dec. 31, 2015</u>	<u>Reductions</u>	<u>Balance</u> <u>Dec. 31, 2016</u>	<u>Amount Due</u> <u>Within One Year</u>
General Capital Fund:				
Green Trust Loan Payable	\$ 16,475.64	\$ 8,155.80	\$ 8,319.84	\$ 8,319.84
Water/Sewer Capital Fund:				
General Bonds	5,378,000.00	260,000.00	5,118,000.00	270,000.00
NJ Environmental Infrastructure Loan Payable	<u>1,329,357.86</u>	<u>78,815.40</u>	<u>1,250,542.46</u>	<u>78,971.10</u>
	<u>6,707,357.86</u>	<u>338,815.40</u>	<u>6,368,542.46</u>	<u>348,971.10</u>
Compensated Absences Payable	<u>7,800.17</u>	<u>3,047.03 (1)</u>	<u>4,753.14</u>	<u>-</u>
Total	<u>\$6,731,633.67</u>	<u>\$350,018.23</u>	<u>\$6,381,415.44</u>	<u>\$357,290.94</u>

(1) Net of days allowed and days used.

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 obligations 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.

**SUMMARY OF MUNICIPAL DEBT -
(EXCLUDING CURRENT AND OPERATING DEBT AND TYPE II SCHOOL DEBT)**

<u>Issued:</u>	<u>Year 2016</u>	<u>Year 2015</u>	<u>Year 2014</u>
General:			
Bonds, Notes and Loans	\$ 169,048.84	\$ 147,932.64	\$ 248,657.74
Water/Sewer Utility:			
Bonds, Notes and Loans	<u>8,243,542.46</u>	<u>6,932,357.86</u>	<u>7,296,043.30</u>
Total Issued	<u>\$8,412,591.30</u>	<u>\$7,080,290.50</u>	<u>\$7,544,701.04</u>

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

NOTE 4: MUNICIPAL DEBT (CONTINUED)

SUMMARY OF MUNICIPAL DEBT -
(EXCLUDING CURRENT AND OPERATING DEBT AND TYPE II SCHOOL DEBT)

<u>Authorized but not Issued::</u>	<u>Year 2016</u>	<u>Year 2015</u>	<u>Year 2014</u>
General:			
Bonds and Notes	\$ 513,640.00	\$ 153,565.09	\$ 78,490.09
Water/Sewer Utility:			
Bonds and Notes	<u>1,380,000.00</u>	<u>1,780,000.00</u>	<u>590,696.55</u>
Total Authorized but not Issued	<u>1,893,640.00</u>	<u>1,933,565.09</u>	<u>669,186.64</u>
Net Bonds & Notes Issued and Authorized but not Issued	<u>10,306,231.30</u>	<u>9,013,855.59</u>	<u>8,213,887.68</u>
Less Applicable Deductions	<u>9,623,542.46</u>	<u>8,712,357.86</u>	<u>7,886,739.85</u>
Net Debt	<u>\$ 682,688.84</u>	<u>\$ 301,497.73</u>	<u>\$ 327,147.83</u>

COMPARISON OF AVERAGE OF EQUALIZED VALUATION PER N.J.S. 40A:2-2

2016	124,896,619.00		
2015		122,832,969.33	
2014			125,495,621.33

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 statement net debt of 0.651%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Regional High School Debt	\$ -	\$ -	\$ -
Water/Sewer Utility Debt	10,306,231.30	10,175,576.10	130,655.20
General Debt	<u>682,688.84</u>	<u>-</u>	<u>682,688.84</u>
	<u>\$10,988,920.14</u>	<u>\$10,175,576.10</u>	<u>\$813,344.04</u>

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

NOTE 4: MUNICIPAL DEBT (CONTINUED)

Net Debt \$813,344.04 divided by equalized valuation basis per N.J.S. 40A:2-2 as amended, 124,896,619.00 = 0.651%.

BORROWING POWER UNDER N.J.S. 40A:20-6 AS AMENDED

3½ of Equalized Valuation Basis (Municipal)	\$4,371,381.66
Net Debt	<u>813,344.04</u>
Remaining Borrowing Power	<u>\$3,558,037.62</u>

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

Cash Receipts from Fees, Rents or Other Charges for Year		\$2,363,580.44
Deductions:		
Operating and Maintenance Costs	\$1,810,231.04	
Debt Service Per Water/Sewer Account	<u>559,882.16</u>	
Total Deductions		<u>2,370,113.20</u>
Excess/(deficit) In Revenue		<u>\$ (6,532.76)</u>

FOOTNOTE: If there is an "excess in revenue", all such utility debt is deductible.

The forgoing debt information is not in agreement with the Annual Debt Statement filed by the Chief Financial Officer.

Details of Long-Term Debt as of December 31, 2016 is as follows:

Outstanding debt whose principle and interest are paid from the Current Fund Budget of the Borough:

Green Acres Loan Payable

On April 1, 2002, the Borough of Sussex entered into an agreement with the State of New Jersey, acting by and through the New Jersey Department of Environmental Protection Fund (the "Fund"), in the aggregate amount of \$112,071.00, which represents a direct loan obligation of the Borough. The loan agreement was obtained to finance improvements to Clove Lake Dam.

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

NOTE 4: MUNICIPAL DEBT (CONTINUED)

Green Acres Loan Payable (continued)

Principal payments on the loan commenced on April 22, 2002, and will continued on an annual basis over 15 years at 2.00% interest. The remaining balance as of December 31, 2016 was \$8,319.84.

Outstanding debt whose principle and interest are paid from the Water/Sewer Utility Operating Budget of the Borough:

General Obligation Bonds of 2005 dated 11/01/05, in the amount of \$1,193,000.00 - Interest is paid semi-annually at a rate of 4.50% - 5.00% per annum. The remaining balance as of December 31, 2016 was \$533,000.00.

On February 22, 2012, the Borough issued \$5,515,000.00 in Water/Sewer Refunding Bonds to refund a FHA Loan for four USDA Loans. Interest is paid semi-annually at a rate of 2.00% - 3.75%, with an final maturity on January 1, 2030. The remaining balance, as of December 31, 2016 was \$4,585,000.00.

NJ Environmental Infrastructure Loans Payable

On February 17, 2010, the Borough of Sussex entered into two loan agreements with the State of New Jersey, acting by and through the NJ Department of Environmental Protection Fund (the "Fund"), and the NJ Wastewater Treatment Trust (the "Trust"), in the revised aggregate amounts of \$596,000.00 which represents a direct obligations of the Borough. The loan agreements were obtained to finance the repair and painting of water storage tanks.

Principal payments to the "Fund" commenced August 1, 2010, and will continue on a semiannual basis over 20 years. It is expected that interest will be paid from trust bond proceeds on deposit in the capitalized interest account (as defined in the bond resolution), and earnings thereon on the debt service reserve fund (as defined in the bond resolution) transferred to such capitalized interest account. The balances remaining as of December 31, 2016 are \$110,461.04 and \$295,474.60.

On December 2, 2010, the Borough of Sussex entered into two loan agreements with the State of New Jersey, acting by and through the NJ Department of Environmental Protection Fund (the "Fund"), and the NJ Wastewater Treatment Trust (the "Trust"), in the revised aggregate amounts of \$1,110,400.00 which represents a direct obligations of the Borough. The loan agreements were obtained to finance the repair and painting of water storage tanks.

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

NOTE 4: MUNICIPAL DEBT (CONTINUED)

NJ Environmental Infrastructure Loans Payable (continued)

Principal payments to the "Fund" commenced August 1, 2011, and will continue on a semiannual basis over 20 years. It is expected that interest will be paid from trust bond proceeds on deposit in the capitalized interest account (as defined in the bond resolution), and earnings thereon on the debt service reserve fund (as defined in the bond resolution) transferred to such capitalized interest account. The balances remaining as of December 31, 2016 are \$435,000.00 and \$409,606.82.

Also, an annual administrative fee of fifteen hundredths of one percent (.15%) of the initial amount of the loan or such lesser amount, if any, as the Trust may approve from time to time is payable on these loans.

Total General Capital Bonds and Loans listed above - \$ 8,319.84

Total Water/Sewer Utility Capital Bonds and Loans listed above - \$6,368,542.46

**SCHEDULE OF ANNUAL DEBT SERVICE FOR PRINCIPAL AND INTEREST FOR BONDED DEBT
ISSUED AND OUTSTANDING**

Calendar Year	General		Water/Sewer Utility		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	8,319.84	125.01	348,971.10	197,097.42	357,290.94	197,222.43
2018	-	-	359,150.61	187,742.90	359,150.61	187,742.90
2019	-	-	359,347.62	176,995.90	359,347.62	176,995.90
2020	-	-	369,564.78	166,961.24	369,564.78	166,961.24
2021	-	-	374,802.74	155,648.28	374,802.74	155,648.28
2022-2026	-	-	1,781,289.25	605,528.34	1,781,289.25	605,528.34
2027-2031	-	-	1,480,416.36	351,050.78	1,480,416.36	351,050.78
2032-2036	-	-	1,235,000.00	124,087.50	1,235,000.00	124,087.50
2037	-	-	60,000.00	1,125.00	60,000.00	1,125.00
Total	<u>8,319.84</u>	<u>125.01</u>	<u>6,368,542.46</u>	<u>1,966,237.36</u>	<u>6,376,862.30</u>	<u>1,966,362.37</u>

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

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 to 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.

On December 31, 2016, the Borough had \$160,729.00 in outstanding General Capital Bond Anticipation Notes. This note will mature on February 10, 2017 and it is the intent of the Borough Council to renew this note for another one year period. The interest rate on this note is 1.35%. Principal and interest on this note is paid from the Current Fund budget of the Borough. The Borough renewed this note on February 11, 2016, totaling \$560,500.00, which includes a pay-down of \$75,229.00 and an additional amount of \$475,000.00. The new maturity date is February 9, 2018, at an interest rate of 1.3499%.

On December 31, 2016, the Borough had \$1,875,000.00 in Outstanding Water/Sewer Capital Bond Anticipation Notes. \$75,000.00 matured on May 5, 2017. The Borough renewed this note on May 5, 2017, totaling \$105,000.00, which includes a pay-down of \$15,000.00 and an additional amount of \$45,000.00. The new maturity date is May 4, 2018, at an interest rate on this note is 1.50%. \$1,800,000.00 will mature on October 13, 2017, the interest rate on this note is 1.025%.

The following activity related to bond anticipation notes occurred during the calendar year ended December 31, 2016.

	<u>Balance</u> <u>12/31/15</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/16</u>
General Capital Fund:				
Sussex Bank	\$131,457.00	\$ 160,729.00	\$131,457.00	\$ 160,729.00
Water/Sewer Capital Fund:				
Sussex Bank	<u>225,000.00</u>	<u>1,875,000.00</u>	<u>225,000.00</u>	<u>1,875,000.00</u>
	<u>\$356,457.00</u>	<u>\$2,035,729.00</u>	<u>\$356,457.00</u>	<u>\$2,035,729.00</u>

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

NOTE 6: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2016 the following deferred charges are shown on the balance sheets of the various funds:

	<u>Balance Dec. 31, 2016</u>	<u>2017 Budget Appropriation</u>	<u>Balance to Succeeding Budgets</u>
Current Fund:			
Over-expenditure of Appropriations	<u>\$ 952.30</u>	<u>\$ -</u>	<u>\$ 952.30</u>
Water/Sewer Utility Operating Fund:			
Over-expenditure of Appropriations	1,702.23	-	1,702.23
Operating Deficit	<u>78,601.35</u>	<u>64,214.00</u>	<u>14,387.35</u>
	<u>\$80,303.58</u>	<u>\$64,214.00</u>	<u>\$16,089.58</u>

The appropriations in the 2017 budget are not less that required by statute.

NOTE 7: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2016 and 2015 which were appropriated and included as anticipated revenue in their own respective funds for the years ending December 31, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Current Fund	<u>\$145,000.00</u>	<u>\$103,500.00</u>
Water/Sewer Utility Fund	<u>\$115,678.21</u>	<u>\$ 83,000.00</u>

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 Sussex has elected not to defer school taxes.

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

NOTE 9: PENSION PLAN

Description of Plans:

Borough employees participate in the contributory, defined benefit public employee retirement system: the State of New Jersey Public Employees' Retirement System (PERS); 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.

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

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

NOTE 9: PENSION PLAN (CONTINUED)

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

Benefits Provided, (continued)

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 PERS, 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.

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

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

NOTE 9: PENSION PLAN (CONTINUED)

Contribution Requirements, (continued)

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>
2016	\$19,505.00	\$-0-
2015	17,863.00	-0-
2014	13,536.00	-0-

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

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

Public Employees Retirement System (PERS)

At December 31, 2016, the Borough had a liability of \$615,789.00 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2016, the Borough's proportion was 0.0020791644 percent, which was an increase/(decrease) of 0.0000507414 percent from its proportion measured as of June 30, 2015.

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

NOTE 9: PENSION PLAN (CONTINUED)

Public Employees Retirement System (PERS), (continued)

For the year ended December 31, 2016, the Borough recognized pension expense of \$19,505.00. At December 31, 2016, 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	\$11,452.00	\$ -
Changes of assumptions	127,559.00	-
Net difference between projected and actual earnings on pension plan investments	23,481.00	-
Changes in proportion and differences between the Borough's contributions and proportionate share of contributions	61,716.00	564,095.00
Borough contributions subsequent to the measurement date	<u>18,471.00</u>	<u>-</u>
Total	<u>\$242,679.00</u>	<u>\$564,095.00</u>

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (June 30, 2016) 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:	
2017	\$36,583.00
2018	36,583.00
2019	42,383.00
2020	35,608.00
2021	11,333.00

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(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 5.57, 5.72 and 6.44 years for 2016, 2015 and 2014 amounts respectively.

Additional Information

Local Group Collective balances at June 30, 2016 and June 30, 2015 are as follows:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Collective deferred outflows of	\$8,685,338,380	\$3,578,755,666
Collective deferred inflows of resources	870,133,595	993,410,455
Collective net pension liability	29,617,131,759	22,447,996,119
Borough's Proportion	0.0020791644%	0.0020284233%

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which rolled forward to June 30, 2016. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation	3.08 Percent
Salary Increases:	
Through 2016	1.65-4.15 Percent (based on age)
Thereafter	2.65-5.15 Percent (based on age)
Investment Rate of Return	7.65 Percent

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

NOTE 9: PENSION PLAN (CONTINUED)

Public Employees Retirement System (PERS), (continued)

Actuarial Assumptions (continued)

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. 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-mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plans actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality

Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) 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, 2016 are summarized in the following table:

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(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>
Cash	5.00%	.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad U.S. Equities	26.00%	8.53%
Developed Foreign Markets	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Returns	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%

Discount Rate

The discount rate used to measure the total pension liability was 3.98% and 4.90% as of June 30, 2016 and 2015, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% and 3.80% as of June 30, 2016 and 2015, respectively, based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(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, 2016 respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 - percentage point lower or 1 - percentage-point higher than the current rate:

	<u>June 30, 2016</u>		
	<u>1% Decrease 2.98%</u>	<u>At Current Discount Rate 3.98%</u>	<u>1% Increase 4.98%</u>
Borough's proportionate share of the pension liability	\$754,577	\$615,789	\$501,207

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 Borough of Sussex has adopted a policy that allows Borough employees to accrue sick and vacation time. The current cost of such unpaid compensation would be payable upon termination or separation from the Borough approximates \$4,753.14. The amount is reported neither as an expenditure or a liability. However, it is expected that the cost of such unpaid compensation would be included in the Boroughs operating budget in the year in which it is used.

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

NOTE 11: CASH, 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, 2016, \$237,703.49 of the Borough's bank balance of \$3,983,921.67 was exposed to custodial credit risk. In comparison, as of December 31, 2015, \$205,796.90 of the Borough's bank balance of \$1,891,515.86 was exposed to custodial credit risk.

Investments

Investment Rate Risk

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

Credit Risk

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

Unaudited Investments

As more fully described in NOTE 17, the Borough has created a Length of Service Award Program (LOSAP) for emergency service volunteers. The LOSAP investments are similar to those allowed in a deferred compensation program as specified in NJSA 43:15B-1 et seq. except that all investments are retained in the name of the Borough. All investments are valued at fair value. In accordance with NJAC 5:30-14.37, the investments are maintained by Lincoln Financial Group, which is an authorized provider approved by the Division of Local Government Services. The balance in the account on December 31, 2016 and 2015 amounted to \$237,703.49 and \$205,796.90 respectively.

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

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

The following investments represent 5% or more of the total invested with Lincoln Financial Group on December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
LVIP SSgA S&P 500 Index Fund	\$132,053.26	\$111,432.62
Fixed	100,168.68	89,582.18
Investments under 5%	<u>5,481.55</u>	<u>4,782.10</u>
Total	<u>\$237,703.49</u>	<u>\$205,796.90</u>

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 2016 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 Sussex has elected to have the County of Sussex process all public assistance granted to the residents. Therefore, the Borough of Sussex no longer has a public assistance director.

NOTE 14: HEALTH INSPECTIONS

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

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

NOTE 15: DUE TO/FROM OTHER FUNDS

Balances due to/from other funds at December 31, 2016 consist of the following:

\$48,219.43	Due to Federal and State Grant Fund from Current Fund for receipts and disbursements in the Current Fund.
666.54	Due to Other Trust fund from Animal Control Trust Fund disbursements in Other Trust Fund.
19,278.24	Due to General Capital Fund from Current Fund for unexpected Capital Improvements in Current Fund Budget from previous year.
15,000.00	Due to Water/Sewer Capital Fund from Water/Sewer Operating Fund for expenditures in Water/Sewer Capital Fund.
<u>2,116.60</u>	Due to Current Fund from Animal Control Trust Fund for Statutory Excess Funds.
<u>\$85,280.81</u>	

It is anticipated that all interfunds will be liquidated during the calendar year.

NOTE 16: TAXES COLLECTED IN ADVANCE

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

	Balance <u>Dec 31, 2016</u>	Balance <u>Dec 31, 2015</u>
Prepaid Taxes	<u>\$15,412.77</u>	<u>\$42,694.41</u>
Cash Liability for Taxes Collected in Advance	<u>\$15,412.77</u>	<u>\$42,694.41</u>

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

**NOTE 17: EMERGENCY SERVICES VOLUNTEER LENGTH OF SERVICE AWARD PLAN
(LOSAP)**

On February 4, 2004, the Division of Local Government Services approved the Borough's LOSAP plan, provided by Lincoln Financial Group. The purpose of this plan is to enhance the Borough's ability to retain and recruit volunteer firefighters and volunteer members of emergency service squads.

Lincoln Financial Group will provide for the benefit of participants, a multi-fund variable annuity contract as its funding vehicle. The plan's contribution requirements are as follows: the contribution for each participating active volunteer member shall be between the minimum contribution of \$115.00 and the maximum contribution of \$1,150.00. The Borough's contribution shall be included in the current year's budget.

All amounts awarded under a length of service award plan shall remain the asset of the sponsoring agency; the obligation of the sponsoring agency to participating volunteers shall be contractual only; and no preferred or special interest in the awards made shall accrue to such participants. Such money shall be subject to the claims of the sponsoring agency's general creditors until distributed to any or all participants.

We have reviewed the plan for the year ended December 31, 2016 in accordance with the American Institute of Certified Public Accountants (AICPA) Statement on Standards for Accounting and Review Services.

NOTE 18: POST-RETIREMENT BENEFITS

Plan Description

The Borough of Sussex contributes to the State Health Benefits Program (SHBP), a cost-sharing, multi-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

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

Eligible retired employees and their dependents covered under the program, including surviving spouses will receive benefits based on 25 years or more of service credited in such retirement system, excepting the employees who elected deferred retirement but including the employees who retired on disability

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

NOTE 18: POST-RETIREMENT BENEFITS (CONTINUED)

pensions based on fewer years of service credited, and also to reimburse such retired employees for their premium charges under Part B of the Federal Medicare Program covering the retired employees and their spouse in accordance with the regulations of the SHBP.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P. O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at www.state.nj.us/treasury/pensions/gasb-43-sept2008.pdf

Funding Policy

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

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Borough of Sussex on a monthly basis. Funds for retiree health premiums are raised each year in the municipality via property taxes. There are no cost sharing policies that the current retirees contribute.

The Borough of Sussex contributions for SHBP for the years ended December 31, 2016, 2015 and 2014, were \$25,360.44, \$24,174.96, and \$22,071.25, respectively, which equaled the required contributions for each year. There were 3 participants eligible at December 31, 2016 and 1 retired participant (with a spouse, and 2 spouses) eligible at December 31, 2015 and 3 retired participants (and 2 spouses) eligible at December 31, 2014.

NOTE 19: COMMITMENTS AND CONTINGENT LIABILITIES

Borough Counsel advises us there are three (3) claims. One is a TORT claim which has been referred to the Borough's Insurance Agent. The second was regarding an alleged motor vehicle accident which was also referred to the Borough's Insurance Agent. The third was a demand for reimbursement of water charges which Borough Counsel is attempting to resolve.

NOTE 20: SUBSEQUENT EVENTS

The Borough has evaluated subsequent events through May 9, 2017, the date which the financial statements were available to be issued and no other items were noted for disclosure.

SUPPLEMENTARY DATA

BOROUGH OF SUSSEX, N.J.

OFFICIALS IN OFFICE AND SURETY BONDS
YEAR ENDED DECEMBER 31, 2016

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

<u>Name</u>	<u>Title</u>
Katherine Little	Mayor
Robert Holowach	Council President
Albert Decker	Councilperson to 11/15/16
Walter Cleary III	Councilperson from 12/6/16
Frank Dykstra	Councilperson
Linda Masson	Councilperson
Edward Meyer	Councilperson
Georgeanna Stoll	Councilperson
Mark Zschack	Clerk/Administrator to 9/15/16
Michael Restel	Administrator; DPW Supervisor from 9/16/16
Colleen Little	Deputy Clerk; Deputy Treasurer; Deputy Registrar; Payroll Clerk
Toni Smith	Water/Sewer Collector to 9/15/16; Acting Clerk from 9/16/16
Gail Magura	CFO - Interlocal Agreement Lafayette Township
Melissa Caton	Tax Collector - Interlocal Agreement Wantage Township
Kristy Lockburner	Tax Assessor - Interlocal Agreement Wantage Township
Frank McGovern	Municipal Attorney
Rich Klein	Planning/Zoning Board Chairman
Harold Pellow	Municipal Engineer
Houser Engineeering	Water/Sewer Engineer
Joe Butto	Construction Official - Interlocal Agreement Hardyston Township
Jake Little	Fire Chief
Thomas M. Ferry, C.P.A., R.M.A.	Municipal Auditor

The Borough has a blanket surety bond coverage for all employees in the amount of \$1,000,000 through the Statewide Insurance Fund.

All the Bonds were examined and were properly executed.

Borough of Sussex
 Schedule of Expenditures of Federal Awards
 For the Year Ended December 31, 2016

Federal Department	Federal Program	Federal C.F.D.A. Number	Account Number	Program or Award Amount	Grant Period From/To	12/31/2015		12/31/2016		MEMO Cumulative Total Expenditures
						(Receivable)	Reserve Balance	(Receivable)	Reserve Balance	
	<u>Water/Sewer Capital</u>									
U.S. Department of Housing & Urban Development:	Community Development Block Grant - Small Cities Program: Lake Rutherford Dam Facility	14.228	2016-100-022-8020-078-F292-155C-6120	400,000.00	1/1/2016-12/31/2017	-	-	(400,000.00)	400,000.00	-
Total General Capital Fund:						-	-	(400,000.00)	400,000.00	-
	TOTAL FEDERAL AID:					-	-	(400,000.00)	400,000.00	-

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

Borough of Sussex

Schedule of Expenditures of State Financial Assistance

For the Year Ended December 31, 2016

Name of State Agency or Department	Name of Program	Grant or State Project Number	Program or Award Amount	Grant Period From/To	12/31/2015		12/31/2016		MEMO Cumulative Total Expenditures
					Receipts	Reserve Balance	Expended	(Receivable)	
Federal and State Grant Fund:									
NJ Department of Environmental Protection	Clean Communities Grant	765-042-4900-004	4,270.97	1/1/13 - 12/31/13	-	2,990.44	-	-	4,270.97
			4,005.23	1/1/14 - 12/31/14	-	4,005.23	-	-	2,881.47
			4,875.69	1/1/15-12/31/15	5,574.11	4,875.69	-	-	4,875.69
			5,574.11	1/1/16-12/31/16	-	11,871.36	-	-	5,574.11
	Recycling Tonnage	100-042-4910-224	3,469.02	1/1/09 - 12/31/09	-	196.43	-	-	3,469.02
			10,296.63	1/1/11 - 12/31/11	-	10,296.63	-	-	2,053.57
			3,379.15	1/1/12 - 12/31/12	-	3,379.15	-	-	3,379.15
			8,796.94	1/1/13-12/31/13	-	8,796.94	-	-	8,796.94
			10,295.78	1/1/14-12/31/14	-	10,295.78	-	-	10,295.78
			4,540.94	1/1/16-12/31/16	-	32,964.93	-	-	4,540.94
	Green Communities Grant- Shade Tree	100-042-4870-074	3,000.00	1/1/10 - 12/31/10	-	1,390.00	-	-	1,390.00
Total Federal and State Grant Fund									
					-	46,226.29	-	-	8,121.91
					(35,014.25)				48,219.43
General Capital Fund:									
NJ Department of Transportation	Municipal Aid - Overlook Dr.	480-078-6320-ALW	140,057.00	1/1/14-12/31/14	35,014.25				
Total General Capital									
					(35,014.25)				
Water Capital Fund:									
NJ Environmental Infrastructure Trust and Loan Program	Rehabilitation of Manholes	1921001-003	1,110,400.00	2/17/10 - 12/31/13	(299,252.00)	344,612.93	(299,252.00)	344,612.93	
NJ Department of Transportation	Highway Planning and Construction	480-078-6300-GIR	85,765.11	1/1/15-12/31/15	(6,935.00)		(304.16)		
Total Water Capital Fund									
					(306,187.00)	344,612.93	(299,556.16)	344,612.93	
					(341,201.25)	390,839.22	(299,556.16)	392,832.36	14,285.03

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

COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE

CURRENT FUND

	<u>Year 2016</u>		<u>Year 2015</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<u>Revenue and Other Income Realized</u>				
Fund Balance Utilized	103,500.00	2.25%	93,500.00	2.20%
Miscellaneous - From Other Than				
Local Property Tax Levies	270,735.64	5.88%	279,646.40	6.58%
Collection of Delinquent Taxes				
and Tax Title Liens	153,884.16	3.34%	114,508.66	2.70%
Collection of Current				
Tax Levy	3,968,903.42	86.24%	3,636,516.87	85.61%
Other Credits to Income	<u>104,924.80</u>	<u>2.28%</u>	<u>123,634.62</u>	<u>2.91%</u>
<u>Total Revenue and Other Income Realized</u>	<u>4,601,948.02</u>	<u>100.00%</u>	<u>4,247,806.55</u>	<u>100.00%</u>
 <u>Expenditures</u>				
Budget Expenditures:				
Municipal Purposes	1,285,241.82	29.47%	1,270,538.87	30.81%
Local and Regional School Taxes	2,298,288.00	52.70%	2,211,739.00	53.63%
County Taxes	714,284.85	16.38%	641,507.00	15.55%
Other Expenditures	<u>63,508.48</u>	<u>1.46%</u>	<u>0.00%</u>	<u>0.00%</u>
<u>Total Expenditures</u>	<u>4,361,323.15</u>	<u>100.00%</u>	<u>4,123,784.87</u>	<u>100.00%</u>
 Excess (Deficit) in Revenue	 240,624.87		 124,021.68	
 Adjustments to Income Before Fund Balance:				
 Expenditures Included Above Which are by				
Statute Deferred Charges to Budget				
of Succeeding Year				
	<u>952.30</u>			
Statutory Excess to Fund Balance	241,577.17		124,021.68	
Fund Balance, January 1,	<u>273,638.38</u>		<u>243,116.70</u>	
	515,215.55		367,138.38	
Less:				
Utilized as Anticipated Revenue	<u>103,500.00</u>		<u>93,500.00</u>	
Fund Balance, December 31,	<u>411,715.55</u>		<u>273,638.38</u>	

COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE

WATER/SEWER UTILITY OPERATING FUND

	<u>Year 2016</u>		<u>Year 2015</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<u>Revenue and Other Income Realized</u>				
Fund Balance Utilized	83,000.00	3.44%	83,046.00	3.43%
Collection of Water/Sewer Rents	2,229,999.26	92.54%	2,286,254.02	94.39%
Miscellaneous - From Other				
Than Water / Sewer Rents	50,581.18	2.10%	33,674.44	1.39%
Other Credits to Income	46,229.18	1.92%	19,251.66	0.79%
	<u>2,409,809.62</u>	<u>100.00%</u>	<u>2,422,226.12</u>	<u>100.00%</u>
<u>Total Revenue and Other Income Realized</u>				
<u>Expenditures</u>				
Budget Expenditures:				
Operating	1,748,892.00	70.28%	1,721,675.00	69.72%
Capital Improvements	120,000.00	4.82%	120,000.00	4.86%
Debt Service	559,882.16	22.50%	581,150.00	23.53%
Deferred Charges and				
Statutory Expenditures	12,302.00	0.49%	46,735.93	1.89%
Deficits in Operation in Prior Years	47,334.81	1.90%		0.00%
	<u>2,488,410.97</u>	<u>100.00%</u>	<u>2,469,560.93</u>	<u>100.00%</u>
<u>Total Expenditures</u>				
Operating Deficit to be Raised in Budget of Succeeding Year	<u>(78,601.35)</u>		<u>(47,334.81)</u>	
Fund Balance, January 1,	397,773.80		480,819.80	
Less:				
Utilized as Anticipated Revenue	<u>83,000.00</u>		<u>83,046.00</u>	
Fund Balance, December 31,	<u>314,773.80</u>		<u>397,773.80</u>	

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>Tax Rate:</u>	<u>3.176</u>	<u>2.994</u>	<u>2.916</u>
<u>Apportionment of Tax Rate:</u>			
Municipal	.752	.729	.673
County	.559	.510	.501
Local School	1.248	1.106	1.116
Regional High School	.617	.649	.626

Assessed Valuation

2016	123,221,100		
2015		126,099,171	
2014			126,440,798

COMPARISON OF TAX LEVIES AND COLLECTION CURRENTLY

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

<u>Year</u>	<u>Tax Levy</u>	<u>Currently</u>	
		<u>Collections</u>	<u>Percentage of Collection</u>
2016	4,064,990.13	3,968,903.42	97.63%
2015	3,774,642.07	3,636,516.87	96.34%
2014	3,689,337.41	3,548,231.75	96.18%

DELINQUENT TAXES AND TAX TITLE LIENS

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

<u>Year</u>	<u>Amount of Delinquent Taxes</u>	<u>Amount of Tax Title Liens</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2016	82,743.06	57,716.50	140,459.56	3.45%
2015	116,564.45	90,226.10	206,790.55	5.48%
2014	130,684.23	42,699.07	173,383.30	4.70%

PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

The value of properties acquired by liquidation of the Tax Title Liens on December 31, on the basis of the last assessed Valuation of such properties was as follows:

<u>Year</u>	<u>Amount</u>
2016	217,700.00
2015	217,700.00
2014	217,700.00

COMPARISON OF WATER/SEWER UTILITY LEVIES

<u>Year</u>	<u>Levy</u>	<u>Collections</u>
2016	2,367,523.88	2,247,526.53
2015	2,260,133.43	2,286,254.02
2014	2,154,669.34	2,029,563.15

COMPARATIVE SCHEDULE OF FUND BALANCES

	<u>Year</u>	<u>Balance Dec. 31.</u>	<u>Utilized In Budget of Succeeding Year</u>
Current Fund:	2016	411,715.55	145,000.00
	2015	273,638.38	103,500.00
	2014	243,116.70	93,500.00
	2013	160,493.53	93,500.00
	2012	163,576.96	98,500.00
Water/Sewer Utility Operating Fund:	2016	314,773.80	115,678.21
	2015	397,773.80	83,000.00
	2014	480,819.80	83,046.00
	2013	454,794.41	-
	2012	478,041.36	102,845.00

Borough of Sussex, N.J.

Schedule of Cash - Treasurer

Current Fund

Year Ended December 31, 2016

	<u>Ref.</u>		<u>Total</u>
Balance - December 31, 2015	A		536,995.55
Increased by Receipts:			
Miscellaneous Revenue Not Anticipated	A-2	16,966.48	
Taxes Receivable	A-7	4,022,195.80	
Tax Title Liens Receivable	A-8	44,397.37	
Revenue Accounts Receivable	A-10	295,236.28	
Due To State - Senior Citizen and Veteran Deductions	A-17	13,250.00	
Interfunds	A-11	10,115.05	
Various Cash Liabilities and Reserves	A-16	993.80	
Prepaid Taxes	A-19	15,412.77	
		<hr/>	4,418,567.55
			<hr/> 4,955,563.10
Decreased by Disbursements:			
Refund of Prior Year Tax Overpayment	A-1	61,391.88	
Current Year Budget Appropriations	A-3	1,109,206.70	
Interfunds	A-11	8,133.91	
Emergency Note	A-12	40,000.00	
Appropriation Reserves	A-15	76,235.82	
Various Cash Liabilities and Reserves	A-16	305.00	
Due to State - Municipal Court	A-18	150.00	
County Taxes Payable	A-20	687,621.80	
Regional School District Taxes Payable	A-21	1,537,545.00	
Regional High School Taxes Payable	A-22	760,743.00	
		<hr/>	4,281,333.11
			<hr/> <hr/> 674,229.99
Balance - December 31, 2016	A		

Borough of Sussex, N.J.
Schedule of Cash - Change Fund
Current Fund
Year Ended December 31, 2016

	<u>Ref.</u>	
Balance - December 31, 2015	A	<u><u>100.00</u></u>
Balance - December 31, 2016	A	<u><u>100.00</u></u>
<u>Analysis of Balance:</u>		
Tax Collector		<u><u>100.00</u></u>

Schedule of Escrow Deposit - Purchase of 3 E. Main St.
Current Fund
Year Ended December 31, 2016

	<u>Ref.</u>	
Balance - December 31, 2015	A	<u><u>1,000.00</u></u>
Balance - December 31, 2016	A	<u><u>1,000.00</u></u>

Borough of Sussex, N.J.

Schedule of Taxes Receivable and Analysis of Property Tax Levy

Current Fund

Year Ended December 31, 2016

Year	Balance, Dec. 31, 2015	Levy	Collected		Senior Citizen and Veteran Deductions	Cancelled	Transferred to Tax Title Liens	Balance, Dec. 31, 2016
			2015	2016				
2002	1,809.00					1,809.00		
2003	2,079.88					2,079.88		
2004	1,674.41					1,674.41		
2013	413.36		413.36					
2014	3,951.18		3,951.18					
2015	106,636.62		105,372.25	(250.00)				1,514.37
	116,564.45		109,736.79	(250.00)		5,563.29		1,514.37
2016		3,913,502.08	42,694.41	3,912,459.01	13,750.00	2,970.25	11,887.77	81,228.69
	116,564.45	3,913,502.08	42,694.41	4,022,195.80	13,500.00	8,533.54	11,887.77	82,743.06
	A		A-2;A-19	A-2;A-4	A-2;A-17		A-8	A

Analysis of Tax Levy

Tax yield:	Ref.
General Purpose Tax	
Added Tax (R.S. 54:4-63.1 et seq.)	3,913,502.08
	151,488.05
	4,064,990.13
Tax Levy:	
County Tax	714,284.85
Regional School Tax	1,537,545.00
Regional High School Tax	760,743.00
	3,012,572.85
Local Tax for Municipal Purposes	926,876.00
Additional Taxes	125,541.28
	1,052,417.28
	4,064,990.13

Borough of Sussex, N.J.
Schedule of Tax Title Liens Receivable

Current Fund

Year Ended December 31, 2016

Balance - December 31, 2015	<u>Ref.</u> A	90,226.10
Increased by:		
Transferred from 2016 Taxes Receivable	A-7	<u>11,887.77</u>
		102,113.87
Decreased by:		
Collections	A-2;A-4	<u>44,397.37</u>
Balance - December 31, 2016	A	<u><u>57,716.50</u></u>

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**Schedule of Property Acquired for
Taxes Assessed Valuation**

Current Fund

Year Ended December 31, 2016

Balance - December 31, 2015	<u>Ref.</u> A	<u><u>217,700.00</u></u>
Balance - December 31, 2016	A	<u><u>217,700.00</u></u>

Borough of Sussex, N.J.

Schedule of Revenue Accounts Receivable

Current Fund

Year Ended December 31, 2016

	<u>Ref.</u>	<u>Accrued</u>	<u>Collected</u>
Clerk:			
Licenses:			
Alcoholic Beverages	A-2	4,400.00	4,400.00
Fees and Permits	A-2	12,869.00	12,869.00
Miscellaneous Revenue not Anticipated	A-2	26.50	26.50
Tax Collector			
Miscellaneous Revenue not Anticipated	A-2	32,838.75	32,838.75
Municipal Court Fines and Costs	A-2	17,117.01	17,117.01
Parking Meters	A-2	11,235.00	11,235.00
Energy Receipts Tax	A-2	164,665.00	164,665.00
Housing Inspection Fees	A-2	28,225.00	28,225.00
Consolidated Municipal Property Tax			
Relief Aid	A-2	22,808.00	22,808.00
Interest on Investments and Deposits			
Miscellaneous Revenue not Anticipated	A-2	1,052.02	1,052.02
		<u>295,236.28</u>	<u>295,236.28</u>
			A-4

Borough of Sussex, N.J.

Schedule of Interfunds Receivables/(Payables)

Current Fund

Year Ended December 31, 2016

Fund	Ref.	Due From/(To)			Due From/(To)
		Balance Dec. 31, 2015	Increased	Decreased	Balance Dec. 31, 2016
Federal and State Grants	A	(46,226.29)	10,115.05	8,121.91	(48,219.43)
Animal Control Trust Fund	A		2,116.60		2,116.60
Other Trust	A	(12.00)		12.00	
General Capital Fund	A	(19,278.24)			(19,278.24)
		<u>(65,516.53)</u>	<u>12,231.65</u>	<u>8,133.91</u>	<u>(65,381.07)</u>
<u>Analysis</u>					
Due From Other Funds	A-1				2,116.60
Due To Other Funds		<u>(65,516.53)</u>			<u>(67,497.67)</u>
		<u>(65,516.53)</u>			<u>(65,381.07)</u>
Statutory Excess	A-1		2,116.60		
Received	A-4		10,115.05		
Disbursed	A-4			8,133.91	
			<u>12,231.65</u>	<u>8,133.91</u>	

Borough of Sussex, N.J.

Schedule of Emergency Note

Current Fund

Year Ended December 31, 2016

Balance, Dec 31, <u>2015</u>	<u>Disbursed</u>
<u>40,000.00</u>	<u>40,000.00</u>
A	A-4

Borough of Sussex, N.J.

Schedule of Deferred Charges - Special Emergency Authorizations (N.J.S. 40A:4-55)

Current Fund

For Year Ended December 31, 2016

<u>Date Authorized</u>	<u>Purpose</u>	<u>Net Amount Authorized</u>	<u>1/5 of Amount Authorized</u>	<u>Balance, Dec. 31, 2015</u>	<u>Reduced 2016</u>
9/6/11	Storm Damages From Hurricane Irene	25,000.00	5,000.00	5,000.00	5,000.00
7/17/12	Revaluation	100,000.00	20,000.00	40,000.00	40,000.00
				<u>45,000.00</u>	<u>45,000.00</u>
				A	
				<u>Ref.</u>	
			Cancelled	A-16	20,000.00
			Budget Appropriation	A-3	25,000.00
				<u>45,000.00</u>	<u>45,000.00</u>

A-14

Schedule of Deferred Charges

Current Fund

For Year Ended December 31, 2016

					<u>Balance, Dec. 31, 2016</u>
			Added in 2016		
					<u>952.30</u>
			A-3		<u>A</u>
					<u>952.30</u>

Overexpenditure of Appropriations

Schedule of Appropriation Reserves

Current Fund

Year Ended December 31, 2016

	Balance, Dec. 31, <u>2015</u>	Balance after <u>Transfers</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Salaries and Wages Within "CAPS":				
Administrative and Executive	4,662.61	462.61		462.61
Planning Board	250.00	250.00		250.00
Police	490.80	490.80	294.56	196.24
Office of Emergency Management	1.90	1.90		1.90
Road Repairs and Maintenance	5,472.22	1,472.22		1,472.22
Public Buildings and Grounds	1,732.90	1,732.90		1,732.90
Zoning Official	946.09	946.09		946.09
Total Salaries and Wages Within "CAPS"	<u>13,556.52</u>	<u>5,356.52</u>	<u>294.56</u>	<u>5,061.96</u>
Other Expenses Within "CAPS":				
Administrative and Executive:	6,245.16	9,245.16	5,711.17	3,533.99
Elections	461.08	461.08		461.08
Financial Administration	711.60	711.60	451.66	259.94
Annual Audit	8,350.00	8,350.00		8,350.00
Collection of Taxes	393.89	393.89	8.00	385.89
Legal Services and Costs	14,881.14	10,881.14	2,508.00	8,373.14
Engineering Services and Costs	11,511.99	7,511.99		7,511.99
Planning Board	267.04	267.04	4.20	262.84
Insurance:				
Group Insurance Plan For Employees	185.81	185.81		185.81
Workers' Compensation	387.32	387.32		387.32
Surety Bonds	1.00	1.00		1.00
Other Insurance Premiums	1,581.60	1,581.60	1,500.00	81.60
Police	250.00	250.00		250.00
Office of Emergency Management	3.00	3.00		3.00
Aid to Volunteer Fire Department	0.08	0.08		0.08
Road Repair and Maintenance	9,177.11	13,177.11	12,796.09	381.02
Street Lighting	8,735.68	2,735.68	2,275.65	460.03
Garbage and Trash Removal	500.60	500.60	310.68	189.92
Public Buildings and Grounds	5,242.24	5,242.24	4,623.32	618.92
Board of Health	69.60	69.60		69.60
Registrar	2.00	2.00		2.00
Board of Recreation	2,213.97	2,213.97	2,213.97	
Shade Tree	150.00	150.00		150.00
Celebration of Public Events	437.60	437.60	62.45	375.15
Zoning Official	500.00	500.00		500.00
Unclassified:				
Reserve for Pending Tax Appeals	1.00	20,201.00	20,123.24	77.76
Clove Lake Restoration	456.40	456.40	380.00	76.40
Gasoline & Diesel Fuel	8,042.13	3,042.13	965.83	2,076.30
Total Other Expenses Within "CAPS"	<u>80,759.04</u>	<u>88,959.04</u>	<u>53,934.26</u>	<u>35,024.78</u>

Borough of Sussex, N.J.

Schedule of Appropriation Reserves

Current Fund

Year Ended December 31, 2016

	Balance, Dec. 31, <u>2015</u>	Balance after <u>Transfers</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Deferred Charges and Statutory				
Expenditures-Municipal Within "CAPS":				
Statutory Expenditures:				
Contribution To:				
Public Employees' Retirement System	1.20	1.20		1.20
Social Security (O.A.S.I.)	30.54	30.54		30.54
Unemployment Compensation Insurance	549.97	549.97		549.97
Defined Contribution Retirement Program	1.00	1.00		1.00
Total Deferred Charges and Statutory				
Expenditures - Municipal Within "CAPS"	<u>582.71</u>	<u>582.71</u>		<u>582.71</u>
 Total General Appropriation Reserves - Municipal Within "CAPS"	 <u>94,898.27</u>	 <u>94,898.27</u>	 <u>54,228.82</u>	 <u>40,669.45</u>
 Other Expenses Excluded From "CAPS":				
Length of Service Awards Program (L.O.S.A.P.)	17,750.00	17,750.00	17,750.00	
Interlocal Municipal Service Agreements:				
Township of Wantage:				
Tax Assessor	100.00	100.00		100.00
Township of Hardyston:				
Road Department	9,800.00	9,800.00		9,800.00
Construction Agreement	5,000.00	5,000.00	4,257.00	743.00
Township of Vernon:				
Animal Control Agreement	612.00	612.00		612.00
Total Other Expenses Excluded from "CAPS"	<u>33,262.00</u>	<u>33,262.00</u>	<u>22,007.00</u>	<u>11,255.00</u>
 Total General Appropriation Reserves - Municipal Excluded from "CAPS"	 <u>33,262.00</u>	 <u>33,262.00</u>	 <u>22,007.00</u>	 <u>11,255.00</u>
 Total General Appropriation Reserves	 <u><u>128,160.27</u></u>	 <u><u>128,160.27</u></u>	 <u><u>76,235.82</u></u>	 <u><u>51,924.45</u></u>

A-4

A-1

Ref.

Unencumbered	A	109,009.49
Encumbered	A	<u>19,150.78</u>
		<u><u>128,160.27</u></u>

Borough of Sussex, N.J.

Schedule of Various Cash Liabilities and Reserves

Current Fund

Year Ended December 31, 2016

<u>Liabilities and Reserves</u>	<u>Balance Dec. 31, 2015</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance Dec. 31, 2016</u>
<u>Liabilities:</u>				
Due State of NJ Marriage License Fees	125.00	203.00	225.00	103.00
Tax Overpayments	2,493.87	790.80		3,284.67
<u>Reserves for:</u>				
Revaluation	27,742.12		20,080.00	7,662.12
	<u>30,360.99</u>	<u>993.80</u>	<u>20,305.00</u>	<u>11,049.79</u>
	A			A
<u>Cancelled</u>				
Received		993.80	20,000.00	
Disbursed		<u>993.80</u>	<u>305.00</u>	
			<u>20,305.00</u>	

Ref.
A-13
A-4
A-4

Borough of Sussex, N.J.

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

Current Fund

Year Ended December 31, 2016

	<u>Ref.</u>	
Balance - December 31, 2015	A	2,574.97
Increased by:		
State Share of Senior Citizens and Veterans Received from State	A-4	<u>13,250.00</u>
		15,824.97
Decreased by:		
Senior Citizens' Deductions Per Tax Billing		4,000.00
Veterans' Deductions Per Tax Billing		8,500.00
Add: Senior Citizens/Veterans Deductions Allowed by Tax Collector: 2016 Taxes		<u>1,250.00</u>
		13,750.00
Less:		
Deductions Disallowed by Collector: 2015 Taxes	A-7	<u>250.00</u>
		<u>13,500.00</u>
Balance - December 31, 2016	A	<u><u>2,324.97</u></u>

Borough of Sussex, N.J.

Schedule of Amount Due to the State
Municipal Court Fines and Penalties

Current Fund

Year Ended December 31, 2016

Balance - December 31, 2015	<u>Ref.</u> A	<u>150.00</u>
Decreased by: Disbursed	A-4	<u>150.00</u>

Borough of Sussex, N.J.

Schedule of Prepaid Taxes

Current Fund

Year Ended December 31, 2016

	<u>Ref.</u>	
Balance - December 31, 2015	A	42,694.41
Increased by:		
Receipts - Prepaid 2017 Taxes	A-4	<u>15,412.77</u>
		58,107.18
Decreased by:		
Applied to 2016 Taxes	A-7	<u>42,694.41</u>
Balance - December 31, 2016	A	<u><u>15,412.77</u></u>

Borough of Sussex, N.J.

Schedule of County Taxes Payable

Current Fund

Year Ended December 31, 2016

	<u>Ref.</u>		
Increased by:			
Levy - 2016		687,621.80	
Added and Omitted Taxes		<u>26,663.05</u>	
	A-1;A-7		714,284.85
Decreased by:			
Payments	A-4		<u>687,621.80</u>
Balance - December 31, 2016	A		<u><u>26,663.05</u></u>

A-21

Schedule of Regional School Taxes Payable

Current Fund

Year Ended December 31, 2016

	<u>Ref.</u>		
Increased by:			
Levy- 2016	A-1;A-7		<u><u>1,537,545.00</u></u>
Decreased by:			
Payments	A-4		<u><u>1,537,545.00</u></u>

Borough of Sussex, N.J.

Schedule of Regional High School Taxes Payable

Current Fund

Year Ended December 31, 2016

	<u>Ref.</u>	
Increased by:		
Levy- 2016	A-1;A-7	<u>760,743.00</u>
Decreased by:		
Payments	A-4	<u>760,743.00</u>

Borough of Sussex, N.J.

Schedule of Due From / (To) Current Fund

Federal and State Grant Fund

Year Ended December 31, 2016

	<u>Ref.</u>		
Balance - December 31, 2015	A		46,226.29
Increased by:			
Federal and State Grant Fund			
Unappropriated Grants Received	A-26	5,574.11	
Federal and State Grant Fund Receipts	A-24	<u>4,540.94</u>	
			<u>10,115.05</u>
			56,341.34
Decreased by:			
Federal and State Grant Fund			
Expenditures	A-25		<u>8,121.91</u>
Balance - December 31, 2016	A		<u><u>48,219.43</u></u>

Borough of Sussex, N.J.
Schedule of Grants Receivable
Federal and State Grant Fund
Year Ended December 31, 2016

<u>Grant</u>	<u>Budget Revenue</u>	<u>Received</u>	<u>Transferred from Unappropriated</u>
Clean Communities	4,875.69		4,875.69
Recycling Tonnage Grant	4,540.94	4,540.94	
	<u>9,416.63</u>	<u>4,540.94</u>	<u>4,875.69</u>
	A-2	A-23	A-26

Borough of Sussex, N.J.

Schedule of Appropriated Reserves for Grants

Federal and State Grant Fund

Year Ended December 31, 2016

<u>Grant</u>	Balance Dec. 31, 2015	Transfer From 2016 Budget	Expended	Balance Dec. 31, 2016
Clean Communities	6,995.67	4,875.69	5,871.91	5,999.45
Recycling Tonnage Grant	32,964.93	4,540.94	2,250.00	35,255.87
Shade Tree	1,390.00			1,390.00
	<u>41,350.60</u>	<u>9,416.63</u>	<u>8,121.91</u>	<u>42,645.32</u>
	A	A-3	A-23	A

Borough of Sussex, N.J.

Schedule of Unappropriated Reserves for Grants

Federal and State Grant Fund

Year Ended December 31, 2016

<u>Grant</u>	<u>Balance Dec. 31, 2015</u>	<u>Received</u>	<u>Transfer To Appropriated Reserves</u>	<u>Balance Dec. 31, 2016</u>
Clean Communities	<u>4,875.69</u>	<u>5,574.11</u>	<u>4,875.69</u>	<u>5,574.11</u>
	A	A-23	A-24	A

Borough of Sussex, N.J.

Schedule of Cash

Trust Funds

Year Ended December 31, 2016

	<u>Ref.</u>	<u>Animal Control Trust Fund</u>	<u>Other Trust Funds</u>	<u>Emergency Services Volunteer Length of Service Award Program</u>
Balance - December 31, 2015	B	<u>8,124.20</u>	<u>65,254.42</u>	<u>205,796.90</u>
Increased by Receipts:				
Interfund - Animal Control	B-3	913.00		
Dog License Fees - Borough	B-4	2,535.00		
Late Fees	B-4	515.00		
Dog License Fees - State Share	B-6	621.00		
Other Trust Funds	B-7		637,696.68	
Interfund - Current Fund	B-9		12.00	
Borough Contributions	B-10			17,750.00
Increase in Investment Value	B-11			15,606.59
Total Receipts		<u>4,584.00</u>	<u>637,708.68</u>	<u>33,356.59</u>
		<u>12,708.20</u>	<u>702,963.10</u>	<u>239,153.49</u>
Decreased by Disbursements:				
Interfund - Animal Control	B-3		913.00	
Reserve for Encumbrances	B-8		160.00	
Reserve for Animal Control				
Trust Expenditures	B-4	913.00		
Interfund - Animal Control	B-5	2,249.86		
State Share - Dog Licenses	B-6	625.20		
Other Trust Funds	B-7		511,643.59	
Accounting Charge	B-11			1,450.00
Total Disbursements		<u>3,788.06</u>	<u>512,716.59</u>	<u>1,450.00</u>
Balance - December 31, 2016	B	<u><u>8,920.14</u></u>	<u><u>190,246.51</u></u>	<u><u>237,703.49</u></u>

Borough of Sussex, N.J.

Schedule of Due From / (To) Other Trust Fund

Animal Control Trust Fund

Year Ended December 31, 2016

	<u>Ref.</u>	
Balance - December 31, 2015	B	246.46
Decreased by:		
Cash Receipts	B-1	<u>913.00</u>
Balance - December 31, 2016	B	<u><u>(666.54)</u></u>

B-3

Schedule of Due From / (To) - Animal Control Trust

Trust Funds

Year Ended December 31, 2016

	<u>Ref.</u>	
Balance - December 31, 2015	B	(246.46)
Increased by:		
Disbursements	B-1	<u>913.00</u>
Balance - December 31, 2016	B	<u><u>666.54</u></u>

Borough of Sussex, N.J.

Reserve for Animal Control Trust Fund Expenditures

Trust Funds

Year Ended December 31, 2016

	<u>Ref.</u>		
Balance - December 31, 2015	B		6,117.20
Increased by:			
Dog License Fees	B-1	2,535.00	
Late Fees/ Miscellaneous	B-1	<u>515.00</u>	
			<u>3,050.00</u>
			9,167.20
Decreased by:			
Expenditures R.S. 4:19-1511	B-1	913.00	
Statutory Excess	B-5	<u>2,116.60</u>	
			<u>3,029.60</u>
Balance - December 31, 2016	B		<u><u>6,137.60</u></u>

License Fees Collected

<u>Year</u>	
2014	3,020.40
2015	<u>3,117.20</u>
	<u><u>6,137.60</u></u>

Borough of Sussex, N.J.

Schedule of Due (From) / To Current Fund

Animal Control Trust Fund

Year Ended December 31, 2016

	<u>Ref.</u>	
Balance - December 31, 2015	B	2,249.86
Increased by:		
Statutory Excess	B-4	2,116.60
		<u>4,366.46</u>
Decreased by:		
Cash Disbursements	B-1	2,249.86
		<u>2,249.86</u>
Balance - December 31, 2016	B	<u><u>2,116.60</u></u>

B-6

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

Animal Control Trust Funds

Year Ended December 31, 2016

	<u>Ref.</u>	
Balance - December 31, 2015	B	3.60
Increased by:		
State Fees Collected	B-1	621.00
		<u>624.60</u>
Decreased by:		
Paid to State	B-1	625.20
		<u>625.20</u>
Balance - December 31, 2016	B	<u><u>(0.60)</u></u>

Borough of Sussex, N.J.

Schedule of Other Trust Funds

Trust Funds

Year Ended December 31, 2016

	<u>Balance</u> <u>Dec. 31, 2015</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance</u> <u>Dec. 31, 2016</u>
Reserve for:				
Planning and Zoning Deposits	35,136.11	64,100.45	62,686.61	36,549.95
Recreation	3,971.51	1,000.62		4,972.13
Fire Inspection Fees	208.58			208.58
POAA Funds	272.00	38.00		310.00
Payroll Fund	8,327.97	381,832.67	385,011.20	5,149.44
Mural Donation	1,612.94			1,612.94
Outside Liens	730.85	186,224.94	73,345.78	113,610.01
Security Deposits		4,500.00		4,500.00
Tax Sale Premiums	14,600.00		12,400.00	2,200.00
	<u>64,859.96</u>	<u>637,696.68</u>	<u>533,443.59</u>	<u>169,113.05</u>
	B			B
	<u>Ref.</u>			
Cash Receipts	B-1	637,696.68		
Cash Disbursements	B-1		511,643.59	
Encumbrances Payable	B-8		21,800.00	
		<u>637,696.68</u>	<u>533,443.59</u>	

Borough of Sussex, N.J.
Schedule of Encumbrances Payable
Other Trust Fund
Year Ended December 31, 2016

	<u>Ref.</u>	
Balance - December 31, 2015	B	160.00
Increased by:		
Charges to Reserves	B-7	21,800.00
		<u>21,960.00</u>
Decreased by:		
Disbursement	B-1	160.00
		<u>160.00</u>
Balance - December 31, 2016	B	<u><u>21,800.00</u></u>

Schedule of Due From Current Fund
Other Trust Fund
Year Ended December 31, 2016

	<u>Ref.</u>	
Balance - December 31, 2015	B	<u><u>12.00</u></u>
Decreased by:		
Receipts	B-1	12.00
		<u><u>12.00</u></u>

Borough of Sussex, N.J.

Schedule of Contributions Receivable

Emergency Services Volunteer Length of Services Award Program

Year Ended December 31, 2016

	<u>Ref.</u>	
Balance - December 31, 2015	B	17,750.00
Increased by:		
Borough Contributions	B-11	<u>18,500.00</u>
		36,250.00
Decreased by:		
Receipts	B-1	<u>17,750.00</u>
Balance - December 31, 2016	B	<u><u>18,500.00</u></u>

Borough of Sussex, N.J.

Schedule of Net Assets Available for Benefits

Emergency Services Volunteer Length of Services Award Program

Year Ended December 31, 2016

	<u>Ref.</u>		
Balance - December 31, 2015	B		223,546.90
Increased by:			
Borough Contributions	B-10	18,500.00	
Increase in Investment Value	B-1	<u>15,606.59</u>	
			<u>34,106.59</u>
			257,653.49
Decreased by:			
Accounting Charge	B-1		<u>1,450.00</u>
Balance - December 31, 2016	B		<u><u>256,203.49</u></u>

Borough of Sussex, N.J.

Schedule of Cash

General Capital Fund

Year Ended December 31, 2016

	<u>Ref.</u>		
Balance - December 31, 2015	C;C-3		115,927.61
Increased by Receipts:			
Grants Receivable	C-5	35,014.25	
Deferred Charges to Future Taxation			
Unfunded	C-7	19,925.09	
Capital Improvement Fund	C-8	63,000.00	
Bond Anticipation Notes	C-10	95,000.00	
Various Reserves	C-13	83,000.00	
		<u>295,939.34</u>	<u>411,866.95</u>
Decreased by Disbursements:			
Improvement Authorizations	C-9	164,384.94	
Reserve for Encumbrances	C-12	2,025.25	
		<u>166,410.19</u>	<u>166,410.19</u>
Balance - December 31, 2016	C;C-3		<u><u>245,456.76</u></u>

Borough of Sussex, N.J.
 Analysis of Cash
 General Capital Fund

Year Ended December 31, 2016

	Receipts		Disbursements		Transfers		Balance Dec. 31, 2016	
	Balance Dec. 31, 2015	Bond Anticipation Notes Issued	Miscellaneous	Improvement Authorizations	Miscellaneous	To		From
Capital Improvement Fund	9,760.01		63,000.00			56,500.00	(81,500.00)	47,760.01
Grants Receivable:								
NJ Department of Transportation	(35,014.25)		35,014.25					458,939.21
Reserve for Encumbrances	2,025.25			2,025.25		458,939.21		128,759.00
Reserve for Various Reserves	91,759.00		83,000.00			23,500.00	(69,500.00)	557.00
Fund Balance	557.00							
<u>Improvement Authorizations</u>								
11-06 Various Capital Improvements	(58,565.09)		19,925.09					(38,640.00)
15-03 Purchase of Computers	336.85							336.85
15-04 Construction of Parking Lot	3,415.00	95,000.00		88,878.11			(77.13)	9,459.76
15-05 Overlook Drive Improvement	21,653.84			4,255.97				17,397.87
15-11 Purchase of DPW Truck	80,000.00						(80,000.00)	
15-16 Purchase of Fire Truck				1,558.25		25,000.00	(457,009.00)	(433,567.25)
16-06 Purchase of DPW Equipment				48,692.61		80,000.00	(1,853.08)	29,454.31
16-08 Purchase of Fire Truck Equipment				21,000.00		21,000.00		
16-25 Purchase of One East Main Street				164,384.94		25,000.00	(689,939.21)	25,000.00
	<u>115,927.61</u>	<u>95,000.00</u>	<u>200,939.34</u>	<u>164,384.94</u>	<u>2,025.25</u>	<u>689,939.21</u>	<u>(689,939.21)</u>	<u>245,456.76</u>
	C						C	

Borough of Sussex, N.J.

Schedule of Interfunds

General Capital Fund

Year Ended December 31, 2016

<u>Fund</u>	Due From/(To) Balance <u>Dec. 31, 2015</u>	Due From/(To) Balance <u>Dec. 31, 2016</u>
Current Fund	<u>19,278.24</u> C	<u>19,278.24</u> C

Borough of Sussex, N.J.**Schedule of Grants Receivable - N.J. Department of Transportation****General Capital Fund****Year Ended December 31, 2016**

	<u>Ref.</u>	
Balance - December 31, 2015	C	<u>35,014.25</u>
Decreased by:		
Cash Receipts	C-2	<u>35,014.25</u>

Borough of Sussex, N.J.**Schedule of Deferred Charges to Future
Taxation - Funded****General Capital Fund****Year Ended December 31, 2016**

	<u>Ref.</u>	
Balance - December 31, 2015	C	16,475.64
Decreased by:		
Budget Appropriations to pay:		
Green Acres Trust Loan Payment	C-11	<u>8,155.80</u>
Balance - December 31, 2016	C	<u><u>8,319.84</u></u>

Borough of Sussex, N.J.

Schedule of Deferred Charges to Future Taxation - Unfunded

General Capital Fund

Year Ended December 31, 2016

Ord. No.	Improvement Description	Balance Dec. 31, 2015	2016 Authorizations	Funded by		Notes Paid by Budget Appropriations	Balance Dec. 31, 2016	Analysis of Balance Dec. 31, 2016	
				Budget Appropriations	Appropriations			Financed by Bond Anticipation Notes	Unexpended Improvement Authorization
06-13	Improvements to Various Roads	76,757.00			38,378.00		38,379.00		
07-03	Purchase of Fire Apparatus	54,700.00			27,350.00		27,350.00		
11-06	Various Capital Improvements	58,565.09	19,925.09				38,640.00		
15-04	Construction of Parking Lot	95,000.00					95,000.00		
15-16	Purchase of Fire Truck		475,000.00				475,000.00		
		<u>285,022.09</u>	<u>475,000.00</u>	<u>19,925.09</u>	<u>65,728.00</u>	<u>674,369.00</u>	<u>160,729.00</u>	<u>433,567.25</u>	<u>41,432.75</u>
		C	C-9	C-2;C-14	C-10	C	C-10		C-9

Ref.	Improvement Authorizations Unfunded
	50,892.51
	<u>9,459.76</u>
	<u>41,432.75</u>

Ref.	Less: Unexpended Proceeds of Bond Anticipation Notes - Ord #
15-04	50,892.51

Borough of Sussex, N.J.
Schedule of Capital Improvement Fund
General Capital Fund
Year Ended December 31, 2016

	<u>Ref.</u>		
Balance - December 31, 2015	C		9,760.01
Increased by:			
Budget Appropriation	C-2	63,000.00	
Improvement Authorizations Cancelled	C-9	<u>56,500.00</u>	
			<u>119,500.00</u>
			129,260.01
Decreased by:			
Improvement Authorizations	C-9		<u>81,500.00</u>
Balance - December 31, 2016	C		<u><u>47,760.01</u></u>

Borough of Sussex, N.J.

Schedule of Bond Anticipation Notes Payable

General Capital Fund

Year Ended December 31, 2016

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Date of Original Issue</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2015</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance Dec. 31, 2016</u>
06-13	Improvements to Various Roads	02/21/07	2/13/2015 2/11/2016	2/12/2016 2/10/2017	1.15% 1.35%	76,757.00	38,379.00	76,757.00	38,379.00
07-03	Purchase of Fire Apparatus	08/16/07	2/13/2015 2/11/2016	2/12/2016 2/10/2017	1.15% 1.35%	54,700.00	27,350.00	54,700.00	27,350.00
15-04	Construction of Parking Lot	2/11/2016	2/11/2016	2/10/2017	1.35%		95,000.00		95,000.00
						<u>131,457.00</u>	<u>160,729.00</u>	<u>131,457.00</u>	<u>160,729.00</u>
						C			C
						<u>Ref.</u>			
					Renewals		65,729.00	65,729.00	
					Issued for Cash	C-2, C-14	95,000.00	65,728.00	
					Paid by Budget Appropriation	C-7	<u>160,729.00</u>	<u>131,457.00</u>	

Borough of Sussex, N.J.

Schedule of Green Acres Trust Program Loan Payable

General Capital Fund

Year Ended December 31, 2016

	<u>Ref.</u>	
Balance - December 31, 2015	C	16,475.64
Decreased by:		
Principal Matured	C-6	<u>8,155.80</u>
Balance - December 31, 2016	C	<u><u>8,319.84</u></u>

Schedule of Principal and Interest Payments Outstanding December 31, 2016

<u>Payment Number</u>	<u>Due</u>	<u>Principal</u>	<u>Interest</u>	<u>Loan Balance</u>
				8,319.84
31	04/22/17	4,139.17	83.20	4,180.67
32	10/22/17	4,180.67	41.81	-0-
		<u><u>8,319.84</u></u>	<u><u>125.01</u></u>	

Borough of Sussex, N.J.

Schedule of Reserve for Encumbrances

General Capital Fund

Year Ended December 31, 2016

	<u>Ref.</u>	
Balance - December 31, 2015	C	2,025.25
Increased by:		
Charges to Improvement Authorizations	C-9	<u>458,939.21</u> 460,964.46
Decreased by:		
Cash Disbursements	C-2	<u>2,025.25</u>
Balance - December 31, 2016	C	<u><u>458,939.21</u></u>

Borough of Sussex, N.J.

Schedule of Various Reserves

General Capital Fund

Year Ended December 31, 2016

<u>Improvement Description</u>	<u>Balance</u> <u>Dec. 31, 2015</u>	<u>Increased</u>	<u>2016</u> <u>Authorizations</u>	<u>Balance</u> <u>Dec. 31, 2016</u>
Reserve for Road Improvements	25,862.24	19,000.00		44,862.24
Reserve for Purchase of Ambulance		12,000.00		12,000.00
Reserve for Purchase of Equipment		35,500.00	23,500.00	12,000.00
Reserve for Purchase of DPW Equipment		15,000.00		15,000.00
Reserve for Purchase of Fire Truck	48,000.00	25,000.00	46,000.00	27,000.00
Reserve for Improvement to Municipal Properties	37,175.00			37,175.00
	<u>111,037.24</u>	<u>106,500.00</u>	<u>69,500.00</u>	<u>148,037.24</u>
	C		C-9	C

Ref.

Cash Receipts	83,000.00
Improvement Authorizations	23,500.00
	<u>106,500.00</u>

Borough of Sussex, N.J.

Schedule of Cash

Water/Sewer Utility Fund

Year Ended December 31, 2016

	<u>Ref.</u>	<u>Operating</u>	<u>Capital</u>
Balance - December 31, 2015	D;D-6	<u>496,703.93</u>	<u>474,555.23</u>
Increased by Receipts:			
Miscellaneous Revenue Anticipated	D-3	4,659.77	
Miscellaneous Revenue Not Anticipated	D-3	24,933.24	
Consumer Accounts Receivable	D-7	2,226,488.66	
Water/Sewer Liens Receivable	D-9	20,357.00	
Water/Sewer Overpayments	D-14	2,898.51	
Schedule of Interfunds	D-16	631.62	631.17
NJ Department of Transportation	D-17		7,707.20
Capital Improvement Fund	D-22		95,000.00
Bond Anticipation Notes	D-26		1,800,000.00
Reserve for Capital Outlay	D-28		25,000.00
		<u>2,279,968.80</u>	<u>1,928,338.37</u>
		<u>2,776,672.73</u>	<u>2,402,893.60</u>
Decreased by Disbursements:			
Budget Appropriations	D-4	2,110,112.62	
Appropriation Reserves	D-15	65,875.82	
Schedule of Interfunds	D-16		15,631.62
NJ Department of Transportation	D-17		1,076.36
Accrued Interest	D-18	206,093.06	
Improvement Authorizations	D-21		203,293.20
Bond Anticipation Notes	D-26		135,000.00
Encumbrances Payable	D-29		700.00
		<u>2,382,081.50</u>	<u>355,701.18</u>
Balance - December 31, 2016	D;D-6	<u><u>394,591.23</u></u>	<u><u>2,047,192.42</u></u>

Borough of Sussex, N.J.

Schedule of Consumer Accounts Receivable

Water/Sewer Utility Operating Fund

Year Ended December 31, 2016

	<u>Balance</u> <u>Dec. 31, 2015</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance</u> <u>Dec. 31, 2016</u>
Consumer Accounts Receivable	825,895.01	<u>2,367,523.88</u>	<u>2,247,526.53</u>	<u>945,892.36</u>
	D			D
Rents Received	<u>Ref.</u> D-5		2,226,488.66	
Overpayments Applied	D-14		<u>3,510.60</u>	
	D-3		<u>2,229,999.26</u>	
Transferred to Water/Sewer Liens	D-9		<u>17,527.27</u>	
			<u>2,247,526.53</u>	

Schedule of Other Receivables

Water/Sewer Utility Operating Fund

Year Ended December 31, 2016

	<u>Balance</u> <u>Dec. 31, 2015</u>	<u>Balance</u> <u>Dec. 31, 2016</u>
Other Receivable	<u>4,500.00</u>	<u>4,500.00</u>
	D	D

Borough of Sussex, N.J.

Schedule of Water/Sewer Utility Liens

Water/Sewer Utility Operating Fund

Year Ended December 31, 2016

	<u>Ref</u>	
Balance - December 31, 2015	D	19,339.51
Increased by:		
Transfers From Consumer		
Accounts Receivable	D-7	17,527.27
Adjustment		<u>499.41</u>
		<u>18,026.68</u>
		37,366.19
Decreased by:		
Liens Redeemed	D-3;D-5	<u>20,357.00</u>
Balance - December 31, 2016	D	<u><u>17,009.19</u></u>

D-10

Schedule of Water/Sewer Grants Receivable

Water/Sewer Utility Capital Fund

Year Ended December 31, 2016

	<u>Ref</u>	
Increased by:		
Grants Awarded	D-21;D-24	<u>400,000.00</u>
Balance - December 31, 2016	D	<u><u>400,000.00</u></u>

Borough of Sussex, N.J.**Schedule of Fixed Capital****Water/Sewer Utility Capital Fund****Year Ended December 31, 2016**

	<u>Ref</u>	
Balance - December 31, 2015	D	15,790,486.16
Increased by:		
Additions by:		
Additions by Ordinance	D-12	<u>1,127,088.68</u>
Balance - December 31, 2016	D	<u><u>16,917,574.84</u></u>

Borough of Sussex, N.J.

Schedule of Fixed Capital Authorized and Uncompleted

Water/Sewer Utility Capital Fund

Year Ended December 31, 2016

Improvement Description	Ordinance		Balance, Dec. 31, 2015	2016 Authorizations	To Fixed Capital	Authorizations Cancelled	Balance, Dec. 31, 2016
	Date	Amount					
Repair and Painting of Water Storage Tanks	06/16/09	700,000.00	700,000.00		695,024.80	4,975.20	1,100,000.00
Rehabilitation of Manholes	09/01/09	1,100,000.00	1,100,000.00		114,685.80	10,314.20	
Various Water/Sewer Capital Improvements	11/01/11	125,000.00	125,000.00		124,844.11	155.89	
Repairs to the Water Treatment Plant	10/30/12	125,000.00	125,000.00		72,789.97	2,210.03	
Improvements to Water Treatment Plant	07/16/13	75,000.00	75,000.00		69,344.00	660,656.00	
Rt. 23 Water/Sewer Improvements	07/01/14	730,000.00	730,000.00				125,000.00
Various Water/Sewer Improvements	07/01/14	125,000.00	125,000.00				1,200,000.00
Various Water/Sewer Improvements	07/21/15	1,200,000.00	1,200,000.00				
Purchase of Excavator	04/19/16	50,400.00		50,400.00	50,400.00		
Various Water/Sewer Improvements	09/20/16	2,500,000.00		2,500,000.00			2,500,000.00
			<u>4,180,000.00</u>	<u>2,550,400.00</u>	<u>1,127,088.68</u>	<u>678,311.32</u>	<u>4,925,000.00</u>
			D	D-21	D-11	D-21	D

Borough of Sussex, N.J.

Schedule of N.J. Environmental Infrastructure Trust Receivable

Water/Sewer Utility Capital Fund

Year Ended December 31, 2016

	<u>Ref</u>	
Balance - December 31, 2015	D	<u><u>299,252.00</u></u>
Balance - December 31, 2016	D	<u><u>299,252.00</u></u>

D-14

Schedule of Water/Sewer Overpayments

Water/Sewer Utility Operating Fund

Year Ended December 31, 2016

	<u>Ref</u>	
Balance - December 31, 2015	D	3,510.60
Increased by:		
Cash Receipts	D-5	<u>2,898.51</u>
		6,409.11
Decreased by:		
Overpayments Applied	D-7	<u>3,510.60</u>
Balance - December 31, 2016	D	<u><u>2,898.51</u></u>

Borough of Sussex, N.J.

Schedule of Appropriation Reserves

Water/Sewer Utility Operating Fund

Year Ended December 31, 2016

		Balance, Dec. 31, <u>2015</u>	Balance after <u>Transfers</u>	<u>Charged</u>	Balance <u>Lapsed</u>
Operating:					
Salaries and Wages		3,703.07	3,703.07		3,703.07
Other Expenses		121,229.48	121,229.48	79,322.48	41,907.00
Statutory Expenditures:					
Public Employees' Retirement System		1.00	1.00		1.00
Social Security System (O.A.S.I.)		433.91	433.91		433.91
Unemployment Compensation Insurance		184.20	184.20		184.20
		<u>125,551.66</u>	<u>125,551.66</u>	<u>79,322.48</u>	<u>46,229.18</u>
	<u>Ref.</u>				D-1
Unencumbered	D	40,167.65			
Encumbered	D	<u>85,384.01</u>			
		<u>125,551.66</u>			
Cash Disbursements	D-5			65,875.82	
Accounts Payable	D-19			<u>13,446.66</u>	
				<u>79,322.48</u>	

Borough of Sussex, N.J.

Schedule of Interfund Accounts Receivable (Payable)

Water/Sewer Utility Operating Fund

Year Ended December 31, 2016

	<u>Ref.</u>	Water/Sewer Operating Fund Due From/(To) Water/Sewer Capital Fund	Water/Sewer Capital Fund Due From/(To) Water/Sewer Operating Fund
Balance - December 31, 2015	D	<u>0.45</u>	<u>(0.45)</u>
Increased by:			
Budget Appropriations	D-4	15,000.00	
Interest Earned	D-3;D-5	<u>631.17</u>	<u>631.17</u>
		<u>15,631.17</u>	<u>631.17</u>
Decreased by:			
Cash Disbursed	D-5		15,631.62
Cash Received	D-5	<u>631.62</u>	<u>15,631.62</u>
		<u>631.62</u>	<u>15,631.62</u>
Balance - December 31, 2016	D	<u><u>(15,000.00)</u></u>	<u><u>15,000.00</u></u>

Borough of Sussex, N.J.

**Schedule of N.J Department of Transportation Receivable
Route 23 Utility Relocation**

Water/Sewer Utility Capital Fund

Year Ended December 31, 2016

	<u>Ref</u>	
Balance - December 31, 2015	D	6,935.00
Increased by:		
Cash Disbursements	D-5	<u>1,076.36</u>
		8,011.36
Decreased by:		
Cash Receipts	D-5	<u>7,707.20</u>
Balance - December 31, 2016	D	<u><u>304.16</u></u>

Borough of Sussex, N.J.

Schedule of Accrued Interest On Bonds, Loans and Notes

Water/Sewer Utility Operating Fund

Year Ended December 31, 2016

Balance - December 31, 2015	<u>Ref.</u> D	17,203.13
Increased by:		
Budget Appropriations	D-4	<u>208,215.00</u>
		225,418.13
Decreased by:		
Cash Disbursed	D-5	<u>206,093.06</u>
Balance - December 31, 2016	D	<u><u>19,325.07</u></u>

<u>Principal Outstanding December 31, 2016</u>	<u>Interest Rate</u>	<u>From</u>	<u>To</u>	<u>Period in Days</u>	<u>Required Amount</u>	<u>Actual Amount</u>
Bonds Payable:						
533,000.00	Various	11/01/16	12/31/16	60	4,219.58	4,215.80
NJEIT Loan Payable:						
110,461.04	Various	08/01/16	12/31/16	152	1,632.25	1,630.79
295,474.60	Various				N/A	N/A
435,000.00	Various	08/01/16	12/31/16	152	9,062.50	9,054.38
409,606.82	Various				N/A	N/A
Bond Anticipation Notes:						
75,000.00	1.40%	05/06/16	12/31/16	239	687.53	686.91
1,800,000.00	1.025%	10/18/16	12/31/16	74	<u>3,740.55</u>	<u>3,737.20</u>
					<u><u>19,342.41</u></u>	<u><u>19,325.07</u></u>

Borough of Sussex, N.J.
Schedule of Accounts Payable
Water/Sewer Utility Fund
Year Ended December 31, 2016

	<u>Ref.</u>	
Increased by:		
Appropriation Reserves	D-15	<u>13,446.66</u>
Balance - December 31, 2016	D	<u><u>13,446.66</u></u>

Borough of Sussex, N.J.

Schedule of Deferred Charges

Water/Sewer Utility Operating Fund

Year Ended December 31, 2016

	Balance Dec. 31, 2015	Added in 2016	Raised in 2016	Balance Dec 31, 2016
Operating Deficit	47,334.81	78,601.35	47,334.81	78,601.35
Overexpenditure of Appropriations	<u>47,334.81</u>	<u>1,702.23</u>	<u>47,334.81</u>	<u>1,702.23</u>
	D		D-4	D
	Ref.			
Operating Deficit	D-1	78,601.35		
Overexpenditure of Appropriations	D-4	<u>1,702.23</u>		
		<u>80,303.58</u>		<u>80,303.58</u>

Borough of Sussex, N.J.
Schedule of Improvement Authorizations

Water/Sewer Utility Capital Fund

Year Ended December 31, 2016

Ord. No.	Improvement Description	Ordinance Date	Amount	Balance Dec. 31, 2015		2016 Authorizations	Expended	Authorization Cancelled	Balance Dec. 31, 2016	
				Funded	Unfunded				Funded	Unfunded
09-16	Repair and Painting of Water Storage Tanks	06/16/2009	700,000.00		4,975.20			4,975.20		
09-22	Rehabilitation of Manholes	09/01/2009	1,100,000.00	344,612.93	139,600.00				344,612.93	139,600.00
11-15	Various Water/Sewer Capital Improvements	11/01/2011	125,000.00		10,314.20			10,314.20		
12-09	Repairs to the Water Treatment Plant	10/30/2012	125,000.00	155.89				155.89		
13-05	Improvements to Water Treatment Plant	07/16/2013	75,000.00	2,210.03				2,210.03		
14-06	Rt. 23 Water/Sewer Improvements	07/01/2014	730,000.00		660,656.00			660,656.00		
14-07	Various Water/Sewer Improvements	07/01/2014	125,000.00	88,094.13					80,186.08	977,606.27
15-06	Various Water/Sewer Improvements	07/21/2015	1,200,000.00		1,095,509.46	50,400.00				
16-06	Purchase of Excavator	04/19/2016	50,400.00			69,980.21				
16-23	Various Water/Sewer Improvements	09/20/2016	2,500,000.00			2,550,400.00		678,311.32	424,799.01	2,430,019.79
				<u>435,072.98</u>	<u>1,911,054.86</u>	<u>2,550,400.00</u>	<u>246,191.45</u>	<u>678,311.32</u>	<u>424,799.01</u>	<u>3,547,226.06</u>
				D	D			D-12	D	D

Ref.	Capital Improvement Fund	Deferred Charges to Future Revenue	Grants Receivable	Cash Disbursements	Reserve for Encumbrances
D-24	170,400.00				
D-31	1,980,000.00				
D-24	400,000.00				
	<u>2,550,400.00</u>				
	D-12			203,293.20	42,898.25
				<u>246,191.45</u>	

Borough of Sussex, N.J.

Schedule of Capital Improvement Fund

Water/Sewer Utility Capital Fund

Year Ended December 31, 2016

	<u>Ref.</u>	
Balance - December 31, 2015	D	98,320.00
Increased by:		
Cash Receipts	D-5	95,000.00
		<u>193,320.00</u>
Decreased by:		
Improvement Authorizations	D-24	170,400.00
		<u>170,400.00</u>
Balance - December 31, 2016	D	<u><u>22,920.00</u></u>

Schedule of Reserve for Amortization

Water/Sewer Utility Capital Fund

Year Ended December 31, 2016

	<u>Ref.</u>	
Balance - December 31, 2015	D	10,976,878.30
Increased by:		
Transfer from Deferred Reserve for Amortization	D-24	302,206.00
Paid by Water/Sewer Utility Operating Budget:		
Serial Bonds	D-25	260,000.00
NJ Environmental Infrastructure Loan	D-27	78,815.40
		<u>641,021.40</u>
		<u>11,617,899.70</u>
Decreased by:		
Authorizations Cancelled	D-2	2,365.92
		<u>2,365.92</u>
Balance - December 31, 2016	D	<u><u>11,615,533.78</u></u>

Borough of Sussex, N.J.

Schedule of Deferred Reserve for Amortization

Water/Sewer Utility Capital Fund

Year Ended December 31, 2016

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Date of Ordinance</u>	<u>Balance, Dec. 31, 2015</u>	<u>Paid From Operating Budget Notes</u>	<u>Fixed Capital Authorized</u>	<u>To Reserve For Amortization Fixed Capital</u>	<u>Balance, Dec. 31, 2016</u>
09-16	Repair and Painting of Water Storage Tanks	06/16/2009	26,667.00	3,889.00		30,556.00	
09-22	Rehabilitation of Manholes	09/01/2009	33,333.00	11,111.00			44,444.00
11-15	Various Water/Sewer Capital Improvements	11/01/2011	81,250.00			81,250.00	
14-06	Rt. 23 Water/Sewer Improvements	07/01/2014	140,000.00			140,000.00	
06-06	Purchase of Excavator	04/19/2016			50,400.00	50,400.00	
16-23	Various Water/Sewer Improvements	09/20/2016			520,000.00		520,000.00
			<u>281,250.00</u>	<u>15,000.00</u>	<u>570,400.00</u>	<u>302,206.00</u>	<u>564,444.00</u>
			D	D-26		D-23	D

Ref.

Capital Improvement Fund	D-21;D-22	170,400.00
Grants Receivable	D-10;D-21	400,000.00
		<u>570,400.00</u>

Borough of Sussex, N.J.

Schedule of Serial Bonds Payable

Water/Sewer Utility Capital Fund

Year Ended December 31, 2016

Purpose	Date of Issue	Amount Issued	Matures of Bonds Outstanding December 31, 2016		Interest Rate	Balance Dec. 31, 2015	Paid By Budget Appropriation	Balance Dec. 31, 2016
			Date	Amount				
General Obligation Bonds	11/01/05	1,193,000.00	11/1/17-19	60,000.00	4.75%			
			11/1/20-24	60,000.00	5.00%			
			11/1/25	53,000.00	5.00%	593,000.00	60,000.00	533,000.00
Refunding Bonds of 2012	07/01/12	5,515,000.00	1/1/2017	210,000.00	2.00%			
			1/1/2018-19	215,000.00	3.00%			
			1/1/2020	225,000.00	3.00%			
			1/1/2021-22	230,000.00	3.00%			
			1/1/2023	250,000.00	2.50%			
			1/1/2024	210,000.00	3.50%			
			1/1/2025	195,000.00	3.50%			
			1/1/2026	200,000.00	3.50%			
			1/1/2027	210,000.00	3.50%			
			1/1/2028	210,000.00	3.00%			
			1/1/2029	225,000.00	3.00%			
			1/1/2030	230,000.00	3.125%			
			1/1/2031	235,000.00	3.50%			
		1/1/2032	240,000.00	3.50%				
		1/1/2033	255,000.00	3.50%				
		1/1/2034	260,000.00	3.75%				
		1/1/2035	270,000.00	3.75%				
		1/1/2036	210,000.00	3.75%				
		1/1/2037	60,000.00	3.75%				
						4,785,000.00	200,000.00	4,585,000.00
						<u>5,378,000.00</u>	<u>260,000.00</u>	<u>5,118,000.00</u>
						D	D-23	D

Borough of Sussex, N.J.

Schedule of Bond Anticipation Notes Payable

Water/Sewer Utility Capital Fund

Year Ended December 31, 2016

Ord. No.	Improvement Description	Date of Original Issue	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2015	Increased	Decreased	Balance Dec. 31, 2016
09-16	Major Repair and Repainting Of The Borough Water Storage Tanks	05/13/2011	05/7/2015 05/6/2016	05/6/2016 05/5/2017	1.15% 1.40%	23,333.00	19,444.00	23,333.00	19,444.00
09-22;10-04	Rehabilitation of Manholes	05/13/2011	05/7/2015 05/6/2016	05/6/2016 05/5/2017	1.15% 1.40%	66,667.00	55,556.00	66,667.00	55,556.00
14-06	Rt. 23 Water/Sewer Improvements	12/19/2014	05/7/2015	05/6/2016	1.15%	135,000.00		135,000.00	
15-06	Various Water/Sewer Improvements	10/18/2016	10/18/2016	10/13/2017	1.025%		1,200,000.00		1,200,000.00
16-23	Various Water/Sewer Improvements	10/18/2016	10/18/2016	10/13/2017	1.025%		600,000.00		600,000.00
						<u>225,000.00</u>	<u>1,875,000.00</u>	<u>225,000.00</u>	<u>1,875,000.00</u>
						D		D	
					Ref.		75,000.00	75,000.00	
					Renewals		1,800,000.00		
					Issued for Cash			135,000.00	
					Bond Anticipation Notes Not Re-Issued			15,000.00	
					Paid by Budget Appropriations		<u>1,875,000.00</u>	<u>225,000.00</u>	<u>1,875,000.00</u>

Borough of Sussex, N.J.

Schedule of NJ Environmental Infrastructure Trust Loan Payable

Water/Sewer Utility Capital Fund

Year Ended December 31, 2016

Balance - December 31, 2015	<u>Ref</u> D	1,329,357.86
Decreased by:		
Principal Matured	D-23	<u>78,815.40</u>
Balance - December 31, 2016	D	<u><u>1,250,542.46</u></u>

Schedule of Principal and Interest Payments Outstanding December 31, 2016
Trust Share February 17, 2010 in the amount of \$149,000.00

<u>Payment Number</u>	<u>Due</u>	<u>Principal</u>	<u>Interest</u>	<u>Loan Balance</u>
14	2/1/2017		1,958.70	110,461.04
15	8/1/2017	6,984.67	1,958.70	103,476.37
16	2/1/2018		1,868.94	103,476.37
17	8/1/2018	7,164.18	1,868.94	96,312.19
18	2/1/2019		1,770.44	96,312.19
19	8/1/2019	7,361.19	1,770.44	88,951.00
20	2/1/2020		1,661.86	88,951.00
21	8/1/2020	7,578.35	1,661.86	81,372.65
22	2/1/2021		1,542.88	81,372.65
23	8/1/2021	7,816.31	1,542.88	73,556.34
24	2/1/2022		1,415.08	73,556.34
25	8/1/2022	8,071.90	1,415.08	65,484.44
26	2/1/2023		1,275.44	65,484.44
27	8/1/2023	8,351.19	1,275.44	57,133.25
28	2/1/2024		1,125.12	57,133.25
29	8/1/2024	8,651.83	1,125.12	48,481.42
30	2/1/2025		965.49	48,481.42
31	8/1/2025	8,971.09	965.49	39,510.33
32	2/1/2026		795.49	39,510.33
33	8/1/2026	9,311.09	795.49	30,199.24

Borough of Sussex, N.J.

Schedule of NJ Environmental Infrastructure Trust Loan Payable

Water/Sewer Utility Capital Fund

Year Ended December 31, 2016

Schedule of Principal and Interest Payments Outstanding December 31, 2016
Trust Share February 17, 2010 in the amount of \$149,000.00 (Continued)

<u>Payment Number</u>	<u>Due</u>	<u>Principal</u>	<u>Interest</u>	<u>Loan Balance</u>
34	2/1/2027		614.39	30,199.24
35	8/1/2027	9,673.29	614.39	20,525.95
36	2/1/2028		421.89	20,525.95
37	8/1/2028	10,058.29	421.89	10,467.66
38	2/1/2029		217.20	10,467.66
39	8/1/2029	10,467.66	217.20	0.00
		<u>110,461.04</u>	<u>31,265.84</u>	

Borough of Sussex, N.J.

Schedule of NJ Environmental Infrastructure Trust Loan Payable

Water/Sewer Utility Capital Fund

Year Ended December 31, 2016

Schedule of Principal and Interest Payments Outstanding December 31, 2016
Fund Share dated February 17,2010 in the amount of \$447,000

<u>Payment Number</u>	<u>Due</u>	<u>Principal</u>	<u>Loan Balance</u>
			295,474.60
12	2/1/2017	7,576.27	287,898.33
13	8/1/2017	15,152.54	272,745.79
14	2/1/2018	7,576.27	265,169.52
15	8/1/2018	15,152.54	250,016.98
16	2/1/2019	7,576.27	242,440.71
17	8/1/2019	15,152.54	227,288.17
18	2/1/2020	7,576.27	219,711.90
19	8/1/2020	15,152.54	204,559.36
20	2/1/2021	7,576.27	196,983.09
21	8/1/2021	15,152.54	181,830.55
22	2/1/2022	7,576.27	174,254.28
23	8/1/2022	15,152.54	159,101.74
24	2/1/2023	7,576.27	151,525.47
25	8/1/2023	15,152.54	136,372.93
26	2/1/2024	7,576.27	128,796.66
27	8/1/2024	15,152.54	113,644.12
28	2/1/2025	7,576.27	106,067.85
29	8/1/2025	15,152.54	90,915.31
30	2/1/2026	7,576.27	83,339.04
31	8/1/2026	15,152.54	68,186.50
32	2/1/2027	7,576.27	60,610.23
33	8/1/2027	15,152.54	45,457.69
34	2/1/2028	7,576.27	37,881.42
35	8/1/2028	15,152.54	22,728.88
36	2/1/2029	7,576.27	15,152.61
37	8/1/2029	15,152.61	0.00
		<u>295,474.60</u>	

Borough of Sussex, N.J.

Schedule of NJ Environmental Infrastructure Trust Loan Payable

Water/Sewer Utility Capital Fund

Year Ended December 31, 2016

Schedule of Principal and Interest Payments Outstanding December 31, 2016
Trust Share December 2, 2010 in the amount of \$535,000

<u>Payment Number</u>	<u>Due</u>	<u>Principal</u>	<u>Interest</u>	<u>Loan Balance</u>
				435,000.00
12	2/1/2017		10,875.00	435,000.00
13	8/1/2017	20,000.00	10,875.00	415,000.00
14	2/1/2018		10,375.00	415,000.00
15	8/1/2018	25,000.00	10,375.00	390,000.00
16	2/1/2019		9,750.00	390,000.00
17	8/1/2019	25,000.00	9,750.00	365,000.00
18	2/1/2020		9,125.00	365,000.00
19	8/1/2020	25,000.00	9,125.00	340,000.00
20	2/1/2021		8,500.00	340,000.00
21	8/1/2021	25,000.00	8,500.00	315,000.00
22	2/1/2022		7,875.00	315,000.00
23	8/1/2022	30,000.00	7,875.00	285,000.00
24	2/1/2023		7,125.00	285,000.00
25	8/1/2023	30,000.00	7,125.00	255,000.00
26	2/1/2024		6,375.00	255,000.00
27	8/1/2024	30,000.00	6,375.00	225,000.00
28	2/1/2025		5,625.00	225,000.00
29	8/1/2025	35,000.00	5,625.00	190,000.00
30	2/1/2026		4,750.00	190,000.00
31	8/1/2026	35,000.00	4,750.00	155,000.00
32	2/1/2027		3,875.00	155,000.00
33	8/1/2027	35,000.00	3,875.00	120,000.00
34	2/1/2028		3,000.00	120,000.00
35	8/1/2028	40,000.00	3,000.00	80,000.00
36	2/1/2029		2,000.00	80,000.00
37	8/1/2029	40,000.00	2,000.00	40,000.00
38	2/1/2030		1,000.00	40,000.00
39	8/1/2030	40,000.00	1,000.00	0.00
		<u>435,000.00</u>	<u>180,500.00</u>	

Borough of Sussex, N.J.

Schedule of NJ Environmental Infrastructure Trust Loan Payable

Water/Sewer Utility Capital Fund

Year Ended December 31, 2016

Schedule of Principal and Interest Payments Outstanding December 31, 2016
Fund Share dated December 2, 2010 in the amount of \$575,400

<u>Payment Number</u>	<u>Due</u>	<u>Principal</u>	<u>Loan Balance</u>
			409,606.82
12	2/1/2017	9,752.54	399,854.28
13	8/1/2017	19,505.08	380,349.20
14	2/1/2018	9,752.54	370,596.66
15	8/1/2018	19,505.08	351,091.58
16	2/1/2019	9,752.54	341,339.04
17	8/1/2019	19,505.08	321,833.96
18	2/1/2020	9,752.54	312,081.42
19	8/1/2020	19,505.08	292,576.34
20	2/1/2021	9,752.54	282,823.80
21	8/1/2021	19,505.08	263,318.72
22	2/1/2022	9,752.54	253,566.18
23	8/1/2022	19,505.08	234,061.10
24	2/1/2023	9,752.54	224,308.56
25	8/1/2023	19,505.08	204,803.48
26	2/1/2024	9,752.54	195,050.94
27	8/1/2024	19,505.08	175,545.86
28	2/1/2025	9,752.54	165,793.32
29	8/1/2025	19,505.08	146,288.24
30	2/1/2026	9,752.54	136,535.70
31	8/1/2026	19,505.08	117,030.62
32	2/1/2027	9,752.54	107,278.08
33	8/1/2027	19,505.08	87,773.00
34	2/1/2028	9,752.54	78,020.46
35	8/1/2028	19,505.08	58,515.38
36	2/1/2029	9,752.54	48,762.84
37	8/1/2029	19,505.08	29,257.76
38	2/1/2030	9,752.54	19,505.22
39	8/1/2030	19,505.22	0.00
		<u>409,606.82</u>	

Borough of Sussex, N.J.

Schedule of Reserve for Capital Outlay

Water/Sewer Utility Capital Fund

Year Ended December 31, 2016

	<u>Ref.</u>	
Balance - December 31, 2015	D	47,181.69
Increased by:		
Cash Receipts	D-5	<u>25,000.00</u>
Balance - December 31, 2016	D	<u><u>72,181.69</u></u>

Schedule of Reserve for Encumbrances

Water/Sewer Utility Capital Fund

Year Ended December 31, 2016

	<u>Ref.</u>	
Balance - December 31, 2015	D	23,228.46
Increased by:		
Charges to Improvements Authorizations	D-21	<u>42,898.25</u>
		66,126.71
Decreased By:		
Cash Disbursements	D-5	<u>700.00</u>
Balance - December 31, 2016	D	<u><u>65,426.71</u></u>

Borough of Sussex, N.J.
Schedule of Reserve for Debt Service
Water/Sewer Utility Capital Fund
Year Ended December 31, 2016

	<u>Ref.</u>	
Balance - December 31, 2015	D	<u>45,883.79</u>
Balance - December 31, 2016	D	<u>45,883.79</u>

Borough of Sussex, N.J.

Schedule of Bonds and Notes Authorized But Not Issued

Water/Sewer Utility Capital Fund

Year Ended December 31, 2016

Ordinance Number	Improvement Description	Balance,	2016	Bond Anticipation		Cancelled	Balance, Dec. 31, 2016
		Dec. 31, 2015	Authorizations	Notes Issued			
14-06	Rt. 23 Water/Sewer Improvements	580,000.00			580,000.00		
15-06	Various Water/Sewer Improvements	1,200,000.00		1,200,000.00			
16-23	Various Water/Sewer Improvements	1,780,000.00	1,980,000.00	600,000.00			1,380,000.00
		<u>1,780,000.00</u>	<u>1,980,000.00</u>	<u>1,800,000.00</u>	<u>580,000.00</u>		<u>1,380,000.00</u>
		Footnote D	D-21	D-26			Footnote D

BOROUGH OF SUSSEX

PART II

*** * * * ***

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

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2016

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

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

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

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

INDEPENDENT AUDITOR'S REPORT 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 Sussex
Sussex, New Jersey 07461

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 Sussex in the County of Sussex as of and for the year ended December 31, 2016 and the related notes to the financial statements, and have issued our report thereon dated May 9, 2017, which was adverse due to being presented in accordance with New Jersey regulatory basis of accounting. The regulatory basis opinion was qualified for the Fixed Asset account group and the Length of Services Award Program not being audited.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements-regulatory basis, we considered the Borough of Sussex'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 Sussex's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough of Sussex'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 Responses as 2016-01, that we consider to be a significant deficiency.

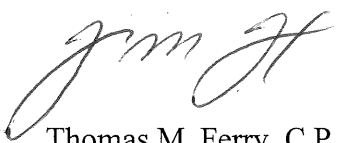
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough of Sussex'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 Sussex 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 Sussex 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 Sussex internal controls and compliance. Accordingly, this communication is not suitable for any other purpose.



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

Ferraioli, Wielkottz, Cerullo & Cuva, PA
FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants
Newton, New Jersey

May 9, 2017



**BOROUGH OF SUSSEX
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2016**

Summary of Auditor's Results:

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

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

The Borough was not subject to the single audit provisions of Federal OMB Circular A-133 (the "Circular") and State Circular 15-08 OMB for 2016 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 2016-01 - Segregation of Duties

The Borough does not maintain an adequate segregation of duties within the Treasury 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 various departments/offices of the Borough are responsible for the issuance of permits and licenses; collection of taxes, utility charges and permits and license fees; and recording of collections. The Deputy Treasurer deposits, disburses funds and posts the activity to the finance software and can also over-ride the software to record over-expenditures. This situation occurred because of the limited number of employees qualified to perform other accounting functions. The Borough also does not have adequate controls within the software system. 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.

Management's Response:

This finding was evaluated by the governing body and administration; however, due to budgetary constraints, the Borough does not have the resources to adequately segregate related duties and resolve this finding at this time.

Findings and Questioned Costs for Federal Awards:

Not applicable

Findings and Questioned Costs for State Awards:

Not applicable

**BOROUGH OF SUSSEX
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016**

STATUS OF PRIOR YEAR FINDINGS

The Borough's prior year finding, 2015-01, regarding Segregation of Duties has not been corrected and is included in the audit for the year ended December 31, 2016.

Finding 2015-01:

Condition:

The Borough does not maintain an adequate segregation of duties within the Treasury 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 various departments/offices of the Borough are responsible for the issuance of permits and licenses; collection of taxes, utility charges and permits and license fees; and recording of collections. The Deputy Treasurer deposits, disburses funds and posts the activity to the finance software. This situation occurred because of the limited number of employees qualified to perform other accounting functions. The Borough also does not have adequate controls within the software system.

Current Status:

Corrective action was not taken. The Borough was made aware of this lack of internal control and will consider strengthening internal control within reason of the costs, benefits derived and budget constraints.

GENERAL COMMENTS

Cash Balances

Cash balances in all funds were verified by independent certificates obtained from the depositories as of December 31, 2016, and at May 9, 2017, 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, or \$21,000 as of July 1, 2005, 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, or \$21,000 as of July 1, 2005. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.

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

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

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

GENERAL COMMENTS (CONTINUED)

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

Effective July 1, 2015, the bid threshold in accordance with N.J.S.A. 40A:11-3 and 40A:11-4 (as amended) is \$17,500.00 and with a qualified purchasing agent the threshold may be up to \$40,000.00.

The Governing Body of the Borough of Sussex 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.

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. No violations were disclosed.

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.

Collection of Interest on Delinquent Taxes and Assessments

The governing body on January 5, 2016 adopted the following resolutions authorizing interest to be charged on delinquent taxes:

NOW, THEREFORE, BE IT RESOLVED, by the Borough Council of the Borough of Sussex, County of Sussex, State of New Jersey, as follows:

1. The Tax Collector is hereby authorized and directed to charge 8% per annum on the first \$1,500.00 of taxes becoming delinquent after due date and, 18% per annum on any amount of taxes in excess of \$1,500.00 becoming delinquent after due date and if a delinquency is in excess of \$10,000.00 and remains in arrears beyond December 31st, an additional penalty of 6% shall be charged against the delinquency.

GENERAL COMMENTS (CONTINUED)

Collection of Interest on Delinquent Taxes and Assessments (continued)

2. Effective January 1, 2016 there will be a ten (10) day grace period of quarterly tax payments made by cash, check or money order.
3. Any payments not made in accordance with paragraph two of this resolution shall be charged interest from the due date as set forth in paragraph one of this resolution.

Delinquent Taxes and Tax Title Liens

The last tax sale was held on December 7, 2016.

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>
2016	4
2015	5
2014	6

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 tax-paying basis.

Verification of Delinquent Taxes and Other Charges

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

The result of the test which was made as of December 31, 2016 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.

GENERAL COMMENTS (CONTINUED)

Segregation of Duties

The Borough does not maintain an adequate segregation of duties within the Treasury 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 various departments/offices of the Borough are responsible for the issuance of permits and licenses; collection of taxes, utility charges and permits and license fees; and recording of collections. The Deputy Treasurer deposits, disburses funds and posts the activity to the finance software and can also over-ride the software to record over-expenditures. This situation occurred because of the limited number of employees qualified to perform other accounting functions. The Borough also does not have adequate controls within the software system. 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.

Management Response:

Duties of personnel will be reviewed to determine whether more adequate segregation of duties can be provided within budget constraints.

OTHER COMMENTS

Finance

1. In some instances, purchases were not properly encumbered.

Management Response:

Every effort will be made to properly encumber purchases

2. In one instance, a professional contract was paid more than the not-to-exceed amount.

Management Response:

Every effort will be made to not pay more than the not-to-exceed amount of professional contracts.

3. Fixed Assets were not updated for additions and deletions during 2016.

Management Response:

The Borough will look into a Fixed Asset Company to update the fixed assets of the Borough.

4. There were over-expenditures of appropriations in the Current Fund and the Water/Sewer Utility Operating Fund.

Management Response:

Care will be taken to properly encumber funds so that over-expenditures do not occur.

OTHER COMMENTS (CONTINUED)

Municipal Court

The report required by statute covering the accounts of the Municipal Court has been filed under separate cover with the Judge, Borough Clerk and Division of Local Government Services. We noted however, that there are internal control problems that are throughout the State of New Jersey Municipal Court System caused by the implementation of the Automated Traffic System and the Automated Complaint System.

1. Ending balances need to be reviewed for adjustment or cancellation.

Management Response:

The Court Administrator is working on clearing the old balance of the general court account.

RECOMMENDATIONS

1. That adequate segregation of duties within the Treasury Department be maintained.
2. That all purchases be properly encumbered.
3. That care be taken not to pay professionals over the not-to-exceed amount.
4. That the Fixed Asset listing be properly updated for additions and deletions.
5. That ending balances, in the Municipal Court, be reviewed for adjustment or cancellation.
6. That purchases be properly encumbered so that over-expenditures do not occur.

Status of Prior Year's Audit Findings/Recommendations

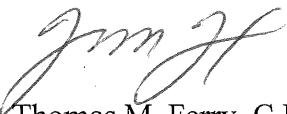
A review was performed on all prior year's recommendations and corrective action was taken on all with the exception of the following which is included in this year's recommendations:

1. That adequate segregation of duties within the Treasury Department be maintained.
2. That all purchases be properly encumbered.
3. That ending balances, in the Municipal Court, be reviewed for adjustment or cancellation.

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

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

Very truly yours,



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

Ferraioli, Wielkotz, Cerullo & Cuva, PA
FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants