

REPORT OF AUDIT
BOROUGH OF SUSSEX
COUNTY OF SUSSEX
DECEMBER 31, 2017

BOROUGH OF SUSSEX, N.J.
TABLE OF CONTENTS

YEAR ENDED DECEMBER 31, 2017

PART I

<u>Exhibit</u>	<u>Page</u>
Independent Auditor's Report	1 - 4
 <u>CURRENT FUND</u>	
A Comparative Balance Sheet - Current Fund	5 - 6
A-1 Comparative Statement of Operations and Changes in Fund Balance - Regulatory Basis - Current Fund	7
A-2 Statement of Revenues - Regulatory Basis	8 - 9
A-3 Statement of Expenditures - Regulatory Basis	10 - 18
 <u>TRUST FUND</u>	
B Comparative Balance Sheet - Regulatory Basis	19 - 20
 <u>GENERAL CAPITAL FUND</u>	
C Comparative Balance Sheet - Regulatory Basis	21
C-1 Schedule of Fund Balance - Regulatory Basis	22
 <u>WATER/SEWER UTILITY FUND</u>	
D Comparative Balance Sheet - Regulatory Basis	23 - 24
D-1 Comparative Statement of Operations and Changes in Fund Balance - Regulatory Basis	25
D-2 Statement of Fund Balance - Regulatory Basis	26
D-3 Statement of Revenues - Regulatory Basis	26
D-4 Statement of Expenditures - Regulatory Basis	27 - 28
 <u>FIXED ASSETS</u>	
F Comparative Statement of General Fixed Assets - Regulatory Basis	29
NOTES TO FINANCIAL STATEMENTS	30 - 58
 <u>SUPPLEMENTARY DATA</u>	
OFFICIALS IN OFFICE AND SURETY BONDS	59
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	60
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE	61
COMPARATIVE SCHEDULES	62 - 65

ExhibitPageCURRENT FUND

A-4	Schedule of Cash - Treasurer	66
A-5	Schedule of Cash - Change Fund	67
A-6	Schedule of Escrow Deposit - Purchase of 3 E. Main St.	67
A-7	Schedule of Taxes Receivable and Analysis of Property Tax Levy	68
A-8	Schedule of Tax Title Liens Receivable	69
A-9	Schedule of Property Acquired for Taxes Assessed Valuation	69
A-10	Schedule of Revenue Accounts Receivable	70
A-11	Schedule of Interfunds Receivables/(Payables)	71
A-12	Schedule of Deferred Charges	72
A-13	Schedule of Appropriation Reserves	73 - 74
A-14	Schedule of Various Cash Liabilities and Reserves	75
A-15	Schedule of Amount Due to State of New Jersey for Veterans and Senior Citizens Deductions Schedule of Appropriation Reserves	76
A-16	Schedule of Accounts Payable	77
A-17	Schedule of Prepaid Taxes	78
A-18	Schedule of County Taxes Payable	79
A-19	Schedule of Regional School Taxes Payable	79
A-20	Schedule of Regional High School Taxes Payable	80
A-21	Schedule of Due From/ (To)Current Fund	81
A-22	Schedule of Encumbrances Payable	81
A-23	Schedule of Grants Receivable	82
A-24	Schedule of Appropriated Reserves for Grants	83
A-25	Schedule of Unappropriated Reserves for Grants	84

TRUST FUNDS

B-1	Schedule of Cash	85
B-2	Schedule of Due From/(To) Other Trust Fund - Animal Control Trust Fund	86
B-3	Schedule of Due To/(From) Animal Control - Trust Fund	86
B-4	Reserve for Animal Control Trust Fund Expenditures - Trust Fund	87
B-5	Schedule of Due (From)/(To) Current Fund - Animal Control Trust Fund	88
B-6	Schedule of Due (From)/(To) State Department of Health - Animal Control Trust Fund	88
B-7	Schedule of Other Trust Funds - Trust Fund	89
B-8	Schedule of Encumbrances Payable - Other Trust Fund	90
B-9	Schedule of Due to Current Fund - Other Trust Fund	90
B-10	Schedule of Contributions Receivable - Emergency Services Volunteer Length of Services Awards Program	91
B-11	Schedule of Net Assets Available for Benefits - Emergency Services Volunteer Length of Services Awards Program	92

ExhibitPageGENERAL CAPITAL FUND

C-2	Schedule of Cash	93
C-3	Analysis of Cash	94
C-4	Schedule of Interfunds	95
C-5	Schedule of Deferred Charges to Future Taxation - Funded	96
C-6	Schedule of Grants Receivable - NJ DOT	97
C-7	Schedule of Deferred Charges to Future Taxation - Unfunded	98
C-8	Schedule of Capital Improvement Fund	99
C-9	Schedule of Improvement Authorizations	100
C-10	Schedule of Bond Anticipation Notes Payable	101
C-11	Schedule of Green Acres Trust Program Loan Payable	102
C-12	Schedule of Reserve for Encumbrances	103
C-13	Schedule of Various Reserves	104
C-14	Schedule of Bonds and Notes Authorized But Not Issued	105

WATER/SEWER UTILITY FUND

D-5	Schedule of Cash	106
D-6	Analysis of Cash	107
D-7	Schedule of Consumer Accounts Receivable	108
D-8	Schedule of Other Receivables	108
D-9	Schedule of Water/Sewer Utility Liens	109
D-10	Schedule of Water/Sewer Grants Receivable	109
D-11	Schedule of Fixed Capital	110
D-12	Schedule of Fixed Capital Authorized and Uncompleted	111
D-13	Schedule of N.J. Environmental Infrastructure Trust Receivable	112
D-14	Schedule of Water/Sewer Overpayments	112
D-15	Schedule of Appropriation Reserves	113
D-16	Schedule of Interfund Accounts Receivable (Payable)	114
D-17	Schedule fo NJ Department of Transportation Receivable- Route 23 Utility Relocation	115
D-18	Schedule of Accrued Interest on Bonds, Loans and Notes	116
D-19	Schedule of Accounts Payable	117
D-20	Schedule of Deferred Charges	118
D-21	Schedule of Improvement Authorizations	119
D-22	Schedule of Capital Improvement Fund	120
D-23	Schedule of Reserve for Amortization	120
D-24	Schedule of Deferred Reserve for Amortization	121
D-25	Schedule of Serial Bonds Payable	122
D-26	Schedule of Bond Anticipation Notes Payable	123
D-27	Schedule of NJ Environmental Infrastructure Trust Loan Payable	124 - 127
D-28	Schedule of Reserve for Capital Outlay	128
D-29	Schedule of Reserve for Encumbrances	128
D-30	Schedule of Reserve for Debt Service	129
D-31	Schedule of Bonds and Notes Authorized but not Issued	130

PART II

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	131 - 132
Schedule of Findings and Responses	133
Summary Schedule of Prior Audit Findings	134

COMMENTS AND RECOMMENDATIONS

GENERAL COMMENTS

Cash Balances	135
Contracts and Agreements Required	135
Collection of Interest on Delinquent Taxes and Assessments	136
Delinquent Taxes and Tax Title Liens	137
Verification of Delinquent Taxes and Other Charges	137
Segregation of Duties	138
Other Comments	138

RECOMMENDATIONS	139
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STATUS OF PRIOR YEAR'S AUDIT FINDINGS/RECOMMENDATIONS	139
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BOROUGH OF SUSSEX

PART I

REPORT OF AUDIT ON FINANCIAL STATEMENTS

AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2017

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Borough of Sussex in the County of Sussex, as of December 31, 2017 and 2016, the related statement of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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



Honorable Mayor and
Members of the Borough Council
Page 2

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Borough of Sussex as of December 31, 2017 and 2016, or changes in financial position for the years then ended.

Basis for Qualified Opinion on Regulatory Basis Accounting Principles

As described in Note 17 of the financial statements, the Borough participates in a Length of Service Award Program (LOSAP) volunteer fire and rescue personnel. The amount reflected in the trust fund statements of \$303,562.39 and \$256,203.49 for 2017 and 2016, respectively, were not audited and, therefore, we express no opinion on the LOSAP program.



Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of the matter described in “Basis for Qualified Opinion on Regulatory Basis Accounting Principles” paragraph, the financial statements referred to above present fairly, in all material respects, the regulatory basis balances sheets as of December 31, 2017 and 2016, the regulatory basis statements of operations for the years then ended and the regulatory basis statements of revenues and expenditures for the year ended December 31, 2017 in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Other Information

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

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

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

Honorable Mayor and
Members of the Borough Council
Page 4

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2018 on our consideration of the Borough of Sussex's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of Sussex's internal control over financial reporting and compliance.



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

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Certified Public Accountants

Newton, New Jersey

June 27, 2018

Borough of Sussex, N.J.

Comparative Balance Sheet - Regulatory Basis

Current Fund

December 31,

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
<u>Assets</u>			
Current Fund:			
Cash	A-4	898,027.63	674,229.99
Change Fund	A-5	100.00	100.00
Escrow on Purchase of 3 E Main St	A-6	1,000.00	1,000.00
		<u>899,127.63</u>	<u>675,329.99</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Taxes Receivable	A-7	96,551.35	82,743.06
Tax Title Liens Receivable	A-8	43,103.36	57,716.50
Property Acquired for Taxes - Assessed Valuation	A-9	217,700.00	217,700.00
Interfund Receivables:			
Animal Control Trust Fund	A-11	2,324.41	2,116.60
Other Trust Fund	A-11	70.65	
		<u>359,749.77</u>	<u>360,276.16</u>
Deferred Charges:			
Overexpenditure in Appropriation	A-12	952.30	952.30
		<u>1,259,829.70</u>	<u>1,036,558.45</u>
Federal and State Grant Fund:			
Interfund - Current Fund	A-21	48,777.36	48,219.43
		<u>1,308,607.06</u>	<u>1,084,777.88</u>

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

Borough of Sussex, N.J.

Comparative Balance Sheet - Regulatory Basis

Current Fund

December 31,

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Current Fund:			
Appropriation Reserves			
Unencumbered	A-3;A-13	157,880.90	134,088.78
Encumbered	A-3;A-13	29,764.97	7,529.71
Interfunds Payable:			
Federal and State Grant Fund	A-11	48,777.36	48,219.43
Water/Sewer Operating	A-11	143.58	
General Capital	A-11	94,663.61	19,278.24
Tax Overpayments	A-14	3,380.87	3,284.67
Reserve for:			
Revaluation	A-14	7,662.12	7,662.12
Due to State of New Jersey:			
Marriage Surcharge	A-14	153.00	103.00
Senior Citizen and Veteran Deductions	A-15	3,824.97	2,324.97
Accounts Payable	A-16	14.60	
Prepaid Taxes	A-17	65,094.03	15,412.77
County Taxes Payable	A-18	0.09	26,663.05
Regional High School Taxes Payable	A-20	15,499.00	
		<u>426,859.10</u>	<u>264,566.74</u>
Reserve for Receivables	Contra	359,749.77	360,276.16
Fund Balance	A-1	473,220.83	411,715.55
		<u>1,259,829.70</u>	<u>1,036,558.45</u>
Federal and State Grant Fund:			
Encumbrances Payable	A-22	312.00	
Appropriated Reserve for Grants	A-24	35,153.72	42,645.32
Unappropriated Reserve for Grants	A-25	13,311.64	5,574.11
		<u>48,777.36</u>	<u>48,219.43</u>
		<u>1,308,607.06</u>	<u>1,084,777.88</u>

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

Borough of Sussex, N.J.

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

Current Fund

Year Ended December 31,

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
Revenues and Other Income:			
Fund Balance Utilized	A-2	145,000.00	103,500.00
Miscellaneous Revenue Anticipated	A-2	282,041.98	270,735.64
Receipts from Delinquent Taxes	A-2	107,619.15	153,884.16
Receipts from Current Taxes	A-2	3,879,863.13	3,968,903.42
Non-Budget Revenue	A-2	67,180.02	50,883.75
Other Credits to Income:			
Statutory Excess-Animal Control	A-11	2,314.20	2,116.60
Unexpended Balance of			
Appropriation Reserves	A-13	85,599.47	51,924.45
Total Revenues and Other Income		<u>4,569,617.95</u>	<u>4,601,948.02</u>
Expenditures:			
Budget and Emergency Appropriations:			
Operations - Within "CAPS"			
Salaries and Wages	A-3	278,429.00	292,392.00
Other Expenses	A-3	581,553.00	539,448.00
Deferred Charges and Statutory Expenditures -			
Municipal - Within "CAPS"	A-3	36,874.00	33,906.58
Operations - Excluded From CAPS:			
Other Expenses	A-3	129,998.11	132,404.63
Capital Improvements - Excluded from Caps	A-3	186,000.00	166,000.00
Municipal Debt Service - Excluded from Caps	A-3	85,842.76	76,165.52
Deferred Charges and Statutory Expenditures -			
Municipal - Excluded from Caps	A-3	19,925.00	44,925.09
Refund of Prior Year Taxes			61,391.88
Interfund and Other Receivables Advanced	A-11	278.46	2,116.60
Regional School Tax	A-19	615,262.00	1,537,545.00
Regional High School Tax	A-20	1,683,002.00	760,743.00
County Taxes including Added Taxes	A-18	745,948.34	714,284.85
Total Expenditures		<u>4,363,112.67</u>	<u>4,361,323.15</u>
Excess (Deficit) Revenue Over Expenditures		206,505.28	240,624.87
Adjustment to Income Before Fund Balance			
Expenditures Included above Which are by Statute			
Deferred Charges to Budget of Succeeding Year			952.30
Statutory Excess to Fund Balance		206,505.28	241,577.17
Fund Balance, January 1,	A	<u>411,715.55</u>	<u>273,638.38</u>
		618,220.83	515,215.55
Decreased by:			
Fund Balance Utilized as Budget Revenue		<u>145,000.00</u>	<u>103,500.00</u>
Fund Balance, December 31,	A	<u><u>473,220.83</u></u>	<u><u>411,715.55</u></u>

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

Borough of Sussex, N.J.
Statement of Revenues - Regulatory Basis
Current Fund
Year Ended December 31, 2017

	<u>Ref.</u>	<u>Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Fund Balance Anticipated	A-1	<u>145,000.00</u>	<u>145,000.00</u>	<u> </u>
Miscellaneous Revenues:				
Licenses:				
Alcoholic Beverages	A-10	4,400.00	4,660.00	260.00
Fees and Permits	A-10	12,600.00	11,951.00	(649.00)
Municipal Court	A-10	15,500.00	19,023.87	3,523.87
Parking Meters	A-10	11,000.00	11,200.00	200.00
Energy Receipts Tax	A-10	165,654.00	165,654.00	
Consolidated Municipal Property Tax Relief Aid	A-10	21,819.00	21,819.00	
Special Items of General Revenue Anticipated				
With Prior Written Consent of Director of				
Local Government Services:				
Public and Private Revenues:				
Clean Communities	A-23	5,574.11	5,574.11	
Other Special Items:				
Housing Inspection Fees	A-10	<u>27,000.00</u>	<u>42,160.00</u>	<u>15,160.00</u>
Total Miscellaneous Revenues	A-1	<u>263,547.11</u>	<u>282,041.98</u>	<u>18,494.87</u>
Receipts from Delinquent Taxes	A-1;A-2	<u>81,000.00</u>	<u>107,619.15</u>	<u>26,619.15</u>
Subtotal General Revenues		<u>489,547.11</u>	<u>534,661.13</u>	<u>45,114.02</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>948,985.00</u>	<u>955,489.79</u>	<u>6,504.79</u>
Budget Totals		1,438,532.11	1,490,150.92	51,618.81
Non-Budget Revenue	A-1;A-2	<u> </u>	<u>67,180.02</u>	<u>67,180.02</u>
		<u>1,438,532.11</u>	<u>1,557,330.94</u>	<u>118,798.83</u>
		A-3		

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

Borough of Sussex, N.J.
Statement of Revenues - Regulatory Basis
Current Fund
Year Ended December 31, 2017

<u>Analysis of Realized Revenues</u>	<u>Ref.</u>		
Revenue from Collections	A-1;A-7		3,879,863.13
Allocated to School and County Taxes	A-7		<u>3,044,212.34</u>
Balance for Support of Municipal Budget Appropriations			835,650.79
Add : Appropriation - Reserve for Uncollected Taxes	A-3		<u>119,839.00</u>
Amount for Support of Municipal Budget Appropriations	A-2		<u><u>955,489.79</u></u>
Receipts from Delinquent Taxes:			
Delinquent Taxes			
Taxes Receivable	A-7	79,371.54	
Tax Title Liens Receivable	A-8	<u>28,247.61</u>	
			<u><u>107,619.15</u></u>
			A-2
<u>Analysis of Non-budget Revenues</u>			
Miscellaneous Revenues Not Anticipated:			
Revenues Accounts Receivable:			
Clerk	A-10	104.61	
Tax Collector	A-10	35,612.08	
Interest on Investments	A-10	<u>1,695.02</u>	
			37,411.71
Cable TV. Franchise Fee		7,390.00	
Planning Board Applications		250.00	
Veteran & Sr. Citizen Admin. Fees		265.00	
Copies		0.90	
Zoning & Housing Fees		1,080.00	
Reimbursements		<u>20,782.41</u>	
	A-4		<u>29,768.31</u>
	A-2		<u><u>67,180.02</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, 2017

	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
<u>General Appropriations</u>						
Operations Within "CAPS"						
Administrative and Executive						
Salaries and Wages		118,000.00	118,000.00	116,991.60	1,008.40	
Other Expenses		59,900.00	59,900.00	48,353.57	11,546.43	
Elections						
Other Expenses		1,300.00	1,300.00	1,100.53	199.47	
Financial Administration						
Other Expenses		25,500.00	25,500.00	14,837.74	10,662.26	
Collection of Taxes						
Other Expenses		1,550.00	1,550.00	650.30	899.70	
Tax Maps		2,000.00	2,000.00	449.00	1,551.00	
Legal Services and Costs						
Other Expenses		62,000.00	55,000.00	35,975.32	19,024.68	
Engineering Services and Costs						
Other Expenses		26,500.00	26,500.00	11,508.33	14,991.67	
Municipal Land Use Law : (N.J.S. 40:55D-11)						
Planning Board						
Salaries and Wages		10,500.00	10,500.00	6,734.54	3,765.46	
Other Expenses		17,500.00	17,500.00	11,364.45	6,135.55	

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, 2017

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Property Maintenance Board						
Other Expenses		1,300.00	1,300.00		1,300.00	
Zoning Official						
Salaries and Wages		13,500.00	13,500.00	7,887.52	5,612.48	
Other Expenses		500.00	500.00		500.00	
Insurance:						
Group Insurance Plan for Employees		79,500.00	87,100.00	78,329.30	8,770.70	
Workers Compensation Insurance		16,452.00	16,452.00	16,452.00		
Surety Bonds						
Other Insurance Premiums		45,236.00	45,236.00	44,733.00	503.00	
Health Benefit Waiver		4,500.00	4,500.00	1,500.00	3,000.00	
Public Safety:						
Police						
Salaries and Wages		28,000.00	29,800.00	29,769.90	30.10	
Other Expenses		250.00	250.00	26.99	223.01	
Office of Emergency Management						
Salaries and Wages		1,563.00	1,564.00	1,563.50	0.50	
Fire						
Aid to Volunteer Fire Department		45,000.00	45,000.00	45,000.00		

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

Borough of Sussex, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2017

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Streets and Roads:						
Road Repairs and Maintenance						
Salaries and Wages		87,550.00	87,550.00	84,973.50	2,576.50	
Other Expenses		65,400.00	65,400.00	52,628.80	12,771.20	
Snow Removal						
Salaries and Wages		12,250.00	12,250.00	7,065.25	5,184.75	
Other Expenses		19,500.00	19,500.00	14,734.24	4,765.76	
Street Lighting						
Other Expenses		25,000.00	25,000.00	24,466.52	533.48	
Garbage and Trash Removal						
Other Expenses		3,840.00	3,840.00	3,539.20	300.80	
Public Buildings and Grounds						
Salaries and Wages		5,265.00	5,265.00	3,230.50	2,034.50	
Other Expenses		51,900.00	51,900.00	42,843.77	9,056.23	
Health and Welfare:						
Board of Health						
Other Expenses		75.00	75.00	5.40	69.60	
Registrar						
Other Expenses		250.00	250.00	250.00		

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, 2017

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Board of Recreation						
Other Expenses		2,500.00	2,500.00	1,314.44	1,185.56	
Celebration of Public Event						
Other Expenses		500.00	500.00	70.00	430.00	
Unclassified:						
Reserve for Pending Tax Appeals						
Other Expenses		1.00	1.00		1.00	
Gasoline & Diesel Fuel		14,000.00	11,599.00	5,839.78	5,759.22	
Clove Lake Restoration						
Other Expenses		11,400.00	11,400.00	5,985.00	5,415.00	
Total Operations within "CAPS"		<u>859,982.00</u>	<u>859,982.00</u>	<u>720,173.99</u>	<u>139,808.01</u>	
Total Operations within "CAPS" Including Contingent		<u>859,982.00</u>	<u>859,982.00</u>	<u>720,173.99</u>	<u>139,808.01</u>	
Detail:						
Salaries and Wages	A-1	<u>276,628.00</u>	<u>278,429.00</u>	<u>258,216.31</u>	<u>20,212.69</u>	
Other Expenses	A-1	<u>583,354.00</u>	<u>581,553.00</u>	<u>461,957.68</u>	<u>119,595.32</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, 2017

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Deferred Charges and Statutory Expenditures - Municipal within "CAPS"						
Statutory Expenditures:						
Contribution to:						
Public Employees' Retirement System		12,873.00	12,873.00	12,873.00		
Social Security System (O.A.S.I.)		22,000.00	22,000.00	18,528.79	3,471.21	
Unemployment Compensation Insurance		2,000.00	2,000.00	1,592.40	407.60	
Defined Contribution Retirement Program		1.00	1.00		1.00	
Total Deferred Charged and Statutory Expenditures - Municipal within "CAPS"	A-1	36,874.00	36,874.00	32,994.19	3,879.81	
Total General Appropriations for Municipal Purposes within "CAPS"		896,856.00	896,856.00	753,168.18	143,687.82	
Operations - Excluded from "CAPS"						
Aid to Vol. Fire Department LOSAP		18,000.00	18,000.00		18,000.00	
Total Other Operations - Excluded From Caps		18,000.00	18,000.00		18,000.00	

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

Borough of Sussex, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2017

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Interlocal Municipal Service Agreements						
Township of Wantage:						
Tax Collector		8,833.00	8,833.00	8,833.00		
Other Expenses						
Tax Assessor						
Other Expenses		11,016.00	11,016.00	11,016.00		
Municipal Court						
Other Expenses		41,386.00	41,386.00	41,386.00		
Township of Vernon						
"911" Dispatching Communication						
Other Expenses		16,053.00	16,053.00	15,000.00	1,053.00	
Animal Control Agreement						
Other Expenses		10,200.00	10,200.00	10,200.00		
Animal Census						
Other Expenses		1,800.00	1,800.00		1,800.00	
Township of Hardyston:						
Construction Agreement						
Other Expenses		5,000.00	5,000.00		5,000.00	

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

Borough of Sussex, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2017

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Township of Lafayette						
Finance Office		12,136.00	12,136.00	8,323.20	3,812.80	
Other Expenses		106,424.00	106,424.00	94,758.20	11,665.80	
Total Public and Private Program Offset by Revenue						
Public and Private Programs Offset by Revenues						
Clean Communities Grant		5,574.11	5,574.11	5,574.11		
Other Expenses		5,574.11	5,574.11	5,574.11		
Total Public and Private Program Offset By Revenues		129,998.11	129,998.11	100,332.31	29,665.80	
Total Operations - Excluded from "CAPS"						
Detail:						
Other Expenses	A-1	129,998.11	129,998.11	100,332.31	29,665.80	
Capital Improvements:						
Capital Improvement Fund		63,000.00	63,000.00	63,000.00		
Improvements to Streets and Roads		19,000.00	19,000.00	19,000.00		
Purchases of Equipment		12,000.00	12,000.00	12,000.00		
Improvements to Municipal Properties		15,000.00	15,000.00	707.75	14,292.25	
Purchase of Fire Truck		25,000.00	25,000.00	25,000.00		

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

Borough of Sussex, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2017

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Purchase of Fire Equipment		20,000.00	20,000.00	20,000.00		
Purchase of Ambulance		12,000.00	12,000.00	12,000.00		
Purchase of DPW Equipment		20,000.00	20,000.00	20,000.00		
Total Capital Improvements Excluded from "CAPS"	A-1	186,000.00	186,000.00	171,707.75	14,292.25	
Municipal Debt Service:						
Payment of Bond Anticipation Notes and Capital Notes		75,299.00	75,299.00	75,228.00		71.00
Interest on Notes		2,170.00	2,170.00	2,170.00		
Loan Repayments Principal and Interest		8,445.00	8,445.00	8,444.76		0.24
Total Municipal Debt Service-Excluded from "CAPS"	A-1	85,914.00	85,914.00	85,842.76		71.24
Deferred Charges:						
Deferred Charges to Future Taxation Unfunded:						
Ordinance # 11-06		19,925.00	19,925.00	19,925.00		
Total Deferred Charges - Municipal - Excluded from "CAPS"	A-1	19,925.00	19,925.00	19,925.00		
Total General Appropriations for Municipal Purposes Excluded from "CAPS"		421,837.11	421,837.11	377,807.82	43,958.05	71.24
Subtotal General Appropriations		1,318,693.11	1,318,693.11	1,130,976.00	187,645.87	71.24
Reserve for Uncollected Taxes		119,839.00	119,839.00	119,839.00		

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, 2017

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Total General Appropriations		<u>1,438,532.11</u>	<u>1,438,532.11</u>	<u>1,250,815.00</u>	<u>187,645.87</u>	<u>71.24</u>
			A-2			
Adopted Budget						
Appropriated by N.J.S. 40A:4-87						
				119,839.00		
Reserve for Uncollected Taxes	A-2			1,030,248.89		
Cash Disbursed	A-4			95,153.00		
Schedule of Interfunds	A-11			5,574.11		
Reserve for Federal and State Grants	A-24			<u>1,250,815.00</u>		
					157,880.90	
<u>Analysis of Appropriation Reserves</u>					29,764.97	
Unencumbered	A				<u>187,645.87</u>	
Encumbered	A					

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

Borough of Sussex, N.J.

Comparative Balance Sheet - Regulatory Basis

Trust Funds

December 31,

<u>Assets</u>	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
Animal Control Trust Fund:			
Cash- Treasurer	B-1	9,628.89	8,920.14
Due from State	B-6		0.60
		<u>9,628.89</u>	<u>8,920.74</u>
Other Trust Funds:			
Cash	B-1	73,687.61	190,246.51
Interfund - Animal Control	B-3	1,648.08	666.54
		<u>75,335.69</u>	<u>190,913.05</u>
Emergency Services Volunteer Length of Service Award Program (Unaudited):			
Cash in Plan	B-1	284,812.39	237,703.49
Contributions Receivable	B-10	18,750.00	18,500.00
		<u>303,562.39</u>	<u>256,203.49</u>
		<u>388,526.97</u>	<u>456,037.28</u>

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

Borough of Sussex, N.J.

Comparative Balance Sheet - Regulatory Basis

Trust Funds

December 31,

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
<u>Liabilities, Reserves & Fund Balance</u>			
Animal Control Trust Fund:			
Due to Other Trust Fund	B-2	1,648.08	666.54
Reserve for Animal Control			
Trust Expenditures	B-4	5,652.20	6,137.60
Due To Current Fund	B-5	2,324.41	2,116.60
Due to State Department of Health	B-6	4.20	
		<u>9,628.89</u>	<u>8,920.74</u>
Other Trust Fund:			
Due to Current Fund	B-9	70.65	
Reserve for Various Reserves	B-7	53,189.04	169,113.05
Encumbrances Payable	B-8	22,076.00	21,800.00
		<u>75,335.69</u>	<u>190,913.05</u>
Emergency Services Volunteer Length of Service Award Program (Unaudited):			
Net Assets Available for Benefits	B-11	<u>303,562.39</u>	<u>256,203.49</u>
		<u><u>388,526.97</u></u>	<u><u>456,037.28</u></u>

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

Borough of Sussex, N.J.

Comparative Balance Sheet - Regulatory Basis

General Capital Fund

December 31,

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
<u>Assets</u>			
Cash	C-2;C-3	538,278.29	245,456.76
Interfund - Current Fund	C-4	94,663.61	19,278.24
Grants Receivable:			
New Jersey Department of Transportation	C-6	60,000.00	
Deferred Charges to Future Taxation:			
Funded	C-5		8,319.84
Unfunded	C-7	864,215.00	674,369.00
		<u>1,557,156.90</u>	<u>947,423.84</u>
 <u>Liabilities, Reserves and Fund Balance</u>			
Capital Improvement Fund	C-8	110,760.01	47,760.01
Improvement Authorizations:			
Funded	C-9	72,377.25	72,189.03
Unfunded	C-9	147,180.46	50,892.51
Bond Anticipation Notes Payable	C-10	845,500.00	160,729.00
Green Acres Trust Loan Payable	C-11		8,319.84
Reserve for Encumbrances	C-12	220,004.94	458,939.21
Reserve for Various Reserves	C-13	160,777.24	148,037.24
Fund Balance	C-1	557.00	557.00
		<u>1,557,156.90</u>	<u>947,423.84</u>

Footnote C: There were Bonds and Notes Authorized But Not Issued on December 31, 2017 and 2016 in the Amount of \$18,715.00 and \$513,640.00 per Exhibit C-14.

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

Borough of Sussex, N.J.

Comparative Schedule of Fund Balance - Regulatory Basis

General Capital Fund

December 31,

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
Balance - January 1,	C	<u>557.00</u>	<u>557.00</u>
Balance - December 31,	C	<u>557.00</u>	<u>557.00</u>

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

Comparative Balance Sheet - Regulatory Basis

Water/Sewer Utility Fund

December 31,

	<u>Ref</u>	<u>2017</u>	<u>2016</u>
<u>Assets</u>			
Operating Fund:			
Cash-Treasurer	D-5	691,101.39	394,591.23
Due From Current Fund	D-16	143.58	
		<u>691,244.97</u>	<u>394,591.23</u>
Receivables with Full Reserves:			
Consumer Accounts	D-7	982,580.39	945,892.36
Other Receivables	D-8		4,500.00
Water/Sewer Liens Receivable	D-9	9,832.90	17,009.19
		<u>992,413.29</u>	<u>967,401.55</u>
Deferred Charges:			
Overexpenditure of Appropriations	D-20	1,702.23	1,702.23
Operating Deficit	D-20	14,387.35	78,601.35
		<u>16,089.58</u>	<u>80,303.58</u>
Total Operating Fund		<u>1,699,747.84</u>	<u>1,442,296.36</u>
Capital Fund:			
Cash	D-5;D-6	1,833,511.76	2,047,192.42
Grants Receivable	D-10	205,713.00	400,000.00
Fixed Capital*	D-11	16,917,574.84	16,917,574.84
Fixed Capital Authorized and Uncompleted*	D-12	4,925,000.00	4,925,000.00
NJ Environmental Infrastructure Trust Receivable	D-13	299,252.00	299,252.00
Interfund Receivable:			
Water/Sewer Operating	D-16	47,146.68	15,000.00
NJ Department of Transportation Receivable	D-17	304.16	304.16
Total Capital Fund		<u>24,228,502.44</u>	<u>24,604,323.42</u>
Total Assets		<u>25,928,250.28</u>	<u>26,046,619.78</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.

Comparative Balance Sheet - Regulatory Basis

Water/Sewer Utility Fund

	December 31,		
	Ref	2017	2016
<u>Liabilities, Reserves and Fund Balance</u>			
Operating Fund:			
Appropriation Reserve:			
Unencumbered	D-4;D-15	92,407.59	69,943.75
Encumbered	D-4;D-15	67,445.76	39,507.02
Water/Sewer Overpayments	D-14	2,898.51	2,898.51
Interfund Payable:			
Water / Sewer Utility Capital Fund	D-16	47,146.68	15,000.00
Accrued Interest on Bonds, Loans and Notes	D-18	20,773.95	19,325.07
Accounts Payable	D-19	15,377.75	13,446.66
		<u>246,050.24</u>	<u>160,121.01</u>
Reserve for Receivables	Contra	992,413.29	967,401.55
Fund Balance	D-1	461,284.31	314,773.80
Total Operating Fund		<u>1,699,747.84</u>	<u>1,442,296.36</u>
Capital Fund:			
Improvement Authorizations:			
Funded	D-21	405,949.01	424,799.01
Unfunded	D-21	2,904,172.30	3,547,226.06
Capital Improvement Fund	D-22	117,920.00	22,920.00
Reserve for Amortization	D-23	11,953,104.48	11,615,533.78
Reserve for Deferred Amortization	D-24	575,555.00	564,444.00
Serial Bonds Payable	D-25	4,848,000.00	5,118,000.00
Bond Anticipation Notes Payable	D-26	1,905,000.00	1,875,000.00
General Obligation Loans Payable:			
NJ Environment Infrastructure Trust Loan Payable	D-27	1,171,571.36	1,250,542.46
Reserve for:			
Capital Outlay	D-28	72,181.69	72,181.69
Encumbrances	D-29	241,629.28	65,426.71
Debt Service	D-30	4,975.20	45,883.79
Fund Balance	D-2	28,444.12	2,365.92
Total Capital Fund		<u>24,228,502.44</u>	<u>24,604,323.42</u>
Total Liabilities, Reserves and Fund Balances		<u>25,928,250.28</u>	<u>26,046,619.78</u>

Footnote D: There Were \$1,470,000 and \$1,380,000.00 Bonds and Notes Authorized But Not Issued on December 31, 2017 and 2016 as per Exhibit D-31.

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

Borough of Sussex, N.J.

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

Water/Sewer Utility Operating Fund

Year Ended December 31,

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
Revenue and Other Income Realized:			
Operating Surplus Anticipated	D-3	115,678.21	83,000.00
Water/Sewer Rents	D-3	2,392,986.82	2,229,999.26
Water/Sewer Liens Redeemed	D-3	9,579.77	20,357.00
Reserve for Debt Service	D-3	45,883.79	
Miscellaneous Revenues Anticipated	D-3	2,015.51	4,659.77
Miscellaneous Revenues Not Anticipated	D-3	30,113.32	25,564.41
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	D-15	64,745.15	46,229.18
Total Income		<u>2,661,002.57</u>	<u>2,409,809.62</u>
Expenditures:			
Operating	D-4	1,645,812.00	1,748,892.00
Capital Improvements	D-4	95,000.00	120,000.00
Debt Service	D-4	576,076.85	559,882.16
Deferred Charges and			
Statutory Expenditures	D-4	17,711.00	12,302.00
Deficits In Operation in Prior Years	D-4	64,214.00	47,334.81
Total Expenditures		<u>2,398,813.85</u>	<u>2,488,410.97</u>
Operating Deficit to be Raised in Budget of Succeeding Year			<u>(78,601.35)</u>
Excess (Deficit) in Revenue over Expenditures		262,188.72	
Fund Balance - January 1,	D	314,773.80	397,773.80
		<u>576,962.52</u>	
Decreased by:			
Utilized as Anticipated Revenue		<u>115,678.21</u>	<u>83,000.00</u>
Fund Balance - December 31,	D	<u>461,284.31</u>	<u>314,773.80</u>

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

Borough of Sussex, N.J.

Statement of Fund Balance - Statutory Basis

Water/Sewer Utility Capital Fund

Year Ended December 31, 2017

Balance - December 31, 2016	<u>Ref.</u> D		2,365.92
Increased by:			
Premium on Bond Sale	D-5	15,764.00	
Improvement Authorization Canceled	D-23	<u>10,314.20</u>	
			<u>26,078.20</u>
Balance - December 31, 2017	D		<u><u>28,444.12</u></u>

Statement of Revenues - Regulatory Basis

Water/Sewer Utility Operating Fund

Year Ended December 31, 2017

	<u>Ref.</u>	<u>Anticipated</u>	<u>Realized</u>	<u>Excess (Deficit)</u>
Operating Surplus Anticipated	D-1	115,678.21	115,678.21	
Water/Sewer Rents	D-1;D-7	2,249,744.00	2,392,986.82	143,242.82
Water/Sewer Liens Redeemed	D-1;D-9		9,579.77	9,579.77
Reserved for Debt Service	D-1;D-16	45,883.79	45,883.79	
Miscellaneous Revenue	D-1;D-5	4,500.00	2,015.51	(2,484.49)
Budget Totals		<u>2,415,806.00</u>	<u>2,566,144.10</u>	<u>150,338.10</u>
Non-Budget Revenue	D-1		<u>30,113.32</u>	<u>30,113.32</u>
		<u>2,415,806.00</u>	<u>2,596,257.42</u>	<u>180,451.42</u>
		D-4		

Analysis of Non-Budget Revenues

Interest on Deposits- Water/Sewer Capital	D-16		1,969.53	
Fire Hydrant Servicing		3,500.00		
Hook-ups		5,440.00		
Interest on Delinquent Payments		17,649.49		
Interest on Investments				
Water/Sewer Operating		461.77		
Miscellaneous		<u>1,092.53</u>		
	D-5		<u>28,143.79</u>	
			<u>30,113.32</u>	
			D-3	

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

Borough of Sussex, N.J.
Statement of Expenditures - Regulatory Basis
Water/Sewer Operating Fund
Year Ended December 31, 2017

	Appropriated		Expended		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operating:					
Salaries and Wages	172,600.00	172,600.00	137,579.62	35,020.38	
Other Expenses	1,473,212.00	1,473,212.00	1,350,268.66	122,943.34	
Total Operating	1,645,812.00	1,645,812.00	1,487,848.28	157,963.72	
Capital Improvements:					
Capital Improvement Fund	95,000.00	95,000.00	95,000.00		
Total Capital Improvements	95,000.00	95,000.00	95,000.00		
Debt Service:					
Payment of Bond Principal	270,000.00	270,000.00	270,000.00		9,344.00
Payment of Bond Anticipation Notes and Capital Notes	24,344.00	24,344.00	15,000.00		
Interest on Bonds	160,835.00	160,835.00	160,835.00		
Interest on Notes	26,470.00	26,470.00	26,470.00		
NJIT Principal Payments	78,972.00	78,972.00	71,323.85		7,648.15
NJIT Interest Payments	32,448.00	32,448.00	32,448.00		
Total Debt Service	593,069.00	593,069.00	576,076.85		16,992.15

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, 2017

Ref.	Appropriated		Paid or Charged	Expended	Reserved	Unexpended Balance Cancelled
	Budget	Budget After Modification				
D-1	64,214.00	64,214.00	64,214.00			
	8,111.00	8,111.00	8,111.00			
	9,000.00	9,000.00	7,110.37		1,889.63	
	600.00	600.00	600.00			
D-1	17,711.00	17,711.00	15,821.37		1,889.63	
	81,925.00	81,925.00	80,035.37		1,889.63	
	<u>2,415,806.00</u>	<u>2,415,806.00</u>	<u>2,238,960.50</u>		<u>159,853.35</u>	<u>16,992.15</u>

D-3

<u>Analysis of Paid or Charged</u>	
D-5	Cash Disbursed
D-16	Interfund - Water/Sewer Capital Fund
D-18	Accrued Interest
D-20	Deferred Charges
	<u>1,859,993.50</u>
	<u>95,000.00</u>
	<u>219,753.00</u>
	<u>64,214.00</u>
	<u>2,238,960.50</u>

<u>Analysis of Appropriation Reserves</u>	
D	Unencumbered
D	Encumbered
	<u>92,407.59</u>
	<u>67,445.76</u>
	<u>159,853.35</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,

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Land, Building and Building Improvements	2,141,800.00	2,141,800.00
Machinery and Equipment	<u>2,326,465.00</u>	<u>2,273,448.00</u>
	<u>4,468,265.00</u>	<u>4,415,248.00</u>
<u>RESERVES</u>		
Investment in Fixed Assets	<u>4,468,265.00</u>	<u>4,415,248.00</u>

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

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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, 2017 AND 2016
(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.

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

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Basis of Accounting

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

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

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

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Budgets and Budgetary Accounting

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

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

Animal Control Trust Fund	Trust Fund
General Capital Fund	Water/Sewer Utility Capital Fund

The governing body shall introduce and approve the annual budget not later than February 10, of the fiscal year. The budget shall be adopted not later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. Emergency appropriations, those made after the adoption of the budget and determination of the tax rate, may be authorized by the governing body of the municipality. During the last two months of the calendar year, the governing body may, by a 2/3 vote, amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the governing body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2017, the Governing Body did not increase the Current Fund or Water/Sewer budgets. In addition, several budget transfers were approved by the governing body.

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

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

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

No depreciation has been provided for in the financial statements.

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

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

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

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

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Recent Accounting Pronouncements

In June 2015, the Government Accounting Standards Board issued GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This Statement applies to government employers who provided OPEB plans to their employees and basically parallels GASB Statement 68 and replaces GASB Statement 45. The Statement is effective for periods beginning after June 15, 2017. The Borough does not believe this Statement will have any effect on future financial statements.

In June 2015, the Government Accounting Standards Board issued GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, which reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the American Institute of Certified Public Accountants that is cleared by the GASB. The Borough does not believe this Statement will have any effect on future financial statements.

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

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Recent Accounting Pronouncements (continued)

In December 2015, the Government Accounting Standards Board issued GASB Statement No. 78, Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement is effective for reporting periods beginning after December 15, 2015. The Borough does not believe this Statement will have any effect on future financial statements.

In December 2015, the Government Accounting Standards Board issued GASB Statement No. 79, Certain External Investment Pools and Pool Participants. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it established criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement is effective for periods beginning after June 15, 2015, and for certain provisions, periods beginning after December 15, 2015. The Borough does not believe this Statement will have any effect on future financial statements.

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

In March 2016, the Government Accounting Standards Board issued GASB Statement No. 81, Irrevocable Split-Interest Agreements. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The Borough does not believe this Statement will have any effect on future financial statements.

In March 2016, the Government Accounting Standards Board issued GASB Statement No. 82, Pension Issues - an Amendment of GASB Statements No. 67, No. 68 and No. 73. The objective of this Statement is to address certain issues that have been raised with respect to Statement No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. This Statement

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Recent Accounting Pronouncements (continued)

is effective for reporting periods beginning after June 15, 2016. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice. The Borough does not believe this Statement will have any effect on future financial statements.

In November 2016, the Government Accounting Standards Board issued GASB Statement No. 83, *Certain Asset Retirement Obligations*. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflows of resources for asset retirement obligations (AROs). The Borough does not believe this Statement will have any effect on future financial statements.

In January 2017, the Government Accounting Standards Board issued GASB Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify component units and postemployment benefit arrangements that are fiduciary activities. The Borough is currently evaluating the effects, if any, this Statement may have on future financial statements.

In March 2017, the Government Accounting Standards Board issued GASB Statement No. 85, *Omnibus 2017*, which addresses practice issues that have been identified during the implementation and application of certain GASB statements. This Statement addresses a variety of topics including issues relating to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The Borough is currently reviewing what effect, if any, this Statement might have on future financial statements.

In May 2017, the Governmental Accounting Standards Board issued GASB Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The Borough is currently reviewing what effect, if any, this Statement might have on future financial statements.

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

In June 2017, the Government Accounting Standards Board issued GASB Statement No. 87, Leases, which is intended to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, as a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the government's leasing activities. The Borough is currently reviewing what effect, if any, this Statement might have on future financial statements.

C. Basic Financial Statements

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

NOTE 2: BUDGETARY INFORMATION

Under New Jersey State Statutes, the annual budget is required to be a balanced cash basis document. To accomplish this, the municipality is required to establish a reserve for uncollected taxes. The 2017 statutory budget included a reserve for uncollected taxes in the amount of \$119,839.00 to balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2017 statutory budget was \$145,000.00.

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. During 2017, there were no special items of revenue and appropriation inserted into the annual budget.

The municipality may make emergency appropriations, after the adoption of the budget, for a purpose which was not foreseen at the time the budget was adopted or for which adequate provision was not made therein. This type of appropriation shall be made to meet a pressing need for public expenditure

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)**

NOTE 2: BUDGETARY INFORMATION (CONTINUED)

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 2017, there were no special emergency authorizations.

NOTE 3: GENERAL FIXED ASSETS

The following schedule is a summarization of changes in the general fixed assets account group for the year 2017.

	<u>Dec. 31, 2016</u>	<u>Adjustment</u>	<u>Dec. 31, 2017</u>
Land and Buildings	\$2,141,800.00	\$ -	\$2,141,800.00
Machinery & Equipment	<u>2,273,448.00</u>	<u>53,017.00</u>	<u>2,273,448.00</u>
	<u>\$4,415,248.00</u>	<u>\$53,017.00 (1)</u>	<u>\$4,468,265.00</u>

(1) Fixed assets were updated to 12/31/2016 after the 2016 audit was issued. Net 2016 additions and deletions are included as adjustments. No update for 2017 additions and deletions. See Comments and Recommendations.

NOTE 4: MUNICIPAL DEBT

Long-term debt as of December 31, 2017 consisted of the following:

	<u>Balance Dec. 31, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Dec. 31, 2017</u>	<u>Amount Due Within One Year</u>
General Capital Fund:					
Green Trust Loan Payable	\$ <u>8,319.84</u>	\$ -	\$ <u>8,319.84</u>	\$ -	\$ -
Water/Sewer Capital Fund:					
General Bonds	5,118,000.00	-	270,000.00	4,848,000.00	275,000.00
NJ Environmental Infrastructure Loan Payable	<u>1,250,542.46</u>	<u>-</u>	<u>78,971.10</u>	<u>1,171,571.36</u>	<u>84,150.61</u>
	<u>6,368,542.46</u>	<u>-</u>	<u>357,290.94</u>	<u>6,019,571.36</u>	<u>359,150.61</u>
Compensated Absences Payable	<u>4,753.14</u>	<u>6,633.06 (2)</u>	<u>-</u>	<u>11,386.20</u>	<u>-</u>
Total	<u>\$6,381,415.44</u>	<u>\$6,663.06</u>	<u>\$357,290.94</u>	<u>\$6,030,957.56</u>	<u>\$359,150.61</u>

(2) Net of days allowed and days used.

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)**

NOTE 4: MUNICIPAL DEBT (CONTINUED)

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

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

<u>Issued:</u>	<u>Year 2017</u>	<u>Year 2016</u>	<u>Year 2015</u>
General:			
Bonds, Notes and Loans	\$ 845,500.00	\$ 169,048.84	\$ 147,932.64
Water/Sewer Utility:			
Bonds, Notes and Loans	<u>7,924,571.36</u>	<u>8,243,542.46</u>	<u>6,932,357.86</u>
Total Issued	<u>\$8,770,071.36</u>	<u>\$8,412,591.30</u>	<u>\$7,080,290.50</u>
<u>Authorized but not Issued::</u>			
General:			
Bonds and Notes	\$ 18,715.00	\$ 513,640.00	\$ 153,565.09
Water/Sewer Utility:			
Bonds and Notes	<u>1,470,000.00</u>	<u>1,380,000.00</u>	<u>1,780,000.00</u>
Total Authorized but not Issued	<u>1,488,715.00</u>	<u>1,893,640.00</u>	<u>1,933,565.09</u>
Net Bonds & Notes Issued and Authorized but not Issued	<u>10,258,786.36</u>	<u>10,306,231.30</u>	<u>9,013,855.59</u>
Less Applicable Deductions	<u>9,394,571.36</u>	<u>9,623,542.46</u>	<u>8,712,357.86</u>
Net Debt	<u>\$ 864,215.00</u>	<u>\$ 682,688.84</u>	<u>\$ 301,497.73</u>

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

2017	129,342,286.67	
2016		124,896,619.00
2015		122,832,969.33

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(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 0.668%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Regional High School Debt	\$ -	\$ -	\$ -
Water/Sewer Utility Debt	9,394,571.36	9,394,571.36	-
General Debt	<u>864,215.00</u>	<u>-</u>	<u>864,215.00</u>
	<u>\$10,258,786.36</u>	<u>\$9,394,571.36</u>	<u>\$864,215.00</u>

Net Debt \$864,215.00 divided by equalized valuation basis per N.J.S. 40A:2-2 as amended, 129,342,286.67 = 0.668%.

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

3½ of Equalized Valuation Basis (Municipal)	\$4,526,980.03
Net Debt	<u>864,215.00</u>
Remaining Borrowing Power	<u>\$3,662,765.03</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	\$2,596,257.42
Deductions:	
Operating and Maintenance Costs	\$1,663,523.00
Debt Service Per Water/Sewer Account	<u>576,076.85</u>
Total Deductions	<u>2,239,599.85</u>
Excess/(deficit) In Revenue	<u>\$ 356,657.57</u>

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

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

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)**

NOTE 4: MUNICIPAL DEBT (CONTINUED)

Details of Long-Term Debt as of December 31, 2017 is as follows:

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

General Obligation Bonds of 2005 dated 11/01/05, in the amount of \$1,193,000.00 - Interest is paid semi-annually at a rate of 4.50% - 5.00% per annum. The remaining balance as of December 31, 2017 was \$473,000.00.

On July 1, 2012, the Borough issued \$5,515,000.00 in Water/Sewer Refunding Bonds to refund a FHA Loan for four USDA Loans. Interest is paid semi-annually at a rate of 2.00% - 3.75%, with a final maturity on January 1, 2037. The remaining balance, as of December 31, 2017 was \$4,375,000.00.

NJ Environmental Infrastructure Loans Payable

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

Principal payments to the "Fund" commenced August 1, 2010, and will continue on a semiannual basis over 20 years. It is expected that interest will be paid from trust bond proceeds on deposit in the capitalized interest account (as defined in the bond resolution), and earnings thereon on the debt service reserve fund (as defined in the bond resolution) transferred to such capitalized interest account. The balances remaining as of December 31, 2017 are \$103,476.37 and \$272,745.79.

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, 2017 are \$415,000.00 and \$380,349.20.

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.

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)**

NOTE 4: MUNICIPAL DEBT (CONTINUED)

Total Water/Sewer Utility Capital Bonds and Loans listed above - \$6,019,571.36

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

<u>Calendar Year</u>	<u>Principal</u>	<u>Water/Sewer Utility</u>	
		<u>Interest</u>	<u>Total</u>
2018	359,150.61	187,742.90	546,893.51
2019	359,347.62	176,995.90	536,343.52
2020	369,564.78	166,961.24	536,526.02
2021	374,802.74	155,648.28	530,451.02
2022	380,058.33	144,242.68	524,301.01
2023-2027	1,707,890.64	549,726.96	2,257,617.60
2028-2032	1,413,756.64	305,734.48	1,719,491.12
2033-2037	<u>1,055,000.00</u>	<u>82,087.50</u>	<u>1,137,087.50</u>
	<u>6,019,571.36</u>	<u>1,769,139.94</u>	<u>7,788,711.30</u>

NOTE 5: BOND ANTICIPATION NOTES

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

The following activity related to bond anticipation notes occurred during the calendar year ended December 31, 2017:

On December 31, 2017, the Borough had \$560,500.00 in outstanding General Capital Bond Anticipation Notes. The interest rate on this note was 1.3499% and it matured on February 9, 2018. The Borough renewed this note on February 8, 2018, totaling \$503,500.00, which includes a pay-down of \$57,000.00 from the Current Fund budget. The new maturity date is February 8, 2019, at an interest rate of 1.8799%.

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)**

NOTE 5: BOND ANTICIPATION NOTES (CONTINUED)

On December 31, 2017, the Borough had \$285,000.00 in outstanding General Capital Bond Anticipation Notes. The interest rate on this note was 2.25% and it is set to mature on October 26, 2018. It is the intent of the Borough to renew this note for another one year period. Principal and interest on this note are paid from the Current Fund budget.

On December 31, 2017, the Borough had \$105,000.00 in Outstanding Water/Sewer Capital Bond Anticipation Notes. The interest rate on this note was 1.50% and it matured on May 4, 2018. The Borough renewed this note on May 3, 2018, totaling \$90,000.00, which includes a pay-down of \$15,000.00 from the Water/Sewer Utility Operating budget. The new maturity date is May 3, 2019, at an interest rate of 2.399%.

On December 31, 2017, the Borough had \$1,800,000.00 in outstanding Water/Sewer Utility Bond Anticipation Notes. The interest rate on this note was 2.25% and it is set to mature on October 26, 2018. It is the intent of the Borough to renew this note for another one year period. Principal and interest on this note are paid from the Water/Sewer Utility Operating budget.

	<u>Balance</u> <u>12/31/2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2017</u>
General Capital Fund:				
Sussex Bank	\$ 160,729.00	\$ -	\$ 160,729.00	\$ -
Township of East Brunswick	-	560,500.00	-	560,500.00
Cede & Co.	-	285,000.00	-	285,000.00
Water/Sewer Capital Fund:				
Sussex Bank	1,875,000.00	105,000.00	1,875,000.00	105,000.00
Cede & Co.	<u>-</u>	<u>1,800,000.00</u>	<u>-</u>	<u>1,800,000.00</u>
	<u>\$2,035,729.00</u>	<u>\$2,750,500.00</u>	<u>\$2,035,729.00</u>	<u>\$2,750,500.00</u>

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)**

NOTE 6: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2017 the following deferred charges are shown on the balance sheets of the various funds:

	<u>Balance Dec. 31, 2017</u>	<u>2018 Budget Appropriation</u>	<u>Balance to Succeeding Budgets</u>
Current Fund:			
Over-expenditure of Appropriations	<u>\$ 952.30</u>	<u>\$ 952.30</u>	<u>\$ -</u>
Water/Sewer Utility Operating Fund:			
Over-expenditure of Appropriations	1,702.23	1,702.23	
Operating Deficit	<u>14,387.35</u>	<u>14,387.35</u>	<u>-</u>
	<u>\$16,089.58</u>	<u>\$16,089.58</u>	<u>\$ -</u>

The appropriations in the 2018 budget are not less that required by statute.

NOTE 7: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2017 and 2016 which were appropriated and included as anticipated revenue in their own respective funds for the years ending December 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Current Fund	<u>\$145,000.00</u>	<u>\$145,000.00</u>
Water/Sewer Utility Fund	<u>\$115,700.00</u>	<u>\$115,678.21</u>

NOTE 8: LOCAL AND REGIONAL DISTRICT SCHOOL TAXES

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

The Borough of Sussex has elected not to defer school taxes.

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)**

NOTE 9: PENSION PLAN

Description of Plans:

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

Public Employees' Retirement System (PERS)

Plan Description

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

Benefits Provided

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

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

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

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)**

NOTE 9: PENSION PLAN (CONTINUED)

Defined Contribution Retirement Program

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or PFRS, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

Defined Contribution Retirement Program (continued)

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

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

Contribution Requirements

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

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

<u>Year</u>	<u>PERS</u>	<u>DCRP</u>
2017	\$20,984.00	-0-
2016	19,505.00	-0-
2015	17,863.00	-0-

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)**

NOTE 9: PENSION PLAN (CONTINUED)

Contribution Requirements (continued)

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

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

Public Employees Retirement System (PERS)

At December 31, 2017, the Borough had a liability of \$944,511.00 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2017, the Borough's proportion was 0.0040574564 percent, which was an increase of 0.0019782920 percent from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the Borough recognized pension expense of \$20,984.00. At December 31, 2017, deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$22,240.00	\$ -
Changes of assumptions	190,286.00	189,589.00
Net difference between projected and actual earnings on pension plan investments	6,431.00	-
Changes in proportion and differences between the Borough's contributions and proportionate share of contributions	<u>397,273.00</u>	<u>-</u>
Total	<u>\$616,230.00</u>	<u>\$189,589.00</u>

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)**

NOTE 9: PENSION PLAN (CONTINUED)

Public Employees Retirement System (PERS), (continued)

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (June 30, 2017) will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions (excluding changes in proportion) will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$22,235.00
2019	33,553.00
2020	20,331.00
2021	(27,041.00)
2022	(19,709.00)

Changes in Proportion

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

Additional Information

Local Group Collective balances at June 30, 2017 and June 30, 2016 are as follows:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Collective deferred outflows of resources	\$6,424,455,842	\$8,685,338,380
Collective deferred inflows of resources	5,700,625,981	870,133,595
Collective net pension liability	23,278,401,588	29,617,131,759
Borough's Proportion	0.0040574564%	0.0020791644%

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)**

NOTE 9: PENSION PLAN (CONTINUED)

Public Employees Retirement System (PERS), (continued)

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which rolled forward to June 30, 2017. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation	2.25 Percent
Salary Increases:	
Through 2026	1.65-4.15 Percent (based on age)
Thereafter	2.65-5.15 Percent (based on age)
Investment Rate of Return	7.00 Percent

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Mortality Rates

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plans actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)**

NOTE 9: PENSION PLAN (CONTINUED)

Public Employees Retirement System (PERS), (continued)

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U. S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U. S. Equity	30.00%	8.19%
Non-U. S. Developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)**

NOTE 9: PENSION PLAN (CONTINUED)

Public Employees Retirement System (PERS), (continued)

Discount Rate

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the collective net pension liability of the participating employers as of June 30, 2017 respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 - percentage point lower or 1-percentage-point higher than the current rate:

	<u>June 30, 2017</u>		
	<u>1% Decrease</u>	<u>At Current Discount Rate</u>	<u>1% Increase</u>
Borough's proportionate share of the pension liability	<u>4.00%</u> \$1,171,730	<u>5.00%</u> \$944,511	<u>6.00%</u> \$755,209

Pension Plan Fiduciary Net Position

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

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)**

NOTE 10: ACCRUED SICK AND VACATION BENEFITS

The Borough of Sussex has adopted a policy that allows Borough employees to accrue sick and vacation time. The current cost of such unpaid compensation would be payable upon termination or separation from the Borough approximates \$11,386.20. 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 11: CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Borough's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. As of December 31, 2017, \$284,812.39 of the Borough's bank balance of \$4,222,404.77 was exposed to custodial credit risk. In comparison, as of December 31, 2016, \$237,703.49 of the Borough's bank balance of \$3,983,921.67 was exposed to custodial credit risk.

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.

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)**

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

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, 2017 and 2016 amounted to \$284,812.39 and \$237,703.49 respectively.

The following investments represent 5% or more of the total invested with Lincoln Financial Group on December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
LVIP SSgA S&P 500 Index Fund	\$166,695.59	\$132,053.26
Fixed	110,623.79	100,168.68
Investments under 5%	<u>7,493.01</u>	<u>5,481.55</u>
Total	<u>\$284,812.39</u>	<u>\$237,703.49</u>

NOTE 12: RISK MANAGEMENT

The Borough is exposed to various risks of loss related to general liability, automobile coverage, damage and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Borough has obtained insurance coverage to guard against these events which will provide minimum exposure to the Borough should they occur. During the 2017 calendar year, the Borough did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

NOTE 13: PUBLIC ASSISTANCE

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

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)**

NOTE 14: HEALTH INSPECTIONS

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

NOTE 15: DUE TO/FROM OTHER FUNDS

Balances due to/from other funds at December 31, 2017 consist of the following:

\$48,777.36	Due to Federal and State Grant Fund from Current Fund for receipts and disbursements in the Current Fund.
1,648.08	Due to Other Trust fund from Animal Control Trust Fund disbursements in Other Trust Fund.
94,663.61	Due to General Capital Fund from Current Fund for debt service and to fund deferred charges - unfunded.
47,146.68	Due to Water/Sewer Capital Fund from Water/Sewer Operating Fund for expenditures in Water/Sewer Capital Fund.
70.65	Due to Current Fund from Other Trust Fund for interest earned on deposits.
143.58	Due to Water/Sewer Operating Fund from Current Fund for disbursements in Water/Sewer Operating Fund.
<u>2,324.41</u>	Due to Current Fund from Animal Control Trust Fund for Statutory Excess Funds.
<u>\$194,774.37</u>	

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

NOTE 16: TAXES COLLECTED IN ADVANCE

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

	<u>Balance Dec 31, 2017</u>	<u>Balance Dec 31, 2016</u>
Prepaid Taxes	<u>\$65,094.03</u>	<u>\$15,412.77</u>
Cash Liability for Taxes Collected in Advance	<u>\$65,094.03</u>	<u>\$15,412.77</u>

BOROUGH OF SUSSEX, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)**

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

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

Lincoln Financial Group will provide for the benefit of participants, a multi-fund variable annuity contract as its funding vehicle. The 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, 2017 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, 2017 AND 2016
(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, 2017, 2016 and 2015, were \$26,559.60, \$25,360.44 and \$24,174.96, respectively, which equaled the required contributions for each year. There were 3 retired participants (and 1 spouse) eligible at December 31, 2017, 3 participants eligible at December 31, 2016 and 1 retired participant (with a spouse) and 2 spouses eligible at December 31, 2015.

NOTE 19: COMMITMENTS AND CONTINGENT LIABILITIES

Borough Counsel advises us there is a Notice of TORT Claim regarding an alleged motor vehicle accident which was referred to the Borough's Insurer, but no lawsuit has been filed to their knowledge.

NOTE 20: SUBSEQUENT EVENTS

The Borough has evaluated subsequent events through June 27, 2018, the date which the financial statements were available to be issued and no other items were noted for disclosure.

SUPPLEMENTARY DATA

BOROUGH OF SUSSEX, N.J.

OFFICIALS IN OFFICE AND SURETY BONDS
YEAR ENDED DECEMBER 31, 2017

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

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

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

All the Bonds were examined and were properly executed.

Borough of Sussex

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2017

Federal Department	Federal Program	Federal C.F.D.A. Number	Account Number	Program or Award Amount	Grant Period From/To	12/31/2016		Expended	12/31/2017		MEMO Cumulative Total Expenditures
						(Receivable)	Reserve Balance		(Receivable)	Reserve Balance	
General Capital Fund:											
U.S. Department of Housing & Urban Development:	Water/Sewer Capital Community Development Block Grant - Small Cities Program: Lake Rutherford Dam Facility	14.228	2016-100-022-8020-078- F292-15SC-6120	400,000.00	1/1/2016-12/31/2017	(400,000.00)	400,000.00	194,287.00	(205,713.00)	205,713.00	194,287.00
Total General Capital Fund:						(400,000.00)	400,000.00	194,287.00	(205,713.00)	205,713.00	194,287.00
	TOTAL FEDERAL AID:					(400,000.00)	400,000.00	194,287.00	(205,713.00)	205,713.00	194,287.00

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

Borough of Sussex
Schedule of Expenditures of State Financial Assistance
For the Year Ended December 31, 2017

Name of State Agency or Department	Name of Program	Grant or State Project Number	Program or Award Amount	Grant Period From/To	12/31/2016		12/31/2017		MEMO Cumulative Total Expenditures
					(Receivable)	Reserve Balance	(Receivable)	Reserve Balance	
Federal and State Grant Fund:									
NJ Department of Environmental Protection	Clean Communities Grant	765-042-4900-004	4,005.23	1/1/14 - 12/31/14	-	1,123.76	-	1,123.76	4,005.23
			4,875.69	1/1/15-12/31/15	-	4,875.69	-	4,875.69	4,875.69
			5,574.11	1/1/16-12/31/16	-	5,574.11	-	3,988.76	3,988.76
			4,735.56	1/1/17-12/31/17	-	4,735.56	-	4,735.56	-
	Recycling Tonnage	100-042-4910-224	10,296.63	1/1/11 - 12/31/11	-	8,243.06	-	2,765.50	4,819.07
			3,379.15	1/1/12 - 12/31/12	-	3,379.15	-	3,379.15	-
			8,796.94	1/1/13-12/31/13	-	8,796.94	-	8,796.94	-
			10,295.78	1/1/14-12/31/14	-	10,295.78	-	10,295.78	-
			4,540.94	1/1/16-12/31/16	-	4,540.94	-	4,540.94	-
			8,576.08	1/1/17-12/31/17	-	35,255.87	-	2,765.50	8,576.08
	Green Communities Grant- Shade Tree	100-042-4870-074	3,000.00	1/1/10 - 12/31/10	-	1,390.00	-	312.00	1,922.00
Total Federal and State Grant Fund									
					-	48,219.43	-	13,065.71	19,610.75
Water Capital Fund:									
NJ Environmental Infrastructure Trust and Loan Program	Rehabilitation of Manholes	1921001-003	1,110,400.00	2/17/10 - 12/31/13	(299,252.00)	344,612.93	(299,252.00)	344,612.93	765,787.07
			85,765.11	1/1/15-12/31/15	(304.16)	(304.16)	(304.16)	(304.16)	85,765.11
NJ Department of Transportation	Highway Planning and Construction	480-078-6300-GIR			(299,556.16)	344,612.93	(299,556.16)	344,612.93	851,552.18
					(299,556.16)	392,832.36	(299,556.16)	392,832.36	392,832.36
Total Water Capital Fund									
					(299,556.16)	344,612.93	(299,556.16)	344,612.93	851,552.18
			TOTAL STATE AID		(299,556.16)	392,832.36	(299,556.16)	392,832.36	871,162.93

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

COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE

CURRENT FUND

	<u>Year 2017</u>		<u>Year 2016</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<u>Revenue and Other Income Realized</u>				
Fund Balance Utilized	145,000.00	3.17%	103,500.00	2.25%
Miscellaneous - From Other Than Local Property Tax Levies	282,041.98	6.17%	270,735.64	5.88%
Collection of Delinquent Taxes and Tax Title Liens	107,619.15	2.36%	153,884.16	3.34%
Collection of Current Tax Levy	3,879,863.13	84.91%	3,968,903.42	86.24%
Other Credits to Income	<u>155,093.69</u>	<u>3.39%</u>	<u>104,924.80</u>	<u>2.28%</u>
<u>Total Revenue and Other Income Realized</u>	<u>4,569,617.95</u>	<u>100.00%</u>	<u>4,601,948.02</u>	<u>100.00%</u>
 <u>Expenditures</u>				
Budget Expenditures:				
Municipal Purposes	1,318,621.87	30.22%	1,285,241.82	29.47%
Regional School Taxes	2,298,264.00	52.67%	2,298,288.00	52.70%
County Taxes	745,948.34	17.10%	714,284.85	16.37%
Other Expenditures	<u>278.46</u>	<u>0.01%</u>	<u>63,508.48</u>	<u>1.46%</u>
<u>Total Expenditures</u>	<u>4,363,112.67</u>	<u>100.00%</u>	<u>4,361,323.15</u>	<u>100.00%</u>
Excess (Deficit) in Revenue	206,505.28		240,624.87	
 Adjustments to Income Before Fund Balance:				
Expenditures Included Above Which are by Statute Deferred Charges to Budget of Succeeding Year			<u>952.30</u>	
Statutory Excess to Fund Balance	206,505.28		241,577.17	
Fund Balance, January 1,	<u>411,715.55</u>		<u>273,638.38</u>	
	618,220.83		515,215.55	
Less:				
Utilized as Anticipated Revenue	<u>145,000.00</u>		<u>103,500.00</u>	
Fund Balance, December 31,	<u>473,220.83</u>		<u>411,715.55</u>	

COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE

WATER/SEWER UTILITY OPERATING FUND

	<u>Year 2017</u>		<u>Year 2016</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<u>Revenue and Other Income Realized</u>				
Fund Balance Utilized	115,678.21	4.35%	83,000.00	3.44%
Collection of Water/Sewer Rents	2,392,986.82	89.93%	2,229,999.26	92.54%
Miscellaneous - From Other				
Than Water / Sewer Rents	87,592.39	3.29%	50,581.18	2.10%
Other Credits to Income	64,745.15	2.43%	46,229.18	1.92%
	<u>2,661,002.57</u>	<u>100.00%</u>	<u>2,409,809.62</u>	<u>100.00%</u>
<u>Total Revenue and Other Income Realized</u>				
<u>Expenditures</u>				
Budget Expenditures:				
Operating	1,645,812.00	68.61%	1,748,892.00	70.28%
Capital Improvements	95,000.00	3.96%	120,000.00	4.82%
Debt Service	576,076.85	24.02%	559,882.16	22.50%
Deferred Charges and				
Statutory Expenditures	17,711.00	0.74%	12,302.00	0.49%
Deficits in Operation in Prior Years	64,214.00	2.68%	47,334.81	1.90%
	<u>2,398,813.85</u>	<u>100.00%</u>	<u>2,488,410.97</u>	<u>100.00%</u>
<u>Total Expenditures</u>				
Excess (Deficit) in Revenue	262,188.72			
Operating Deficit to be Raised in Budget of Succeeding Year			<u>(78,601.35)</u>	
Fund Balance, January 1,	<u>314,773.80</u>		397,773.80	
	576,962.52			
Less:				
Utilized as Anticipated Revenue	<u>115,678.21</u>		<u>83,000.00</u>	
Fund Balance, December 31,	<u>461,284.31</u>		<u>314,773.80</u>	

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Tax Rate:</u>	<u>3.190</u>	<u>3.176</u>	<u>2.994</u>
<u>Apportionment of Tax Rate:</u>			
Municipal	.757	.752	.729
County	.597	.559	.510
Regional School	1.344	1.248	1.106
Regional High School	.492	.617	.649

Assessed Valuation

2017	125,198,800		
2016		123,221,100	
2015			126,099,171

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>
2017	3,994,212.17	3,879,863.13	97.13%
2016	4,064,990.13	3,968,903.42	97.63%
2015	3,774,642.07	3,636,516.87	96.34%

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>
2017	96,551.35	43,103.36	139,654.71	3.49%
2016	82,743.06	57,716.50	140,459.56	3.45%
2015	116,564.45	90,226.10	206,790.55	5.48%

PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

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

<u>Year</u>	<u>Amount</u>
2017	217,700.00
2016	217,700.00
2015	217,700.00

COMPARISON OF WATER/SEWER UTILITY LEVIES

<u>Year</u>	<u>Levy</u>	<u>Collections</u>
2017	2,432,078.33	2,392,986.82
2016	2,367,523.88	2,247,526.53
2015	2,260,133.43	2,286,254.02

COMPARATIVE SCHEDULE OF FUND BALANCES

	<u>Year</u>	<u>Balance Dec. 31.</u>	<u>Utilized In Budget of Succeeding Year</u>
Current Fund:	2017	473,220.83	145,000.00
	2016	411,715.55	145,000.00
	2015	273,638.38	103,500.00
	2014	243,116.70	93,500.00
	2013	160,493.53	93,500.00
Water/Sewer Utility			
Operating Fund:	2017	461,284.31	115,700.00
	2016	314,773.80	115,678.21
	2015	397,773.80	83,000.00
	2014	480,819.80	83,046.00
	2013	454,794.41	-

Borough of Sussex, N.J.
Schedule of Cash - Treasurer
Current Fund
Year Ended December 31, 2017

	<u>Ref.</u>		<u>Total</u>
Balance - December 31, 2016	A		674,229.99
Increased by Receipts:			
Miscellaneous Revenue Not Anticipated	A-2	29,768.31	
Taxes Receivable	A-7	3,932,071.90	
Tax Title Liens Receivable	A-8	28,247.61	
Revenue Accounts Receivable	A-10	313,879.58	
Due To State - Senior Citizen and Veteran Deductions	A-15	13,250.00	
Interfunds	A-11	15,871.82	
Various Cash Liabilities and Reserves	A-14	2,638.10	
Prepaid Taxes	A-17	<u>65,094.03</u>	
			<u>4,400,821.35</u>
			5,075,051.34
Decreased by Disbursements:			
Current Year Budget Appropriations	A-3	1,030,248.89	
Interfunds	A-11	32,902.20	
Appropriation Reserves	A-13	56,004.42	
Various Cash Liabilities and Reserves	A-14	2,491.90	
County Taxes Payable	A-18	772,611.30	
Regional School District Taxes Payable	A-19	615,262.00	
Regional High School Taxes Payable	A-20	<u>1,667,503.00</u>	
			<u>4,177,023.71</u>
Balance - December 31, 2017	A		<u><u>898,027.63</u></u>

Borough of Sussex, N.J.
Schedule of Cash - Change Fund
Current Fund
Year Ended December 31, 2017

	<u>Ref.</u>	
Balance - December 31, 2016	A	<u><u>100.00</u></u>
Balance - December 31, 2017	A	<u><u>100.00</u></u>
<u>Analysis of Balance:</u>		
Tax Collector		<u><u>100.00</u></u>

Schedule of Escrow Deposit - Purchase of 3 E. Main St.

Current Fund
Year Ended December 31, 2017

	<u>Ref.</u>	
Balance - December 31, 2016	A	<u><u>1,000.00</u></u>
Balance - December 31, 2017	A	<u><u>1,000.00</u></u>

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

Current Fund

Year Ended December 31, 2017

Year	Balance, Dec. 31, 2016	Levy	Added Taxes		Collected		Senior Citizen and Veteran Deductions	Cancelled	Transferred to Tax Title Liens	Balance, Dec. 31, 2017
			2016	2017	2016	2017				
2015	1,514.37			1,514.37						
2016	81,228.69			77,857.17			11.31		3,360.21	
	82,743.06			79,371.54			11.31		3,360.21	
2017		3,993,841.72	370.45	3,852,700.36	11,750.00		8,505.22		9,292.47	96,551.35
	82,743.06	3,993,841.72	370.45	3,932,071.90	11,750.00		8,516.53		12,652.68	96,551.35
A			A-2;A-17	A-2;A-4	A-2;A-15				A-8	A

Analysis of Tax Levy

Tax yield:		
General Purpose Tax	3,993,841.72	
Added Tax (R.S. 54:4-63.1 et seq.)	370.45	
	<u>3,994,212.17</u>	

Tax Levy:		
County Tax	745,948.34	A-18
Regional School Tax	615,262.00	A-19
Regional High School Tax	1,683,002.00	A-20
	<u>3,044,212.34</u>	A-2

Local Tax for Municipal Purposes	948,985.00	
Additional Taxes	<u>1,014.83</u>	
	949,999.83	
	<u>3,994,212.17</u>	

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

Current Fund

Year Ended December 31, 2017

	<u>Ref.</u>	
Balance - December 31, 2016	A	57,716.50
Increased by:		
Transferred from 2016 Taxes Receivable		3,360.21
Transferred from 2017 Taxes Receivable	A-7	9,292.47
Interest and Costs		<u>981.79</u>
		<u>13,634.47</u>
		71,350.97
Decreased by:		
Collections	A-2;A-4	<u>28,247.61</u>
Balance - December 31, 2017	A	<u><u>43,103.36</u></u>

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

Current Fund

Year Ended December 31, 2017

	<u>Ref.</u>	
Balance - December 31, 2016	A	<u><u>217,700.00</u></u>
Balance - December 31, 2017	A	<u><u>217,700.00</u></u>

Borough of Sussex, N.J.

Schedule of Revenue Accounts Receivable

Current Fund

Year Ended December 31, 2017

	<u>Ref.</u>	<u>Accrued</u>	<u>Collected</u>
Clerk:			
Licenses:			
Alcoholic Beverages	A-2	4,660.00	4,660.00
Fees and Permits	A-2	11,951.00	11,951.00
Miscellaneous Revenue not Anticipated	A-2	104.61	104.61
Tax Collector			
Miscellaneous Revenue not Anticipated	A-2	35,612.08	35,612.08
Municipal Court Fines and Costs	A-2	19,023.87	19,023.87
Parking Meters	A-2	11,200.00	11,200.00
Energy Receipts Tax	A-2	165,654.00	165,654.00
Housing Inspection Fees	A-2	42,160.00	42,160.00
Consolidated Municipal Property Tax			
Relief Aid	A-2	21,819.00	21,819.00
Interest on Investments and Deposits			
Miscellaneous Revenue not Anticipated	A-2	1,695.02	1,695.02
		<u>313,879.58</u>	<u>313,879.58</u>
			A-4

Borough of Sussex, N.J.

Schedule of Interfunds Receivables/(Payables)

Current Fund

Year Ended December 31, 2017

Fund	Ref.	Due From/(To) Balance			Due From/(To) Balance	
		Dec. 31, 2016	Increased	Decreased	Dec. 31, 2017	
Federal and State Grants	A	(48,219.43)	13,611.64	13,053.71	(48,777.36)	
Animal Control Trust Fund	A	2,116.60	2,116.60	2,324.41	2,324.41	
Other Trust	A			70.65	70.65	
General Capital Fund	A	(19,278.24)	95,153.00	19,767.63	(94,663.61)	
Water/Sewer Operating Fund	A		143.58		(143.58)	
		<u>(65,381.07)</u>	<u>111,024.82</u>	<u>35,216.40</u>	<u>(141,189.49)</u>	
<u>Analysis</u>						
Due From Other Funds	A-1	2,116.60			2,395.06	
Due To Other Funds		<u>(67,497.67)</u>			<u>(143,584.55)</u>	
		<u>(65,381.07)</u>			<u>(141,189.49)</u>	
Statutory Excess	A-1			2,314.20		
Appropriations Payable	A-3		95,153.00			
Received	A-4		15,871.82			
Disbursed	A-4			32,902.20		
			<u>111,024.82</u>	<u>35,216.40</u>		

Borough of Sussex, N.J.

Schedule of Deferred Charges

Current Fund

For Year Ended December 31, 2017

Overexpenditure of Appropriations

	Balance, Dec. 31, 2016	Balance, Dec. 31, 2017
	<u>952.30</u>	<u>952.30</u>
	A	A

Borough of Sussex, N.J.

Schedule of Appropriation Reserves

Current Fund

Year Ended December 31, 2017

	Balance, Dec. 31, <u>2016</u>	Balance after <u>Transfers</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Salaries and Wages Within "CAPS":				
Administrative and Executive	160.23	160.23		160.23
Police	2,257.40	2,257.40		2,257.40
Road Repairs and Maintenance	580.35	580.35		580.35
Snow Removal	12,250.00	12,250.00		12,250.00
Public Buildings and Grounds	3,820.00	3,820.00		3,820.00
Zoning Official	298.31	298.31		298.31
Total Salaries and Wages Within "CAPS"	<u>19,366.29</u>	<u>19,366.29</u>		<u>19,366.29</u>
Other Expenses Within "CAPS":				
Administrative and Executive:	5,400.70	5,400.70	5,338.79	61.91
Elections	221.75	221.75		221.75
Financial Administration	13,683.08	13,183.08	11,676.46	1,506.62
Collection of Taxes	356.73	356.73		356.73
Maintenance of Tax Map	500.00	500.00		500.00
Legal Services and Costs	18,066.82	15,066.82		15,066.82
Engineering Services and Costs	11,275.25	11,275.25		11,275.25
Planning Board	243.42	3,243.42	3,036.50	206.92
Insurance:				
Group Insurance Plan For Employees	7,867.05	7,867.05		7,867.05
Workers' Compensation	2.60	2.60		2.60
Surety Bonds	1.00	1.00		1.00
Other Insurance Premiums	0.40	0.40		0.40
Police	250.00	250.00	67.50	182.50
Road Repair and Maintenance	13,458.01	9,458.01	3,174.93	6,283.08
Snow Removal	3,393.73	7,393.73	7,246.65	147.08
Street Lighting	1,561.07	1,561.07	296.24	1,264.83
Garbage and Trash Removal	63.88	63.88		63.88
Public Buildings and Grounds	8,034.85	8,034.85	5,797.06	2,237.79
Board of Health	54.30	54.30		54.30
Registrar	1,503.22	1,503.22	98.38	1,404.84
Celebration of Public Events	238.50	238.50		238.50
Zoning Official	500.00	500.00		500.00
Unclassified:				
Reserve for Pending Tax Appeals	1.00	1.00		1.00
Clove Lake Restoration	2,954.94	2,954.94	82.50	2,872.44
Gasoline & Diesel Fuel	5,643.87	5,643.87	704.01	4,939.86
Total Other Expenses Within "CAPS"	<u>95,276.17</u>	<u>94,776.17</u>	<u>37,519.02</u>	<u>57,257.15</u>

Borough of Sussex, N.J.

Schedule of Appropriation Reserves

Current Fund

Year Ended December 31, 2017

	Balance, Dec. 31, <u>2016</u>	Balance after <u>Transfers</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Deferred Charges and Statutory Expenditures-Municipal Within "CAPS":				
Statutory Expenditures:				
Contribution To:				
Unemployment Compensation Insurance	26.75	26.75		26.75
Defined Contribution Retirement Program	1.28	1.28		1.28
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	<u>28.03</u>	<u>28.03</u>		<u>28.03</u>
 Total General Appropriation Reserves - Municipal Within "CAPS"	 <u>114,670.49</u>	 <u>114,170.49</u>	 <u>37,519.02</u>	 <u>76,651.47</u>
 Other Expenses Excluded From "CAPS":				
Length of Service Awards Program (L.O.S.A.P.)	18,000.00	18,500.00	18,500.00	
Interlocal Municipal Service Agreements:				
Township of Hardyston:				
Construction Agreement	5,000.00	5,000.00		5,000.00
Township of Vernon				
Animal Control Agreement	92.00	92.00		92.00
Animal Census	1,800.00	1,800.00		1,800.00
Township of Lafayette				
Finance Office	1,800.00	1,800.00		1,800.00
Total Other Expenses Excluded from "CAPS"	<u>26,692.00</u>	<u>27,192.00</u>	<u>18,500.00</u>	<u>8,692.00</u>
 Capital Improvements				
Purchase of Equipment	10.00	10.00		10.00
Improvements to Municipal Properties	246.00	246.00		246.00
Total Capital Improvements Excluded from "CAPS"	<u>256.00</u>	<u>256.00</u>		<u>256.00</u>
Total General Appropriation Reserves - Municipal Excluded from "CAPS"	<u>26,948.00</u>	<u>27,448.00</u>	<u>18,500.00</u>	<u>8,948.00</u>
Total General Appropriation Reserves	<u>141,618.49</u>	<u>141,618.49</u>	<u>56,019.02</u>	<u>85,599.47</u>

A-1

<u>Analysis of Appropriation Reserve</u>	<u>Ref.</u>	
Unencumbered	A	134,088.78
Encumbered	A	<u>7,529.71</u>
		<u>141,618.49</u>

<u>Analysis of Paid or Charged</u>		
Cash Disbursed	A-4	56,004.42
Accounts Payable	A-16	<u>14.60</u>
		<u>56,019.02</u>

Borough of Sussex, N.J.

Schedule of Various Cash Liabilities and Reserves

Current Fund

Year Ended December 31, 2017

<u>Liabilities and Reserves</u>	<u>Balance Dec. 31, 2016</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance Dec. 31, 2017</u>
<u>Liabilities:</u>				
Due State of NJ Marriage License Fees	103.00	425.00	375.00	153.00
Tax Overpayments	3,284.67	2,213.10	2,116.90	3,380.87
<u>Reserves for:</u>				
Revaluation	7,662.12			7,662.12
	<u>11,049.79</u>	<u>2,638.10</u>	<u>2,491.90</u>	<u>11,195.99</u>
	A	A-4	A-4	A

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, 2017

	<u>Ref.</u>		
Balance - December 31, 2016	A		2,324.97
Increased by:			
State Share of Senior Citizens and Veterans Received from State	A-4		<u>13,250.00</u>
			15,574.97
Decreased by:			
Senior Citizens' Deductions Per Tax Billing		4,250.00	
Veterans' Deductions Per Tax Billing		<u>8,250.00</u>	
		12,500.00	
Less:			
Deductions Disallowed by Collector: 2017 Taxes		<u>750.00</u>	
	A-7		<u>11,750.00</u>
Balance - December 31, 2017	A		<u><u>3,824.97</u></u>

Borough of Sussex, N.J.

Schedule of Accounts Payable

Current Fund

Year Ended December 31, 2017

	<u>Ref.</u>	
Increased by:		
Appropriation Reserves	A-13	<u>14.60</u>
Balance - December 31, 2017	A	<u><u>14.60</u></u>

Borough of Sussex, N.J.

Schedule of Prepaid Taxes

Current Fund

Year Ended December 31, 2017

	<u>Ref.</u>	
Balance - December 31, 2016	A	15,412.77
Increased by:		
Receipts - Prepaid 2018 Taxes	A-4	65,094.03
		<u>80,506.80</u>
Decreased by:		
Applied to 2017 Taxes	A-7	15,412.77
		<u>15,412.77</u>
Balance - December 31, 2017	A	<u><u>65,094.03</u></u>

Borough of Sussex, N.J.

Schedule of County Taxes Payable

Current Fund

Year Ended December 31, 2017

	<u>Ref.</u>	
Balance - December 31, 2016	A	26,663.05
Increased by:		
Levy - 2017		745,878.94
Added and Omitted Taxes		<u>69.40</u>
	A-1;A-7	<u>745,948.34</u>
		<u>772,611.39</u>
Decreased by:		
Payments	A-4	<u>772,611.30</u>
Balance - December 31, 2017	A	<u><u>0.09</u></u>

Schedule of Regional School Taxes Payable

Current Fund

Year Ended December 31, 2017

	<u>Ref.</u>	
Increased by:		
Levy- 2017	A-1;A-7	<u><u>615,262.00</u></u>
Decreased by:		
Payments	A-4	<u><u>615,262.00</u></u>

Borough of Sussex, N.J.

Schedule of Regional High School Taxes Payable

Current Fund

Year Ended December 31, 2017

	<u>Ref.</u>	
Increased by:		
Levy- 2017	A-1;A-7	1,683,002.00
Decreased by:		
Payments	A-4	<u>1,667,503.00</u>
Balance - December 31, 2017	A	<u><u>15,499.00</u></u>

Borough of Sussex, N.J.

Schedule of Due From / (To) Current Fund

Federal and State Grant Fund

Year Ended December 31, 2017

	<u>Ref.</u>		
Balance - December 31, 2016	A		48,219.43
Increased by:			
Encumbrances Payable	A-22	300.00	
Federal and State Grant Fund			
Unappropriated Grants Received	A-25	<u>13,311.64</u>	
			<u>13,611.64</u>
			61,831.07
Decreased by:			
Federal and State Grant Fund			
Expenditures	A-24		<u>13,053.71</u>
Balance - December 31, 2017	A		<u><u>48,777.36</u></u>

A-22

Schedule of Encumbrances Payable

Current Fund

Year Ended December 31, 2017

	<u>Ref.</u>		
Increased by:			
Interfund - Current Fund	A-21	300.00	
Charges to Appropriated Reserves	A-24	<u>12.00</u>	
			<u>312.00</u>
Balance - December 31, 2017	A		<u><u>312.00</u></u>

Borough of Sussex, N.J.
Schedule of Grants Receivable
Federal and State Grant Fund
Year Ended December 31, 2017

<u>Grant</u>	<u>Budget Revenue</u>	<u>Transferred from Unappropriated</u>
Clean Communities	<u>5,574.11</u> A-2	<u>5,574.11</u> A-25

Borough of Sussex, N.J.

Schedule of Appropriated Reserves for Grants

Federal and State Grant Fund

Year Ended December 31, 2017

<u>Grant</u>	Balance <u>Dec. 31, 2016</u>	Transfer From 2017 <u>Budget</u>	<u>Expended</u>	Balance <u>Dec. 31, 2017</u>
Clean Communities	5,999.45	5,574.11	9,988.21	1,585.35
Recycling Tonnage Grant	35,255.87		2,765.50	32,490.37
Shade Tree	1,390.00		312.00	1,078.00
	<u>42,645.32</u>	<u>5,574.11</u>	<u>13,065.71</u>	<u>35,153.72</u>
	A	A-3		A
		<u>Ref.</u>		
Interfund - Current Fund		A-21	13,053.71	
Encumbrances Payable		A-22	12.00	
			<u>13,065.71</u>	

Borough of Sussex, N.J.

Schedule of Unappropriated Reserves for Grants

Federal and State Grant Fund

Year Ended December 31, 2017

<u>Grant</u>	<u>Balance</u> <u>Dec. 31, 2016</u>	<u>Received</u>	<u>Transfer To</u> <u>Appropriated</u> <u>Reserves</u>	<u>Balance</u> <u>Dec. 31, 2017</u>
Recycling Tonnage Grant		8,576.08		8,576.08
Clean Communities	5,574.11	4,735.56	5,574.11	4,735.56
	<u>5,574.11</u>	<u>13,311.64</u>	<u>5,574.11</u>	<u>13,311.64</u>
	A	A-21	A-23	A

Borough of Sussex, N.J.

Schedule of Cash

Trust Funds

Year Ended December 31, 2017

	<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, 2016	B	8,920.14	190,246.51	237,703.49
Increased by Receipts:				
Interfund - Current Fund	B-9		70.65	
Interfund - Other Trust	B-2	1,648.08		
Interfund - Animal Control	B-3		666.54	
Dog License Fees - Borough	B-4	2,316.60		
Late Fees	B-4	445.00		
Interfund - Current Fund	B-5	10.21		
Dog License Fees - State Share	B-6	569.40		
Other Trust Funds	B-7		411,033.13	
Borough Contributions	B-10			18,500.00
Increase in Investment Value	B-11			32,339.67
Total Receipts		4,989.29	411,770.32	50,839.67
		13,909.43	602,016.83	288,543.16
Decreased by Disbursements:				
Interfund - Other Trust	B-2	666.54		
Interfund - Animal Control	B-3		1,648.08	
Reserve for Animal Control				
Trust Expenditures	B-4	932.80		
Interfund - Current Fund	B-5	2,116.60		
State Share - Dog Licenses	B-6	564.60		
Other Trust Funds	B-7		526,681.14	
Accounting Charge	B-11			1,702.53
Distributions	B-11			2,028.24
Total Disbursements		4,280.54	528,329.22	3,730.77
Balance - December 31, 2017	B	9,628.89	73,687.61	284,812.39

Borough of Sussex, N.J.

Schedule of Due From / (To) Other Trust Fund

Animal Control Trust Fund

Year Ended December 31, 2017

	<u>Ref.</u>	
Balance - December 31, 2016	B	(666.54)
Increased by:		
Cash Receipts	B-1	1,648.08
		<u>(2,314.62)</u>
Decreased by:		
Cash Disbursements	B-1	666.54
		<u>666.54</u>
Balance - December 31, 2017	B	<u><u>(1,648.08)</u></u>

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

Trust Funds

Year Ended December 31, 2017

	<u>Ref.</u>	
Balance - December 31, 2016	B	666.54
Increased by:		
Cash Disbursements	B-1	1,648.08
		<u>2,314.62</u>
Decreased by:		
Cash Receipts	B-1	666.54
		<u>666.54</u>
Balance - December 31, 2017	B	<u><u>1,648.08</u></u>

Borough of Sussex, N.J.

Reserve for Animal Control Trust Fund Expenditures

Trust Funds

Year Ended December 31, 2017

	<u>Ref.</u>		
Balance - December 31, 2016	B		6,137.60
Increased by:			
Dog License Fees	B-1	2,316.60	
Late Fees/ Miscellaneous	B-1	445.00	
		<u>2,761.60</u>	<u>8,899.20</u>
Decreased by:			
Expenditures R.S. 4:19-1511	B-1	932.80	
Statutory Excess	B-5	2,314.20	
		<u>3,247.00</u>	<u>5,652.20</u>
Balance - December 31, 2017	B		<u><u>5,652.20</u></u>

License Fees Collected

<u>Year</u>	
2015	3,117.20
2016	2,535.00
	<u>5,652.20</u>

Borough of Sussex, N.J.

Schedule of Due (From) / To Current Fund

Animal Control Trust Fund

Year Ended December 31, 2017

	<u>Ref.</u>	
Balance - December 31, 2016	B	2,116.60
Increased by:		
Interest	B-1	10.21
Statutory Excess	B-4	<u>2,314.20</u>
		<u>2,324.41</u>
		4,441.01
Decreased by:		
Cash Disbursements	B-1	<u>2,116.60</u>
Balance - December 31, 2017	B	<u><u>2,324.41</u></u>

B-6

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

Animal Control Trust Funds

Year Ended December 31, 2017

	<u>Ref.</u>	
Balance - December 31, 2016	B	(0.60)
Increased by:		
Paid to State	B-1	<u>569.40</u>
		568.80
Decreased by:		
State Fees Collected	B-1	<u>564.60</u>
Balance - December 31, 2017	B	<u><u>4.20</u></u>

Borough of Sussex, N.J.
Schedule of Other Trust Funds
Trust Funds
Year Ended December 31, 2017

	<u>Balance</u> <u>Dec. 31, 2016</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance</u> <u>Dec. 31, 2017</u>
Reserve for:				
Planning and Zoning Deposits	36,549.95	20,749.15	27,545.87	29,753.23
Recreation	4,972.13			4,972.13
Fire Inspection Fees	208.58			208.58
POAA Funds	310.00	22.00		332.00
Payroll Fund	5,149.44	375,589.70	371,959.83	8,779.31
Mural Donation	1,612.94			1,612.94
Outside Liens	113,610.01	14,572.28	127,451.44	730.85
Security Deposits	4,500.00			4,500.00
Tax Sale Premiums	2,200.00	100.00		2,300.00
	<u>169,113.05</u>	<u>411,033.13</u>	<u>526,957.14</u>	<u>53,189.04</u>
	B			B
	<u>Ref.</u>			
Cash Receipts	B-1	411,033.13		
Cash Disbursements	B-1		526,681.14	
Encumbrances Payable	B-8		276.00	
		<u>411,033.13</u>	<u>526,957.14</u>	

Borough of Sussex, N.J.
Schedule of Encumbrances Payable
Other Trust Fund
Year Ended December 31, 2017

	<u>Ref.</u>	
Balance - December 31, 2016	B	21,800.00
Increased by:		
Charges to Reserves	B-7	<u>276.00</u>
Balance - December 31, 2017	B	<u><u>22,076.00</u></u>

Schedule of Due To Current Fund
Other Trust Fund
Year Ended December 31, 2017

	<u>Ref.</u>	
Increased by:		
Cash Receipts	B-1	<u>70.65</u>
Balance - December 31, 2017	B	<u><u>70.65</u></u>

Borough of Sussex, N.J.

Schedule of Contributions Receivable

Emergency Services Volunteer Length of Services Award Program

Year Ended December 31, 2017

	<u>Ref.</u>	
Balance - December 31, 2016	B	18,500.00
Increased by:		
Borough Contributions	B-11	<u>18,750.00</u> 37,250.00
Decreased by:		
Receipts	B-1	<u>18,500.00</u>
Balance - December 31, 2017	B	<u><u>18,750.00</u></u>

Borough of Sussex, N.J.

Schedule of Net Assets Available for Benefits

Emergency Services Volunteer Length of Services Award Program

Year Ended December 31, 2017

	<u>Ref.</u>		
Balance - December 31, 2016	B		256,203.49
Increased by:			
Borough Contributions	B-10	18,750.00	
Increase in Investment Value	B-1	<u>32,339.67</u>	
			<u>51,089.67</u>
			307,293.16
Decreased by:			
Accounting Charge	B-1	1,702.53	
Distributions	B-1	<u>2,028.24</u>	
			<u>3,730.77</u>
Balance - December 31, 2017	B		<u><u>303,562.39</u></u>

Borough of Sussex, N.J.

Schedule of Cash

General Capital Fund

Year Ended December 31, 2017

	<u>Ref.</u>		
Balance - December 31, 2016	C;C-3		245,456.76
Increased by Receipts:			
Interfund - Current Fund	C-4	19,767.63	
Capital Improvement Fund	C-8	63,000.00	
Bond Anticipation Notes	C-10	760,000.00	
Various Reserves	C-13	<u>123,000.00</u>	
			<u>965,767.63</u>
			1,211,224.39
Decreased by Disbursements:			
Interfund - Current Fund	C-4	75,228.00	
Improvement Authorizations	C-9	123,778.89	
Reserve for Encumbrances	C-12	458,939.21	
Various Reserves	C-13	<u>15,000.00</u>	
			<u>672,946.10</u>
Balance - December 31, 2017	C;C-3		<u><u>538,278.29</u></u>

Borough of Sussex, N.J.

Analysis of Cash

General Capital Fund

Year Ended December 31, 2017

	Receipts		Disbursements		Transfers		Balance Dec. 31, 2017	
	Bond		Improvement		To			From
	Balance Dec. 31, 2016	Anticipation Notes Issued	Miscellaneous	Authorizations	Miscellaneous			
Capital Improvement Fund	47,760.01		63,000.00				110,760.01	
Reserve for Encumbrances	458,939.21		458,939.21		220,004.94		220,004.94	
Interfund - Current Fund	(19,278.24)	19,767.63	19,767.63			(19,925.00)	(94,663.61)	
Reserve for Various Reserves	148,037.24	123,000.00	15,000.00			(95,260.00)	160,777.24	
Fund Balance	557.00						557.00	
Improvement Authorizations								
11-06 Various Capital Improvements	(38,640.00)				19,925.00		(18,715.00)	
15-03 Purchase of Computers	336.85			356.43			336.85	
15-04 Construction of Parking Lot	9,459.76						9,103.33	
15-05 Overlook Drive Improvement	17,397.87						17,397.87	
15-16 Purchase of Fire Truck	(433,567.25)	475,000.00		21,185.00		2,867.00	23,114.75	
16-06 Purchase of DPW Equipment	29,454.31			4,090.30			19,917.07	
16-25 Purchase of One East Main Street	25,000.00			23,634.54			1,365.46	
17-07 Linden Street Improvements		285,000.00		74,512.62	46,900.00		46,900.00	
17-08 Acquisition of DPW Equipment					15,000.00	(217,425.00)	8,062.38	
17-11 Demolition of One East Main Street					33,360.00		33,360.00	
	<u>245,456.76</u>	<u>760,000.00</u>	<u>205,767.63</u>	<u>123,778.89</u>	<u>338,056.94</u>	<u>(338,056.94)</u>	<u>538,278.29</u>	
	C					C	C	

Borough of Sussex, N.J.

Schedule of Interfunds

General Capital Fund

Year Ended December 31, 2017

<u>Fund</u>	Due From/(To) Balance <u>Dec. 31, 2016</u>	<u>Increased</u>	<u>Decreased</u>	Due From/(To) Balance <u>Dec. 31, 2017</u>
Current Fund	<u>19,278.24</u>	<u>95,153.00</u>	<u>19,767.63</u>	<u>94,663.61</u>
	C		C-2	C
	<u>Ref.</u>			
Cash Disbursements		75,228.00		
Deferred Charge Raised in Current	C-7	<u>19,925.00</u>		
		<u>95,153.00</u>		

Borough of Sussex, N.J.

**Schedule of Deferred Charges to Future
Taxation - Funded**

General Capital Fund

Year Ended December 31, 2017

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

Borough of Sussex, N.J.**Schedule of Grants Receivable - N.J. Department of Transportation****General Capital Fund****Year Ended December 31, 2017**

	<u>Ref.</u>	
Increased by:		
Improvement Authorizations	C-9	<u>60,000.00</u>
Balance - December 31, 2017	C	<u><u>60,000.00</u></u>

Borough of Sussex, N.J.

Schedule of Deferred Charges to Future Taxation - Unfunded

General Capital Fund

Year Ended December 31, 2017

Ord. No.	Improvement Description	Balance Dec. 31, 2016	2017 Authorizations	Funded by Budget Appropriations	Notes Paid by Budget Appropriations	Balance Dec. 31, 2017	Analysis of Balance Dec. 31, 2017	
							Financed by Bond Anticipation Notes	Expended
06-13	Improvements to Various Roads	38,379.00			38,379.00			
07-03	Purchase of Fire Apparatus	27,350.00			27,350.00			
11-06	Various Capital Improvements	38,640.00	19,925.00			18,715.00		18,715.00
15-04	Construction of Parking Lot	95,000.00		9,500.00		85,500.00	85,500.00	
15-16	Purchase of Fire Truck	475,000.00				475,000.00	475,000.00	
17-08	Acquisition of DPW Equipment		285,000.00			285,000.00	285,000.00	
		<u>674,369.00</u>	<u>285,000.00</u>	<u>19,925.00</u>	<u>75,229.00</u>	<u>864,215.00</u>	<u>845,500.00</u>	<u>18,715.00</u>
		C	C-9	C-4;C-14	C-10	C	C-10	

Borough of Sussex, N.J.
Schedule of Capital Improvement Fund
General Capital Fund
Year Ended December 31, 2017

	<u>Ref.</u>	
Balance - December 31, 2016	C	47,760.01
Increased by:		
Budget Appropriation	C-2	<u>63,000.00</u>
Balance - December 31, 2017	C	<u><u>110,760.01</u></u>

Borough of Sussex, N.J.
Schedule of Bond Anticipation Notes Payable

General Capital Fund

Year Ended December 31, 2017

Ordinance Number	Improvement Description	Original Note	Date of Original Issue	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2016	Increased	Decreased	Balance Dec. 31, 2017
06-13	Improvements to Various Roads	323,000.00	02/21/07	2/11/2016	2/10/2017	1.35%	38,379.00		38,379.00	
07-03	Purchase of Fire Apparatus	194,750.00	08/16/07	2/11/2016	2/10/2017	1.35%	27,350.00		27,350.00	
15-04	Construction of Parking Lot	95,000.00	2/11/2016	2/11/2016 2/9/2017	2/10/2017 2/9/2018	1.35% 1.3499%	95,000.00	85,500.00	95,000.00	85,500.00
15-16	Purchase of Fire Truck	475,000.00	2/9/2017	2/9/2017	2/9/2018	1.3499%		475,000.00		475,000.00
17-08	Purchase of DPW Equipment	285,000.00	10/29/2017	10/29/2017	10/26/2018	2.25%		285,000.00		285,000.00
							<u>160,729.00</u>	<u>845,500.00</u>	<u>160,729.00</u>	<u>845,500.00</u>
							C			C
							<u>Ref.</u>			
							Renewals	85,500.00	85,500.00	
							Issued for Cash	760,000.00		
							Paid by Budget Appropriation		75,229.00	
								<u>845,500.00</u>	<u>160,729.00</u>	<u>845,500.00</u>

Borough of Sussex, N.J.
Schedule of Green Acres Trust Program Loan Payable
General Capital Fund
Year Ended December 31, 2017

	<u>Ref.</u>	
Balance - December 31, 2016	C	<u><u>8,319.84</u></u>
Decreased by:		
Principal Matured	C-5	<u><u>8,319.84</u></u>

Borough of Sussex, N.J.

Schedule of Reserve for Encumbrances

General Capital Fund

Year Ended December 31, 2017

	<u>Ref.</u>	
Balance - December 31, 2016	C	458,939.21
Increased by:		
Charges to Improvement Authorizations	C-9	220,004.94
		<u>678,944.15</u>
Decreased by:		
Cash Disbursements	C-2	458,939.21
		<u>458,939.21</u>
Balance - December 31, 2017	C	<u><u>220,004.94</u></u>

Borough of Sussex, N.J.

Schedule of Various Reserves

General Capital Fund

Year Ended December 31, 2017

<u>Improvement Description</u>	<u>Balance</u> <u>Dec. 31, 2016</u>	<u>Increased</u>	<u>2017</u> <u>Authorizations</u>	<u>Balance</u> <u>Dec. 31, 2017</u>
Reserve for Road Improvements	44,862.24	19,000.00	46,900.00	16,962.24
Reserve for Purchase of Ambulance	12,000.00	12,000.00		24,000.00
Reserve for Purchase of Equipment	12,000.00	12,000.00		24,000.00
Reserve for Purchase of DPW Equipment	15,000.00	20,000.00	15,000.00	20,000.00
Reserve for Purchase of Fire Truck	27,000.00	25,000.00		52,000.00
Reserve for Improvement to Municipal Properties	37,175.00	15,000.00	48,360.00	3,815.00
Reserve for Purchase of Fire Equipment	148,037.24	20,000.00		20,000.00
	<u>148,037.24</u>	<u>123,000.00</u>	<u>110,260.00</u>	<u>160,777.24</u>
	C	C-2	C	C
<u>Ref.</u>				
Cash Disbursements			15,000.00	
Improvement Authorizations			95,260.00	
			<u>110,260.00</u>	

Borough of Sussex, N.J.

Schedule of Bonds and Notes Authorized But Not Issued

General Capital Fund

Year Ended December 31, 2017

Ord. No.	Ord. Date	Improvement Description	Balance Dec. 31, 2016	2017 Authorized	Bond Anticipation Notes Issued	Funded By Budget	Balance Dec. 31, 2017
11-06	06/21/2011	Various Capital Improvements	38,640.00			19,925.00	18,715.00
15-16	12/01/2015	Purchase of Fire Truck	475,000.00	285,000.00	475,000.00		
17-08	9/19/2017	Acquisition of DPW Equipment	513,640.00	285,000.00	760,000.00	19,925.00	18,715.00
			<u>Footnote C</u>	<u>C-9</u>	<u>C-10</u>	<u>C-7</u>	<u>Footnote C</u>

Borough of Sussex, N.J.

Schedule of Cash

Water/Sewer Utility Fund

Year Ended December 31, 2017

	<u>Ref.</u>	<u>Operating</u>	<u>Capital</u>
Balance - December 31, 2016	D;D-6	<u>394,591.23</u>	<u>2,047,192.42</u>
Increased by Receipts:			
Premium on Bond Sale	D-2		15,764.00
Miscellaneous Revenue Anticipated	D-3	2,015.51	
Miscellaneous Revenue Not Anticipated	D-3	28,143.79	
Consumer Accounts Receivable	D-7	2,392,986.82	
Water/Sewer Liens Receivable	D-9	9,579.77	
Grants Receivable	D-10		194,287.00
Schedule of Interfunds	D-16		16,969.53
Bond Anticipation Notes	D-26		45,000.00
		<u>2,432,725.89</u>	<u>272,020.53</u>
		<u>2,827,317.12</u>	<u>2,319,212.95</u>
Decreased by Disbursements:			
Budget Appropriations	D-4	1,859,993.50	
Appropriation Reserves	D-15	30,050.78	
Schedule of Interfunds	D-16	15,143.58	
Accrued Interest	D-18	218,304.12	
Accounts Payable	D-19	12,723.75	
Improvement Authorizations	D-21		420,274.48
Encumbrances Payable	D-29		65,426.71
		<u>2,136,215.73</u>	<u>485,701.19</u>
Balance - December 31, 2017	D;D-6	<u><u>691,101.39</u></u>	<u><u>1,833,511.76</u></u>

Borough of Sussex, N.J.

Analysis of Cash

Water/Sewer Utility Capital Fund

Year Ended December 31, 2017

	Balance		Receipts		Disbursements		Transfers		Balance
	Dec. 31, 2016		Bond	Miscellaneous	Improvement	Miscellaneous	To	(From)	Dec. 31, 2017
Capital Improvement Fund	22,920.00						95,000.00		117,920.00
Capital Surplus	2,365.92	15,764.00					10,314.20		28,444.12
Due Water/Sewer Utility Operating Fund	(15,000.00)	16,969.53					45,883.79	(95,000.00)	(47,146.68)
NJ Department of Transportation	(304.16)								(304.16)
Reserve for Capital Outlay	72,181.69						4,975.20	(45,883.79)	72,181.69
Reserve for Debt Service	45,883.79								4,975.20
Reserve for Encumbrances	65,426.71					8,621.07	184,823.64		241,629.28
NJ Environmental Infrastructure Trust Receivable	(299,252.00)			194,287.00					(299,252.00)
Small Cities Block Grant Receivable	(400,000.00)								(205,713.00)

Ord.

No.

Improvement Authorizations

09-16	Repair and Painting of Water Storage Tanks	4,975.20								
09-22,10-04	Rehabilitation of Manholes	484,212.93						(4,975.20)		484,212.93
11-15	Various Water/Sewer Capital Improvements	10,314.20						(10,314.20)		
14-06	Rt. 23 Water/Sewer Improvements	(54,344.00)	45,000.00							(9,344.00)
14-07	Various Water/Sewer Improvements	80,186.08							14,209.75	61,336.08
15-06	Various Water/Sewer Improvements	977,606.27							103,381.75	813,110.18
16-23	Various Water/Sewer Improvements	1,050,019.79							359,488.62	571,462.12
		2,047,192.42	45,000.00	227,020.53	477,080.12	8,621.07	340,996.83	(340,996.83)	1,833,511.76	

D:D-5

D:D-5

Borough of Sussex, N.J.

Schedule of Consumer Accounts Receivable

Water/Sewer Utility Operating Fund

Year Ended December 31, 2017

	<u>Balance</u> <u>Dec. 31, 2016</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance</u> <u>Dec. 31, 2017</u>
Consumer Accounts Receivable	<u>945,892.36</u>	<u>2,432,078.33</u>	<u>2,395,390.30</u>	<u>982,580.39</u>
	D			D
	<u>Ref.</u>			
Rents Received	D-3; D-5		2,392,986.82	
Transferred to Water/Sewer Liens	D-9		<u>2,403.48</u>	
			<u>2,395,390.30</u>	

Schedule of Other Receivables

Water/Sewer Utility Operating Fund

Year Ended December 31, 2017

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

Borough of Sussex, N.J.

Schedule of Water/Sewer Utility Liens

Water/Sewer Utility Operating Fund

Year Ended December 31, 2017

	<u>Ref</u>	
Balance - December 31, 2016	D	17,009.19
Increased by:		
Transfers From Consumer Accounts Receivable	D-7	2,403.48
		<u>19,412.67</u>
Decreased by:		
Liens Redeemed	D-3;D-5	9,579.77
		<u>9,579.77</u>
Balance - December 31, 2017	D	<u><u>9,832.90</u></u>

Schedule of Water/Sewer Grants Receivable

Water/Sewer Utility Capital Fund

Year Ended December 31, 2017

	<u>Ref</u>	
Balance - December 31, 2016	D	400,000.00
Decreased by:		
Cash Receipts	D-5	194,287.00
		<u>194,287.00</u>
Balance - December 31, 2017	D	<u><u>205,713.00</u></u>

Borough of Sussex, N.J.
Schedule of Fixed Capital
Water/Sewer Utility Capital Fund
Year Ended December 31, 2017

	<u>Ref</u>	
Balance - December 31, 2016	D	<u>16,917,574.84</u>
Balance - December 31, 2017	D	<u>16,917,574.84</u>

Borough of Sussex, N.J.

Schedule of Fixed Capital Authorized and Uncompleted

Water/Sewer Utility Capital Fund

Year Ended December 31, 2017

<u>Improvement Description</u>	<u>Ordinance</u>		<u>Balance,</u>	<u>Balance,</u>
	<u>Date</u>	<u>Amount</u>	<u>Dec. 31, 2016</u>	<u>Dec. 31, 2017</u>
Rehabilitation of Manholes	09/01/09	1,100,000.00	1,100,000.00	1,100,000.00
Various Water/Sewer Improvements	07/01/14	125,000.00	125,000.00	125,000.00
Various Water/Sewer Improvements	07/21/15	1,200,000.00	1,200,000.00	1,200,000.00
Various Water/Sewer Improvements	09/20/16	2,500,000.00	2,500,000.00	2,500,000.00
			<u>4,925,000.00</u>	<u>4,925,000.00</u>
			D	D

Borough of Sussex, N.J.

Schedule of N.J. Environmental Infrastructure Trust Receivable

Water/Sewer Utility Capital Fund

Year Ended December 31, 2017

	<u>Ref</u>	
Balance - December 31, 2016	D	<u><u>299,252.00</u></u>
Balance - December 31, 2017	D	<u><u>299,252.00</u></u>

Schedule of Water/Sewer Overpayments

Water/Sewer Utility Operating Fund

Year Ended December 31, 2017

	<u>Ref</u>	
Balance - December 31, 2016	D	<u><u>2,898.51</u></u>
Balance - December 31, 2017	D	<u><u>2,898.51</u></u>

Borough of Sussex, N.J.

Schedule of Appropriation Reserves

Water/Sewer Utility Operating Fund

Year Ended December 31, 2017

		Balance, Dec. 31, <u>2016</u>	Balance after <u>Transfers</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Operating:					
Salaries and Wages		26,660.39	26,660.39	9,333.34	17,327.05
Other Expenses		<u>82,790.38</u>	<u>82,790.38</u>	<u>35,372.28</u>	<u>47,418.10</u>
		<u>109,450.77</u>	<u>109,450.77</u>	<u>44,705.62</u>	<u>64,745.15</u>
	<u>Ref.</u>				D-1
<u>Analysis of Appropriation Reserve</u>					
Unencumbered	D	69,943.75			
Encumbered	D	<u>39,507.02</u>			
		<u>109,450.77</u>			
<u>Analysis of Paid or Charged</u>					
Cash Disbursements	D-5			30,050.78	
Accounts Payable	D-19			<u>14,654.84</u>	
				<u>44,705.62</u>	

Borough of Sussex, N.J.

Schedule of Interfund Accounts Receivable (Payable)

Water/Sewer Utility Operating Fund

Year Ended December 31, 2017

	Ref.	Water/Sewer Operating Fund		Water/Sewer Capital Fund
		Current Fund	Due From/(To)	
			Water/Sewer Capital Fund	Water/Sewer Operating Fund
Balance - December 31, 2016	D		(15,000.00)	15,000.00
Increased by:				
Realized Revenue	D-3		45,883.79	
Interest Earned	D-3		1,969.53	
Cash Disbursed	D-5	143.58	15,000.00	
Capital Improvement Fund	D-22			95,000.00
		<u>143.58</u>	<u>62,853.32</u>	<u>95,000.00</u>
		<u>143.58</u>	<u>47,853.32</u>	<u>110,000.00</u>
Decreased by:				
Budget Appropriations	D-4		95,000.00	
Cash Received	D-5			16,969.53
Reserve for Debt Service	D-30			45,883.79
			<u>95,000.00</u>	<u>62,853.32</u>
Balance - December 31, 2017	D	<u>143.58</u>	<u>(47,146.68)</u>	<u>47,146.68</u>

Borough of Sussex, N.J.

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

Water/Sewer Utility Capital Fund

Year Ended December 31, 2017

	<u>Ref</u>	
Balance - December 31, 2016	D	<u><u>304.16</u></u>
Balance - December 31, 2017	D	<u><u>304.16</u></u>

Borough of Sussex, N.J.

Schedule of Accrued Interest On Bonds, Loans and Notes

Water/Sewer Utility Operating Fund

Year Ended December 31, 2017

Balance - December 31, 2016	<u>Ref.</u> D	19,325.07
Increased by:		
Budget Appropriations	D-4	<u>219,753.00</u>
		239,078.07
Decreased by:		
Cash Disbursed	D-5	<u>218,304.12</u>
Balance - December 31, 2017	D	<u><u>20,773.95</u></u>

<u>Principal Outstanding December 31, 2017</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:						
473,000.00	Various	11/01/17	12/31/17	60	3,744.58	3,316.62
NJEIT Loan Payable:						
103,476.37	Various	08/01/17	12/31/17	152	1,578.22	1,397.85
272,745.79	Various				N/A	N/A
415,000.00	Various	08/01/17	12/31/17	152	8,761.11	7,759.82
380,349.20	Various				N/A	N/A
Bond Anticipation Notes:						
105,000.00	1.50%	05/06/17	12/31/17	239	1,045.63	926.12
1,800,000.00	2.25%	10/18/17	12/31/17	74	<u>8,325.00</u>	<u>7,373.55</u>
					<u><u>23,454.54</u></u>	<u><u>20,773.95</u></u>

Borough of Sussex, N.J.
Schedule of Accounts Payable
Water/Sewer Utility Fund
Year Ended December 31, 2017

	<u>Ref.</u>	
Balance - December 31, 2016	D	13,446.66
Increased by:		
Appropriation Reserves	D-15	<u>14,654.84</u>
		28,101.50
Decreased by:		
Cash Disbursed	D-5	<u>12,723.75</u>
Balance - December 31, 2017	D	<u><u>15,377.75</u></u>

Borough of Sussex, N.J.

Schedule of Deferred Charges

Water/Sewer Utility Operating Fund

Year Ended December 31, 2017

	Balance Dec. 31, 2016	Raised in 2017	Balance Dec 31, 2017
Operating Deficit	78,601.35	64,214.00	14,387.35
Overexpenditure of Appropriations	1,702.23		1,702.23
	<u>80,303.58</u>	<u>64,214.00</u>	<u>16,089.58</u>
	D	D-4	D

Borough of Sussex, N.J.

Schedule of Improvement Authorizations

Water/Sewer Utility Capital Fund

Year Ended December 31, 2017

Ord. No.	Improvement Description	Ordinance Date	Amount	Balance Dec. 31, 2016		Expended	Balance Dec. 31, 2017	
				Funded	Unfunded		Funded	Unfunded
09-22	Rehabilitation of Manholes	09/01/2009	1,100,000.00	344,612.93	139,600.00	18,850.00	344,612.93	139,600.00
14-07	Various Water/Sewer Improvements	07/01/2014	125,000.00	80,186.08	977,606.27	164,496.09	61,336.08	813,110.18
15-06	Various Water/Sewer Improvements	07/21/2015	1,200,000.00		2,430,019.79	478,557.67		1,951,462.12
16-23	Various Water/Sewer Improvements	09/20/2016	2,500,000.00		3,547,226.06	661,903.76		2,904,172.30
				<u>424,799.01</u>	<u>3,547,226.06</u>	<u>661,903.76</u>	<u>405,949.01</u>	<u>2,904,172.30</u>
				D	D	D	D	D

	Ref.
<u>Analysis of Expended</u>	
Cash Disbursements	D-5 420,274.48
Reserve for Encumbrances	D-29 241,629.28
	<u>661,903.76</u>

Borough of Sussex, N.J.
Schedule of Capital Improvement Fund
Water/Sewer Utility Capital Fund
Year Ended December 31, 2017

	<u>Ref.</u>	
Balance - December 31, 2016	D	22,920.00
Increased by:		
Interfund - Water Operating	D-16	<u>95,000.00</u>
Balance - December 31, 2017	D	<u><u>117,920.00</u></u>

Schedule of Reserve for Amortization
Water/Sewer Utility Capital Fund
Year Ended December 31, 2017

	<u>Ref.</u>	
Balance - December 31, 2016	D	11,615,533.78
Increased by:		
Paid by Water/Sewer Utility Operating Budget:		
Serial Bonds	D-25	270,000.00
Bond Anticipation Notes Paid by Operating Budget	D-26	3,889.00
NJ Environmental Infrastructure Loan	D-27	<u>78,971.10</u>
		<u>352,860.10</u>
		11,968,393.88
Decreased by:		
Authorizations Cancelled:		
Water/Sewer Capital Surplus	D-2	10,314.20
Reserve for Debt Service	D-30	<u>4,975.20</u>
		<u>15,289.40</u>
Balance - December 31, 2017	D	<u><u>11,953,104.48</u></u>

Borough of Sussex, N.J.

Schedule of Deferred Reserve for Amortization

Water/Sewer Utility Capital Fund

Year Ended December 31, 2017

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Date of Ordinance</u>	<u>Balance, Dec. 31, 2016</u>	<u>Paid From Operating Budget Notes</u>	<u>Balance, Dec. 31, 2017</u>
09-22	Rehabilitation of Manholes	09/01/2009	44,444.00	11,111.00	55,555.00
16-23	Various Water/Sewer Improvements	09/20/2016	520,000.00		520,000.00
			<u>564,444.00</u>	<u>11,111.00</u>	<u>575,555.00</u>
			D	D-26	D

Borough of Sussex, N.J.

Schedule of Serial Bonds Payable

Water/Sewer Utility Capital Fund

Year Ended December 31, 2017

Purpose	Date of Issue	Amount Issued	Matures of Bonds Outstanding December 31, 2017		Interest Rate	Balance Dec. 31, 2016	Paid By Budget Appropriation	Balance Dec. 31, 2017
			Date	Amount				
General Obligation Bonds	11/01/05	1,193,000.00	11/1/18-19	60,000.00	4.75%			
			11/1/20-24	60,000.00	5.00%			
			11/1/25	53,000.00	5.00%	533,000.00	60,000.00	473,000.00
Refunding Bonds of 2012	07/01/12	5,515,000.00	1/1/2018-19	215,000.00	3.00%			
			1/1/2020	225,000.00	3.00%			
			1/1/2021-22	230,000.00	3.00%			
			1/1/2023	250,000.00	2.50%			
			1/1/2024	210,000.00	3.50%			
			1/1/2025	195,000.00	3.50%			
			1/1/2026	200,000.00	3.50%			
			1/1/2027	210,000.00	3.50%			
			1/1/2028	210,000.00	3.00%			
			1/1/2029	225,000.00	3.00%			
			1/1/2030	230,000.00	3.125%			
			1/1/2031	235,000.00	3.50%			
			1/1/2032	240,000.00	3.50%			
		1/1/2033	255,000.00	3.50%				
		1/1/2034	260,000.00	3.75%				
		1/1/2035	270,000.00	3.75%				
		1/1/2036	210,000.00	3.75%				
		1/1/2037	60,000.00	3.75%				
						4,585,000.00	210,000.00	4,375,000.00
						<u>5,118,000.00</u>	<u>270,000.00</u>	<u>4,848,000.00</u>
						D	D-23	D

Borough of Sussex, N.J.

Schedule of Bond Anticipation Notes Payable

Water/Sewer Utility Capital Fund

Year Ended December 31, 2017

Ord. No.	Improvement Description	Date of Original Issue	Date of Issue	Date of Maturity	Interest Rate	Year Ended December 31, 2016		Balance Dec. 31, 2017	
						Increased	Decreased		
09-16	Major Repair and Repainting Of The Borough Water Storage Tanks	05/13/2011	05/6/2016 05/04/17	05/5/2017 05/04/18	1.40% 1.50%	19,444.00	15,555.00	19,444.00	15,555.00
09-22;10-04	Rehabilitation of Manholes	05/13/2011	05/6/2016 05/04/17	05/5/2017 05/04/18	1.40% 1.50%	55,556.00	44,445.00	55,556.00	44,445.00
14-06	Various Water/Sewer Improvements	05/04/17	05/04/17	05/04/18	1.50%	45,000.00		45,000.00	45,000.00
15-06	Various Water/Sewer Improvements	10/18/2016	10/18/2016 10/26/2017	10/13/2017 10/26/2018	1.025% 2.25%	1,200,000.00	1,200,000.00	1,200,000.00	1,200,000.00
16-23	Various Water/Sewer Improvements	10/18/2016	10/18/2016 10/26/2017	10/13/2017 10/26/2018	1.025% 2.25%	600,000.00	600,000.00	600,000.00	600,000.00
						<u>1,875,000.00</u>	<u>1,905,000.00</u>	<u>1,875,000.00</u>	<u>1,905,000.00</u>
						D		D	
					<u>Ref.</u>				
					Renewals	1,860,000.00		1,860,000.00	
					Issued for Cash	45,000.00			
					Raised in Budget		3,889.00		
					Paid by Budget Appropriations		11,111.00		
						<u>1,905,000.00</u>	<u>1,875,000.00</u>	<u>1,905,000.00</u>	<u>1,875,000.00</u>

Borough of Sussex, N.J.

Schedule of NJ Environmental Infrastructure Trust Loan Payable

Water/Sewer Utility Capital Fund

Year Ended December 31, 2017

	<u>Ref</u>	
Balance - December 31, 2016	D	1,250,542.46
Decreased by:		
Principal Matured	D-23	<u>78,971.10</u>
Balance - December 31, 2017	D	<u><u>1,171,571.36</u></u>

Schedule of Principal and Interest Payments Outstanding December 31, 2017
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>
16	2/1/2018		1,868.94	103,476.37
17	8/1/2018	7,164.18	1,868.94	96,312.19
18	2/1/2019		1,770.44	96,312.19
19	8/1/2019	7,361.19	1,770.44	88,951.00
20	2/1/2020		1,661.86	88,951.00
21	8/1/2020	7,578.35	1,661.86	81,372.65
22	2/1/2021		1,542.88	81,372.65
23	8/1/2021	7,816.31	1,542.88	73,556.34
24	2/1/2022		1,415.08	73,556.34
25	8/1/2022	8,071.90	1,415.08	65,484.44
26	2/1/2023		1,275.44	65,484.44
27	8/1/2023	8,351.19	1,275.44	57,133.25
28	2/1/2024		1,125.12	57,133.25
29	8/1/2024	8,651.83	1,125.12	48,481.42
30	2/1/2025		965.49	48,481.42
31	8/1/2025	8,971.09	965.49	39,510.33
32	2/1/2026		795.49	39,510.33
33	8/1/2026	9,311.09	795.49	30,199.24
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>103,476.37</u>	<u>27,348.44</u>	

Borough of Sussex, N.J.

Schedule of NJ Environmental Infrastructure Trust Loan Payable

Water/Sewer Utility Capital Fund

Year Ended December 31, 2017

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

Borough of Sussex, N.J.

Schedule of NJ Environmental Infrastructure Trust Loan Payable

Water/Sewer Utility Capital Fund

Year Ended December 31, 2017

Schedule of Principal and Interest Payments Outstanding December 31, 2017
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>
				415,000.00
14	2/1/2018		10,375.00	415,000.00
15	8/1/2018	25,000.00	10,375.00	390,000.00
16	2/1/2019		9,750.00	390,000.00
17	8/1/2019	25,000.00	9,750.00	365,000.00
18	2/1/2020		9,125.00	365,000.00
19	8/1/2020	25,000.00	9,125.00	340,000.00
20	2/1/2021		8,500.00	340,000.00
21	8/1/2021	25,000.00	8,500.00	315,000.00
22	2/1/2022		7,875.00	315,000.00
23	8/1/2022	30,000.00	7,875.00	285,000.00
24	2/1/2023		7,125.00	285,000.00
25	8/1/2023	30,000.00	7,125.00	255,000.00
26	2/1/2024		6,375.00	255,000.00
27	8/1/2024	30,000.00	6,375.00	225,000.00
28	2/1/2025		5,625.00	225,000.00
29	8/1/2025	35,000.00	5,625.00	190,000.00
30	2/1/2026		4,750.00	190,000.00
31	8/1/2026	35,000.00	4,750.00	155,000.00
32	2/1/2027		3,875.00	155,000.00
33	8/1/2027	35,000.00	3,875.00	120,000.00
34	2/1/2028		3,000.00	120,000.00
35	8/1/2028	40,000.00	3,000.00	80,000.00
36	2/1/2029		2,000.00	80,000.00
37	8/1/2029	40,000.00	2,000.00	40,000.00
38	2/1/2030		1,000.00	40,000.00
39	8/1/2030	40,000.00	1,000.00	0.00
		<u>415,000.00</u>	<u>158,750.00</u>	

Borough of Sussex, N.J.

Schedule of NJ Environmental Infrastructure Trust Loan Payable

Water/Sewer Utility Capital Fund

Year Ended December 31, 2017

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

Borough of Sussex, N.J.
Schedule of Reserve for Capital Outlay
Water/Sewer Utility Capital Fund
Year Ended December 31, 2017

	<u>Ref.</u>	
Balance - December 31, 2016	D	<u><u>72,181.69</u></u>
Balance - December 31, 2017	D	<u><u>72,181.69</u></u>

Schedule of Reserve for Encumbrances
Water/Sewer Utility Capital Fund
Year Ended December 31, 2017

	<u>Ref.</u>	
Balance - December 31, 2016	D	65,426.71
Increased by:		
Charges to Improvements Authorizations	D-21	<u>241,629.28</u>
		307,055.99
Decreased By:		
Cash Disbursements	D-5	<u>65,426.71</u>
Balance - December 31, 2017	D	<u><u>241,629.28</u></u>

Borough of Sussex, N.J.
Schedule of Reserve for Debt Service
Water/Sewer Utility Capital Fund
Year Ended December 31, 2017

	<u>Ref.</u>	
Balance - December 31, 2016	D	45,883.79
Increased by:		
Improvement Authorization Canceled	D-23	4,975.20
		<u>50,858.99</u>
Decreased by:		
Interfund - Water Operating	D-16	45,883.79
		<u>45,883.79</u>
 Balance - December 31, 2017	 D	 <u><u>4,975.20</u></u>

Borough of Sussex, N.J.

Schedule of Bonds and Notes Authorized But Not Issued

Water/Sewer Utility Capital Fund

Year Ended December 31, 2017

<u>Ordinance Number</u>	<u>Improvement Description</u>	Bond Anticipation		<u>Balance, Dec. 31, 2017</u>
		<u>Balance, Dec. 31, 2016</u>	<u>Notes Issued</u>	
14-06	Rt. 23 Water/Sewer Improvements		45,000.00	90,000.00
16-23	Various Water/Sewer Improvements	1,380,000.00		1,380,000.00
		<u>1,380,000.00</u>	<u>45,000.00</u>	<u>1,470,000.00</u>
		Footnote D	D-26	Footnote D

BOROUGH OF SUSSEX

PART II

*** * * * ***

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

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2017

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

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements-regulatory basis of the Borough of Sussex in the County of Sussex as of and for the year ended December 31, 2017 and the related notes to the financial statements, and have issued our report thereon dated June 27, 2018, which was adverse due to being presented in accordance with New Jersey regulatory basis of accounting.

Internal Control Over Financial Reporting

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

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



Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as 2017-01, that we consider to be a significant deficiency.

Compliance and Other Matters

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

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

Purpose of this Report

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



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

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

June 27, 2018



**BOROUGH OF SUSSEX
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

Summary of Auditor's Results:

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

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

The Borough was not subject to the single audit provisions of Uniform Guidance and State Circular 15-08 OMB for 2017 as grant expenditures were less than the single audit thresholds identified in the Circulars.

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

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

Finding 2017-01 - Segregation of Duties

The Borough does not maintain an adequate segregation of duties within the Treasury Department. Segregation of duties refers to separating those functions that place too much control over a transaction or class of transactions that would enable a person to misappropriate funds and prevent detection within a reasonable period of time. The various departments/offices of the Borough are responsible for the issuance of permits and licenses; collection of taxes, utility charges and permits and license fees; and recording of collections. The Deputy Treasurer deposits, disburses funds and posts the activity to the finance software and can also over-ride the software to record over-expenditures. This situation occurred because of the limited number of employees qualified to perform other accounting functions. The Borough also does not have adequate controls within the software system. The Borough was made aware of this lack on internal control and will consider strengthening Internal Control within reason of the costs and benefits derived.

Management's Response:

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

Findings and Questioned Costs for Federal Awards:

Not applicable

Findings and Questioned Costs for State Awards:

Not applicable

**BOROUGH OF SUSSEX
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2017**

STATUS OF PRIOR YEAR FINDINGS

The Borough's prior year finding, 2016-01, regarding Segregation of Duties has not been corrected and is included in the audit for the year ended December 31, 2017.

Finding 2016-01:

Condition:

The Borough does not maintain an adequate segregation of duties within the Treasury Department. Segregation of duties refers to separating those functions that place too much control over a transaction or class of transactions that would enable a person to misappropriate funds and prevent detection within a reasonable period of time. The various departments/offices of the Borough are responsible for the issuance of permits and licenses; collection of taxes, utility charges and permits and license fees; and recording of collections. The Deputy Treasurer deposits, disburses funds and posts the activity to the finance software. This situation occurred because of the limited number of employees qualified to perform other accounting functions. The Borough also does not have adequate controls within the software system.

Current Status:

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

GENERAL COMMENTS

Cash Balances

Cash balances in all funds were verified by independent certificates obtained from the depositories as of December 31, 2017, and at June 27, 2018, in connection with the supplemental reconciliations made for all officials. Cash on hand was counted on that date.

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

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

a. "When the cost or price of any contract awarded by the contracting agent in the aggregate does not exceed in a contract year the total sum of \$17,500, or \$21,000 as of July 1, 2005, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution, as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids, except that the governing body of any contracting unit may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to subsection b. of section 9 of P.L. 1971, c.198 (C.40A:11-9), the governing body of the contracting unit may establish that the bid threshold may be up to \$25,000, or \$21,000 as of July 1, 2005. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.

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

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

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

GENERAL COMMENTS (CONTINUED)

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

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

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

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

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

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

Inasmuch as the system of records did not provide for the accumulation of payments for categories for the performance of any work or the furnishing or hiring of any material or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear cut violation existed. No violations were disclosed.

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

Collection of Interest on Delinquent Taxes and Assessments

The governing body on January 3, 2017 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, 2017 there will be a ten (10) day grace period of quarterly tax payments made by cash, check or money order.
3. Any payments not made in accordance with paragraph two of this resolution shall be charged interest from the due date as set forth in paragraph one of this resolution.

Delinquent Taxes and Tax Title Liens

The last tax sale was held on December 6, 2017.

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>
2017	4
2016	4
2015	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.

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, 2017 is not yet known, but a separate report will be rendered if any irregularities are developed.

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

GENERAL COMMENTS (CONTINUED)

Segregation of Duties

The Borough does not maintain an adequate segregation of duties within the Treasury Department. Segregation of duties refers to separating those functions that place too much control over a transaction or class of transactions that would enable a person to misappropriate funds and prevent detection within a reasonable period of time. The various departments/offices of the Borough are responsible for the issuance of permits and licenses; collection of taxes, utility charges and permits and license fees; and recording of collections. The Deputy Treasurer deposits, disburses funds and posts the activity to the finance software and can also over-ride the software to record over-expenditures. This situation occurred because of the limited number of employees qualified to perform other accounting functions. The Borough also does not have adequate controls within the software system. The Borough was made aware of this lack on internal control and will consider strengthening Internal Control within reason of the costs and benefits derived.

Management Response:

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

OTHER COMMENTS

Finance

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

Management Response:

Every effort will be made to properly encumber purchases

Municipal Court

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

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

Management Response:

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

RECOMMENDATIONS

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

Status of Prior Year's Audit Findings/Recommendations

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

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

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

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

Very truly yours,



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

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