

REPORT OF AUDIT
BOROUGH OF SUSSEX
COUNTY OF SUSSEX
DECEMBER 31, 2011

BOROUGH OF SUSSEX, N.J.
TABLE OF CONTENTS

YEAR ENDED DECEMBER 31, 2011

PART I

<u>Exhibit</u>	<u>Page</u>
Independent Auditor's Report	1 - 2
 <u>CURRENT FUND</u>	
A Comparative Balance Sheet - Current Fund	3 - 4
A-1 Comparative Statement of Operations and Changes in Fund Balance - Regulatory Basis - Current Fund	5
A-2 Statement of Revenues - Regulatory Basis	6 - 7
A-3 Statement of Expenditures - Regulatory Basis	8 - 13
 <u>TRUST FUND</u>	
B Comparative Balance Sheet - Regulatory Basis	14 - 15
 <u>GENERAL CAPITAL FUND</u>	
C Comparative Balance Sheet - Regulatory Basis	16
C-1 Schedule of Fund Balance - Regulatory Basis	17
 <u>WATER/SEWER UTILITY FUND</u>	
D Comparative Balance Sheet - Regulatory Basis	18 - 19
D-1 Comparative Statement of Operations and Changes in Fund Balance - Regulatory Basis	20
D-2 Statement of Revenues - Regulatory Basis	21
D-4 Statement of Expenditures - Regulatory Basis	22
 <u>PUBLIC ASSISTANCE FUND</u>	
E Comparative Balance Sheet - Regulatory Basis	23
 <u>FIXED ASSETS</u>	
F Comparative Statement of General Fixed Assets - Regulatory Basis	24

<u>Exhibit</u>	<u>Page</u>
NOTES TO FINANCIAL STATEMENTS	25 - 47
 <u>SUPPLEMENTARY DATA</u>	
OFFICIALS IN OFFICE AND SURETY BONDS	48
COMPARATIVE SCHEDULES	49 - 52
 <u>CURRENT FUND</u>	
A-4 Schedule of Cash - Treasurer	53
A-5 Schedule of Cash - Change Fund	54
A-6 Schedule of Sales Contracts Receivable - Property Acquired for Taxes	54
A-7 Schedule of Taxes Receivable and Analysis of Property Tax Levy	55
A-8 Schedule of Tax Title Liens Receivable	56
A-9 Schedule of Property Acquired for Taxes Assessed Valuation	56
A-10 Schedule of Revenue Accounts Receivable	57
A-11 Schedule of Amount Due to State of New Jersey for Veterans and Senior Citizens Deductions	58
A-12 Schedule of Interfunds Receivables/(Payables)	59
A-13 Schedule of Deferred Charges	60
A-14 Schedule of Deferred Charges - Special Emergency Authorizations (N.J.S.A. 40A:4-55)	61
A-15 Schedule of Appropriation Reserves	62 - 63
A-16 Schedule of Various Cash Liabilities and Reserves	64
A-17 Schedule of Encumbrances Payable	65
A-18 Schedule of Prepaid Taxes	65
A-19 Schedule of County Taxes Payable	66
A-20 Schedule of Regional School Taxes Payable	66
A-21 Schedule of Regional High School Taxes Payable	66
A-22 Schedule of Due From/ (To)Current Fund	67
A-23 Schedule of Grants Receivable	68
A-24 Schedule of Appropriated Reserves for Grants	69
A-25 Schedule of Unappropriated Reserves for Grants	70
 <u>TRUST FUNDS</u>	
B-1 Schedule of Cash	71
B-2 Schedule of Due From / (To) Current Fund	72
B-3 Schedule of Due To / (From) Other Trust Fund	72
B-4 Schedule of Due To / (From) Animal Control Trust Fund	73
B-5 Schedule of Encumbrances Payable	73
B-6 Reserve for Animal Control Trust Fund Expenditures	74
B-7 Schedule of Due To / (From Water/Sewer Utility Operating Fund	74
B-8 Schedule of Due To / (From) Current Fund	75
B-9 Schedule of Due to State Department of Health	75
B-10 Schedule of Other Trust Funds	76
B-11 Schedule of Contributions Payable	77
B-12 Schedule of Net Assets Available for Benefits	78

ExhibitPageGENERAL CAPITAL FUND

C-2	Schedule of Cash	79
C-3	Analysis of Cash	80
C-4	Schedule of Interfunds)	81
C-5	Schedule of Grants Receivable -Department of Transportation	82
C-6	Schedule of Deferred Charges to Future Taxation - Funded	83
C-7	Schedule of Deferred Charges to Future Taxation - Unfunded	84
C-8	Schedule of Capital Improvement Fund	85
C-9	Schedule of Improvement Authorizations	86
C-10	Schedule of Bond Anticipation Notes Payable	87
C-11	Schedule of Serial Bonds Payable	88
C-12	Schedule of Green Trust Program Loan Payable	89
C-13	Schedule of Reserve for Grants Receivable	90
C-14	Schedule of Reserve for Encumbrances	90
C-15	Schedule of Bonds and Notes Authorized But Not Issued	91

WATER/SEWER UTILITY FUND

D-4	Schedule of Cash	92
D-5	Analysis of Cash	93
D-6	Schedule of Consumer Accounts Receivable	94
D-7	Schedule of Other Receivables	94
D-8	Schedule of Fixed Capital	95
D-9	Schedule of Fixed Capital Authorized and Uncompleted	96
D-10	Schedule of N.J. Environmental Infrastructure Trust Receivable	97
D-11	Schedule of Appropriation Reserves	98
D-12	Schedule of Interfund Accounts Receivable (Payable)	99
D-13	Schedule of Accrued Interest on Loan And Notes	100
D-14	Schedule of Encumbrances Payable	101
D-15	Schedule of Deferred Charges	102
D-16	Schedule of Improvement Authorizations	103
D-17	Schedule of Capital Improvement Fund	104
D-18	Schedule of Reserve for Amortization	104
D-19	Schedule of Deferred Reserve for Amortization	105
D-20	Schedule of Serial Bonds Payable	106
D-21	Schedule of Revenue Anticipation Notes Payable	106
D-22	Schedule of Bond Anticipation Notes Payable	107
D-23	Schedule of Farmers Home Administration (FHA) Loan Payable	108
D-24	Schedule of US Department of Agriculture (USDA) Loan Payable	109 - 116
D-25	Schedule of N.J. Environmental Infrastructure Trust Loan Payable	117 - 122
D-26	Schedule of Reserve for Capital Outlay	123
D-27	Schedule of Reserve for Encumbrances	123
D-28	Schedule of Bonds and Notes Authorized but not Issued	124

<u>Exhibit</u>	<u>Page</u>
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PUBLIC ASSISTANCE FUND

E-1	Schedule of Cash - Treasurer	125
E-2	Schedule of Cash and Reconciliation Per N.J.S. 40A:5-5	126
E-3	Schedule of Cash and Reconciliation	127
E-4	Schedule of Revenues - Cash Basis	128
E-5	Schedule of Expenditures - Cash Basis	129
E-6	Schedule Reserve for Public Assistance	130

PART II

SINGLE AUDIT SECTION

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	131 - 132
Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and N.J. OMB Circular 04-04	133 - 134
Schedule of Expenditures of Federal Awards	135
Schedule of Expenditures of State Financial Assistance	136
Schedule of Findings and Questioned Costs	137 - 138
Summary Schedule of Prior Audit Findings	139

PART III

COMMENTS AND RECOMMENDATIONS

GENERAL COMMENTS

Cash Balances	140
Contracts and Agreements Required	140
Collection of Interest on Delinquent Taxes and Assessments	141
Delinquent Taxes and Tax Title Liens	142
Verification of Delinquent Taxes and Other Charges	142
Segregation of Duties	143
Other Comments	143
 RECOMMENDATIONS	 146
 STATUS OF PRIOR YEAR'S AUDIT FINDINGS/RECOMMENDATIONS	 146

BOROUGH OF SUSSEX

PART I

REPORT OF AUDIT ON FINANCIAL STATEMENTS

AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2011

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INDEPENDENT AUDITOR'S REPORT

June 22, 2012

The Honorable Mayor and
Members of the Borough Council
Borough of Sussex
2 Main Street
Sussex, New Jersey 07461

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 and for the year ended December 31, 2011, and the related statements 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, 2011. These financial statements are the responsibility of the Borough's management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements of the Borough of Sussex as of December 31, 2010 were audited, in a report dated May 24, 2011, by another auditor.

Except as discussed below, we conducted our audits 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, and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provides a reasonable basis for our opinion.

The Length of Service Awards Program of the Borough of Sussex has not been audited, and we were not engaged to audit the Length of Service Awards Program financial statements as part of our audit of the Borough's financial statements.

As described in Note 1, these financial statements were prepared in conformity with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with the modified accrual basis, with certain exceptions, and the budget laws of New Jersey, which practices differ from accounting principles generally accepted in the United States of America. The affect on the financial statements of the variances between the prescribed basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.



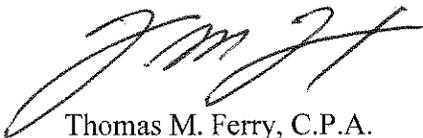
The Borough of Sussex did not update its fixed assets during the year ended December 31, 2011 as required by Technical Accounting Directive 85-2, "Accounting for Government Fixed Assets" and New Jersey Administrative Code 5:30-5.6, "Accounting for Government Fixed Assets." Therefore, we are unable to express an opinion as the general fixed assets account group as of December 31, 2011, stated as \$4,210,596.00.

In our opinion, because of the Borough of Sussex's policy to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Borough of Sussex, New Jersey as of December 31, 2011 and 2010 or the results of its operation for the years then ended.

However, in our opinion, except for not updating its fixed assets annually, as stated in the fifth paragraph, the financial statements referred to above present fairly, in all material respects, the financial position - regulatory basis of the various funds and account group of the Borough of Sussex at December 31, 2011 and 2010, and the results of operations and changes in fund balance - regulatory basis of such funds for the year ended and the statement of revenues - regulatory basis, and statement of expenditures - regulatory basis for the year ended December 31, 2011, on the basis of accounting described in Note 1.

In accordance with the Government Auditing Standards, we have also issued a report dated June 22, 2012 on our consideration of the Borough of Sussex, New Jersey internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Borough of Sussex, State of New Jersey, taken as a whole. The accompanying supplementary information, schedules and exhibits listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Borough of Sussex, State of New Jersey. Such information has been subject to auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects, in relation to the financial statements taken as a whole, on the basis of accounting described in Note 1.



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

Ferraioli, Wielkutz, Cerullo, + Cuva, P.A.

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



Borough of Sussex, N.J.

Comparative Balance Sheet - Regulatory Basis

Current Fund

December 31, 2011 and 2010

	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
<u>Assets</u>			
Current Fund:			
Cash	A-4	362,863.80	261,161.62
Change Fund	A-5	100.00	100.00
		<u>362,963.80</u>	<u>261,261.62</u>
Receivables and Other Assets with Full Reserves:			
Sales Contracts Receivable - Property			
Acquired for Taxes	A-6	1,770.00	1,770.00
Delinquent Taxes Receivable	A-7	99,764.42	142,320.37
Tax Title Liens Receivable	A-8	9,360.90	3,852.83
Property Acquired for Taxes -			
Assessed Valuation	A-9	344,600.00	344,600.00
Interfund Receivables:			
Federal and State Grant Fund	A-12		22,795.15
Dog License Fund	A-12	3.93	3.93
Other Trust Fund	A-12	0.16	8,240.96
		<u>455,499.41</u>	<u>523,583.24</u>
Deferred Charges:			
Overexpenditure of Appropriations	A-13	1,687.41	1,687.41
Emergency Authorization (40:A4-55)	A-14	25,000.00	
		<u>845,150.62</u>	<u>786,532.27</u>
Federal and State Grant Fund:			
Interfund - Current Fund	A-22	7,966.15	
Grants Receivable	A-23	138,938.00	175,156.00
		<u>992,054.77</u>	<u>961,688.27</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, 2011 and 2010

	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Current Fund:			
Appropriation Reserves	A-3;A-15	126,713.06	69,022.35
Encumbrances Payable	A-17	6,717.80	6,833.69
Prepaid Taxes	A-18	33,874.32	29,182.34
Due to State of New Jersey:			
Senior Citizen and Veteran Deductions	A-11	6,269.49	5,769.49
Marriage Surcharge	A-16	75.00	50.00
Interfunds Payable:			
Federal and State Grant Fund	A-12	7,966.15	
General Capital	A-12	5,000.00	5,000.00
County Taxes Payable	A-19	101.56	743.63
Tax Overpayments	A-16	1,805.45	1,805.45
Reserve for:			
Deposit on Sale of Foreclosed Property	A-16	600.00	600.00
Revision of Master Plan	A-16	7,745.00	7,745.00
Sale of Municipal Assets	A-16	5,820.00	4,883.59
		<u>202,687.83</u>	<u>131,635.54</u>
Reserve for Receivables	Contra	455,499.41	523,583.24
Fund Balance	A-1	<u>186,963.38</u>	<u>131,313.49</u>
		<u>845,150.62</u>	<u>786,532.27</u>
Federal and State Grant Fund:			
Interfund Payable - Current Fund	A-22		22,795.15
Appropriated Reserve for Grants	A-24	131,533.52	152,360.85
Unappropriated Reserve for Grants	A-25	15,370.63	
		<u>146,904.15</u>	<u>175,156.00</u>
		<u>992,054.77</u>	<u>961,688.27</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, 2011 and 2010

	Ref.	<u>2011</u>	<u>2010</u>
Revenues and Other Income:			
Fund Balance Utilized	A-2	97,000.00	100,000.00
Miscellaneous Revenue Anticipated	A-2	253,660.59	365,601.60
Receipts from Delinquent Taxes	A-2	139,818.43	86,086.95
Receipts from Current Taxes	A-2	3,446,769.81	3,322,640.30
Non-Budget Revenue	A-2	73,531.75	81,985.53
Other Credits to Income:			
Unexpended Balance of			
Appropriation Reserves	A-15	24,071.81	31,265.04
Encumbrances Cancelled	A-17	3,428.34	
Federal and State Grant Fund			
Unappropriated Reserves Cancelled			0.02
Interfunds Returned	A-12	31,035.95	1,471.44
Total Revenues and Other Income		<u>4,069,316.68</u>	<u>3,989,050.88</u>
Expenditures:			
Budget and Emergency Appropriations:			
Operations - Within "CAPS"			
Salaries and Wages	A-3	179,935.00	217,452.00
Other Expenses	A-3	462,426.00	414,362.41
Deferred Charges and Statutory Expenditures -			
Municipal - Within "CAPS"	A-3	45,161.00	32,050.00
Operations - Excluded From CAPS:			
Other Expenses	A-3	281,003.00	319,373.60
Capital Improvements - Excluded from Caps	A-3	100,000.00	68,000.00
Municipal Debt Service - Excluded from Caps	A-3	101,265.97	110,511.24
Refund of Prior Year Revenue	A-4	6,769.11	
Interfund and Other Receivables Advanced			31,040.04
Regional School Tax	A-20	1,458,921.22	1,424,487.63
Regional High School Tax	A-21	690,679.90	657,668.64
County Taxes including Added Taxes	A-19	615,505.59	653,829.24
Total Expenditures		<u>3,941,666.79</u>	<u>3,928,774.80</u>
Excess (Deficit) Revenue Over Expenditures		127,649.89	60,276.08
Adjustment to Income Before Fund Balance			
Expenditures Included above Which are by Statute			
Deferred Charges to Budget of Succeeding Year	A-14	25,000.00	1,687.41
Statutory Excess to Fund Balance		152,649.89	61,963.49
Fund Balance, January 1,	A	131,313.49	169,350.00
		283,963.38	231,313.49
Decreased by:			
Fund Balance Utilized as Budget Revenue		97,000.00	100,000.00
Fund Balance, December 31,	A	<u>186,963.38</u>	<u>131,313.49</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, 2011

	<u>Ref.</u>	<u>Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Fund Balance Anticipated	A-1	<u>97,000.00</u>	<u>97,000.00</u>	<u> </u>
Miscellaneous Revenues:				
Licenses:				
Alcoholic Beverages	A-10	4,600.00	4,400.00	(200.00)
Fees and Permits	A-10	12,696.00	12,938.00	242.00
Parking Meters	A-10	7,700.00	9,550.00	1,850.00
Uniform Construction Code Fees	A-10	28,040.00	29,640.00	1,600.00
Energy Receipts Tax	A-10	150,002.00	150,002.00	
Consolidated Municipal Property Tax Relief Aid	A-10	37,471.00	37,471.00	
Special Items of General Revenue Anticipated				
With Prior Written Consent of Director of				
Local Government Services:				
Public and Private Revenues:				
Recycling Tonnage	A-23	4,176.00	4,176.00	
Reserve for Sale of Assets	A-16	<u>5,483.59</u>	<u>5,483.59</u>	
Total Miscellaneous Revenues	A-1	<u>250,168.59</u>	<u>253,660.59</u>	<u>3,492.00</u>
Receipts from Delinquent Taxes	A-1;A-2	<u>130,000.00</u>	<u>139,818.43</u>	<u>9,818.43</u>
Subtotal General Revenues		<u>477,168.59</u>	<u>490,479.02</u>	<u>13,310.43</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>779,764.41</u>	<u>793,803.10</u>	<u>14,038.69</u>
Budget Totals		1,256,933.00	1,284,282.12	27,349.12
Non-Budget Revenue	A-1;A-2	<u>1,256,933.00</u>	<u>73,531.75</u> <u>1,357,813.87</u>	<u>73,531.75</u> <u>100,880.87</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, 2011

<u>Analysis of Realized Revenues</u>	<u>Ref.</u>		
Revenue from Collections	A-1;A-7	3,446,769.81	
Allocated to School and County Taxes	A-7	<u>2,765,106.71</u>	
Balance for Support of Municipal Budget Appropriations		681,663.10	
Add : Appropriation - Reserve for Uncollected Taxes	A-3	<u>112,140.00</u>	
Amount for Support of Municipal Budget Appropriations	A-2	<u><u>793,803.10</u></u>	
Receipts from Delinquent Taxes:			
Delinquent Taxes			
Taxes Receivable	A-7	<u>139,818.43</u>	
	A-2	<u><u>139,818.43</u></u>	
 <u>Analysis of Non-budget Revenues</u>			
Miscellaneous Revenues Not Anticipated:			
Revenues Accounts Receivable:			
Clerk	A-10	173.78	
Tax Collector	A-10	22,847.72	
Interest on Investments	A-10	2,211.35	
Municipal Court	A-10	<u>18,829.24</u>	
			44,062.09
Cable TV. Franchise Fee		8,027.00	
Housing Inspections		150.00	
Zoning		1,055.00	
Veteran & Sr. Citizen Admin. Fees		355.00	
Miscellaneous Refunds		432.66	
Public Assistance		18,000.00	
Planning Board		<u>1,450.00</u>	
	A-4		<u>29,469.66</u>
	A-2		<u><u>73,531.75</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, 2011

	<u>Ref.</u>	<u>Budget</u>	<u>Emergency Appropriations</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
<u>General Appropriations</u>							
Operations Within "CAPS"							
Administrative and Executive							
Salaries and Wages		94,500.00		94,500.00	94,440.81	59.19	
Other Expenses:							
Telephone		9,000.00		9,000.00	8,531.71	468.29	
Miscellaneous Other Expenses		24,200.00		21,200.00	18,383.69	2,816.31	
Codification of Ordinances		7,000.00		7,000.00	3,805.60	3,194.40	
Elections							
Other Expenses		1,500.00		1,500.00	1,201.72	298.28	
Financial Administration							
Salaries and Wages		10,630.00		10,630.00	10,596.31	33.69	
Other Expenses		23,350.00		23,350.00	12,853.32	10,496.68	
Collection of Taxes							
Salaries and Wages		21,700.00		21,700.00	21,408.99	291.01	
Other Expenses		5,900.00		2,900.00	1,992.98	907.02	
Legal Services and Costs							
Other Expenses		60,000.00		45,000.00	41,224.30	3,775.70	
Engineering Services and Costs							
Other Expenses		10,000.00		10,000.00	4,206.50	5,793.50	
Municipal Land Use Law : (N.J.S. 40:55D-11)							
Planning Board							
Salaries and Wages		3,000.00		3,000.00	3,000.00		
Other Expenses		13,200.00		13,200.00	10,832.26	2,367.74	
Insurance:							
Group Insurance Plan for Employees		30,000.00		38,500.00	35,951.61	2,548.39	
Workers Compensation Insurance		12,300.00		12,300.00	12,288.00	12.00	
Surety Bonds		400.00		400.00		400.00	
Other Insurance Premiums		47,381.00		59,881.00	59,335.73	545.27	
Police							
Salaries and Wages		16,400.00		16,400.00	16,364.19	35.81	

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, 2011

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Emergency Appropriations</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Other Expenses		500.00		500.00		500.00	
Office of Emergency Management							
Salaries and Wages		1,040.00		1,040.00	1,039.06		0.94
Other Expenses		1,250.00		1,250.00	9.20	1,240.80	
Fire							
Aid to Vol. Fire Department		35,020.00		35,020.00	35,020.00		
Streets and Roads:							
Road Repairs and Maintenance			25,000.00	83,400.00	68,667.69	14,732.31	
Other Expenses		58,400.00		58,400.00			
Street Lighting		35,700.00		35,700.00	32,978.80	2,721.20	
Other Expenses							
Garbage and Trash Removal		500.00		500.00	375.59	124.41	
Other Expenses							
Recycling		500.00		500.00		500.00	
Other Expenses							
Public Buildings and Grounds							
Salaries and Wages		800.00		800.00	800.00		
Other Expenses		40,700.00		40,700.00	32,908.48	7,791.52	
Health and Welfare:							
Board of Health		50.00		75.00	55.98		19.02
Other Expenses							
Registrar							
Other Expenses		575.00		650.00	621.50		28.50

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, 2011

	<u>Ref.</u>	<u>Budget</u>	<u>Emergency Appropriations</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
<u>General Appropriations</u>							
Board of Recreation		4,000.00		4,000.00	3,931.73	68.27	
Other Expenses							
Shade Tree				200.00	115.30	84.70	
Other Expenses							
Property Maintenance Board		10,105.00		10,105.00	8,599.44	1,505.56	
Salaries and Wages		300.00		300.00	204.76	95.24	
Other Expenses							
Celebration of Public Event		2,000.00		2,000.00	459.09	1,540.91	
Other Expenses							
Zoning Official		21,760.00		21,760.00	20,123.75	1,636.25	
Salaries and Wages		3,400.00		3,400.00	444.94	2,955.06	
Other Expenses							
Unclassified:		10,000.00		10,000.00	9,287.74	712.26	
Gasoline & Diesel Fuel		617,261.00	25,000.00	642,361.00	572,060.77	70,300.23	
Total Operations within "CAPS"							
Total Operations within "CAPS" Including Contingent		617,261.00	25,000.00	642,361.00	572,060.77	70,300.23	
Detail:							
Salaries and Wages	A-1	179,935.00		179,935.00	176,372.55	3,562.45	
Other Expenses	A-1	437,326.00	25,000.00	462,426.00	395,688.22	66,737.78	
Deferred Charges and Statutory Expenditures - Municipal within "CAPS"							
Statutory Expenditures:							
Contribution to:							
Public Employees' Retirement System		29,661.00		29,661.00	29,661.00		

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, 2011

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Emergency Appropriations</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Social Security System (O.A.S.I.)		13,800.00		13,800.00	13,238.42	561.58	
Unemployment Compensation Insurance		1,800.00		1,700.00	1,220.75	479.25	
Total Deferred Charged and Statutory Expenditures - Municipal within "CAPS"	A-1	45,261.00		45,161.00	44,120.17	1,040.83	
Total General Appropriations for Municipal Purposes within "CAPS"		662,522.00	25,000.00	687,522.00	616,180.94	71,341.06	
Operations - Excluded from "CAPS"		18,500.00		18,500.00	16,375.00	2,125.00	
Aid to Vol. Fire Department LOSAP		18,500.00		18,500.00	16,375.00	2,125.00	
Total Other Operations - Excluded From Caps							
Interlocal Municipal Service Agreements							
Township of Wantage:							
Tax Assessor		11,000.00		11,000.00	11,000.00		
Other Expenses							
Municipal Court		37,000.00		37,000.00	37,000.00		
Other Expenses							
Animal Control Agreement		8,000.00		8,000.00	6,753.00	1,247.00	
Other Expenses							
Township of Hardyston:							
Road Department		182,274.00		182,274.00	182,274.00		
Other Expenses							
Construction Agreement		4,000.00		4,000.00		4,000.00	
Other Expenses							
Township of Vernon							
"911" Dispatching Communication		16,053.00		16,053.00	16,053.00		
Other Expenses		258,327.00		258,327.00	253,080.00	5,247.00	
Total Public and Private Program Offset by Revenue							

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, 2011

	<u>Ref.</u>	<u>Budget</u>	<u>Emergency Appropriations</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
<u>General Appropriations</u>							
Public and Private Programs Offset by Revenues							
Recycling Tonnage Grant		4,176.00		4,176.00	4,176.00		
Total Public and Private Program Offset By Revenues		4,176.00		4,176.00	4,176.00		
Total Operations - Excluded from "CAPS"		281,003.00		281,003.00	273,631.00	7,372.00	
Detail:							
Other Expenses	A-1	281,003.00		281,003.00	273,631.00	7,372.00	
Capital Improvements:							
Capital Improvement Fund		52,000.00		52,000.00	52,000.00		
Improvements to Streets and Roads		15,000.00		15,000.00		15,000.00	
Purchases of Equipment		12,000.00		12,000.00		12,000.00	
Improvements to Municipal Properties		15,000.00		15,000.00		15,000.00	
Purchase of OSHA Fire Equipment		6,000.00		6,000.00		6,000.00	
Total Capital Improvements Excluded from "CAPS"	A-1	100,000.00		100,000.00	52,000.00	48,000.00	
Municipal Debt Service:							
Payment of Bond Principal		30,000.00		30,000.00	30,000.00		
Interest on Bonds		6,683.00		6,683.00	6,683.00		
Payment of Note Principal		51,000.00		51,000.00	51,000.00		
Interest on Notes		5,140.00		5,140.00	5,138.23	1.77	
Loan Repayments Principal and Interest		8,445.00		8,445.00	8,444.74	0.26	
Total Municipal Debt Service-Excluded from "CAPS"	A-1	101,268.00		101,268.00	101,265.97	2.03	
Total General Appropriations for Municipal Purposes Excluded from "CAPS"		482,271.00		482,271.00	426,896.97	55,372.00	2.03
Subtotal General Appropriations		1,144,793.00	25,000.00	1,169,793.00	1,043,077.91	126,713.06	2.03
Reserve for Uncollected Taxes		112,140.00		112,140.00	112,140.00		
Total General Appropriations		1,256,933.00	25,000.00	1,281,933.00	1,155,217.91	126,713.06	2.03
						A	

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, 2011

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Emergency Appropriations</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Adopted Budget	A-2			1,256,933.00			
Emergency Authorization N.J.S. 40A:4-55	A-14			<u>25,000.00</u>			
				<u>1,281,933.00</u>			
<u>Analysis of Paid or Charged</u>							
Reserve for Uncollected Taxes	A-2				112,140.00		
Cash Disbursed	A-4				980,184.11		
Interfund - General Capital	A-12				52,000.00		
Reserve for Federal and State Grants	A-24				4,176.00		
Encumbrance Payable	A-17				6,717.80		
					<u>1,155,217.91</u>		

Borough of Sussex, N.J.

Comparative Balance Sheet - Regulatory Basis

Trust Funds

December 31, 2011 and 2010

<u>Assets</u>	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
Animal Control Trust Fund:			
Cash- Treasurer	B-1	<u>3,025.89</u>	<u>3,907.73</u>
Other Trust Funds:			
Cash	B-1	54,756.74	64,761.78
Interfund - Animal Control	B-4		100.80
		<u>54,756.74</u>	<u>64,862.58</u>
Emergency Services Volunteer Length of Service Award Program (Unaudited):			
Cash in Plan	B-1	108,181.95	89,483.69
Contributions Receivable	B-11	16,875.00	17,875.00
		<u>125,056.95</u>	<u>107,358.69</u>
		<u>182,839.58</u>	<u>176,129.00</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, 2011 and 2010

	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
<u>Liabilities, Reserves & Fund Balance</u>			
Animal Control Trust Fund:			
Due to Other Trust Fund	B-3		100.80
Reserve for Encumbrances	B-5	419.00	
Reserve for Animal Control			
Trust Expenditures	B-6	2,597.76	3,797.80
Due To Current Fund	B-8	3.93	3.93
Due to State Department of Health	B-9	5.20	5.20
		<u>3,025.89</u>	<u>3,907.73</u>
Other Trust Fund:			
Due to Current Fund	B-2	0.16	8,240.96
Due to Water/Sewer Utility Operating Fund	B-7	15,500.00	15,500.00
Reserve for: Various Reserves	B-10	39,256.58	41,121.62
		<u>54,756.74</u>	<u>64,862.58</u>
Emergency Services Volunteer Length of Service Award Program (Unaudited):			
Net Assets Available for Benefits	B-12	<u>125,056.95</u>	<u>107,358.69</u>
		<u>182,839.58</u>	<u>176,129.00</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, 2011 and 2010

	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
<u>Assets</u>			
Cash	C-2;C-3	160,033.70	139,470.67
Interfund - Current Fund	C-4	5,000.00	5,000.00
Grants Receivable:			
New Jersey Department of Transportation	C-5	67,377.07	67,377.07
Deferred Charges to Future Taxation:			
Funded	C-6	164,523.20	201,906.54
Unfunded	C-7	780,359.09	471,827.07
		<u>1,177,293.06</u>	<u>885,581.35</u>
 <u>Liabilities, Reserves and Fund Balance</u>			
Capital Improvement Fund	C-8	83,555.00	53,055.00
Improvement Authorizations:			
Funded	C-9	87,293.72	95,797.07
Unfunded	C-9	365,036.07	83,995.67
Bond Anticipation Notes Payable	C-10	332,450.00	383,450.00
Serial Bonds Payable	C-11	117,000.00	147,000.00
Green Acres Loan Payable	C-12	47,523.20	54,906.54
Reserve for Grants Receivable	C-13	67,377.07	67,377.07
Reserve for Encumbrances	C-14	77,058.00	
		<u>1,177,293.06</u>	<u>885,581.35</u>

Footnote C: There were bonds and Notes Authorized But Not Issued on December 31, 2011 in the amount of \$447,909.09 per Exhibit C-15.

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

Borough of Sussex, N.J.
Schedule of Fund Balance - Regulatory Basis
General Capital Fund
Year Ended December 31, 2011

NOT APPLICABLE

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, 2011 and 2010

	<u>Ref</u>	<u>2011</u>	<u>2010</u>
<u>Assets</u>			
Operating Fund:			
Cash-Treasurer	D-4	230,547.30	272,765.54
Due From Other Trust Fund	D-12	15,500.00	15,500.00
Due From Water Utility Capital Fund	D-12		274.38
		<u>246,047.30</u>	<u>288,539.92</u>
Receivables with Full Reserves:			
Consumer Accounts	D-6	547,202.32	411,790.36
Other Receivables	D-7	4,500.00	49,500.00
		<u>551,702.32</u>	<u>461,290.36</u>
Deferred Charges:			
Operating Deficit	D-15	48,567.12	183,019.12
Overexpenditure of Appropriations	D-15	931.82	931.82
		<u>49,498.94</u>	<u>183,950.94</u>
Total Operating Fund		<u>847,248.56</u>	<u>933,781.22</u>
Capital Fund:			
Cash	D-4;D-5	173,891.00	43,784.93
Fixed Capital*	D-8	15,790,486.16	15,633,963.90
Fixed Capital Authorized and Uncompleted*	D-9	1,925,000.00	1,950,000.00
NJ Environmental Infrastructure Trust Receivable	D-10	454,240.00	1,175,366.00
Interfund Receivable:			
Water/Sewer Operating	D-12	15,112.69	
Total Capital Fund		<u>18,358,729.85</u>	<u>18,803,114.83</u>
Total Assets		<u>19,205,978.41</u>	<u>19,736,896.05</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, 2011 and 2010

	<u>Ref</u>	<u>2011</u>	<u>2010</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Operating Fund:			
Appropriation Reserve	D-3;D-11	41,443.29	64,780.47
Encumbrances Payable	D-14	98,472.54	28,711.51
Interfund Payable:			
Water Utility Capital Fund	D-12	15,112.69	
Accrued Interest on Bonds, Loans and Notes	D-13	22,616.91	1,950.40
Revenue Anticipation Notes Payable	D- 21		375,000.00
		<u>177,645.43</u>	<u>470,442.38</u>
Reserve for Receivables	Contra	551,702.32	461,290.36
Fund Balance	D-1	<u>117,900.81</u>	<u>2,048.48</u>
Total Operating Fund		<u>847,248.56</u>	<u>933,781.22</u>
Capital Fund:			
Interfund Payable			
Current Fund	D-12		274.38
Serial Bonds Payable	D-20	833,000.00	893,000.00
Bond Anticipation Notes Payable	D-22	150,000.00	
General Obligation Loans Payable:			
Farmers Home Admin Loan Payable	D-23	668,867.45	706,849.87
US Dept of Agriculture Loan Payable	D-24	4,770,503.36	4,872,107.33
NJ Environment Infrastructure Trust Loan Payable	D-25	1,643,587.26	1,691,247.46
Improvement Authorizations:			
Funded	D-16	496,509.21	1,198,876.55
Unfunded	D-16	239,637.46	243,600.00
Capital Improvement Fund	D-17	33,750.00	20,000.00
Reserve for Amortization	D-18	9,477,828.09	9,177,159.24
Reserve for Deferred Amortization	D-19	6,250.00	
Reserve for:			
Capital Outlay	D-26	15,112.69	
Encumbrances	D-27	23,684.33	
Total Capital Fund		<u>18,358,729.85</u>	<u>18,803,114.83</u>
Total Liabilities, Reserves and Fund Balances		<u>19,205,978.41</u>	<u>19,736,896.05</u>

Footnote: There were \$165,450.00 of Bonds and Notes Authorized But Not Issued per Exhibit D-28 on December 31, 2011.

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, 2011 and 2010

	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
Revenue and Other Income Realized:			
Water/Sewer Rents	D-2	2,049,111.83	1,724,791.40
Miscellaneous Revenue	D-2	30,634.04	33,294.99
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	D-11	53,109.85	2,404.70
Other Receivables	D-7	45,000.00	
Total Income		<u>2,177,855.72</u>	<u>1,760,491.09</u>
Expenditures:			
Operating	D-3	1,304,231.00	1,322,750.00
Capital Improvements	D-3	40,000.00	20,000.00
Debt Service	D-3	569,908.39	517,214.00
Deferred Charges and Statutory Expenditures	D-3	147,864.00	74,978.03
Adjustment to Prior Year Receivable			9,500.00
Total Expenditures		<u>2,062,003.39</u>	<u>1,944,442.03</u>
Excess (Deficit) in Revenue over Expenditures		115,852.33	(183,950.94)
Expenditures Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Years			931.82
Statutory Excess to Surplus		<u>115,852.33</u>	
Operating Deficit to be Raised in Budget of Succeeding Year			<u>(183,019.12)</u>
Fund Balance - January 1,	D	<u>2,048.48</u>	<u>2,048.48</u>
Fund Balance - December 31,	D	<u>117,900.81</u>	<u>2,048.48</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

Water/Sewer Utility Operating Fund

Year Ended December 31, 2011

	Ref.	<u>Anticipated</u>	<u>Realized</u>	Excess (Deficit)
Water/Sewer Rents	D-1;D-6	2,039,694.00	2,049,111.83	9,417.83
Miscellaneous Revenue	D-1;D-2	<u>22,310.00</u>	<u>30,634.04</u>	8,324.04
Budget Totals		<u>2,062,004.00</u>	<u>2,079,745.87</u>	<u>17,741.87</u>
		D-3		
<u>Analysis of Miscellaneous Revenue</u>				
Interest and Penalties		22,148.38		
Interest on Deposits		1,283.87		
Miscellaneous		<u>7,201.79</u>		
Total Miscellaneous Revenue	D-4		30,634.04	
	D-2		<u>30,634.04</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, 2011

	Ref.	Appropriated		Expended		Unexpended Balance Cancelled
		Budget	Budget After Modification	Paid or Charged	Reserved	
Operating:						
Salaries and Wages		39,500.00	39,500.00	37,135.02	2,364.98	
Other Expenses		1,264,731.00	1,264,731.00	1,226,112.91	38,618.09	
Total Operating	D-1	1,304,231.00	1,304,231.00	1,263,247.93	40,983.07	
Capital Improvements:						
Capital Improvement Fund		20,000.00	20,000.00	20,000.00		
Capital Outlay		20,000.00	20,000.00	20,000.00		
Total Capital Improvements	D-1	40,000.00	40,000.00	40,000.00		
Debt Service:						
Payment of Bond Principal		60,000.00	60,000.00	60,000.00		
Interest on Bonds		43,222.00	43,222.00	43,222.00		
NJIT Principal and Interest Payments		50,000.00	50,000.00	50,000.00		0.61
FHA Principal		139,584.00	139,584.00	139,583.39		
FHA Interest		277,103.00	277,103.00	277,103.00		
Total Debt Service	D-1	569,909.00	569,909.00	569,908.39		0.61
Deferred Charges and Statutory Expenditures						
Deferred Charges:						
Deficit in Operations in Prior Years		134,452.00	134,452.00	134,452.00		
Statutory Expenditures:						
Contribution to:						
Public Employees' Retirement System		9,887.00	9,887.00	9,887.00		
Social Security System (O.A.S.I.)		3,025.00	3,025.00	2,805.43	219.57	
Unemployment Compensation Insurance		500.00	500.00	259.35	240.65	
Total Deferred Charges and Statutory Expenditures	D-1	147,864.00	147,864.00	147,403.78	460.22	
Total Water/Sewer Utility Appropriations		2,062,004.00	2,062,004.00	2,020,560.10	41,443.29	0.61
			D-2			D
Cash Disbursed	D-4			1,453,832.92		
Interfund - Water/Sewer Capital Fund	D-12			13,477.64		
Accrued Interest	D-13			320,325.00		
Encumbrances Payable	D-14			98,472.54		
Deferred Charges	D-15			134,452.00		
				2,020,560.10		

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

Borough of Sussex, N.J.
Comparative Balance Sheet - Regulatory Basis
Public Assistance Fund
December 31, 2011 and 2010

	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
<u>Assets</u>			
Cash	E-1	<u>947.54</u>	<u>18,947.54</u>
<u>Liabilities and Reserves</u>			
Reserve for Public Assistance	E-6	<u>947.54</u>	<u>18,947.54</u>

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, 2011 and 2010
(UNAUDITED)

	<u>Balance</u> <u>Dec. 31, 2011</u>	<u>Balance</u> <u>Dec. 31, 2010</u>
<u>ASSETS</u>		
Land, Building and Building Improvements	2,135,700.00	2,135,700.00
Machinery and Equipment	<u>2,074,896.00</u>	<u>2,074,896.00</u>
	<u>4,210,596.00</u>	<u>4,210,596.00</u>
<u>RESERVES</u>		
Investment in Fixed Assets	<u>4,210,596.00</u>	<u>4,210,596.00</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, 2011 AND 2010**

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, 2011 AND 2010
(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 - This fund is used to account for the receipt and disbursement of funds that provide assistance to certain residents of the Borough pursuant to Title 44 of New Jersey Statutes. The Borough transferred administration of the general assistance program to the Sussex County Board of Social Services. The funds remaining in the Public Assistance Fund are used to assist certain residents who do not qualify for the General Assistance Program.

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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, remains in arrears on April first in the year following the calendar year levy when the same became in arrears, 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, 2011 AND 2010
(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	Public Assistance Fund	Water/Sewer Utility Capital Fund
General Capital Fund	Trust 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. Several budget transfers were approved by the governing body.

Expenditures - Are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with an encumbrance accounting system. Outstanding encumbrances at December 31, are reported as a cash liability in the financial statements. Unexpended or uncommitted appropriations, at December 31, are reported as expenditures through the establishment of 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.

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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).

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

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

General Fixed Assets - The Borough of 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.

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.

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basic Financial Statements

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

NOTE 2: BUDGETARY INFORMATION

Under New Jersey State Statutes, the annual budget is required to be a balanced cash basis document. To accomplish this, the municipality is required to establish a reserve for uncollected taxes. The 2011 statutory budget included a reserve for uncollected taxes in the amount of \$112,140.00 to balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2011 statutory budget was \$97,000.00.

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.

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 2011, there was an emergency authorization for storm damage from Hurricane Irene in the amount of \$25,000.00.

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

NOTE 3: GENERAL FIXED ASSETS

The following schedule is a summarization of changes in the general fixed assets account group for the year 2011.

	<u>Dec. 31, 2010</u>	<u>Dec. 31, 2011</u>
Land and Buildings	\$2,135,700.00	\$2,135,700.00
Machinery & Equipment	<u>2,074,896.00</u>	<u>2,074,896.00</u>
	<u>\$4,210,596.00</u>	<u>\$4,210,596.00</u>

NOTE 4: MUNICIPAL DEBT

Long-term debt as of December 31, 2011 consisted of the following:

	Balance Dec. 31, 2010	Reductions	Balance Dec. 31, 2011	Amount Due Within One Year
General Capital Fund:				
General Improvements	\$147,000.00	\$ 30,000.00	\$ 117,000.00	\$ 30,000.00
Green Trust Loan Payable	<u>54,906.54</u>	<u>7,383.34</u>	<u>47,523.20</u>	<u>7,531.75</u>
	<u>201,906.54</u>	<u>37,383.34</u>	<u>164,523.20</u>	<u>37,531.75</u>
Water/Sewer Capital Fund:				
General Bonds	893,000.00	60,000.00	833,000.00	60,000.00
FHA Loan Payable	706,849.87	37,982.42	668,867.45	39,905.28
USDA Loan Payable	4,872,107.33	101,603.97	4,770,503.36	106,227.59
NJ Environmental Infrastructure Loan Payable	<u>1,691,247.46</u>	<u>47,660.20</u>	<u>1,643,587.26</u>	<u>78,452.58</u>
	<u>8,163,204.66</u>	<u>247,246.59</u>	<u>7,915,958.07</u>	<u>284,585.45</u>
Compensated Absences Payable	<u>5,074.00</u>	<u>2,685.04</u>	<u>2,388.96</u>	
	<u>\$8,370,185.20</u>	<u>\$287,314.97</u>	<u>\$8,082,870.23</u>	<u>\$ 322,117.20</u>

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.

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

NOTE 4: MUNICIPAL DEBT (CONTINUED)

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

<u>Issued:</u>	<u>Year 2011</u>	<u>Year 2010</u>	<u>Year 2009</u>
General:			
Bonds, Notes and Loans	\$ 496,973.20	\$ 585,356.54	\$ 673,594.41
Water/Sewer Utility:			
Bonds, Notes and Loans	<u>8,065,958.07</u>	<u>8,163,204.66</u>	<u>6,665,291.02</u>
Total Issued	<u>8,562,931.27</u>	<u>8,748,561.20</u>	<u>7,338,885.43</u>
<u>Authorized but not Issued:</u>			
General:			
Bonds and Notes	447,909.09	88,377.07	155,235.80
Water/Sewer Utility:			
Bonds and Notes	<u>165,450.00</u>	<u>243,600.00</u>	<u>1,800,000.00</u>
Total Authorized but not Issued	<u>613,359.09</u>	<u>331,977.07</u>	<u>1,955,235.80</u>
Net Bonds & Notes Issued and Authorized but not Issued	<u>9,176,290.36</u>	<u>9,080,538.27</u>	<u>9,294,121.23</u>
Less Applicable Deductions	<u>8,231,408.07</u>	<u>6,521,872.66</u>	<u>7,394,821.00</u>
Net Debt	<u>\$ 944,882.29</u>	<u>\$2,558,665.61</u>	<u>\$1,899,300.23</u>

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

2011	146,762,973.67		
2010		147,935,851.67	
2009			151,259,335.67

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

NOTE 4: MUNICIPAL DEBT (CONTINUED)

SUMMARY OF STATUTORY DEBT CONDITION - ANNUAL DEBT STATEMENT

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statement net debt of .64%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ -	\$ -	\$ -
Regional High School Debt	34,899.10	34,899.10	-
Water/Sewer Utility Debt	8,231,408.07	8,231,408.07	-
General Debt	<u>944,882.29</u>	<u>-</u>	<u>944,882.29</u>
	<u>\$9,211,189.46</u>	<u>\$8,266,307.17</u>	<u>\$944,882.29</u>

Net Debt \$944,882.29 divided by equalized valuation basis per N.J.S. 40A:2-2 as amended, \$146,762,973.67 = .64%.

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

3½ of Equalized Valuation Basis (Municipal)	\$5,136,704.08
Net Debt	<u>944,882.29</u>
Remaining Borrowing Power	<u>\$4,191,821.79</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	\$2,079,745.87
Deductions:	
Operating and Maintenance Costs	\$1,317,643.00
Debt Service Per Water/Sewer Account	<u>569,908.39</u>
Total Deductions	<u>1,887,551.39</u>
Excess In Revenue	<u>\$ 192,194.48</u>

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

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

NOTE 4: MUNICIPAL DEBT (CONTINUED)

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

Details of Long-Term Debt as of December 31, 2011 is as follows:

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

General Improvement Bonds dated 11/01/05 - Interest is paid semi-annually at a rate of 4.50% - 4.75% per annum. The remaining balance as of December 31, 2011 was \$117,000.00.

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.

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, 2011 was \$47,523.20.

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 - Interest is paid semi-annually at a rate of 4.50% - 5.00% per annum. The remaining balance as of December 31, 2011 was \$833,000.00.

Farmers Home Administration Loan Payable

On January 9, 1984, the Borough of Sussex entered into an agreement with the Farmers Home Administration, in the aggregate amount of \$1,234,000.00, which represents a direct obligation of the Borough. The loan was obtained to fund construction of a waterline within the Borough.

Principal payments on the loan commenced on January 9, 1985, and will continue on an annual basis over 40 years at 5.00% interest. The remaining balance as of December 31, 2011 was \$668,867.45.

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

NOTE 4: MUNICIPAL DEBT (CONTINUED)

United States Department of Agriculture Loans Payable

On March 22, 1996, the Borough of Sussex entered into agreements with the United States Department of Agriculture, in the aggregate amounts of \$2,050,000.00 and \$517,400.00 which represents a direct obligation of the Borough. The loans were obtained to fund upgrades to the Borough water treatment plant.

Principal payments on the loan commenced on March 22, 1997, and will continue on an annual basis over 40 years at 4.50% interest. The balances remaining as of December 31, 2011 are \$1,636,285.93 and \$412,944.86.

On January 23, 1997, the Borough of Sussex entered into agreements with the United States Department of Agriculture, in the aggregate amounts of \$2,436,300.00 and \$901,600.00 which represents a direct obligation of the Borough. The loans were obtained to fund upgrades to fund the construction of sewer lines within the Borough.

Principal payments on the loan commenced on January 23, 1998, and will continue on an annual basis over 40 years at 4.50% interest. The balances remaining as of December 31, 2011 are \$1,986,248.87 and \$735,023.70.

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, 2011 are \$143,573.69 and \$409,118.65.

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

NOTE 4: MUNICIPAL DEBT (CONTINUED)

NJ Environmental Infrastructure Loans Payable (continued)

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.

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, 2011 are \$535,000.00 and \$555,894.92.

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 - \$ 164,523.20

Total Water/Sewer Utility Capital Bonds and Loans listed above - \$7,915,958.07

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

<u>Calendar Year</u>	<u>General</u>		<u>Water/Sewer Utility</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	37,531.75	6,245.49	284,585.45	315,112.05	322,117.20	321,357.54
2013	37,683.14	4,944.10	291,495.27	304,502.22	329,178.41	309,446.32
2014	37,837.57	3,239.67	298,746.75	293,550.74	336,584.32	296,790.41
2015	34,995.10	1,732.14	306,362.92	283,867.06	341,358.02	285,599.20
2016	8,155.80	288.94	314,360.13	272,019.87	322,515.93	272,308.81
2017-2021	8,319.84	125.01	1,726,147.61	1,168,117.38	1,734,467.45	1,168,242.39
2022-2026	-	-	1,769,558.14	806,458.21	1,769,558.14	806,458.21
2027-2031	-	-	1,504,433.83	486,829.49	1,504,433.83	486,829.49
2032-2036	-	-	1,342,728.36	182,068.09	1,342,728.36	182,068.09
2037-2041	-	-	77,539.61	1,744.41	77,539.61	1,744.41
Total	<u>164,523.20</u>	<u>16,575.35</u>	<u>7,915,958.07</u>	<u>4,114,269.52</u>	<u>8,080,481.27</u>	<u>4,130,844.87</u>

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

NOTE 5: BOND ANTICIPATION NOTES (CONTINUED)

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, 2011, the Borough had \$332,450.00 in Outstanding General Capital Bond Anticipation Notes. This note will mature on February 17, 2012 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 1.40%. Principal and interest on this note is paid from the Current Fund budget of the Borough. The Borough renewed this note on February 17, 2012 with the paydown of \$18,533.00 payable to Oppenheimer & Co. Inc. with an interest rate of 2.00%.

On December 31, 2011 the Borough had \$150,000.00 in outstanding Water/Sewer Capital Bond Anticipation Notes. This note will mature on May 11, 2012 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 1.40%. Principal and interest on this note is paid from the Water/Sewer Fund budget of the Borough. The Borough renewed this note on May 11, 2012 with the paydown of \$15,000.00 payable to Sussex Bank with an interest rate of 1.45%.

The following activity related to bond anticipation notes occurred during the calendar year ended December 31, 2011.

	<u>Balance</u> <u>12/31/10</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/11</u>
General Capital Fund:				
Sussex Bank	\$383,450.00	\$ -	\$383,450.00	\$ -
Oppenheimer and Co. Inc	-	332,450.00	-	332,450.00
Water/Sewer Capital Fund:				
Sussex Bank	<u>-</u>	<u>150,000.00</u>	<u>-</u>	<u>150,000.00</u>
	<u>\$383,450.00</u>	<u>\$482,450.00</u>	<u>\$383,450.00</u>	<u>\$482,450.00</u>

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

NOTE 6: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2011 which are appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2012 were as follows:

Current Fund	<u>\$98,500.00</u>
Water/Sewer Utility Fund	<u>\$ -</u>

NOTE 7: 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.

NOTE 8: PENSION PLANS

Description of Systems:

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

Public Employees' Retirement System (PERS)

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

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

NOTE 8: PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (continued)

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

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

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

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

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

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

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

NOTE 8: PENSION PLANS (CONTINUED)

Contribution Requirements

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

The Borough's contribution to the Public Employee's Retirement System, equal to the required contributions for each year, were as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2011	\$39,548.00
2010	36,992.00
2009	30,277.00

Defined Contribution Retirement Program

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

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

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

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

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

NOTE 8: PENSION PLANS (CONTINUED)

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

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

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

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

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

NOTE 9: 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 \$2,388.96. 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.

NOTE 10: 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, 2011, \$108,181.95 of the Borough's bank balance of \$1,248,409.14 was exposed to custodial credit risk

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

NOTE 10: CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments

Investment Rate Risk

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

Credit Risk

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

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, 2011 and 2010 amounted to \$108,181.95 and \$89,483.69 respectively.

The following investments represent 5% or more of the total invested with Lincoln Financial Group on December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
DWS Equity 500 Index VIP Portfolio	\$50,919.81	\$42,784.55
Fixed	<u>57,262.14</u>	<u>46,699.14</u>
Total	<u>\$108,181.95</u>	<u>\$89,483.69</u>

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

NOTE 11: 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 2011 calendar year, the Borough did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

NOTE 12: 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 13: 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.

NOTE 14: DUE TO/FROM OTHER FUNDS

Balances due to/from other funds at December 31, 2011 consist of the following:

\$ 3.93	Due to Current Fund from Animal Control Trust Fund for prior years' beginning balance.
0.16	Due to Current Fund from Other Trust Fund for receipts and disbursements in the Current Fund.
7,966.15	Due to Federal and State Grant Fund from Current Fund for receipts and disbursements in the Current Fund.
5,000.00	Due to General Capital Fund from Current Fund for prior years' beginning balance.
15,500.00	Due to Water/Sewer Utility Operating Fund from Other Trust Fund for prior years' beginning balance.
<u>15,112.69</u>	Due to Water Sewer Capital Fund from Water/Sewer Operating Fund for receipts and disbursements.
<u>\$43,582.93</u>	

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

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

NOTE 15: OPERATING LEASES

The Borough has a commitment to lease a postage meter under an operating lease that expires in 2011. Total operating lease payments made during the year were \$1,320.00. In December 2011, the lease was renewed for another five years. Future operating lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2012	\$1,320.00
2013	1,320.00
2014	1,320.00
2015	1,320.00
2016	<u>1,320.00</u>
Total future operating lease payments	<u>\$6,600.00</u>

NOTE 16: TAXES COLLECTED IN ADVANCE

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

	<u>Balance Dec 31, 2011</u>	<u>Balance Dec 31, 2010</u>
Prepaid Taxes	<u>\$33,874.32</u>	<u>\$15,918.59</u>
Cash Liability for Taxes Collected in Advance	<u>\$33,874.32</u>	<u>\$15,918.59</u>

**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.

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

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

Lincoln Financial Group will provide for the benefit of participants, a multi-fund variable annuity contract as its funding vehicle. The plans 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, 2011 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 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.

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

NOTE 18: POST-RETIREMENT BENEFITS (Continued)

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, 2011, 2010 and 2009, were \$25,952.04, \$27,274.00, and \$30,950.00, respectively, which equaled the required contributions for each year. There were 3 retired participants (and 2 spouses) eligible at December 31, 2011.

NOTE 19: SUBSEQUENT EVENTS

On February 22, 2012, the Borough of Sussex issued a Refunding Bond in the amount of \$5,515,000.00 at a rate of interest from 2.00% to 3.75% with a final maturity on January 1, 2037. The Refunding Bond was issued to refund a FHA loan and four USDA loans in the Water/Sewer Capital Utility Fund.

NOTE 20: COMMITMENTS AND CONTINGENT LIABILITIES

Borough Counsel advises us there are no pending or unsettled lawsuits against the Borough that would have a material effect on the financial statements.

SUPPLEMENTARY DATA

BOROUGH OF SUSSEX, N.J.

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

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

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>
Christian Parrott	Mayor	
Katherine Little	Councilperson	
James Fransen	Councilperson	
Frank Dykstra	Councilperson	
Bruce LaBar	Councilperson	
Jonathan Rose	Councilperson	
Edward Meyer	Councilperson	
Catherine Gleason	Clerk; Assessment Search Officer; Registrar to 6/24/11	
Mark Zschack	Clerk from 6/8/11	
Grant Rome	CFO; Treasurer	*
Colleen Little	Deputy Clerk; Deputy Treasurer; Deputy Registrar; Payroll Clerk	*
Terry Beshada	Tax Collector; Tax Search Officer	*
Maria Mascuch	Water/Sewer Collector	*
Melissa Rockwell	Tax Assessor	*
John Ursin	Attorney	
Rich Klein	Planning/Zoning Board	
Harold Pellow	Engineer	
Joh Ruschke	Water/Sewer Engineer	
Keith Utter	Construction Official	
Dan Stoll	Fire Chief	
Thomas M. Ferry, C.P.A., R.M.A.	Auditor	

* The Borough has a blanket surety bond coverage for all employees in the amount of \$398,000 through the Statewide Insurance Fund

All the Bonds were examined and were properly executed.

COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE

CURRENT FUND

	<u>Year 2011</u>		<u>Year 2010</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<u>Revenue and Other Income Realized</u>				
Fund Balance Utilized	97,000.00	2.38%	100,000.00	2.50%
Miscellaneous - From Other Than				
Local Property Tax Levies	253,660.59	6.23%	365,601.60	9.17%
Collection of Delinquent Taxes				
and Tax Title Liens	139,818.43	3.44%	86,086.95	2.16%
Collection of Current				
Tax Levy	3,446,769.81	84.70%	3,322,640.30	83.29%
Other Credits to Income	132,067.85	3.25%	114,722.03	2.88%
	<u>4,069,316.68</u>	<u>100.00%</u>	<u>3,989,050.88</u>	<u>100.00%</u>
<u>Total Revenue and Other Income Realized</u>				
<u>Expenditures</u>				
Budget Expenditures:				
Municipal Purposes	1,169,790.97	29.68%	1,161,749.25	29.57%
Local and Regional School Taxes	2,149,601.12	54.54%	2,082,156.27	53.00%
County Taxes	615,505.59	15.61%	653,829.24	16.64%
Other Expenditures	6,769.11	0.17%	31,040.04	0.79%
	<u>3,941,666.79</u>	<u>100.00%</u>	<u>3,928,774.80</u>	<u>100.00%</u>
<u>Total Expenditures</u>				
Excess (Deficit) in Revenue	127,649.89		60,276.08	
Adjustments to Income Before Fund Balance:				
Expenditures Included Above Which are by				
 Statute Deferred Charges to Budget				
 of Succeeding Year				
	<u>25,000.00</u>		<u>1,687.41</u>	
Statutory Excess to Fund Balance	152,649.89		61,963.49	
Fund Balance, January 1,	<u>131,313.49</u>		<u>169,350.00</u>	
	283,963.38		231,313.49	
Less:				
Utilized as Anticipated Revenue	<u>97,000.00</u>		<u>100,000.00</u>	
Fund Balance, December 31,	<u>186,963.38</u>		<u>131,313.49</u>	

COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE

WATER/SEWER UTILITY OPERATING FUND

	<u>Year 2011</u>		<u>Year 2010</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<u>Revenue and Other Income Realized</u>				
Collection of Water/Sewer Rents	2,049,111.83	94.09%	1,724,791.40	97.97%
Miscellaneous - From Other Than Water Rents	30,634.04	1.41%	33,294.99	1.89%
Other Credits to Income	98,109.85	4.50%	2,404.70	0.14%
	<hr/>		<hr/>	
<u>Total Revenue and Other Income Realized</u>	2,177,855.72	100.00%	1,760,491.09	100.00%
	<hr/>		<hr/>	
<u>Expenditures</u>				
Budget Expenditures:				
Operating	1,304,231.00	63.25%	1,322,750.00	68.03%
Capital Improvements	40,000.00	1.94%	20,000.00	1.03%
Debt Service	569,908.39	27.64%	517,214.00	26.60%
Deferred Charges and Statutory Expenditures	147,864.00	7.17%	74,978.03	3.86%
Adjustment to Prior Year Receivable			9,500.00	0.48%
	<hr/>		<hr/>	
<u>Total Expenditures</u>	2,062,003.39	100.00%	1,944,442.03	100.00%
	<hr/>		<hr/>	
Excess (Deficit) in Revenue	115,852.33		(183,950.94)	
Adjustments to Income Before Fund Balance:				
Expenditures Included Above Which are by Statute Deferred Charges to Budget of Succeeding Year				
	<hr/>		<hr/>	
			931.82	
Operating Deficit to be Raised in Budget of Succeeding Year			(183,019.12)	
			<hr/>	
Statutory Excess to Fund Balance	115,852.33			
	<hr/>			
Fund Balance, January 1,	2,048.48		2,048.48	
	<hr/>		<hr/>	
Fund Balance, December 31,	117,900.81		2,048.48	
	<hr/>		<hr/>	

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	<u>2011</u>	<u>2010</u>	<u>2009</u>
<u>Tax Rate:</u>	<u>4.464</u>	<u>4.350</u>	<u>4.010</u>

Apportionment of Tax Rate:

Municipal	.981	.910	.770
County	.777	.820	.710
Local School	1.837	1.790	1.670
Regional High School	.869	.830	.860

Assessed Valuation

2011	79,423,021		
2010		79,634,895	
2009			79,737,649

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>
2011	3,546,020.58	3,446,769.81	97.20%
2010	3,466,628.00	3,322,640.00	95.84%
2009	3,204,110.00	3,113,291.00	97.16%

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>
2011	99,764.42	9,360.90	109,125.32	3.07%
2010	142,320.37	3,852.83	146,173.20	4.21%
2009	94,361.00	11,582.35	105,943.35	3.30%

PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

No properties have been acquired in 2011 by foreclosure or deed as a result of liquidation of tax title liens.

COMPARISON OF WATER/SEWER UTILITY LEVIES

<u>Year</u>	<u>Cash Levy</u>	<u>Collections</u>
2011	2,184,523.79	2,049,111.83
2010	1,846,006.76	1,724,791.40
2009	1,630,156.86	1,515,511.68

COMPARATIVE SCHEDULE OF FUND BALANCES

	<u>Year</u>	<u>Balance Dec. 31,</u>	<u>Utilized In Budget of Succeeding Year</u>
Current Fund:	2011	186,963.68	98,500.00
	2010	131,313.49	97,000.00
	2009	169,350.00	100,000.00
	2008	264,820.62	200,000.00
	2007	335,529.42	210,000.00
Water/Sewer Utility Operating Fund:	2011	117,900.81	-
	2010	2,048.48	-
	2009	2,048.48	-
	2008	2,048.48	-
	2007	2,048.48	-

Borough of Sussex, N.J.
Schedule of Cash - Treasurer
Current Fund
Year Ended December 31, 2011

	<u>Ref.</u>		<u>Total</u>
Balance - December 31, 2010	A		261,161.62
Increased by Receipts:			
Miscellaneous Revenue Not Anticipated	A-2	29,469.66	
Taxes Receivable	A-7	3,540,155.90	
Revenue Accounts Receivable	A-10	288,063.09	
Due From State - Senior Citizen and Veteran Deductions	A-11	17,750.00	
Interfunds	A-12	273,403.70	
Various Cash Liabilities and Reserves	A-16	8,999.79	
Prepaid Taxes	A-18	<u>33,874.32</u>	
			<u>4,191,716.46</u>
			4,452,878.08
Decreased by Disbursements:			
Refund Prior Year Revenue	A-1	6,769.11	
Current Year Budget Appropriations	A-3	980,184.11	
Interfunds	A-12	286,401.60	
Appropriation Reserves	A-15	44,950.54	
Various Cash Liabilities and Reserves	A-16	2,554.79	
Encumbrances Payable	A-17	3,405.35	
County Taxes Payable	A-19	616,147.66	
Regional School District Taxes Payable	A-20	1,458,921.22	
Regional High School Taxes Payable	A-21	<u>690,679.90</u>	
			<u>4,090,014.28</u>
Balance - December 31, 2011	A		<u><u>362,863.80</u></u>

Borough of Sussex, N.J.
Schedule of Cash - Change Fund
Current Fund
Year Ended December 31, 2011

	<u>Ref.</u>	
Balance - December 31, 2010	A	<u>100.00</u>
Balance - December 31, 2011	A	<u>100.00</u>
<u>Analysis of Balance:</u>		
Tax Collector		<u>100.00</u>

A-6

Schedule of Sales Contracts Receivable - Property Acquired for Taxes
Current Fund
Year Ended December 31, 2011

	<u>Ref.</u>	
Balance - December 31, 2010	A	<u>1,770.00</u>
Balance - December 31, 2011	A	<u>1,770.00</u>

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

Current Fund

Year Ended December 31, 2011

Balance - December 31, 2010	<u>Ref.</u> A		3,852.83
Increased by:			
Transferred from 2010 Taxes Receivable		1,295.70	
Transferred from 2011 Taxes Receivable		<u>2,495.37</u>	
	A-7		3,791.07
Interest and Costs			<u>1,717.00</u>
			<u>5,508.07</u>
Balance - December 31, 2011	A		<u><u>9,360.90</u></u>

A-9

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

Current Fund

Year Ended December 31, 2011

Balance - December 31, 2010	<u>Ref.</u> A	<u><u>344,600.00</u></u>
Balance - December 31, 2011	A	<u><u>344,600.00</u></u>

Borough of Sussex, N.J.
Schedule of Revenue Accounts Receivable
Current Fund
Year Ended December 31, 2011

	<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	12,938.00	12,938.00
Miscellaneous Revenue not Anticipated	A-2	173.78	173.78
Parking Meters	A-2	9,550.00	9,550.00
Uniform Construction Code:			
Fees and Permits - Building	A-2	29,640.00	29,640.00
Energy Receipts Tax	A-2	150,002.00	150,002.00
Consolidated Municipal Property Tax			
Relief Aid	A-2	37,471.00	37,471.00
Interest and Costs on Taxes			
Miscellaneous Revenue not Anticipated	A-2	22,847.72	22,847.72
Interest on Investments and Deposits			
Miscellaneous Revenue not Anticipated	A-2	2,211.35	2,211.35
Municipal Court Fines and Costs			
Miscellaneous Revenue not Anticipated	A-2	18,829.24	18,829.24
		<u>288,063.09</u>	<u>288,063.09</u>
			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, 2011

	<u>Ref.</u>		
Balance - December 31, 2010	A		5,769.49
Increased by:			
State Share of Senior Citizens and Veterans Received from State	A-4		<u>17,750.00</u>
			23,519.49
Decreased by:			
Senior Citizens' Deductions Per Tax Billing		5,000.00	
Veterans' Deductions Per Tax Billing		<u>12,750.00</u>	
		17,750.00	
Less:			
Deductions Disallowed by Collector		<u>500.00</u>	
	A-7		<u>17,250.00</u>
Balance - December 31, 2011	A		<u><u>6,269.49</u></u>

Borough of Sussex, N.J.

Schedule of Interfunds Receivables/(Payables)

Current Fund

Year Ended December 31, 2011

<u>Fund</u>	<u>Ref.</u>	Due From/(To)			Due From/(To)
		<u>Dec. 31, 2010</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance</u>
					<u>Dec. 31, 2011</u>
Federal and State Grants	A	22,795.15	55,765.07	25,003.77	(7,966.15)
Animal Control Trust Fund	A	3.93			3.93
Other Trust	A	8,240.96	10,354.80	2,114.00	0.16
General Capital Fund	A	(5,000.00)	85,766.96	85,766.96	(5,000.00)
Water/Sewer Operating Fund			113,802.07	113,802.07	
Water/Sewer Capital Fund			59,714.80	59,714.80	
		<u>26,040.04</u>	<u>325,403.70</u>	<u>286,401.60</u>	<u>(12,962.06)</u>
<u>Analysis</u>					
Due From Other Funds	A-1	31,040.04			4.09
Due To Other Funds		<u>(5,000.00)</u>			<u>(12,966.15)</u>
		<u>26,040.04</u>			<u>(12,962.06)</u>
Appropriations Payable	A-3		52,000.00		
Received	A-4		273,403.70		
Disbursed	A-4			286,401.60	
			<u>325,403.70</u>	<u>286,401.60</u>	

Borough of Sussex, N.J.**Schedule of Deferred Charges****Current Fund****Year Ended December 31, 2011**

	Balance, Dec 31, <u>2010</u>	Balance, Dec. 31, <u>2011</u>
Overexpenditure of Appropriations	<u>1,687.41</u>	<u>1,687.41</u>
	A	A

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, 2011

<u>Date Authorized</u>	<u>Purpose</u>	<u>Net Amount Authorized</u>	<u>1/5 of Amount Authorized</u>	<u>Authorized in 2011</u>	<u>Balance, Dec. 31, 2011</u>
9/6/11	Storm Damages From Hurricane Irene	25,000.00	5,000.00	25,000.00	25,000.00
				<u>A-1</u>	<u>A</u>

Borough of Sussex, N.J.

Schedule of Appropriation Reserves

Current Fund

Year Ended December 31, 2011

	Balance, Dec. 31, <u>2010</u>	Balance after <u>Transfers</u>	<u>Paid or Charged</u>	<u>Balance Lapsed</u>
Salaries and Wages Within "CAPS":				
General Administration	412.92	412.92	412.92	
Financial Administration	316.86	316.86	316.86	
Collection of Taxes	413.81	413.81	413.81	
Planning Board	500.00	500.00		500.00
Police	34.68	34.68	34.68	
Office of Emergency Management	30.00	30.00	20.00	10.00
Streets and Roads	21.53	21.53		21.53
Public Building and Grounds	402.00	402.00		402.00
Construction Code Officials	283.00	283.00	283.00	
Total Salaries and Wages Within "CAPS"	<u>2,414.80</u>	<u>2,414.80</u>	<u>1,481.27</u>	<u>933.53</u>
Other Expenses Within "CAPS":				
General Administration	1,727.47	1,727.47	563.08	1,164.39
Municipal Clerk:				
Codification of Ordinances	2,790.60	2,790.60		2,790.60
Elections	336.27	336.27		336.27
Financial Administration	12,174.02	21,574.02	11,509.62	10,064.40
Collection of Taxes	1,018.19	1,018.19		1,018.19
Legal Services and Costs	10,202.96	4,202.96	4,202.96	
Planning Board	3,419.93	3,419.93	1,605.95	1,813.98
Insurance:				
General Liability	312.81	312.81	312.81	
Surety Bonds	400.00			
Workers' Compensation	1.06	1.06		1.06
Group Insurance Plan For Employees	985.36	985.36	950.00	35.36
Police	174.25	174.25		174.25
Office of Emergency Management	804.88	804.88		804.88
Garbage and Trash Removal	325.35	325.35	213.69	111.66
Recycling	1,308.00	1,308.00		1,308.00
Streets and Roads	3,948.24	448.24	448.24	
Snow Removal	67.49	2,567.49	2,542.00	25.49
Public Buildings and Grounds	3,626.57	3,626.57	3,626.57	
Board of Health	19.05	19.05		19.05
Mandated Inoculations - Hepatitis B Vaccine	125.00	125.00		125.00
Registrar	24.68	24.68		24.68
Shade Tree	638.90	638.90		638.90
Board of Recreation	2,101.39	101.39		101.39
Celebration of Public Events, Anniversary/Holiday	4.36	4.36		4.36
Construction Code Officials	177.57	177.57		177.57
Utilities:				
Telephone	294.72	294.72		294.72
Gasoline and Diesel Fuel	1,004.88	1,004.88	1,004.88	

Borough of Sussex, N.J.

Schedule of Appropriation Reserves

Current Fund

Year Ended December 31, 2011

	Balance, Dec. 31, 2010	Balance after Transfers	Paid or Charged	Balance Lapsed
Street Lighting	3,609.20	3,609.20	3,609.20	
Reserve for Pending Tax Appeals	500.00	500.00		500.00
Total Other Expenses Within "CAPS"	<u>52,123.20</u>	<u>52,123.20</u>	<u>30,589.00</u>	<u>21,534.20</u>
Deferred Charges and Statutory Expenditures-Municipal Within "CAPS":				
Statutory Expenditures:				
Contribution To:				
Social Security (O.A.S.I.)	226.98	226.98	226.98	
State Unemployment Insurance	831.71	831.71	53.29	778.42
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	<u>1,058.69</u>	<u>1,058.69</u>	<u>280.27</u>	<u>778.42</u>
Total General Appropriation Reserves - Municipal Within "CAPS"	<u>55,596.69</u>	<u>55,596.69</u>	<u>32,350.54</u>	<u>23,246.15</u>
Other Expenses Excluded From "CAPS":				
Length of Service Awards Program (L.O.S.A.P.)	1,500.00	1,500.00	1,500.00	
Public Employees Retirement System	384.25	384.25		384.25
Interlocal Municipal Service Agreements:				
Township of Wantage:				
Construction Agreement	11,539.57	11,539.57	11,100.00	439.57
Township of Hardyston:				
Road Department	1.84	1.84		1.84
Total Other Expenses Excluded from "CAPS"	<u>13,425.66</u>	<u>13,425.66</u>	<u>12,600.00</u>	<u>825.66</u>
Total General Appropriation Reserves - Municipal Excluded from "CAPS"	<u>13,425.66</u>	<u>13,425.66</u>	<u>12,600.00</u>	<u>825.66</u>
Total General Appropriation Reserves	<u>69,022.35</u>	<u>69,022.35</u>	<u>44,950.54</u>	<u>24,071.81</u>
	A		A-4	A-1

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

Current Fund

Year Ended December 31, 2011

<u>Liabilities and Reserves</u>	<u>Balance Dec. 31, 2010</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance Dec. 31, 2011</u>
<u>Liabilities:</u>				
Due State of NJ Marriage License Fees	50.00	275.00	250.00	75.00
Tax Overpayments	1,805.45	2,304.79	2,304.79	1,805.45
<u>Reserves for:</u>				
Deposit on Sale of Foreclosed Property	600.00			600.00
Revision of Master Plan	7,745.00			7,745.00
Sale of Municipal Assets	4,883.59	6,420.00	5,483.59	5,820.00
	<u>15,084.04</u>	<u>8,999.79</u>	<u>8,038.38</u>	<u>16,045.45</u>
	A			A
Anticipated As Item of Revenue			5,483.59	
Received		8,999.79		
Disbursed		<u>8,999.79</u>	<u>2,554.79</u>	<u>8,038.38</u>
			<u>8,038.38</u>	

Ref.
A-2
A-4
A-4

Borough of Sussex, N.J.
Schedule of Encumbrances Payable
Current Fund
Year Ended December 31, 2011

Balance - December 31, 2010	<u>Ref.</u> A		6,833.69
Increased by:			
Transfer from Current Appropriations	A-3		<u>6,717.80</u>
			13,551.49
Decreased by:			
Disbursements	A-4	3,405.35	
Cancelled	A-1	<u>3,428.34</u>	
			<u>6,833.69</u>
Balance - December 31, 2011	A		<u><u>6,717.80</u></u>

A-18

Schedule of Prepaid Taxes
Current Fund
Year Ended December 31, 2011

Balance - December 31, 2010	<u>Ref.</u> A		29,182.34
Increased by:			
Receipts - Prepaid 2012 Taxes	A-4		<u>33,874.32</u>
			63,056.66
Decreased by:			
Applied to 2011 Taxes	A-7		<u>29,182.34</u>
Balance - December 31, 2011	A		<u><u>33,874.32</u></u>

Borough of Sussex, N.J.
Schedule of County Taxes Payable
Current Fund
Year Ended December 31, 2011

	<u>Ref.</u>	
Balance - December 31, 2010	A	743.63
Increased by:		
Levy	A-7	615,404.03
Added and Omitted Taxes	A-7	<u>101.56</u>
	A-1	<u>615,505.59</u>
		<u>616,249.22</u>
Decreased by:		
Payments	A-4	<u>616,147.66</u>
Balance - December 31, 2011	A	<u><u>101.56</u></u>

A-20

Schedule of Regional School Taxes Payable
Current Fund
Year Ended December 31, 2011

	<u>Ref.</u>	
Increased by:		
Levy- 2011	A-1;A-7	<u>1,458,921.22</u>
Decreased by:		
Payments	A-4	<u>1,458,921.22</u>

A-21

Schedule of Regional High School Taxes Payable
Current Fund
Year Ended December 31, 2011

	<u>Ref.</u>	
Increased by:		
Levy- 2011	A-1;A-7	<u>690,679.90</u>
Decreased by:		
Payments	A-4	<u>690,679.90</u>

Borough of Sussex, N.J.

Schedule of Due From / (To) Current Fund

Federal and State Grant Fund

Year Ended December 31, 2011

	<u>Ref.</u>		
Balance - December 31, 2010	A		22,795.15
Increased by:			
Federal and State Grant Fund Expenditures	A-24		<u>25,003.33</u>
			47,798.48
Decreased by:			
Federal and State Grant Fund Receipts	A-23	40,394.00	
Federal and State Grant Fund Unappropriated Grants Received	A-25	<u>15,370.63</u>	
			<u>55,764.63</u>
Balance - December 31, 2011	A		<u><u>(7,966.15)</u></u>

Borough of Sussex, N.J.
Schedule of Grants Receivable
Federal and State Grant Fund
Year Ended December 31, 2011

<u>Grant</u>	<u>Balance Dec. 31, 2010</u>	<u>Budget Revenue</u>	<u>Received</u>	<u>Balance Dec. 31, 2011</u>
Small Cities Grants:				
Maple Avenue & Cross Street	34,560.00		34,560.00	
Rehab Housing	140,596.00		1,658.00	138,938.00
Recycling Tonnage Grant		4,176.00	4,176.00	
	<u>175,156.00</u>	<u>4,176.00</u>	<u>40,394.00</u>	<u>138,938.00</u>
	A	A-2	A-22	A

Borough of Sussex, N.J.
Schedule of Appropriated Reserves for Grants
Federal and State Grant Fund
Year Ended December 31, 2011

<u>Grant</u>	Balance Dec. 31, 2010	Transfer From 2011 Budget	Expended	Balance Dec. 31, 2011
Clean Communities	6,371.49		314.00	6,057.49
Recycling Tonnage Grant	4,483.86	4,176.00	2,000.00	6,659.86
Small Cities - Rehab Housing	141,505.50		22,689.33	118,816.17
	<u>152,360.85</u>	<u>4,176.00</u>	<u>25,003.33</u>	<u>131,533.52</u>
	A	A-3	A-22	A

Borough of Sussex, N.J.
Schedule of Unappropriated Reserves for Grants
Federal and State Grant Fund
Year Ended December 31, 2011

<u>Grant</u>	<u>Received</u>	<u>Balance Dec. 31, 2011</u>
Recycling Tonnage Grant	6,120.63	6,120.63
Shade Tree - Nextel	5,250.00	5,250.00
Clean Communities	4,000.00	4,000.00
	<u>15,370.63</u>	<u>15,370.63</u>
	A-22	A

Borough of Sussex, N.J.

Schedule of Cash

Trust Funds

Year Ended December 31, 2011

	<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, 2010	B	<u>3,907.73</u>	<u>64,761.78</u>	<u>89,483.69</u>
Increased by Receipts:				
Interfund - Current Fund	B-2		2,322.44	
Interfund - Animal Control	B-4		100.80	
Dog License Fees - Borough	B-6	1,373.60		
Cat License Fees - Borough	B-6	469.40		
Late Fees	B-6	519.20		
Dog License Fees - State Share	B-9	347.40		
Other Trust Funds	B-10		294,313.99	
Borough Contributions	B-11			17,875.00
Increase in Investment Value	B-12			1,898.26
Total Receipts		<u>2,709.60</u>	<u>296,737.23</u>	<u>19,773.26</u>
		<u>6,617.33</u>	<u>361,499.01</u>	<u>109,256.95</u>
Decreased by Disbursements:				
Interfund - Current Fund	B-2		10,563.24	
Interfund - Other Trust	B-3	100.80		
Reserve for Animal Control				
Trust Expenditures	B-6	3,143.24		
State Share - Dog Licenses	B-9	347.40		
Other Trust Funds	B-10		296,179.03	
Accounting Charge	B-12			1,075.00
Total Disbursements		<u>3,591.44</u>	<u>306,742.27</u>	<u>1,075.00</u>
Balance - December 31, 2011	B	<u><u>3,025.89</u></u>	<u><u>54,756.74</u></u>	<u><u>108,181.95</u></u>

Borough of Sussex, N.J.
Schedule of Due From / (To) Current Fund
Other Trust Funds
Year Ended December 31, 2011

	<u>Ref.</u>	
Balance - December 31, 2010	B	(8,240.96)
Increased by:		
Receipts	B-1	<u>2,322.44</u>
		(10,563.40)
Decreased by:		
Disbursement	B-1	<u>10,563.24</u>
Balance - December 31, 2011	B	<u><u>(0.16)</u></u>

Schedule of Due To / (From) Other Trust Fund
Animal Control Trust Fund
Year Ended December 31, 2011

	<u>Ref.</u>	
Balance - December 31, 2010	B	<u><u>100.80</u></u>
Decreased by:		
Disbursements	B-1	<u><u>100.80</u></u>

Borough of Sussex, N.J.

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

Trust Funds

Year Ended December 31, 2011

	<u>Ref.</u>	
Balance - December 31, 2010	B	<u>100.80</u>
Decreased by: Receipts	B-1	<u>100.80</u>

B-5

Schedule of Encumbrances Payable

Animal Control Trust Fund

Year Ended December 31, 2011

	<u>Ref.</u>	
Increased by: Reserve for Animal Control	B-6	<u>419.00</u>
Balance - December 31, 2011	B	<u>419.00</u>

Borough of Sussex, N.J.

Reserve for Animal Control Trust Fund Expenditures

Trust Funds

Year Ended December 31, 2011

	<u>Ref.</u>		
Balance - December 31, 2010	B		3,797.80
Increased by:			
Dog License Fees	B-1	1,373.60	
Cat License Fees	B-1	469.40	
Late Fees/ Miscellaneous	B-1	<u>519.20</u>	
			<u>2,362.20</u>
			<u>6,160.00</u>
Decreased by:			
Expenditures R.S. 4:19-1511	B-1	3,143.24	
Reserve for Encumbrances	B-5	<u>419.00</u>	
Expenditures R.S. 4:19-1511			<u>3,562.24</u>
Balance - December 31, 2011	B		<u><u>2,597.76</u></u>

License Fees CollectedYear

2010

2,166.40

2009

1,810.203,976.60

B-7

Schedule of Due To / (From) Water/Sewer Utility Operating Fund

Other Trust Fund

Year Ended December 31, 2011

	<u>Ref.</u>	
Balance - December 31, 2010	B	<u><u>15,500.00</u></u>
Balance - December 31, 2011	B	<u><u>15,500.00</u></u>

Borough of Sussex, N.J.
Schedule of Due To / (From) Current Fund
Animal Control Trust Fund
Year Ended December 31, 2011

	<u>Ref.</u>	
Balance - December 31, 2010	B	<u>3.93</u>
Balance - December 31, 2011	B	<u>3.93</u>

Schedule of Due to State Department of Health
Animal Control Trust Funds
Year Ended December 31, 2011

Balance - December 31, 2010	<u>Ref.</u> B	5.20
Increased by:		
State Fees Collected	B-1	<u>347.40</u>
		352.60
Decreased by:		
Paid to State	B-1	<u>347.40</u>
Balance - December 31, 2011	B	<u>5.20</u>

Borough of Sussex, N.J.
Schedule of Other Trust Funds
Trust Funds
Year Ended December 31, 2011

	<u>Balance</u> <u>Dec. 31, 2010</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance</u> <u>Dec. 31, 2011</u>
Reserve for:				
Planning and Zoning Deposits	30,934.54	6,200.00	12,724.92	24,409.62
Recreation	3,547.45	200.00		3,747.45
Brookside Community Center	1,473.05	5.38		1,478.43
Fire Inspection Fees	208.58			208.58
POAA Funds	742.00	22.00	762.00	2.00
Public Defender	1,316.00	36.00	1,352.00	
Payroll Fund		281,250.61	280,740.11	510.50
Tax Sale Premiums	2,900.00	6,600.00	600.00	8,900.00
	<u>41,121.62</u>	<u>294,313.99</u>	<u>296,179.03</u>	<u>39,256.58</u>
	B	B-1	B-1	B

Borough of Sussex, N.J.
Schedule of Contributions Receivable
Trust Funds
Year Ended December 31, 2011

	<u>Ref.</u>	
Balance - December 31, 2010	B	17,875.00
Increased by:		
Borough Contributions	B-12	<u>16,875.00</u>
		34,750.00
Decreased by:		
Receipts	B-1	<u>17,875.00</u>
Balance - December 31, 2011	B	<u><u>16,875.00</u></u>

Borough of Sussex, N.J.
Schedule of Net Assets Available for Benefits
Trust Funds
Year Ended December 31, 2011

	<u>Ref.</u>		
Balance - December 31, 2010	B		107,358.69
Increased by:			
Borough Contributions	B-11	16,875.00	
Increase in Investment Value	B-1	<u>1,898.26</u>	
			<u>18,773.26</u>
			126,131.95
Decreased by:			
Accounting Charge	B-1		<u>1,075.00</u>
Balance - December 31, 2011	B		<u><u>125,056.95</u></u>

Borough of Sussex, N.J.
Schedule of Cash
General Capital Fund
Year Ended December 31, 2011

	<u>Ref.</u>		
Balance - December 31, 2010	C;C-3		139,470.67
Increased by Receipts:			
Interfund - Current Fund	C-4	64,239.16	
Improvement Authorizations	C-9	<u>10,674.04</u>	
			<u>74,913.20</u>
			214,383.87
Decreased by Disbursements:			
Interfund - Current Fund	C-4	33,766.96	
Improvement Authorizations	C-9	<u>20,583.21</u>	
			<u>54,350.17</u>
Balance - December 31, 2011	C;C-3		<u><u>160,033.70</u></u>

Borough of Sussex, N.J.

Analysis of Cash

General Capital Fund

Year Ended December 31, 2011

	<u>Balance</u> <u>Dec. 31, 2010</u>	<u>Receipts</u>	<u>Disbursements</u> <u>Improvement</u> <u>Authorizations</u>	Transfers	<u>Balance</u> <u>Dec. 31, 2011</u>
				To From	
Capital Improvement Fund	53,055.00	52,000.00		(21,500.00)	83,555.00
Grants Receivable:	(67,377.07)				(67,377.07)
NJ Department of Transportation				77,058.00	77,058.00
Reserve for Encumbrances	(5,000.00)				(5,000.00)
Interfund - Current Fund	67,377.07				67,377.07
Reserve for Grants Receivable					
06-04	9,027.23	10,674.04	5,500.83		14,200.44
06-02;					
06-09;					
06-13	7,953.49		1,762.80		6,190.69
07-03	7,309.20		805.82		6,503.38
07-08	232.15				232.15
07-10	8,756.37				8,756.37
08-30	6,666.87		6,666.87		
09-17	(780.85)		19,765.00		(20,545.85)
09-19	(18,863.24)				(18,863.24)
10-13	26,421.00				26,421.00
10-15	998.04		682.52		315.52
10-27	43,695.41		6,327.17		37,368.24
11-06			600.00	(77,058.00)	(56,158.00)
	<u>139,470.67</u>	<u>62,674.04</u>	<u>42,111.01</u>	<u>98,558.00</u>	<u>160,033.70</u>
	C			C	C

Borough of Sussex, N.J.

Schedule of Interfunds

General Capital Fund

Year Ended December 31, 2011

<u>Fund</u>	Due From/(To) Balance <u>Dec. 31, 2010</u>	<u>Increased</u>	<u>Decreased</u>	Due From/(To) Balance <u>Dec. 31, 2011</u>
Current Fund	<u>5,000.00</u> C	<u>85,766.96</u>	<u>85,766.96</u>	<u>5,000.00</u> C
Improvement Authorizations			21,527.80	
Capital Improvement Fund		52,000.00	64,239.16	
Cash Receipts		<u>33,766.96</u>		
Cash Disbursements		<u>85,766.96</u>	<u>85,766.96</u>	

Ref.
C-9
C-8
C-2
C-2

Borough of Sussex, N.J.**Schedule of Grants Receivable - N.J. Department of Transportation****General Capital Fund****Year Ended December 31, 2011**

	<u>Ref.</u>	
Balance - December 31, 2010	C	<u>67,377.07</u>
Balance - December 31, 2011	C	<u>67,377.07</u>

Borough of Sussex, N.J.

Schedule of Deferred Charges to Future
Taxation - Funded

General Capital Fund

Year Ended December 31, 2011

	<u>Ref.</u>		
Balance - December 31, 2010	C		201,906.54
Decreased by:			
Budget Appropriations to pay:			
Green Acres Loan Payment	C-12	7,383.34	
Serial Bonds Payable	C-11	<u>30,000.00</u>	
			<u>37,383.34</u>
Balance - December 31, 2011	C		<u><u>164,523.20</u></u>

Borough of Sussex, N.J.
Schedule of Capital Improvement Fund
General Capital Fund
Year Ended December 31, 2011

	<u>Ref.</u>	
Balance - December 31, 2010	C	53,055.00
Increased by:		
Budget Appropriation	C-4	<u>52,000.00</u> 105,055.00
Decreased by:		
Improvement Authorizations	C-9	<u>21,500.00</u>
Balance - December 31, 2011	C	<u><u>83,555.00</u></u>

Borough of Sussex, N.J.
Schedule of Improvement Authorizations
General Capital Fund
Year Ended December 31, 2011

Ord. No.	Improvement Description General Improvements:	Ordinance Date	Amount	Balance Dec. 31, 2010		2011 Authorizations	Prior Year Check Voided	Canceled	Paid or Charged	Balance Dec. 31, 2011	
				Funded	Unfunded					Funded	Unfunded
06-04	Municipal Improvements and Acquisition of a Street Sweeper	04/03/06	67,435.74	9,027.23			10,674.04		5,500.83	14,200.44	
06-02;		02/21/06									
06-09;		12/04-06									
06-13	Improvements to Various Roads	12/18/06	740,000.00		7,953.49				1,762.80		6,190.69
07-03	Purchase of Fire Apparatus	06/05/07	205,000.00		7,309.20				805.82		6,503.38
07-08	Purchase of Fire Equipment	10/02/07	16,000.00	232.15						232.15	
07-10	Various Buildings and Grounds Improvements	11/20/07	30,000.00	8,756.37						8,756.37	
08-30	Various Improvements and Capital Purchases	10/21/08	36,000.00	6,666.87					6,666.87		
09-17	Various Improvements to Newton Avenue	06/16/09	180,000.00		37,065.73			17,300.73	19,765.00		
09-19	Various Improvements to Lakeview Terrace	08/18/09	275,000.00		31,667.25			31,667.25			
10-13	Improvements to Municipal Building	09/07/10	26,421.00	26,421.00					682.52		26,421.00
10-15	Purchase of Office Equipment	09/21/10	15,000.00	998.04							315.52
10-27	Various Capital Improvements and Purchases	12/07/10	48,000.00	43,695.41					6,327.17		37,368.24
11-06	Various Capital Improvements	06/21/11	430,000.00		430,000.00				77,658.00		352,342.00
				<u>95,797.07</u>	<u>83,995.67</u>		<u>10,674.04</u>	<u>48,967.98</u>	<u>119,169.01</u>	<u>87,293.72</u>	<u>365,036.07</u>
				C	C		C-2	C-7;C-15		C	C
	Capital Improvement Fund		Ref.								
	Deferred Charges to Future Taxation - Unfunded		C-8		21,500.00						
			C-7;C-15		408,500.00						
					<u>430,000.00</u>						
	Cash Disbursed		C-2						20,583.21		
	Interfund - Current		C-4						21,527.80		
	Encumbrances Payable		C-14						77,058.00		
									<u>119,169.01</u>		

Borough of Sussex, N.J.

Schedule of Serial Bonds Payable

General Capital Fund

Year Ended December 31, 2011

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding, December 31, 2011		Interest Rate	Balance Dec. 31, 2010	Decreased	Balance Dec. 31, 2011
			Date	Amount				
General Improvements	11/01/05	297,000.00	2012-2014	30,000.00	4.50%	147,000.00	30,000.00	117,000.00
			2015	27,000.00	4.75%			
						<u>C</u>	<u>C-6</u>	<u>C</u>

Borough of Sussex, N.J.

Schedule of Green Trust Program Loan Payable

General Capital Fund

Year Ended December 31, 2011

	<u>Ref.</u>	
Balance - December 31, 2010	C	54,906.54
Decreased by:		
Principal Matured	C-6	<u>7,383.34</u>
Balance - December 31, 2011	C	<u><u>47,523.20</u></u>

Schedule of Principal and Interest Payments Outstanding December 31, 2011

<u>Payment Number</u>	<u>Due</u>	<u>Principal</u>	<u>Interest</u>	<u>Loan Balance</u>
				47,523.20
1	04/22/12	3,747.14	475.23	43,776.06
2	10/22/12	3,784.61	437.76	39,991.45
3	04/22/13	3,822.46	399.91	36,168.99
4	10/22/13	3,860.68	361.69	32,308.31
5	04/22/14	3,899.29	323.08	28,409.02
6	10/22/14	3,938.28	284.09	24,470.74
7	04/22/15	3,977.66	244.71	20,493.08
8	10/22/15	4,017.44	204.93	16,475.64
9	04/22/16	4,057.61	164.76	12,418.03
10	10/22/16	4,098.19	124.18	8,319.84
11	04/22/17	4,139.17	83.20	4,180.67
12	10/22/17	4,180.67	41.81	-0-
		<u><u>47,523.20</u></u>	<u><u>3,145.35</u></u>	

Borough of Sussex, N.J.
Schedule of Reserve for Grants Receivable
General Capital Fund
Year Ended December 31, 2011

	<u>Ref.</u>	
Balance - December 31, 2010	C	<u><u>67,377.07</u></u>
Balance - December 31, 2011	C	<u><u>67,377.07</u></u>

Schedule of Reserve for Encumbrances
General Capital Fund
Year Ended December 31, 2011

	<u>Ref.</u>	
Increased by:		
Charges to Improvement Authorizations	C-9	<u><u>77,058.00</u></u>
Balance - December 31, 2011	C	<u><u>77,058.00</u></u>

Borough of Sussex, N.J.

Schedule of Bonds and Notes Authorized But Not Issued

General Capital Fund

Year Ended December 31, 2011

<u>Ord. No.</u>	<u>Ord. Date</u>	<u>Improvement Description</u>	<u>Balance Dec. 31, 2010</u>	<u>2011 Authorized</u>	<u>Improvement Authorizations Cancelled</u>	<u>Balance Dec. 31, 2011</u>
09-17	06/16/09	Various Improvements to Newton Avenue	37,846.58		17,300.73	20,545.85
09-19	08/18/09	Various Improvements to Lakeview Terrace	50,530.49		31,667.25	18,863.24
11-06	06/21/11	Various Capital Improvements	<u>88,377.07</u>	<u>408,500.00</u>	<u>48,967.98</u>	<u>408,500.00</u>
				<u>C-7</u>	<u>C-7;C-9</u>	<u>447,909.09</u>
						Footnote C

Borough of Sussex, N.J.

Schedule of Cash

Water/Sewer Utility Fund

Year Ended December 31, 2011

	<u>Ref.</u>	<u>Operating</u>	<u>Capital</u>
Balance - December 31, 2010	D;D-5	<u>272,765.54</u>	<u>43,784.93</u>
Increased by Receipts:			
Miscellaneous Revenue	D-2	30,634.04	
Consumer Accounts Receivable	D-6	2,049,111.83	
Other Accounts Receivable	D-7	45,000.00	
N.J. Environmental Infrastructure Trust	D-10		721,126.00
Schedule of Interfunds	D-12	274.38	
Capital Improvement Fund	D-17		20,000.00
Reserve for Amortization	D-18		46,900.00
Bond Anticipation Notes	D-22		150,000.00
		<u>2,125,020.25</u>	<u>938,026.00</u>
		<u>2,397,785.79</u>	<u>981,810.93</u>
Decreased by Disbursements:			
Budget Appropriations	D-3	1,453,832.92	
Appropriation Reserves	D-11	10,035.57	
Schedule of Interfunds	D-12		274.38
Accrued Interest	D-13	299,658.49	
Encumbrances Payable	D-14	28,711.51	
Improvement Authorizations	D-16		807,645.55
Revenue Anticipation Notes Payable	D- 21	375,000.00	
		<u>2,167,238.49</u>	<u>807,919.93</u>
Balance - December 31, 2011	D;D-5	<u><u>230,547.30</u></u>	<u><u>173,891.00</u></u>

Borough of Sussex, N.J.

Analysis of Cash

Water/Sewer Utility Capital Fund

Year Ended December 31, 2011

	Balance		Receipts		Disbursements			Transfers		Balance Dec. 31, 2011
	Dec. 31, 2010		Bond	Anticipation Notes	Miscellaneous	Improvement Authorizations	Miscellaneous	To	(From)	
Capital Improvement Fund	20,000.00				20,000.00					33,750.00
Due Water/Sewer Utility Operating Fund	274.38						274.38		(6,250.00)	(15,112.69)
Reserve for Capital Outlay								15,112.69		15,112.69
Reserve for Encumbrances								23,684.33		23,684.33
NJ Environmental Infrastructure Trust Receivable	(1,175,366.00)				721,126.00					(454,240.00)
Ord. No. 09-16	103,528.08		50,000.00			128,621.12				24,906.96
09-22, 10-04	1,095,348.47		100,000.00			598,839.26				596,509.21
11-15	43,784.93				46,900.00	80,185.17		6,250.00	(23,684.33)	(50,719.50)
			150,000.00		788,026.00	807,645.55		45,047.02	(45,047.02)	173,891.00

D:D-4

D:D-4

Borough of Sussex, N.J.

Schedule of Consumer Accounts Receivable

Water/Sewer Utility Operating Fund

Year Ended December 31, 2011

	<u>Balance</u> <u>Dec. 31, 2010</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance</u> <u>Dec. 31, 2011</u>
Consumer Accounts Receivable	<u>411,790.36</u>	<u>2,184,523.79</u>	<u>2,049,111.83</u>	<u>547,202.32</u>
	D		D-2;D-4	D

Schedule of Other Receivables

Water/Sewer Utility Operating Fund

Year Ended December 31, 2011

	<u>Balance</u> <u>Dec. 31, 2010</u>	<u>Decreased</u>	<u>Balance</u> <u>Dec. 31, 2011</u>
Other Receivable	<u>49,500.00</u>	<u>45,000.00</u>	<u>4,500.00</u>
	D	D-1;D-4	D

Borough of Sussex, N.J.

Schedule of Fixed Capital

Water/Sewer Utility Capital Fund

Year Ended December 31, 2011

	<u>Ref</u>		
Balance - December 31, 2010	D		15,633,963.90
Increased by:			
Additions by:			
Additions by Ordinance	D-9	150,000.00	
Capital Outlay:			
Water/Sewer Utility Operating Budget	D-18	<u>6,522.26</u>	
			<u>156,522.26</u>
Balance - December 31, 2011	D		<u><u>15,790,486.16</u></u>

Borough of Sussex, N.J.

Schedule of Fixed Capital Authorized and Uncompleted

Water/Sewer Utility Capital Fund

Year Ended December 31, 2011

<u>Improvement Description</u>	<u>Ordinance</u>		<u>Balance, Dec. 31, 2010</u>	<u>Improvement Authorizations</u>	<u>To Fixed Capital</u>	<u>Balance, Dec. 31, 2011</u>
	<u>Date</u>	<u>Amount</u>				
Repair and Painting of Water Storage Tanks	06/16/09	700,000.00	700,000.00			700,000.00
Rehabilitation of Manholes	09/01/09	1,100,000.00	1,100,000.00			1,100,000.00
Rehabilitation of Manholes	04/20/10	150,000.00	150,000.00		150,000.00	
Various Water/Sewer Capital Improvements	11/01/11	125,000.00		125,000.00		125,000.00
			<u>1,950,000.00</u>	<u>125,000.00</u>	<u>150,000.00</u>	<u>1,925,000.00</u>
			D	D-16	D-8	D

Borough of Sussex, N.J.

Schedule of N.J. Environmental Infrastructure Trust Receivable

Water/Sewer Utility Capital Fund

Year Ended December 31, 2011

	<u>Ref</u>	
Balance - December 31, 2010	D	1,175,366.00
Decreased by:		
Cash Receipts	D-4	<u>721,126.00</u>
Balance - December 31, 2011	D	<u><u>454,240.00</u></u>

Borough of Sussex, N.J.
Schedule of Appropriation Reserves
Water/Sewer Utility Operating Fund
Year Ended December 31, 2011

	Balance, Dec. 31, <u>2010</u>	Balance after <u>Transfers</u>	<u>Charged</u>	Balance <u>Lapsed</u>
Operating:				
Salaries and Wages	690.69	690.69	564.76	125.93
Other Expenses	61,920.87	61,920.87	9,423.35	52,497.52
Capital Improvements				
Capital Outlay	1,635.05	1,635.05	1,635.05	
Statutory Expenditures:				
Public Employees' Retirement System	0.75	0.75		0.75
Social Security System (O.A.S.I.)	79.54	79.54	43.22	36.32
Unemployment Compensation Insurance	453.57	453.57	4.24	449.33
	<u>64,780.47</u>	<u>64,780.47</u>	<u>11,670.62</u>	<u>53,109.85</u>
	D			D-1
	<u>Ref.</u>			
Cash Disbursements	D-4		10,035.57	
Interfund - Water/Sewer Capital	D-12		<u>1,635.05</u>	
			<u>11,670.62</u>	

Borough of Sussex, N.J.

Schedule of Interfund Accounts Receivable (Payable)

Water/Sewer Utility Operating Fund

Year Ended December 31, 2011

		<u>Water/Sewer Operating Fund</u>		<u>Water/Sewer Capital Fund</u>
	<u>Ref.</u>	<u>Other Trust Fund</u>	<u>Water/Sewer Capital Fund</u>	<u>Water/Sewer Operating Fund</u>
Balance - December 31, 2010	D	<u>15,500.00</u>	<u>274.38</u>	<u>(274.38)</u>
Decreased by:				
Budget Appropriations	D-3		13,477.64	
Cash Disbursed	D-4			274.38
Cash Received	D-4		274.38	
Appropriation Reserves	D-11		1,635.05	
Reserve for Capital Outlay	D-26			<u>15,112.69</u>
			<u>15,387.07</u>	<u>15,387.07</u>
Balance - December 31, 2011	D	<u>15,500.00</u>	<u>(15,112.69)</u>	<u>15,112.69</u>

Borough of Sussex, N.J.

Schedule of Accrued Interest On Bonds, Loans and Notes

Water/Sewer Utility Operating Fund

Year Ended December 31, 2011

Balance - December 31, 2010	<u>Ref.</u> D	1,950.40
Increased by:		
Budget Appropriations	D-3	320,325.00
		<u>322,275.40</u>
Decreased by:		
Cash Disbursed	D-4	299,658.49
		<u>299,658.49</u>
Balance - December 31, 2011	D	<u><u>22,616.91</u></u>

<u>Principal Outstanding December 31 2011</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:						
833,000.00	Various	11/01/11	12/31/11	60	6,247.50	1,189.79
FHA Loan Payable						
668,867.45	5.00%	07/09/11	12/31/11	175	16,257.20	3,096.07
USDA Loan Payable:						
1,986,248.87	4.50%	07/23/11	12/31/11	161	39,973.05	7,612.58
735,023.70	4.50%	07/23/11	12/31/11	161	14,792.35	2,817.10
1,636,285.93	4.50%	09/22/11	12/31/11	100	20,453.57	3,895.24
412,944.86	4.50%	09/22/11	12/31/11	100	5,161.81	983.03
NJFIT Loan Payable:						
143,573.69	Various	08/01/11	12/31/11	152	1,872.94	356.69
535,000.00	5.00%	08/01/11	12/31/11	152	11,294.44	2,150.95
Bond Anticipation Notes:						
150,000.00	1.40%	05/13/11	12/31/11	232	2,706.67	515.46
					<u>118,759.54</u>	<u>22,616.91</u>

Borough of Sussex, N.J.
Schedule of Encumbrances Payable
Water/Sewer Utility Fund
Year Ended December 31, 2011

Balance - December 31, 2010	<u>Ref.</u> D	28,711.51
Increased by:		
Transfer from Budget	D-3	<u>98,472.54</u>
		127,184.05
Decreased by:		
Cash Disbursed	D-4	<u>28,711.51</u>
Balance - December 31, 2011	D	<u><u>98,472.54</u></u>

Borough of Sussex, N.J.

Schedule of Deferred Charges

Water/Sewer Utility Operating Fund

Year Ended December 31, 2011

	Balance Dec. 31, 2010	Raised in 2011	Balance Dec 31, 2011
Operating Deficit	183,019.12	134,452.00	48,567.12
Overexpenditure of Appropriations	931.82		931.82
	<u>183,950.94</u>	<u>134,452.00</u>	<u>49,498.94</u>
	D	D-3	D

Borough of Sussex, N.J.

Schedule of Capital Improvement Fund

Water/Sewer Utility Capital Fund

Year Ended December 31, 2011

	<u>Ref.</u>	
Balance - December 31, 2010	D	20,000.00
Increased by:		
Cash Receipts	D-4	<u>20,000.00</u>
		40,000.00
Decreased by:		
Improvement Authorizations	D-16	<u>6,250.00</u>
Balance - December 31, 2011	D	<u><u>33,750.00</u></u>

D-18

Schedule of Reserve for Amortization

Water/Sewer Utility Capital Fund

Year Ended December 31, 2011

	<u>Ref.</u>		
Balance - December 31, 2010	D		9,177,159.24
Increased by:			
Paid by Water/Sewer Utility Operating Budget:			
Serial Bonds	D-20	60,000.00	
Farmers Home Administration Loan	D-23	37,982.42	
United States Department of Agriculture Loan	D-24	101,603.97	
NJ Environmental Infrastructure Loan	D-25	47,660.20	
Insurance Proceeds	D-4;D-28	46,900.00	
Capital Outlay:			
Water/Sewer Utility Operating Budget	D-8	<u>6,522.26</u>	
			<u>300,668.85</u>
Balance - December 31, 2011	D		<u><u>9,477,828.09</u></u>

Borough of Sussex, N.J.

Schedule of Deferred Reserve for Amortization

Water/Sewer Utility Capital Fund

Year Ended December 31, 2011

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Date of Ordinance</u>	<u>Fixed Capital Authorized</u>	<u>Balance, Dec. 31, 2011</u>
11-15	Various Water/Sewer Capital Improvements	11/01/2011	6,250.00	6,250.00
			D-16	D

Borough of Sussex, N.J.

Schedule of Serial Bonds Payable

Water/Sewer Utility Capital Fund

Year Ended December 31, 2011

Purpose	Date of Issue	Amount Issued	Matures of Bonds Outstanding December 31, 2011		Interest Rate	Balance Dec. 31, 2010	Paid By Budget Appropriation	Balance Dec. 31, 2011
			Date	Amount				
General Obligation Bonds	11/01/05	1,193,000.00	2012-2014	60,000.00	4.50%	893,000.00	60,000.00	833,000.00
			2015-2019	60,000.00	4.75%			
			2020-2024	60,000.00	5.00%			
			11/1/2025	53,000.00	5.00%			
						D	D-18	D

Schedule of Revenue Anticipation Notes Payable

Water/Sewer Utility Operating Fund

Year Ended December 31, 2011

Description	Date of		Balance Dec. 31, 2010	Decreased by Cash Disbursement
	Original Note	Issue		
Revenue Anticipation Note	11/17/2010	11/17/2010	375,000.00	375,000.00
			D	D-4

Borough of Sussex, N.J.

Schedule of Bond Anticipation Notes Payable

Water/Sewer Utility Capital Fund

Year Ended December 31, 2011

Ord. No.	<u>Improvement Description</u>	Date of		Date of Maturity	Interest Rate	<u>Increased</u>	Balance Dec. 31, 2011
		Original Issue	Date of Issue				
09-16	Major Repair and Repainting Of The Borough Water Storage Tanks	05/13/2011	05/13/2011	05/11/12	1.40%	50,000.00	50,000.00
09-22;10-04	Rehabilitation of Manholes	05/13/2011	05/13/2011	05/11/12	1.40%	100,000.00	100,000.00
						150,000.00	150,000.00
						<u>D-4;D-28</u>	<u>D</u>

Borough of Sussex, N.J.

Schedule of Farmers Home Administration (FHA) Loan Payable

Water/Sewer Utility Capital Fund

Year Ended December 31, 2011

Balance - December 31, 2010	<u>Ref</u> D	706,849.87
Decreased by:		
Principal Matured	D-18	<u>37,982.42</u>
Balance - December 31, 2011	D	<u><u>668,867.45</u></u>

Schedule of Principal and Interest Payments Outstanding December 31, 2011

<u>Payment Number</u>	<u>Due</u>	<u>Principal</u>	<u>Interest</u>	<u>Loan Balance</u>
				\$668,867.45
29	1/9/2012	19,706.31	16,721.69	649,161.14
30	7/9/2012	20,198.97	16,229.03	628,962.17
31	1/9/2013	20,703.95	15,724.05	608,258.22
32	7/9/2013	21,221.54	15,206.46	587,036.68
33	1/9/2014	21,752.08	14,675.92	565,284.60
34	7/9/2014	22,295.88	14,132.12	542,988.72
35	1/9/2015	22,853.28	13,574.72	520,135.44
36	7/9/2015	23,424.61	13,003.39	496,710.83
37	1/9/2016	24,010.23	12,417.77	472,700.60
38	7/9/2016	24,610.49	11,817.51	448,090.11
39	1/9/2017	25,225.75	11,202.25	422,864.36
40	7/9/2017	25,856.39	10,571.61	397,007.97
41	1/9/2018	26,502.80	9,925.20	370,505.17
42	7/9/2018	27,165.37	9,262.63	343,339.80
43	1/9/2019	27,844.50	8,583.50	315,495.30
44	7/9/2019	28,540.62	7,887.38	286,954.68
45	1/9/2020	29,254.13	7,173.87	257,700.55
46	7/9/2020	29,985.49	6,442.51	227,715.06
47	1/9/2021	30,735.12	5,692.88	196,979.94
48	7/9/2021	31,503.50	4,924.50	165,476.44
49	1/9/2022	32,291.09	4,136.91	133,185.35
50	7/9/2022	33,098.37	3,329.63	100,086.98
51	1/9/2023	33,925.83	2,502.17	66,161.15
52	7/9/2023	34,773.97	1,654.03	31,387.18
53	1/9/2024	31,387.18	784.68	0.00
		<u><u>668,867.45</u></u>	<u><u>237,576.41</u></u>	

Borough of Sussex, N.J.

Schedule of United States Department of Agriculture (USDA) Loan Payable

Water/Sewer Utility Capital Fund

Year Ended December 31, 2011

Balance - December 31, 2010	<u>Ref</u> D	4,872,107.33
Decreased by:		
Principal Matured	D-18	<u>101,603.97</u>
Balance - December 31, 2011	D	<u><u>4,770,503.36</u></u>

Schedule of Principal and Interest Payments Outstanding December 31, 2011

Loan Issued January 23, 1997 in the amount of \$2,436,300.00

<u>Payment Number</u>	<u>Due</u>	<u>Principal</u>	<u>Interest</u>	<u>Loan Balance</u>
				1,986,248.87
29	1/23/2012	21,260.63	44,690.37	1,964,988.24
30	7/23/2012	21,739.00	44,212.00	1,943,249.24
31	1/23/2013	22,228.12	43,722.88	1,921,021.12
32	7/23/2013	22,728.26	43,222.74	1,898,292.86
33	1/23/2014	23,239.64	42,711.36	1,875,053.22
34	7/23/2014	23,762.53	42,188.47	1,851,290.69
35	1/23/2015	24,297.19	41,653.81	1,826,993.50
36	7/23/2015	24,843.88	41,107.12	1,802,149.62
37	1/23/2016	25,402.86	40,548.14	1,776,746.76
38	7/23/2016	25,974.43	39,976.57	1,750,772.33
39	1/23/2017	26,558.85	39,392.15	1,724,213.48
40	7/23/2017	27,156.43	38,794.57	1,697,057.05
41	1/23/2018	27,767.45	38,183.55	1,669,289.60
42	7/23/2018	28,392.22	37,558.78	1,640,897.38
43	1/23/2019	29,031.04	36,919.96	1,611,866.34
44	7/23/2019	29,684.24	36,266.76	1,582,182.10
45	1/23/2020	30,352.13	35,598.87	1,551,829.97
46	7/23/2020	31,035.06	34,915.94	1,520,794.91
47	1/23/2021	31,733.35	34,217.65	1,489,061.56
48	7/23/2021	32,447.35	33,503.65	1,456,614.21
49	1/23/2022	33,177.41	32,773.59	1,423,436.80
50	7/23/2022	33,923.90	32,027.10	1,389,512.90
51	1/23/2023	34,687.19	31,263.81	1,354,825.71
52	7/23/2023	35,467.65	30,483.35	1,319,358.06

Borough of Sussex, N.J.

Schedule of United States Department of Agriculture (USDA) Loan Payable

Water/Sewer Utility Capital Fund

Year Ended December 31, 2011

Schedule of Principal and Interest Payments Outstanding December 31, 2011

Loan Issued January 23, 1997 in the amount of \$2,436,300.00

<u>Payment Number</u>	<u>Due</u>	<u>Principal</u>	<u>Interest</u>	<u>Loan Balance</u>
53	1/23/2024	36,265.67	29,685.33	1,283,092.39
54	7/23/2024	37,081.65	28,869.35	1,246,010.74
55	1/23/2025	37,915.99	28,035.01	1,208,094.75
56	7/23/2025	38,769.10	27,181.90	1,169,325.65
57	1/23/2026	39,641.40	26,309.60	1,129,684.25
58	7/23/2026	40,533.34	25,417.66	1,089,150.91
59	1/23/2027	41,445.34	24,505.66	1,047,705.57
60	7/23/2027	42,377.86	23,573.14	1,005,327.71
61	1/23/2028	43,331.36	22,619.64	961,996.35
62	7/23/2028	44,306.31	21,644.69	917,690.04
63	1/23/2029	45,303.21	20,647.79	872,386.83
64	7/23/2029	46,322.53	19,628.47	826,064.30
65	1/23/2030	47,364.78	18,586.22	778,699.52
66	7/23/2030	48,430.49	17,520.51	730,269.03
67	1/23/2031	49,520.18	16,430.82	680,748.85
68	7/23/2031	50,634.38	15,316.62	630,114.47
69	1/23/2032	51,773.66	14,177.34	578,340.81
70	7/23/2032	52,938.56	13,012.44	525,402.25
71	1/23/2033	54,129.68	11,821.32	471,272.57
72	7/23/2033	55,347.60	10,603.40	415,924.97
73	1/23/2034	56,592.92	9,358.08	359,332.05
74	7/23/2034	57,866.26	8,084.74	301,465.79
75	1/23/2035	59,168.25	6,782.75	242,297.54
76	7/23/2035	60,499.54	5,451.46	181,798.00
77	1/23/2036	61,860.78	4,090.22	119,937.22
78	7/23/2036	63,252.64	2,698.36	56,684.58
79	1/23/2037	56,684.58	1,275.17	0.00
		<u>1,986,248.87</u>	<u>1,369,260.88</u>	

Borough of Sussex, N.J.

Schedule of United States Department of Agriculture (USDA) Loan Payable

Water/Sewer Utility Capital Fund

Year Ended December 31, 2011

Schedule of Principal and Interest Payments Outstanding December 31, 2011

Loan Issued January 23, 1997 in the amount of \$901,600.00

<u>Payment Number</u>	<u>Due</u>	<u>Principal</u>	<u>Interest</u>	<u>Loan Balance</u>
				735,023.70
29	1/23/2012	7,868.97	16,538.03	727,154.73
30	7/23/2012	8,046.02	16,360.98	719,108.71
31	1/23/2013	8,227.05	16,179.95	710,881.66
32	7/23/2013	8,412.16	15,994.84	702,469.50
33	1/23/2014	8,601.44	15,805.56	693,868.06
34	7/23/2014	8,794.97	15,612.03	685,073.09
35	1/23/2015	8,992.86	15,414.14	676,080.23
36	7/23/2015	9,195.19	15,211.81	666,885.04
37	1/23/2016	9,402.09	15,004.91	657,482.95
38	7/23/2016	9,613.63	14,793.37	647,869.32
39	1/23/2017	9,829.94	14,577.06	638,039.38
40	7/23/2017	10,051.11	14,355.89	627,988.27
41	1/23/2018	10,277.26	14,129.74	617,711.01
42	7/23/2018	10,508.50	13,898.50	607,202.51
43	1/23/2019	10,744.94	13,662.06	596,457.57
44	7/23/2019	10,986.71	13,420.29	585,470.86
45	1/23/2020	11,233.91	13,173.09	574,236.95
46	7/23/2020	11,486.67	12,920.33	562,750.28
47	1/23/2021	11,745.12	12,661.88	551,005.16
48	7/23/2021	12,009.38	12,397.62	538,995.78
49	1/23/2022	12,279.60	12,127.40	526,716.18
50	7/23/2022	12,555.89	11,851.11	514,160.29
51	1/23/2023	12,838.39	11,568.61	501,321.90
52	7/23/2023	13,127.26	11,279.74	488,194.64
53	1/23/2024	13,422.62	10,984.38	474,772.02
54	7/23/2024	13,724.63	10,682.37	461,047.39
55	1/23/2025	14,033.43	10,373.57	447,013.96
56	7/23/2025	14,349.19	10,057.81	432,664.77
57	1/23/2026	14,672.04	9,734.96	417,992.73
58	7/23/2026	15,002.16	9,404.84	402,990.57
59	1/23/2027	15,339.71	9,067.29	387,650.86
60	7/23/2027	15,684.86	8,722.14	371,966.00
61	1/23/2028	16,037.77	8,369.23	355,928.23

Borough of Sussex, N.J.

Schedule of United States Department of Agriculture (USDA) Loan Payable

Water/Sewer Utility Capital Fund

Year Ended December 31, 2011

Schedule of Principal and Interest Payments Outstanding December 31, 2011

Loan Issued January 23, 1997 in the amount of \$901,600.00

<u>Payment Number</u>	<u>Due</u>	<u>Principal</u>	<u>Interest</u>	<u>Loan Balance</u>
62	7/23/2028	16,398.61	8,008.39	339,529.62
63	1/23/2029	16,767.58	7,639.42	322,762.04
64	7/23/2029	17,144.85	7,262.15	305,617.19
65	1/23/2030	17,530.61	6,876.39	288,086.58
66	7/23/2030	17,925.05	6,481.95	270,161.53
67	1/23/2031	18,328.37	6,078.63	251,833.16
68	7/23/2031	18,740.75	5,666.25	233,092.41
69	1/23/2032	19,162.42	5,244.58	213,929.99
70	7/23/2032	19,593.58	4,813.42	194,336.41
71	1/23/2033	20,034.43	4,372.57	174,301.98
72	7/23/2033	20,485.21	3,921.79	153,816.77
73	1/23/2034	20,946.12	3,460.88	132,870.65
74	7/23/2034	21,417.41	2,989.59	111,453.24
75	1/23/2035	21,899.30	2,507.70	89,553.94
76	7/23/2035	22,392.04	2,014.96	67,161.90
77	1/23/2036	22,895.86	1,511.14	44,266.04
78	7/23/2036	23,411.01	995.99	20,855.03
79	1/23/2037	20,855.03	469.24	0.00
		<u>735,023.70</u>	<u>506,650.57</u>	

Borough of Sussex, N.J.

Schedule of United States Department of Agriculture (USDA) Loan Payable

Water/Sewer Utility Capital Fund

Year Ended December 31, 2011

Schedule of Principal and Interest Payments Outstanding December 31, 2011

Loan Issued March 22, 1996 in the amount of \$2,050,000

<u>Payment Number</u>	<u>Due</u>	<u>Principal</u>	<u>Interest</u>	<u>Loan Balance</u>
				1,636,285.93
29	3/22/2012	18,677.57	36,816.43	1,617,608.36
30	9/22/2012	19,097.81	36,396.19	1,598,510.55
31	3/22/2013	19,527.51	35,966.49	1,578,983.04
32	9/22/2013	19,966.88	35,527.12	1,559,016.16
33	3/22/2014	20,416.14	35,077.86	1,538,600.02
34	9/22/2014	20,875.50	34,618.50	1,517,724.52
35	3/22/2015	21,345.20	34,148.80	1,496,379.32
36	9/22/2015	21,825.47	33,668.53	1,474,553.85
37	3/22/2016	22,316.54	33,177.46	1,452,237.31
38	9/22/2016	22,818.66	32,675.34	1,429,418.65
39	3/22/2017	23,332.08	32,161.92	1,406,086.57
40	9/22/2017	23,857.05	31,636.95	1,382,229.52
41	3/22/2018	24,393.84	31,100.16	1,357,835.68
42	9/22/2018	24,942.70	30,551.30	1,332,892.98
43	3/22/2019	25,503.91	29,990.09	1,307,389.07
44	9/22/2019	26,077.75	29,416.25	1,281,311.32
45	3/22/2020	26,664.50	28,829.50	1,254,646.82
46	9/22/2020	27,264.45	28,229.55	1,227,382.37
47	3/22/2021	27,877.90	27,616.10	1,199,504.47
48	9/22/2021	28,505.15	26,988.85	1,170,999.32
49	3/22/2022	29,146.52	26,347.48	1,141,852.80
50	9/22/2022	29,802.31	25,691.69	1,112,050.49
51	3/22/2023	30,472.86	25,021.14	1,081,577.63
52	9/22/2023	31,158.50	24,335.50	1,050,419.13
53	3/22/2024	31,859.57	23,634.43	1,018,559.56
54	9/22/2024	32,576.41	22,917.59	985,983.15
55	3/22/2025	33,309.38	22,184.62	952,673.77
56	9/22/2025	34,058.84	21,435.16	918,614.93
57	3/22/2026	34,825.16	20,668.84	883,789.77
58	9/22/2026	35,608.73	19,885.27	848,181.04

Borough of Sussex, N.J.

Schedule of United States Department of Agriculture (USDA) Loan Payable

Water/Sewer Utility Capital Fund

Year Ended December 31, 2011

Schedule of Principal and Interest Payments Outstanding December 31, 2011

Loan Issued March 22, 1996 in the amount of \$2,050,000

<u>Payment Number</u>	<u>Due</u>	<u>Principal</u>	<u>Interest</u>	<u>Loan Balance</u>
59	3/22/2027	36,409.93	19,084.07	811,771.11
60	9/22/2027	37,229.15	18,264.85	774,541.96
61	3/22/2028	38,066.81	17,427.19	736,475.15
62	9/22/2028	38,923.31	16,570.69	697,551.84
63	3/22/2029	39,799.08	15,694.92	657,752.76
64	9/22/2029	40,694.56	14,799.44	617,058.20
65	3/22/2030	41,610.19	13,883.81	575,448.01
66	9/23/2030	42,546.42	12,947.58	532,901.59
67	3/22/2031	43,503.71	11,990.29	489,397.88
68	9/22/2031	44,482.55	11,011.45	444,915.33
69	3/22/2032	45,483.40	10,010.60	399,431.93
70	9/22/2032	46,506.78	8,987.22	352,925.15
71	3/22/2033	47,553.18	7,940.82	305,371.97
72	9/22/2033	48,623.13	6,870.87	256,748.84
73	3/22/2034	49,717.15	5,776.85	207,031.69
74	9/22/2034	50,835.79	4,658.21	156,195.90
75	3/22/2035	51,979.59	3,514.41	104,216.31
76	9/22/2035	53,149.13	2,344.87	51,067.18
77	3/22/2036	51,067.18	1,149.01	0.00
		<u>1,636,285.93</u>	<u>1,079,642.26</u>	

Borough of Sussex, N.J.

Schedule of United States Department of Agriculture (USDA) Loan Payable

Water/Sewer Utility Capital Fund

Year Ended December 31, 2011

Schedule of Principal and Interest Payments Outstanding December 31, 2011

Loan Issued March 22, 1996 in the amount of \$517,400.00

<u>Payment Number</u>	<u>Due</u>	<u>Principal</u>	<u>Interest</u>	<u>Loan Balance</u>
				412,944.86
29	3/22/2012	4,715.74	9,291.26	408,229.12
30	9/22/2012	4,821.85	9,185.15	403,407.27
31	3/22/2013	4,930.34	9,076.66	398,476.93
32	9/22/2013	5,041.27	8,965.73	393,435.66
33	3/22/2014	5,154.70	8,852.30	388,280.96
34	9/22/2014	5,270.68	8,736.32	383,010.28
35	3/22/2015	5,389.27	8,617.73	377,621.01
36	9/22/2015	5,510.53	8,496.47	372,110.48
37	3/22/2016	5,634.51	8,372.49	366,475.97
38	9/22/2016	5,761.29	8,245.71	360,714.68
39	3/22/2017	5,890.92	8,116.08	354,823.76
40	9/22/2017	6,023.47	7,983.53	348,800.29
41	3/22/2018	6,158.99	7,848.01	342,641.30
42	9/22/2018	6,297.57	7,709.43	336,343.73
43	3/22/2019	6,439.27	7,567.73	329,904.46
44	9/22/2019	6,584.15	7,422.85	323,320.31
45	3/22/2020	6,732.29	7,274.71	316,588.02
46	9/22/2020	6,883.77	7,123.23	309,704.25
47	3/22/2021	7,038.65	6,968.35	302,665.60
48	9/22/2021	7,197.02	6,809.98	295,468.58
49	3/22/2022	7,358.96	6,648.04	288,109.62
50	9/22/2022	7,524.53	6,482.47	280,585.09
51	3/22/2023	7,693.84	6,313.16	272,891.25
52	9/22/2023	7,866.95	6,140.05	265,024.30
53	3/22/2024	8,043.95	5,963.05	256,980.35
54	9/22/2024	8,224.94	5,782.06	248,755.41
55	3/22/2025	8,410.00	5,597.00	240,345.41
56	9/22/2025	8,599.23	5,407.77	231,746.18

Borough of Sussex, N.J.

Schedule of United States Department of Agriculture (USDA) Loan Payable

Water/Sewer Utility Capital Fund

Year Ended December 31, 2011

Schedule of Principal and Interest Payments Outstanding December 31, 2011
Loan Issued March 22, 1996 in the amount of \$517,400.00

<u>Payment Number</u>	<u>Due</u>	<u>Principal</u>	<u>Interest</u>	<u>Loan Balance</u>
57	3/22/2026	8,792.71	5,214.29	222,953.47
58	9/22/2026	8,990.55	5,016.45	213,962.92
59	3/22/2027	9,192.83	4,814.17	204,770.09
60	9/22/2027	9,399.67	4,607.33	195,370.42
61	3/22/2028	9,611.17	4,395.83	185,759.25
62	9/22/2028	9,827.42	4,179.58	175,931.83
63	3/22/2029	10,048.53	3,958.47	165,883.30
64	9/22/2029	10,274.63	3,732.37	155,608.67
65	3/22/2030	10,505.81	3,501.19	145,102.86
66	9/23/2030	10,742.19	3,264.81	134,360.67
67	3/22/2031	10,983.89	3,023.11	123,376.78
68	9/22/2031	11,231.02	2,775.98	112,145.76
69	3/22/2032	11,483.72	2,523.28	100,662.04
70	9/22/2032	11,742.10	2,264.90	88,919.94
71	3/22/2033	12,006.30	2,000.70	76,913.64
72	9/22/2033	12,276.44	1,730.56	64,637.20
73	3/22/2034	12,552.66	1,454.34	52,084.54
74	9/22/2034	12,835.10	1,171.90	39,249.44
75	3/22/2035	13,123.89	883.11	26,125.55
76	9/22/2035	13,419.18	587.82	12,706.37
77	3/22/2036	12,706.37	285.89	0.00
		<u>412,944.86</u>	<u>272,383.40</u>	

Borough of Sussex, N.J.

Schedule of NJ Environmental Infrastructure Trust Loan Payable

Water/Sewer Utility Capital Fund

Year Ended December 31, 2011

Balance - December 31, 2010	<u>Ref</u> D	1,691,247.46
Decreased by:		
Principal Matured	D-18	<u>47,660.20</u>
Balance - December 31, 2011	D	<u><u>1,643,587.26</u></u>

Schedule of Principal and Interest Payments Outstanding December 31, 2011
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>
				143,573.69
4	2/1/2012		2,217.96	143,573.69
5	8/1/2012	6,466.15	2,217.96	137,107.54
6	2/1/2013		2,190.15	137,107.54
7	8/1/2013	6,521.76	2,190.15	130,585.78
8	2/1/2014		2,152.65	130,585.78
9	8/1/2014	6,596.76	2,152.65	123,989.02
10	2/1/2015		2,101.53	123,989.02
11	8/1/2015	6,699.01	2,101.53	117,290.01
12	2/1/2016		2,036.55	117,290.01
13	8/1/2016	6,828.97	2,036.55	110,461.04
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

Borough of Sussex, N.J.

Schedule of NJ Environmental Infrastructure Trust Loan Payable

Water/Sewer Utility Capital Fund

Year Ended December 31, 2011

Schedule of Principal and Interest Payments Outstanding December 31, 2011
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>
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
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>143,573.69</u>	<u>52,663.52</u>	

Borough of Sussex, N.J.

Schedule of NJ Environmental Infrastructure Trust Loan Payable

Water/Sewer Utility Capital Fund

Year Ended December 31, 2011

Schedule of Principal and Interest Payments Outstanding December 31, 2011
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>
			409,118.65
4	2/1/2012	7,576.27	401,542.38
5	8/1/2012	15,152.54	386,389.84
6	2/1/2013	7,576.27	378,813.57
7	8/1/2013	15,152.54	363,661.03
8	2/1/2014	7,576.27	356,084.76
9	8/1/2014	15,152.54	340,932.22
10	2/1/2015	7,576.27	333,355.95
11	8/1/2015	15,152.54	318,203.41
12	2/1/2016	7,576.27	310,627.14
13	8/1/2016	15,152.54	295,474.60
14	2/1/2017	7,576.27	287,898.33
15	8/1/2017	15,152.54	272,745.79
16	2/1/2018	7,576.27	265,169.52
17	8/1/2018	15,152.54	250,016.98
18	2/1/2019	7,576.27	242,440.71
19	8/1/2019	15,152.54	227,288.17
20	2/1/2020	7,576.27	219,711.90
21	8/1/2020	15,152.54	204,559.36
22	2/1/2021	7,576.27	196,983.09
23	8/1/2021	15,152.54	181,830.55
24	2/1/2022	7,576.27	174,254.28
25	8/1/2022	15,152.54	159,101.74
26	2/1/2023	7,576.27	151,525.47
27	8/1/2023	15,152.54	136,372.93
28	2/1/2024	7,576.27	128,796.66
29	8/1/2024	15,152.54	113,644.12
30	2/1/2025	7,576.27	106,067.85
31	8/1/2025	15,152.54	90,915.31
32	2/1/2026	7,576.27	83,339.04
33	8/1/2026	15,152.54	68,186.50
34	2/1/2027	7,576.27	60,610.23
35	8/1/2027	15,152.54	45,457.69
36	2/1/2028	7,576.27	37,881.42
37	8/1/2028	15,152.54	22,728.88
38	2/1/2029	7,576.27	15,152.61
39	8/1/2029	15,152.61	0.00
		<u>409,118.65</u>	

Borough of Sussex, N.J.

Schedule of NJ Environmental Infrastructure Trust Loan Payable

Water/Sewer Utility Capital Fund

Year Ended December 31, 2011

Schedule of Principal and Interest Payments Outstanding December 31, 2011
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>
				535,000.00
2	2/1/2012		13,375.00	535,000.00
3	8/1/2012	20,000.00	13,375.00	515,000.00
4	2/1/2013		12,875.00	515,000.00
5	8/1/2013	20,000.00	12,875.00	495,000.00
6	2/1/2014		12,375.00	495,000.00
7	8/1/2014	20,000.00	12,375.00	475,000.00
8	2/1/2015		11,875.00	475,000.00
9	8/1/2015	20,000.00	11,875.00	455,000.00
10	2/1/2016		11,375.00	455,000.00
11	8/1/2016	20,000.00	11,375.00	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

Borough of Sussex, N.J.

Schedule of NJ Environmental Infrastructure Trust Loan Payable

Water/Sewer Utility Capital Fund

Year Ended December 31, 2011

Schedule of Principal and Interest Payments Outstanding December 31, 2011
Trust Share December 2, 2010 in the amount of \$535,000 (Continued)

<u>Payment Number</u>	<u>Due</u>	<u>Principal</u>	<u>Interest</u>	<u>Loan Balance</u>
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>535,000.00</u>	<u>304,250.00</u>	

Schedule of Principal and Interest Payments Outstanding December 31, 2011
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>
			555,894.92
2	2/1/2012	9,752.54	546,142.38
3	8/1/2012	19,505.08	526,637.30
4	2/1/2013	9,752.54	516,884.76
5	8/1/2013	19,505.08	497,379.68
6	2/1/2014	9,752.54	487,627.14
7	8/1/2014	19,505.08	468,122.06
8	2/1/2015	9,752.54	458,369.52
9	8/1/2015	19,505.08	438,864.44
10	2/1/2016	9,752.54	429,111.90
11	8/1/2016	19,505.08	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

Borough of Sussex, N.J.

Schedule of NJ Environmental Infrastructure Trust Loan Payable

Water/Sewer Utility Capital Fund

Year Ended December 31, 2011

Schedule of Principal and Interest Payments Outstanding December 31, 2011
Fund Share dated December 2, 2010 in the amount of \$575,400 (continued)

<u>Payment Number</u>	<u>Due</u>	<u>Principal</u>	<u>Loan Balance</u>
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>555,894.92</u>	

Borough of Sussex, N.J.

Schedule of Reserve for Capital Outlay

Water/Sewer Utility Capital Fund

Year Ended December 31, 2011

Ref.

Increased by:		
Interfund - Water Operating	D-12	<u>15,112.69</u>
Balance - December 31, 2011	D	<u>15,112.69</u>

D-27

Schedule of Reserve for Encumbrances

Water/Sewer Utility Capital Fund

Year Ended December 31, 2011

Ref.

Increased by:		
Charges to Improvements Authorizations	D-16	<u>23,684.33</u>
Balance - December 31, 2011	D	<u>23,684.33</u>

Borough of Sussex, N.J.

Schedule of Bonds and Notes Authorized But Not Issued

Water/Sewer Utility Capital Fund

Year Ended December 31, 2011

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Balance, 2010</u>		<u>2011 Authorizations</u>		<u>Bond Anticipation Notes Issued</u>		<u>Insurance Proceeds</u>		<u>Balance, Dec. 31, 2011</u>
		<u>Dec. 31, 2010</u>	<u>2010</u>	<u>2011</u>	<u>Authorizations</u>	<u>Notes Issued</u>	<u>Notes Issued</u>	<u>Proceeds</u>	<u>Dec. 31, 2011</u>	
09-16	Repair and Painting of Water Storage Tanks	104,000.00				50,000.00				54,000.00
09-22;10-04	Rehabilitation of Manholes	139,600.00				100,000.00				39,600.00
11-15	Various Water/Sewer Capital Improvements			118,750.00				46,900.00		71,850.00
		<u>243,600.00</u>		<u>118,750.00</u>		<u>150,000.00</u>		<u>46,900.00</u>		<u>165,450.00</u>
			D-16			D-22		D-18		Footnote D

Borough of Sussex, N.J.
Schedule of Cash-Treasurer
Public Assistance Fund
Year Ended December 31, 2011

	<u>Ref.</u>	<u>P.A.T.F.</u> <u>Account #1</u>
Balance - December 31, 2010	E;E-3	<u>18,947.54</u>
Increased by Receipts:		
Interest Earned	E-4	<u>42.14</u>
		<u>18,989.68</u>
Decreased by Disbursements:		
Current Fund	E-5	<u>18,042.14</u>
Balance - December 31, 2011	E;E-2	<u><u>947.54</u></u>

Borough of Sussex, N.J.

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

Public Assistance Fund

Year Ended December 31, 2011

	<u>Ref.</u>	
Balance - December 31, 2011	E-1	947.54
Increased by:		
Cash Receipts Record		0.93
		<u>948.47</u>
Balance - May 31, 2012		<u><u>948.47</u></u>
<u>Reconciliation - May 31, 2012</u>		<u>P.A.T.F.</u>
		<u>Account #1</u>
Balance on Deposit per Statement of:		
Sussex County State Bank		
Checking		948.47
		<u>948.47</u>
Balance - May 31, 2012		<u><u>948.47</u></u>

Borough of Sussex, N.J.
Schedule of Cash and Reconciliation
Public Assistance Fund
Year Ended December 31, 2011

	<u>Ref.</u>	
Balance - December 31, 2010	E-1	18,947.54
Increased by Receipts:		
Cash Receipts Record		42.14
		18,989.68
Decreased by:		
Disbursements		18,042.14
		947.54
Balance - December 31, 2011	E-1	947.54
 <u>Reconciliation - December 31, 2011</u>		<u>P.A.T.F.</u>
		<u>Account #1</u>
Balance on Deposit per Statement of:		
Sussex Bank		
Checking		989.68
Less: Outstanding Checks		42.14
		947.54
Balance - December 31, 2011		947.54

Borough of Sussex, N.J.
Schedule of Revenues - Cash Basis
Public Assistance Fund
Year Ended December 31, 2011

	<u>P.A.T.F.</u> <u>Account #1</u>
Interest Earned	<u>42.14</u>
Total Revenues (P.A.T.F.)	<u>42.14</u>
Total Receipts	<u><u>42.14</u></u>
	E-1;E-6

Borough of Sussex, N.J.
Schedule of Expenditures - Cash Basis
Public Assistance Fund
Year Ended December 31, 2011

	<u>P.A.T.F.</u> <u>Account #1</u>
Transferred to Current Fund	<u>18,042.14</u>
Total Disbursements (P.A.T.F.)	<u><u>18,042.14</u></u>

E-1;E-6

Borough of Sussex, N.J.
Schedule of Reserve for Public Assistance
Public Assistance Fund
Year Ended December 31, 2011

	<u>Ref.</u>	
Balance - December 31, 2010	E	18,947.54
Increased by:		
Interest Earned	E-4	<u>42.14</u>
		18,989.68
Decreased by:		
Disbursed to Current Fund	E-5	<u>18,042.14</u>
Balance - December 31, 2011	E	<u><u>947.54</u></u>

BOROUGH OF SUSSEX

*** * * * ***

PART II

SINGLE AUDIT SECTION

YEAR ENDED DECEMBER 31, 2011

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

Charles J. Ferraioli, Jr., MBA, CPA, RMA
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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
2 Main Street,
Sussex, New Jersey 07461

We have audited the financial statements - regulatory basis of the Borough of Sussex, in the County of Sussex, State of New Jersey as of and for the year ended December 31, 2011, and have issued our report thereon dated June 22, 2012. Our report disclosed that, as described in Note 1 to the financial statements - regulatory basis, the Borough of Sussex prepares its financial statements on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with a modified accrual basis of accounting and the budget laws of the State of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit 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.

Internal Control Over Financial Reporting

Management of the Borough of Sussex is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Borough of Sussex's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Borough of Sussex's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be a significant deficiency.



Honorable Mayor and
Members of the Borough Council
Borough of Sussex
Page 2

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.

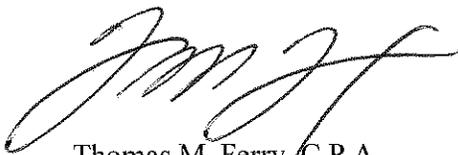
A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as 11-01 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards, and which are described in the accompanying Schedule of Findings and Questioned Costs, as 11-02.

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.

This report is intended solely for the information and use of management, The Division of Local Government Services, Department of Community Affairs, State of New Jersey, Federal Awarding Agencies and Pass Through Entities and is not intended to be and should not be used by anyone other than these specified parties.



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

Ferraioli, Wielkutz, Cerullo, + Cuva, P.A.
FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants

June 22, 2012



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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND N.J. OMB CIRCULAR 04-04

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

We have audited the Borough of Sussex's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the New Jersey State Office of Management and Budget's State Aid/Grant Compliance Supplement that could have a direct and material effect on each of the Borough of Sussex's major state programs for the year ended December 31, 2011. The Borough of Sussex's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the Borough of Sussex's management. Our responsibility is to express an opinion on the Borough of Sussex's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations and the provisions of the New Jersey State Treasury Circular Letter 04-04. Those standards and OMB Circular A-133 and N.J. OMB Circular 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Borough of Sussex's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Borough of Sussex's compliance with those requirements.

In our opinion, the Borough of Sussex complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and N.J. OMB Circular 04-04 and which are described in the accompanying Schedule of Findings and Questioned Costs as Item 11-01.

Internal Control Over Compliance

Management of the Borough of Sussex is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Borough of Sussex's internal

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Honorable Mayor and
Members of the Borough Council
Borough of Sussex
Page 2

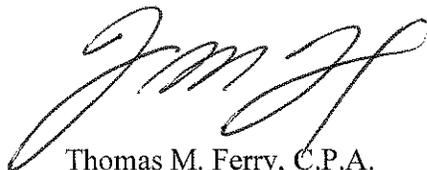
control over compliance with the requirements that could have a direct and material effect on a major state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and NJ OMB Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Borough of Sussex's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as items 11-01. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal and state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Borough of Sussex's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Borough of Sussex's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information of management, the Division of Local Government Services, Department of Community Affairs, State of New Jersey, Federal Awarding Agencies and Pass Through Entities and is not intended to be and should not be used by anyone other than these specified parties.



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

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Certified Public Accountants

June 22, 2012

Borough of Sussex
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2011

Federal Department	Federal Program	Federal C.F.D.A. Number	State Program Account Number	Program or Award Amount	Grant Period From/To	12/31/2010		12/31/2011		MEMO Cumulative Total Expenditures
						Receipts	Expended	Cancelled	(Receivable)	
Department of Transportation: Passed Through NJ Department of Transportation	Highway Planning / Construction: Lakeview Terrace Newton Ave.	20.205	480-078-6320-TCAP-6010	250,000.00	1/1/09 - 12/31/2010	(50,530.49)	31,667.25	31,667.25	(50,530.49)	218,332.75
				150,000.00	1/1/09 - 12/31/2010	(16,846.58)	17,300.73	17,300.73	(16,846.58)	112,934.27
Total Department of Transportation						(67,377.07)	48,967.98	48,967.98	(67,377.07)	331,267.02
U.S. Department of Housing & Urban Development:	Community Development Block Grant - Small Cities Program: Improvements to Various Roads Maple Avenue & Cross Street Rehab Housing	14.228	N/A	400,000.00	1/1/06 - 12/31/11	7,953.49	1,762.80	1,762.80	6,190.69	393,809.31
				400,000.00	1/1/08 - 12/31/11	(34,560.00)	1,658.00	1,658.00	(33,902.00)	400,000.00
				200,000.00	1/1/08 - 12/31/10	(140,596.00)	22,689.33	22,689.33	(117,906.67)	118,816.17
						(175,156.00)	24,652.13	24,652.13	(150,503.87)	125,006.86
TOTAL FEDERAL AID:						(242,533.07)	218,191.97	48,967.98	(206,315.07)	125,006.86

Borough of Sussex
 Schedule of Expenditures of State Financial Assistance
 For the Year Ended December 31, 2011

Name of State Agency or Department	Name of Program	Grant or State Project Number	Program or Award Amount	Grant Period From/To	12/31/2010		12/31/2011		MEMO Cumulative Total Expenditures
					(Receivable)	Reserve Balance	(Receivable)	Reserve Balance	
NJ Department of Environmental Protection:	Clean Communities Grant	4900-765-042-4900-004-V42Y-6020	4,000.00	1/1/09 - 12/31/11		2,371.49		2,057.49	1,942.51
			4,000.00	1/1/09 - 12/31/11		4,000.00		4,000.00	
			4,000.00	1/1/11 - 12/31/11		6,371.49		10,057.49	
	Recycling Tonnage	4900-752-042-4900-001-V42Y-6020	1,777.27	1/1/08 - 12/31/09		1,014.84		-	2,483.86
			3,469.02	1/1/09 - 12/31/09		3,469.02		2,483.86	
			10,296.63	1/1/11 - 12/31/11		4,483.86		10,296.63	
NJ Environmental Infrastructure Trust and Loan Program:									
	Fund Loan Trust Loan Rehabilitation of Manholes	1921001-003 1921001-003 1921001-003	447,000.00	2/17/10 - 12/31/11	(48,726.00)	77,496.06	48,726.00	77,496.06	447,000.00
			149,000.00	2/17/10 - 12/31/11	(16,240.00)	26,032.02	16,240.00	26,032.02	149,000.00
			1,110,400.00	2/17/10 - 12/31/11	(1,110,400.00)	1,095,348.47	656,160.00	598,839.26	(454,240.00)
					(1,175,366.00)	1,198,876.55	721,126.00	702,367.34	1,209,890.79
TOTAL STATE AID					(1,175,366.00)	1,209,731.90	735,422.63	704,681.34	519,347.19

**BOROUGH OF SUSSEX
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: qualified

Internal control over financial reporting:

- 1) Material weakness(es) identified? yes X no
 2) Significant deficiencies identified? X yes no

Noncompliance material to financial statements noted? yes X no

Federal Awards Section

NOT APPLICABLE

State Awards Section

Internal Control over major programs:

- 1) Material weakness(es) identified? yes X no
 2) Significant deficiencies identified? X yes no

Type of auditor's report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular Letter 04-04? X yes no

Identification of major programs:

GMIS Number(s)	Name of State Program
S340 155-01	NJ Infrastructure Trust - Clean Water Loan

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? yes X no

BOROUGH OF SUSSEX
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(continued)

Section II - Schedule of Financial Statement Findings

Finding 11-01 - 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. 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. Therefore, no formal recommendation is deemed necessary at this time.

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.

Finding 11-02:

The Borough of Sussex did not properly update fixed assets for additions and deletions as required by Technical Accounting Directive 85-2 and New Jersey Administrative Code 5:30-5.6.

Management's Response:

Fixed assets will be updated in the year 2012.

Section III - Federal Awards and State Financial Assistance Findings and Questioned Costs

This section identifies the audit findings required to be reported by Section 510(a) of OMB Circular A-133 and New Jersey OMB's Circular 04-04, as well as any abuse findings involving federal and state awards that is material to a major program. Where practical, findings should be organized by federal agency or pass-through entity.

NONE

**BOROUGH OF SUSSEX
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2011**

STATUS OF PRIOR YEAR FINDINGS

The Borough's prior year finding, 10-01, regarding Segregation of Duties has not been corrected and is included in the audit for the year ended December 31, 2011.

BOROUGH OF SUSSEX

PART III

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2011

GENERAL COMMENTS

Cash Balances

Cash balances in all funds were verified by independent certificates obtained from the depositories as of December 31, 2011, and at June 22, 2012, 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, 2010, the bid threshold in accordance with N.J.S. 40A:11-3 and 40A:11-4 (as amended) is \$26,000.00 and with a qualified purchasing agent the threshold may be up to \$36,000.00.

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

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

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

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 4, 2011 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, 2011 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 October 5, 2011.

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>
2011	4
2010	3
2009	5

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.

There are various tax overpayments that need to be reviewed for validity.

A foreclosed property ledger is not being maintained.

Management Response:

The Borough will investigate all tax overpayment balances for validity and will establish a foreclosure register.

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, 2011 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. 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. Therefore, no formal recommendation is deemed necessary at this time.

Management Response:

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

OTHER COMMENTS

Technical Accounting Directives

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

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

1. The general fixed assets were not updated for additions and deletions.

Management Response:

Fixed assets will be updated in 2012.

Interfunds

Reference to various balance sheets show interfund balances remaining at year end. Transactions invariably occur in one fund which require a corresponding entry to be made in another fund, thus creating interfund balances. As a general rule, all interfund balances should be closed out as of the end of year.

Management Response:

It is the Borough's policy to review and liquidate all interfund balances on a periodic basis.

OTHER COMMENTS (CONTINUED)

Finance

1. There are various negative balances in the Planning and Zoning Trust Fund.

Management Response:

Management will review the negative balances to collect or cancel.

2. There is no formal petty cash policy in effect and is not registered with the state.

Management Response:

The Borough will implement a formal petty cash policy and register with the state.

3. The LOSAP expenditure is not being charged to the correct budget year.

Management Response:

The LOSAP expenditure will be charged to the correct budget year within budget constraints.

4. The sales contracts receivable and the reserve for deposit on sale of foreclosed property be investigated for validity.

Management Response:

The Borough will investigate sales contracts receivable and the reserve for deposit on sale of foreclosed property for possible cancellation or refund.

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. There are 233 tickets assigned but not issued over 181 days.

Management Response:

The Court administrator will dispose of them in 2012.

2. The regular and bail accounts have numerous old reconciling items.

Management Response:

The Court administrator will void out old reconciling items in 2012.

OTHER COMMENTS (CONTINUED)

Outside Offices

Water/Sewer Department

Estimates are being made without proper authorization and documentation. Also Water and Sewer Utility adjustments are not being authorized by the Council through a resolution.

Management Response:

The governing body will implement a policy for Water and Sewer estimates and adjustments. Also, adjustments will be approved in the minutes.

RECOMMENDATIONS

1. That the Tax Collector continue to review and investigate tax overpayments to determine their validity and take the appropriate action to dispose of them.
2. That the Tax Collector maintain a foreclosed property ledger to identify properties within the Borough.
3. That fixed assets be updated yearly for additions and deletions.
4. That interfunds be liquidated on a periodic basis.
5. That various negative balances in the planning and zoning trust fund be collected or cancelled.
6. That a formal petty cash policy be implemented and registered with the state.
7. That LOSAP be charged to the correct budget year.
8. That sales contracts receivable and the reserve for deposit on sale of foreclosed property be investigated for validity.
9. That tickets assigned but not issued over 181 days be recalled.
10. That various old reconciling items in the regular and bail account be voided.
11. That a policy be implemented for water and sewer estimates and adjustments. Also, that adjustments should be approved in the minutes by resolution.

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 the Tax Collector continue to review and investigate the tax overpayments to determine their validity and take the appropriate action to dispose of them.
2. That the Tax Collector maintain a foreclosure register to identify foreclosed properties within the Borough.
3. That various old reconciling items in the regular and bail account be voided.

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

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