

BOROUGH OF FRANKLIN

COUNTY OF SUSSEX

REPORT OF AUDIT

2009

*NISIVOCIA & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS*

BOROUGH OF FRANKLIN
COUNTY OF SUSSEX
REPORT OF AUDIT
2009

BOROUGH OF FRANKLIN
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BOROUGH OF FRANKLIN

PART I

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2009



Mount Arlington Corporate Center
 200 Valley Road, Suite 300
 Mount Arlington, NJ 07856
 Phone: 973-328-1825
 Fax: 973-328-0507

Lawrence Business Park
 11 Lawrence Road
 Newton, NJ 07860
 Phone: 973-383-6699
 Fax: 973-383-6555

Independent Auditors' Report

The Honorable Mayor and Members
 of the Borough Council
 Borough of Franklin
 Franklin, New Jersey

We have audited the financial statements of the various funds of the Borough of Franklin in the County of Sussex (the "Borough") as of and for the years ended December 31, 2009 and 2008, as listed in the table of contents. These financial statements are the responsibility of the Borough's management. Our responsibility is to express opinions on these financial statements based on our audits.

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

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

We were unable to obtain sufficient evidence to support the cost of fixed assets recorded in the general fixed assets account group. As more fully described in Note 1, due to the length of time over which these fixed assets were acquired, it is not practical to determine their actual costs. We are, therefore, unable to express an opinion as to the general fixed assets account group at December 31, 2009 and 2008 stated at \$5,779,991 and \$5,917,962, respectively.

In our opinion, because the Borough prepares its financial statements on the basis of accounting discussed in the third paragraph, the financial statements referred to in the first paragraph, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Borough as of December 31, 2009 and 2008, and the results of its operations for the years then ended.

The Honorable Mayor and Members
of the Borough Council
Borough of Franklin
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However, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the general fixed assets account group been audited, the financial statements referred to above, present fairly, in all material respects, the financial position of the various funds of the Borough of Franklin at December 31, 2009 and 2008, and the results of operations and changes in fund balances, where applicable, of such funds thereof for the years then ended, in conformity with accounting principles prescribed by the Division, as described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2010, on our consideration of the Borough of Franklin's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audits were conducted for the purpose of forming opinions on the financial statements taken as a whole. The information included in the supplementary schedules listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedules of expenditures of federal and state awards are also presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and New Jersey OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid* and are not a required part of the financial statements. This information has been subjected to the auditing procedures applied in the audits of the financial statements mentioned above and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole, on the basis of accounting described in Note 1 to the financial statements and Note B to the schedules of expenditures of federal and state awards.

Nisivoccia & Company, LLP

NISIVOCCIA & COMPANY LLP

Mount Arlington, New Jersey
May 21, 2010

Kathryn L. Mantell

Kathryn L. Mantell

Registered Municipal Accountant No. 447

Certified Public Accountant

BOROUGH OF FRANKLIN
COUNTY OF SUSSEX
2009
CURRENT FUND

BOROUGH OF FRANKLIN
CURRENT FUND
COMPARATIVE BALANCE SHEET

	Ref.	December 31,	
		2009	2008
<u>ASSETS</u>			
Regular Fund:			
Cash and Cash Equivalents:			
Treasurer	A-4	\$ 872,271.89	\$ 1,372,710.17
Change Fund		500.00	500.00
Total Cash and Cash Equivalents		<u>872,771.89</u>	<u>1,373,210.17</u>
Receivables and Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	A-7	264,569.99	192,461.90
Tax Title Liens Receivable	A-8	9,815.57	2,537.78
Property Acquired for Taxes at Assessed Valuation		255,800.00	255,800.00
Due from Federal and State Grant Fund	A	<u>27,555.84</u>	<u>27,555.84</u>
Total Receivables and Other Assets with Full Reserves		<u>530,185.56</u>	<u>478,355.52</u>
Deferred Charges:			
Emergency Appropriations (N.J.S.A. 40A:4-47)		24,000.00	32,000.00
Special Emergency Appropriation (N.J.S.A. 40A:4-55)		<u>160,000.00</u>	<u>200,000.00</u>
Total Deferred Charges		<u>184,000.00</u>	<u>232,000.00</u>
Total Regular Fund		<u>1,586,957.45</u>	<u>2,083,565.69</u>
Federal and State Grant Fund:			
Grants Receivable	A-10	46,433.12	287,400.00
Due Current Fund	A	<u>13,694.74</u>	<u>13,694.74</u>
Total Federal and State Grant Fund		<u>60,127.86</u>	<u>287,400.00</u>
TOTAL ASSETS		<u>\$ 1,647,085.31</u>	<u>\$ 2,370,965.69</u>

BOROUGH OF FRANKLIN
CURRENT FUND
COMPARATIVE BALANCE SHEET
(Continued)

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	Ref.	December 31,	
		2009	2008
Regular Fund:			
Appropriation Reserves:			
Unencumbered	A-3;A-11	\$ 181,823.35	\$ 206,958.71
Encumbered	A-3;A-11	121,964.70	60,056.62
		<u>303,788.05</u>	<u>267,015.33</u>
Accounts Payable - Vendors		35,988.04	19,685.00
County Added and Omitted Taxes Payable		3,344.82	4,522.72
Due State of New Jersey:			
Marriage License Fees		75.00	225.00
Burial Permits		80.00	80.00
Senior Citizens' and Veterans' Deductions		11,746.72	9,480.97
Prepaid Taxes		55,220.39	200,519.44
Tax Overpayments		429.24	
Due Federal and State Grant Fund	A	13,694.74	
Reserve for:			
Revision of Master Plan		5,115.32	7,157.32
Sale of Municipal Assets		193,545.60	382,303.07
Revision of Tax Map		1,375.00	1,375.00
Garden State Trust		11,893.82	6,454.32
Revaluation of Taxes		42,105.89	200,000.00
		<u>678,402.63</u>	<u>1,098,818.17</u>
Reserve for Receivables and Other Assets	A	530,185.56	478,355.52
Fund Balance	A-1	378,369.26	506,392.00
		<u>1,586,957.45</u>	<u>2,083,565.69</u>
Federal and State Grant Fund:			
Appropriated Reserves:			
Unencumbered	A-14	35,211.55	249,136.81
Encumbered	A-14	5,434.00	
Unappropriated Reserves	A-15	19,482.31	10,707.35
Due Current Fund	A		27,555.84
		<u>60,127.86</u>	<u>287,400.00</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		<u>\$ 1,647,085.31</u>	<u>\$ 2,370,965.69</u>

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

BOROUGH OF FRANKLIN
CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE

	Ref.	Year Ended December 31,	
		2009	2008
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized		\$ 267,000.00	\$ 275,000.00
Miscellaneous Revenue Anticipated		1,785,555.92	2,070,778.09
Receipts from:			
Delinquent Taxes		167,902.46	291,568.70
Current Taxes		11,223,091.36	11,119,563.83
Nonbudget Revenue		44,462.76	56,645.78
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		83,263.42	99,246.51
Federal and State Grant Fund Unappropriated Reserves Canceled		0.81	2.23
Tax Overpayments Canceled		125.24	3,082.00
Interfunds Returned		27,555.84	10,253.68
Total Income		<u>13,598,957.81</u>	<u>13,926,140.82</u>
<u>Expenditures</u>			
Budget and Emergency Appropriations:			
Budget Appropriations		5,587,323.87	5,750,417.73
County Taxes including Added Taxes		1,958,095.95	2,025,702.88
Local District School Tax		4,109,239.00	3,984,846.00
Regional High School Tax		1,804,224.70	2,010,648.22
Refund of Prior Year Taxes			9,685.59
Refund of Prior Year Revenue		1,097.03	
Petty Cash Canceled			400.00
Interfund Advances			27,555.84
Total Expenditures		<u>13,459,980.55</u>	<u>13,809,256.26</u>
Excess in Revenue		138,977.26	116,884.56
Adjustment to Income Before Fund Balance- Expenditures			
Included above Which are by Statute Deferred			
Charges to Budget of Succeeding Year			200,000.00
Statutory Excess to Fund Balance		138,977.26	316,884.56
Fund Balance, January 1		506,392.00	464,507.44
		<u>645,369.26</u>	<u>781,392.00</u>
Decreased by:			
Fund Balance Utilized as Budget Revenue		267,000.00	275,000.00
Fund Balance, December 31	A	<u>\$ 378,369.26</u>	<u>\$ 506,392.00</u>

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

BOROUGH OF FRANKLIN
CURRENT FUND
STATEMENT OF REVENUE
YEAR ENDED DECEMBER 31, 2009

	<u>Budget</u>	<u>Realized</u>	<u>Excess or Deficit *</u>
Fund Balance Anticipated	\$ 267,000.00	\$ 267,000.00	
Miscellaneous Revenue:			
Licenses:			
Alcoholic Licenses	9,500.00	10,505.00	\$ 1,005.00
Other Licenses	8,300.00	10,491.00	2,191.00
Other Fees and Permits	66,000.00	22,945.45	43,054.55 *
Municipal Court Fines and Cost	147,000.00	157,174.25	10,174.25
Interest and Costs on Taxes	49,000.00	45,556.74	3,443.26 *
Interest on Investments and Deposits	35,000.00	21,753.59	13,246.41 *
Extraordinary Aid	200,000.00	200,000.00	
Consolidated Municipal Property Tax Relief	75,824.00	75,824.00	
Energy Receipts Tax	688,062.00	688,062.00	
Watershed Moratorium Offset	4,089.00	4,089.00	
Garden State Trust	6,454.00	6,454.32	0.32
Interlocal Service Agreement:			
Hardyston Township:			
Tax Office	86,261.00	86,261.00	
Finance Office	63,751.00	63,751.00	
Hardyston Township MUA:			
Finance Office	13,050.00	12,976.00	74.00 *
Recycling Grant	3,153.00	3,153.00	
Drunk Driving Enforcement Fund	3,567.00	3,567.00	
Clean Communities Grant	6,955.00	6,955.00	

BOROUGH OF FRANKLIN
CURRENT FUND
STATEMENT OF REVENUE
YEAR ENDED DECEMBER 31, 2009
(Continued)

	Budget	Realized	Excess or Deficit *
Miscellaneous Revenue (Continued):			
Alcohol Education and Rehabilitation Fund	\$ 1,981.00	\$ 1,981.00	
Body Armor Grant	1,465.00	1,465.00	
Reserve for Clean Communities	539.00	539.00	
Uniform Fire Safety	3,850.00	8,940.10	\$ 5,090.10
Concetta Towers in Lieu of Taxes	15,000.00	15,000.00	
Beverly Hills Solid Waste Collection	40,824.00	40,824.00	
Borough Ordinance #94-03 Municipal Service Fee Assessed to Mobile Home Parks - Fees & Permits	58,968.00	58,968.00	
Sale of Municipal Assets	200,000.00	200,000.00	
Rent Senior Center	1,200.00	1,333.00	133.00
Cable TV Franchise	16,794.00	16,786.00	8.00 *
Antenna Lease Contract	18,613.00	20,201.47	1,588.47
	1,825,200.00	1,785,555.92	39,644.08 *
Receipts from Delinquent Taxes	169,000.00	167,902.46	1,097.54 *
Amount to be Raised by Taxes for Support of Municipal Budget:			
Local Tax for Municipal Purposes	3,599,886.00	3,625,292.71	25,406.71
Budget Totals	5,861,086.00	5,845,751.09	15,334.91 *
Nonbudget Revenue		44,462.76	44,462.76
	\$ 5,861,086.00	\$ 5,890,213.85	\$ 29,127.85

BOROUGH OF FRANKLIN
CURRENT FUND
STATEMENT OF REVENUE
YEAR ENDED DECEMBER 31, 2009
(Continued)

Allocation of Current Tax Collections:

Revenue from Collection of Current Taxes	\$ 11,223,091.36
Allocated to School and County Taxes	7,871,559.65
Balance for Support of Municipal Budget	3,351,531.71

Add: Appropriation "Reserve for Uncollected Taxes"	273,761.00
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Realized for Support of Municipal Budget	\$ 3,625,292.71
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Receipts from Delinquent Taxes:

Delinquent Tax Collections	\$ 167,902.46
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Interest on Investments and Deposits:

Cash Received - Treasurer	\$ 21,753.59
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Analysis of Nonbudget Revenue:

Miscellaneous Revenue Not Anticipated:

Rent - Senior Center	\$ 2,819.00	
Clerk's Receipts	62.45	
Miscellaneous Reimbursements	8,727.69	
State Housing Inspections	550.00	
Copies	113.69	
Planning Board Application Fees	12,431.68	
Void Checks	1,370.04	
Certified Lists	533.00	
Zoning Permits	3,183.00	
Public Assistance Funds Canceled	13,000.00	
State of New Jersey:		
Senior Citizens' and Veterans'		
Deductions Administrative Fee	1,210.32	
		\$ 44,000.87

Tax Collector:

Miscellaneous	461.89
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	\$ 44,462.76
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BOROUGH OF FRANKLIN
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2009

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended Balance Canceled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Operations Within "CAPS":					
GENERAL GOVERNMENT:					
Administrative and Executive:					
Salaries and Wages	\$ 182,000.00	\$ 182,000.00	\$ 181,620.84	\$ 379.16	
Other Expenses	46,145.00	45,145.00	37,303.64	7,841.36	
Elections:					
Other Expenses	2,500.00	2,500.00	1,968.30	531.70	
Financial Administration:					
Salaries and Wages	46,962.00	46,962.00	46,962.00		
Other Expenses	29,179.00	29,179.00	26,958.24	2,220.76	
Annual Audit	24,000.00	24,000.00	16,146.00	7,854.00	
Collection of Taxes:					
Salaries and Wages	21,776.00	21,776.00	20,435.45	1,340.55	
Other Expenses	13,248.00	13,248.00	12,931.46	316.54	
Assessment of Taxes:					
Salaries and Wages	35,900.00	35,900.00	35,715.27	184.73	
Other Expenses	7,700.00	7,700.00	7,362.18	337.82	
Legal Services and Costs:					
Other Expenses	85,000.00	85,000.00	79,941.71	5,058.29	
Engineering Services and Costs:					
Other Expenses	15,000.00	15,000.00	14,406.97	593.03	
Economic Development Committee:					
Other Expenses	1,000.00	3,800.00	505.00	3,295.00	

BOROUGH OF FRANKLIN
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2009
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended Balance Canceled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Operations Within "CAPS" (Continued):					
GENERAL GOVERNMENT (Continued):					
Municipal Land Use Law (NJSA 40:55D-1):					
Planning Board:					
Salaries and Wages	\$ 96,250.00	\$ 96,250.00	\$ 95,644.14	\$ 605.86	
Other Expenses	22,300.00	15,300.00	7,273.66	8,026.34	
Zoning Board of Adjustment:					
Other Expenses	9,950.00	5,950.00	3,336.94	2,613.06	
Insurance (N.J.S.A. 40A:4-45.3(00)):					
Surety Bonds	2,500.00	500.00	100.00	400.00	
Other Insurance Premiums	125,000.00	100,000.00	96,191.96	3,808.04	
Workers' Compensation	77,000.00	71,500.00	71,298.30	201.70	
Group Insurance Plan for Employees	380,000.00	365,000.00	360,593.46	4,406.54	
Unemployment Compensation Insurance	5,500.00	5,500.00	4,551.65	948.35	
PUBLIC SAFETY:					
Police:					
Salaries and Wages	1,302,875.00	1,317,875.00	1,299,839.57	18,035.43	
Other Expenses	92,338.00	89,338.00	87,766.63	1,571.37	
Crossing Guards:					
Salaries and Wages	55,582.00	55,582.00	53,264.37	2,317.63	
Other Expenses	600.00	600.00		600.00	
Office of Emergency Management:					
Salaries and Wages	2,550.00	2,550.00	2,366.78	183.22	
Other Expenses	1,000.00	1,000.00	1,000.00		
Fire:					
Other Expenses	60,550.00	60,550.00	56,763.66	3,786.34	

BOROUGH OF FRANKLIN
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2009
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended Balance Canceled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Operations Within "CAPS" (Continued):					
PUBLIC SAFETY (Continued):					
First Aid Organization - Contribution	\$ 33,140.00	\$ 33,140.00	\$ 33,002.48	\$ 137.52	
Uniform Fire Safety Act (Ch. 383, P.L. 1983)					
Fire Prevention Official:					
Salaries and Wages	3,800.00	3,800.00	2,957.50	842.50	
Other Expenses	1,000.00	1,000.00	190.16	809.84	
Prosecutor:					
Other Expenses	15,862.00	15,862.00	15,400.44	461.56	
STREETS AND ROADS:					
Road Repair and Maintenance:					
Salaries and Wages	430,000.00	430,000.00	420,658.85	9,341.15	
Other Expenses	154,050.00	154,050.00	148,174.83	5,875.17	
Public Building and Grounds:					
Other Expenses	110,200.00	110,200.00	109,211.56	988.44	
HEALTH AND WELFARE:					
Board of Health:					
Salaries and Wages	1,200.00	1,200.00	1,200.00		
Other Expenses	1,100.00	1,100.00	1,088.51	11.49	
H.B.V. Vaccination	2,600.00	700.00	200.00	500.00	
Animal Regulation:					
Other Expenses	4,000.00	4,000.00	3,698.59	301.41	
Contribution to Senior Citizen Center	750.00	750.00	546.79	203.21	
RECREATION AND EDUCATION:					
Board of Recreation Commissioners:					
Salaries and Wages	1,700.00	1,700.00	1,500.00	200.00	

BOROUGH OF FRANKLIN
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2009
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended Balance Canceled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Operations Within "CAPS" (Continued):					
RECREATION AND EDUCATION (Continued):					
Board of Recreation Commissioners (Continued):					
Other Expenses	\$ 10,000.00	\$ 10,000.00	\$ 9,798.86	\$ 201.14	
Municipal Court:					
Salaries and Wages	111,824.00	111,824.00	109,488.75	2,335.25	
Other Expenses	8,075.00	8,075.00	7,221.67	853.33	
State Uniform Construction Code (NJSA 52:27D-120 et seq.):					
Construction Code Officials:					
Salaries and Wages	4,000.00	2,083.00	2,082.30	0.70	
Other Expenses	5,000.00	65,017.00	61,225.84	3,791.16	
Zoning Officials:					
Salaries and Wages	27,493.00	29,993.00	28,368.78	1,624.22	
Other Expenses	1,750.00	1,750.00	686.05	1,063.95	
UNCLASSIFIED:					
Utilities:					
Utility Bulk Telephone	30,000.00	25,000.00	21,446.57	3,553.43	
Street Lighting	50,000.00	50,000.00	46,526.11	3,473.89	
Gasoline and Oil	65,000.00	56,000.00	42,586.67	13,413.33	
Solid Waste Contract	420,000.00	420,000.00	408,840.00	11,160.00	
Fixed Assets Accounting System	1,500.00	1,500.00	1,100.00	400.00	
Reserve for Accrued Sick Time	15,000.00	15,000.00		15,000.00	
Network Maintenance Agreement	10,000.00	10,000.00	6,240.57	3,759.43	
Total Operations Within "CAPS"	4,263,449.00	4,263,449.00	4,105,690.06	157,758.94	

BOROUGH OF FRANKLIN
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2009
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended Balance Canceled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Operations Within "CAPS" (Continued):					
Detail:					
Salaries and Wages	\$ 2,323,912.00	\$ 2,339,495.00	\$ 2,302,104.60	\$ 37,390.40	
Other Expenses	1,939,537.00	1,923,954.00	1,803,585.46	120,368.54	
Deferred Charges and Statutory Expenditures - Municipal - Within "CAPS":					
Statutory Expenditures:					
Contribution to:					
Social Security System (OASI)	178,000.00	178,000.00	172,937.66	5,062.34	
Police and Firemen's Retirement System	158,772.00	158,772.00	150,130.00	8,642.00	
Public Employees Retirement System	102,337.00	102,337.00	102,337.00		
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	439,109.00	439,109.00	425,404.66	13,704.34	
Total General Appropriations for Municipal Purposes Within "CAPS"	4,702,558.00	4,702,558.00	4,531,094.72	171,463.28	
Operations Excluded from "CAPS":					
Interlocal Municipal Service Agreements:					
Township of Sparta:					
"911" Dispatching:					
Other Expenses - Fire	24,434.00	24,434.00	24,433.32	0.68	
Other Expenses - Police	26,434.00	26,434.00	26,433.32	0.68	
Other Expenses - EMS	24,434.00	24,434.00	24,433.36	0.64	

BOROUGH OF FRANKLIN
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2009
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended Balance Canceled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Operations Excluded from "CAPS" (Continued):					
Interlocal Municipal Service Agreements (Continued):					
Township of Hardyston:					
Municipal Drug Alliance Program	\$ 1,400.00	\$ 1,400.00		\$ 1,400.00	
Construction Office	25,000.00	25,000.00	\$ 25,000.00		
Joint Community Center	37,704.00	37,704.00	35,572.00	2,132.00	
Tax Office:					
Salaries and Wages	55,997.00	55,997.00	55,533.53	463.47	
Other Expenses	30,264.00	30,264.00	28,060.81	2,203.19	
Finance Office:					
Salaries and Wages	39,972.00	39,972.00	38,432.02	1,539.98	
Other Expenses	23,779.00	23,779.00	21,249.57	2,529.43	
Hardyston Township MUA:					
Finance Office:					
Salaries and Wages	12,360.00	12,360.00	12,360.00		
Other Expenses	690.00	690.00	600.00	90.00	
Public and Private Programs Offset by Revenue:					
Drunk Driving Enforcement Fund	3,567.00	3,567.00	3,567.00		
Clean Communities Grant	6,955.00	6,955.00	6,955.00		
Body Armor Grant	1,465.00	1,465.00	1,465.00		
Recycling State Grant	3,153.00	3,153.00	3,153.00		
Alcohol Rehabilitation Fund	1,981.00	1,981.00	1,981.00		
Reserve for Clean Communities	539.00	539.00	539.00		
Total Operations Excluded from "CAPS"	320,128.00	320,128.00	309,767.93	10,360.07	

BOROUGH OF FRANKLIN
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2009
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended Balance Canceled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Operations Excluded from "CAPS" (Continued):					
Detail:					
Salaries and Wages	\$ 108,329.00	\$ 108,329.00	\$ 106,325.55	\$ 2,003.45	
Other Expenses	211,799.00	211,799.00	203,442.38	8,356.62	
Capital Improvements - Excluded from "CAPS":					
Capital Improvement Fund	91,000.00	91,000.00	91,000.00		
Total Capital Improvements - Excluded from "CAPS"	91,000.00	91,000.00	91,000.00		
Municipal Debt Service - Excluded from "CAPS":					
Payment of Bond Principal	336,300.00	336,300.00	336,300.00		
Payment of Bond Anticipation Notes	25,000.00	25,000.00	25,000.00		
Interest on Bonds	35,445.00	35,445.00	35,444.74		\$ 0.26
Interest on Notes	18,894.00	18,894.00	18,893.13		0.87
Total Municipal Debt Service - Excluded from "CAPS"	415,639.00	415,639.00	415,637.87		1.13
Deferred Charges - Municipal - Excluded from "CAPS":					
Special Emergency Authorizations - 5 Years	48,000.00	48,000.00	48,000.00		
Deferred Charges to Future Taxation Unfunded - Ord #10-05	10,000.00	10,000.00	10,000.00		
Total Deferred Charges - Municipal - Excluded from "CAPS"	58,000.00	58,000.00	58,000.00		
Total General Appropriations - Excluded from "CAPS"	884,767.00	884,767.00	874,405.80	10,360.07	1.13

BOROUGH OF FRANKLIN
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2009
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended Balance Canceled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Subtotal General Appropriations	<u>\$ 5,587,325.00</u>	<u>\$ 5,587,325.00</u>	<u>\$ 5,405,500.52</u>	<u>\$ 181,823.35</u>	<u>\$ 1.13</u>
Reserve for Uncollected Taxes	<u>273,761.00</u>	<u>273,761.00</u>	<u>273,761.00</u>		
Total General Appropriations	<u><u>\$ 5,861,086.00</u></u>	<u><u>\$ 5,861,086.00</u></u>	<u><u>\$ 5,679,261.52</u></u>	<u><u>\$ 181,823.35</u></u>	<u><u>\$ 1.13</u></u>

Ref.

A

BOROUGH OF FRANKLIN
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2009
(Continued)

	<u>Ref.</u>	<u>Analysis of</u>	
		<u>Budget After Modification</u>	<u>Paid or Charged</u>
Adopted Budget		<u>\$ 5,861,086.00</u>	
Cash Disbursed			\$ 5,254,832.83
Reserve for Uncollected Taxes			273,761.00
Encumbrances Payable	A		121,964.70
Deferred Charges			48,000.00
Due Federal and State Grant Fund - Appropriated Reserves			<u>17,660.00</u>
			5,716,218.53
Less: Appropriation Refunds			<u>36,957.01</u>
			<u>\$ 5,679,261.52</u>

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

BOROUGH OF FRANKLIN
COUNTY OF SUSSEX
2009
TRUST FUNDS

BOROUGH OF FRANKLIN
TRUST FUNDS
COMPARATIVE BALANCE SHEET

	Ref.	December 31,	
		2009	2008
<u>ASSETS</u>			
Animal Control Fund:			
Cash and Cash Equivalents	B-4	\$ 815.78	\$ 1,821.60
		<u>815.78</u>	<u>1,821.60</u>
Other Trust Funds:			
Cash and Cash Equivalents		730,644.74	753,361.68
Investments		100,000.00	100,000.00
	B-4	<u>830,644.74</u>	<u>853,361.68</u>
Due from Animal Control Fund	B		200.00
		<u>830,644.74</u>	<u>853,561.68</u>
TOTAL ASSETS		<u>\$ 831,460.52</u>	<u>\$ 855,383.28</u>
<u>LIABILITIES AND RESERVES</u>			
Animal Control Fund:			
Due State of New Jersey		\$ 6.20	\$ 7.40
Due to Other Trust Fund	B		200.00
Reserve for Animal Control Expenditures	B-6	809.58	1,614.20
		<u>815.78</u>	<u>1,821.60</u>
Other Trust Funds:			
Payroll Deductions Payable			1,024.83
Reserve for:			
Landuse Escrow Deposits		156,532.75	141,674.95
Performance Bond Escrow Deposits		20,428.20	27,492.20
Recreation		139,684.12	128,020.53
Senior Citizens		1,922.91	1,922.91
Small Cities		240,455.72	221,345.72
Road Openings		13,500.00	13,500.00
Driveway Escrow		9,111.26	9,111.26
Parking Offense Adjudication Act		674.00	540.00
Public Defender		3,297.67	3,048.47
BPW Escrow		30,504.21	58,552.77
Outside Police Work		19,579.53	6,607.87
Accumulated Leave		4,235.42	35,076.78
Tax Sale Premium		19,200.00	27,000.00
Snow Related Costs		14,640.42	6,186.55
Affordable Housing		155,878.53	172,456.84
Uniform Fire Safety Penalty		1,000.00	
		<u>830,644.74</u>	<u>853,561.68</u>
TOTAL LIABILITIES AND RESERVES		<u>\$ 831,460.52</u>	<u>\$ 855,383.28</u>

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

BOROUGH OF FRANKLIN
ASSESSMENT TRUST FUND
STATEMENT OF FUND BALANCE
YEAR ENDED DECEMBER 31, 2009

NOT APPLICABLE

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

BOROUGH OF FRANKLIN
ASSESSMENT TRUST FUND
STATEMENT OF REVENUE
YEAR ENDED DECEMBER 31, 2009

NOT APPLICABLE

ASSESSMENT TRUST FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2009

NOT APPLICABLE

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

BOROUGH OF FRANKLIN
COUNTY OF SUSSEX
2009
GENERAL CAPITAL FUND

BOROUGH OF FRANKLIN
GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET

	Ref.	December 31,	
		2009	2008
<u>ASSETS</u>			
Cash and Cash Equivalents	C-2	\$ 256,465.04	\$ 229,059.72
Deferred Charges to Future Taxation:			
Funded		643,550.00	979,850.00
Unfunded	C-4	1,139,449.24	949,449.24
TOTAL ASSETS		\$ 2,039,464.28	\$ 2,158,358.96
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
General Serial Bonds Payable	C-8	\$ 618,550.00	\$ 769,850.00
Pension Refunding Bonds Payable	C-9	25,000.00	210,000.00
Bond Anticipation Notes Payable	C-7	853,750.00	878,750.00
Contracts Payable		5,500.00	
Improvement Authorizations:			
Funded	C-5	126,404.38	99,942.61
Unfunded	C-5	212,037.81	6,919.26
Capital Improvement Fund	C-6	193,675.03	188,350.03
Fund Balance	C-1	4,547.06	4,547.06
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		\$ 2,039,464.28	\$ 2,158,358.96

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

BOROUGH OF FRANKLIN
GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE

	<u>Ref.</u>	
Balance December 31, 2008	C	<u>\$ 4,547.06</u>
Balance December 31, 2009	C	<u><u>\$ 4,547.06</u></u>

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

BOROUGH OF FRANKLIN
COUNTY OF SUSSEX
2009
WATER/SEWER UTILITY FUND

BOROUGH OF FRANKLIN
WATER/SEWER UTILITY FUND
COMPARATIVE BALANCE SHEET

	<u>Ref.</u>	<u>December 31,</u>	
		<u>2009</u>	<u>2008</u>
<u>ASSETS</u>			
Operating Fund:			
Cash and Cash Equivalents:			
Treasurer	D-4	\$ 703,536.62	\$ 795,790.80
Change Fund		200.00	200.00
		<u>703,736.62</u>	<u>795,990.80</u>
Receivables with Full Reserves:			
Consumer Accounts Receivable	D-6	<u>82,087.70</u>	<u>54,333.46</u>
Total Operating Fund		<u>785,824.32</u>	<u>850,324.26</u>
Capital Fund:			
Cash and Cash Equivalents	D-4	374,092.79	380,100.43
Fixed Capital	D-7	20,530,395.06	20,499,387.75
Fixed Capital Authorized and Uncompleted	D-8	<u>1,004,000.00</u>	<u>60,000.00</u>
Total Capital Fund		<u>21,908,487.85</u>	<u>20,939,488.18</u>
TOTAL ASSETS		<u>\$ 22,694,312.17</u>	<u>\$ 21,789,812.44</u>

BOROUGH OF FRANKLIN
WATER/SEWER UTILITY FUND
COMPARATIVE BALANCE SHEET
(Continued)

	Ref.	December 31,	
		2009	2008
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Operating Fund:			
Appropriation Reserves:			
Unencumbered	D-3;D-9	\$ 53,962.54	\$ 33,715.54
Encumbered	D-3;D-9	17,570.92	5,846.29
		<u>71,533.46</u>	<u>39,561.83</u>
Accounts Payable - Vendors		1,445.86	
Accrued Interest on Bonds and Notes		30,452.77	46,562.61
Reserve for:			
Water Hook - Ups		155,346.00	
Sewer Hook - Ups		196,240.00	6,894.82
Sewer Hook - Ups WVRHS		29,238.30	29,169.50
Sewer Allocation			368,000.00
Capital Outlay		60,933.55	63,796.57
Water Improvements		21,787.38	21,787.38
BPW Maps		8,895.08	15,395.08
		<u>575,872.40</u>	<u>591,167.79</u>
Reserve for Receivables	D	82,087.70	54,333.46
Fund Balance	D-1	127,864.22	204,823.01
		<u>785,824.32</u>	<u>850,324.26</u>
Total Operating Fund			
Capital Fund:			
Serial Bonds Payable	D-15	622,450.00	1,081,150.00
FHA Water Supply Loan Payable	D-16	2,530,160.14	2,571,416.04
NJ Infrastructure (NJEIT) Loan Payable	D-16A	340,049.55	370,173.04
Improvement Authorizations:			
Funded	D-10	139,983.86	5,991.50
Unfunded	D-10	809,000.00	
Capital Improvement Fund	D-11	228,942.40	368,942.40
Reserve for Preliminary Costs		228.20	228.20
Reserve for Amortization	D-12	17,037,735.37	16,476,648.67
Deferred Reserve for Amortization	D-13	195,000.00	60,000.00
Fund Balance	D-1A	4,938.33	4,938.33
		<u>21,908,487.85</u>	<u>20,939,488.18</u>
Total Capital Fund			
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		<u>\$ 22,694,312.17</u>	<u>\$ 21,789,812.44</u>

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

BOROUGH OF FRANKLIN
WATER/SEWER UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE

	Ref.	Year Ended December 31,	
		2009	2008
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized		\$ 150,000.00	\$ 327,564.00
Rents		1,689,667.36	1,728,836.89
Reserve for:			
Sewer Hook - Ups WVRHS		29,169.00	30,592.00
Water Hook - Ups		6,894.00	11,708.00
Sewer Allocation		368,000.00	325,000.00
Miscellaneous		100,537.64	118,696.84
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		10,836.21	35,388.67
Total Income		<u>2,355,104.21</u>	<u>2,577,786.40</u>
<u>Expenditures</u>			
Operating		1,548,723.00	1,424,550.00
Capital Improvements		10,000.00	50,000.00
Debt Service		682,090.00	703,678.00
Deferred Charges and Statutory Expenditures		41,250.00	49,636.00
Surplus to General Budget			200,000.00
Total Expenditures		<u>2,282,063.00</u>	<u>2,427,864.00</u>
Statutory Excess to Fund Balance		73,041.21	149,922.40
<u>Fund Balance</u>			
Balance January 1		204,823.01	382,464.61
		<u>277,864.22</u>	<u>532,387.01</u>
Decreased by:			
Utilized by Water/Sewer Operating Budget		150,000.00	327,564.00
Balance December 31	D	<u>\$ 127,864.22</u>	<u>\$ 204,823.01</u>

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

BOROUGH OF FRANKLIN
WATER/SEWER UTILITY CAPITAL FUND
STATEMENT OF FUND BALANCE

	<u>Ref.</u>	
Balance December 31, 2008	D	<u>\$ 4,938.33</u>
Balance December 31, 2009	D	<u><u>\$ 4,938.33</u></u>

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

BOROUGH OF FRANKLIN
WATER/SEWER UTILITY OPERATING FUND
STATEMENT OF REVENUE
YEAR ENDED DECEMBER 31, 2009

	<u>Anticipated</u>	<u>Realized</u>	<u>Excess or Deficit*</u>
Operating Surplus Anticipated	\$ 150,000.00	\$ 150,000.00	
Water Rents	566,000.00	541,261.36	\$ 24,738.64 *
Sewer Rents	1,162,000.00	1,148,406.00	13,594.00 *
Reserve for:			
Sewer Hook - Ups WVRHS	29,169.00	29,169.00	
Water Hook - Ups	6,894.00	6,894.00	
Sewer Allocation	368,000.00	368,000.00	
	<u>2,282,063.00</u>	<u>2,243,730.36</u>	<u>38,332.64 *</u>
Miscellaneous		<u>100,537.64</u>	<u>100,537.64</u>
	<u>\$ 2,282,063.00</u>	<u>\$ 2,344,268.00</u>	<u>\$ 62,205.00</u>

Analysis of Miscellaneous Revenue

Treasurer:

Interest on Investments:

Collected/Received by Treasurer	\$ 6,860.21	
Antenna Lease Agreement	67,207.71	
Miscellaneous Reimbursements	<u>341.60</u>	
		\$ 74,409.52

Collector:

Interest on Delinquent Rents	13,048.29	
Final Reading	841.81	
Turn On/Off Fees	1,475.26	
Sprinklers	9,652.56	
Bad Checks	350.00	
Miscellaneous Charges	<u>760.20</u>	
		<u>26,128.12</u>
		<u>\$ 100,537.64</u>

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

BOROUGH OF FRANKLIN
WATER/SEWER UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2009

	<u>Appropriations</u>		<u>Expended by</u>		<u>Unexpended Balance Canceled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Operating:					
Salaries and Wages	\$ 338,500.00	\$ 338,500.00	\$ 312,924.33	\$ 25,575.67	
Other Expenses	1,210,223.00	1,210,223.00	1,184,495.78	25,727.22	
Capital Improvements:					
Capital Improvement Fund	10,000.00	10,000.00	10,000.00		
Debt Service:					
Payment of Bond Principal	458,700.00	458,700.00	458,700.00		
Interest on Bonds	30,564.00	30,564.00	30,564.00		
FHA Principal Payment	41,260.00	41,260.00	41,260.00		
FHA Interest Payment	111,316.00	111,316.00	111,316.00		
NJ Infrastructure Trust Principal Payment	30,124.00	30,124.00	30,124.00		
NJ Infrastructure Trust Interest Payment	10,126.00	10,126.00	10,126.00		
Statutory Expenditures:					
Contribution to:					
Public Employees' Retirement System	12,850.00	12,850.00	12,850.00		
Social Security System (O.A.S.I.)	26,600.00	26,600.00	24,351.79	2,248.21	
Unemployment Compensation Insurance	1,800.00	1,800.00	1,388.56	411.44	
	<u>\$ 2,282,063.00</u>	<u>\$ 2,282,063.00</u>	<u>\$ 2,228,100.46</u>	<u>\$ 53,962.54</u>	<u>\$ -0-</u>
				D	
Cash Disbursed			\$ 2,062,565.64		
Accrued Interest on:					
Bonds and Loans			147,963.90		
Encumbrances Payable		D	<u>17,570.92</u>		
			<u>\$ 2,228,100.46</u>		

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

BOROUGH OF FRANKLIN
COUNTY OF SUSSEX
2009
SEWER UTILITY FUND

NOT APPLICABLE

BOROUGH OF FRANKLIN
COUNTY OF SUSSEX
2009
PUBLIC ASSISTANCE FUND

BOROUGH OF FRANKLIN
PUBLIC ASSISTANCE FUND
COMPARATIVE BALANCE SHEET

	<u>Ref.</u>	<u>December 31,</u>	
		<u>2009</u>	<u>2008</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	F-1	\$ 5,447.11	\$ 18,326.89
<u>TOTAL ASSETS</u>		<u>\$ 5,447.11</u>	<u>\$ 18,326.89</u>
 <u>RESERVES:</u>			
Reserve for Public Assistance Expenditures		\$ 5,447.11	\$ 18,326.89
<u>TOTAL RESERVES</u>		<u>\$ 5,447.11</u>	<u>\$ 18,326.89</u>

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

BOROUGH OF FRANKLIN
COUNTY OF SUSSEX
2009
BOND AND INTEREST FUND

NOT APPLICABLE

BOROUGH OF FRANKLIN
COUNTY OF SUSSEX
2009
GENERAL FIXED ASSETS ACCOUNT GROUP
(UNAUDITED)

BOROUGH OF FRANKLIN
GENERAL FIXED ASSETS ACCOUNT GROUP
COMPARATIVE BALANCE SHEET
(UNAUDITED)

	December 31,	
	2009	2008
<u>ASSETS</u>		
Land, Buildings and Improvements	\$ 3,677,200.00	\$ 3,841,700.00
Machinery and Equipment	2,102,791.00	2,076,262.00
TOTAL ASSETS	\$ 5,779,991.00	\$ 5,917,962.00
 <u>RESERVES</u>		
Reserve for Fixed Assets	\$ 5,779,991.00	\$ 5,917,962.00
TOTAL RESERVES	\$ 5,779,991.00	\$ 5,917,962.00

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

BOROUGH OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Description of Funds

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

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

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

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

Water/Sewer Operating and Capital Funds - Account for the operations and acquisition of capital facilities of the municipally owned Water/Sewer Utility.

BOROUGH OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009
(Continued)

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

B. Description of Funds (Cont'd)

Public Assistance Fund – Receipt and disbursement of funds that provide assistance to certain residents of the Borough pursuant to Title 44 of New Jersey Statutes. The Borough transferred administration of the general assistance program to the Sussex County Division of Social Services. The funds remaining in the Public Assistance Funds are used to assist certain residents who do not qualify for the State's General Assistance Program.

General Fixed Asset Account Group (Unaudited) – Estimated values of land, buildings and certain fixed assets of the Borough as discussed in Note 1E - "Other significant accounting policies".

C. Basis of Accounting

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

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

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

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

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

BOROUGH OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009
(Continued)

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

C. Basis of Accounting (Cont'd)

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

Had the Borough's financial statements been prepared under accounting principles generally accepted in the United States of America, encumbrances would not be considered as expenditures; appropriation reserves would not be recorded; revenue susceptible to accrual would have been reflected without offsetting reserves; Federal and State grants and assistance would be recognized when earned, not when awarded; inventories would not be reflected as expenditures at the time of purchase; and fixed assets purchased by the Water/Sewer Utility Capital Fund would be depreciated.

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

- D. Deferred Charges to Future Taxation – The Capital Fund balance sheet includes both funded and unfunded deferred charges. Funded deferred charges represent improvement authorizations where permanent financing has been obtained. Unfunded deferred charges represent improvement authorizations where no or temporary financing has been obtained. A municipality can permanently finance unfunded deferred charges through budget appropriation, grant funds, or by issuing bonds, loans or capital lease purchase agreements.
- E. Other significant accounting policies include:

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

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

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

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

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

BOROUGH OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009
(Continued)

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

E. Other significant accounting policies include: (Cont'd)

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

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

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

Inventories of Supplies - The cost 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.

General Fixed Assets (Unaudited)

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

Property and equipment purchased by the Water/Sewer Utility Fund is recorded in the Water/Sewer Utility Capital accounts at cost and are not adjusted for disposition and abandonment. The amounts shown do not purport to represent replacement costs or current value. Contributions in aid of construction are not capitalized. The balances in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the Water/Sewer Utility Capital Fund represent charges to operations for the costs of acquisitions of property, equipment and improvements. The utilities do not record depreciation on fixed assets.

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

BOROUGH OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009

(Continued)

Note 2: Long-Term Debt

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

Summary of Municipal Debt

	<u>December 31,</u>		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
<u>Issued:</u>			
General:			
Bonds, Notes and Loans	\$ 1,497,300	\$ 1,858,600	\$ 2,195,450
Water/Sewer Utility:			
Bonds, Notes and Loans	3,492,660	4,022,739	4,535,854
Total Issued	<u>4,989,960</u>	<u>5,881,339</u>	<u>6,731,304</u>
<u>Authorized but not Issued:</u>			
General:			
Bonds and Notes	285,699	70,699	34,896
Water/Sewer Utility:			
Bonds and Notes	809,000		
Total Authorized but not Issued	<u>1,094,699</u>	<u>70,699</u>	<u>34,896</u>
Less:			
Refunding Pension Bonds (N.J.S.A.40A:2-52)	25,000	210,000	240,000
Net Bonds, Notes, and Loans Issued and Authorized but not Issued	<u>\$ 6,059,659</u>	<u>\$ 5,742,038</u>	<u>\$ 6,526,200</u>

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition, which follows, is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates statutory net debt of .34 %.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 597,921	\$ 597,921	
Water/Sewer Utility Debt	4,301,660	4,301,660	
General Debt	1,782,999	25,000	\$ 1,757,999
	<u>\$ 6,682,580</u>	<u>\$ 4,924,581</u>	<u>\$ 1,757,999</u>

Net Debt: \$1,757,999 divided by Average Equalized Valuations of \$517,750,098 of Real Property = .34%.

BOROUGH OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009
(Continued)

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

Summary of Statutory Debt Condition - Annual Debt Statement (Cont'd)

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

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

3-1/2% Average Equalized Valuation of Real Property	\$ 18,121,253
Net Debt	<u>1,757,999</u>
Remaining Borrowing Power	<u><u>\$ 16,363,254</u></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	\$ 2,344,268
Deductions:	
Operating and Maintenance Cost	\$ 1,589,973
Debt Service	<u>682,090</u>
Total Deductions	<u>2,272,063</u>
Excess in Revenue	<u><u>\$ 72,205</u></u>

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

Summary of Municipal Debt Issued and Outstanding – Current Year

	<u>Balance</u> <u>12/31/08</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/09</u>
Serial Bonds:				
General Capital Fund	\$ 979,850		\$ 336,300	\$ 643,550
Water/Sewer Utility	1,081,150		458,700	622,450
Bond Anticipation Notes:				
General Capital Fund	878,750	\$ 853,750	878,750	853,750
Loans Payable:				
Water/Sewer Utility:				
USDA (FHA) Loan	2,571,416		41,256	2,530,160
NJEIT Loan	370,173		30,123	340,050
Total	<u><u>\$ 5,881,339</u></u>	<u><u>\$ 853,750</u></u>	<u><u>\$ 1,745,129</u></u>	<u><u>\$ 4,989,960</u></u>

BOROUGH OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009
(Continued)

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

Summary of Municipal Debt Issued and Outstanding – Prior Year

	Balance 12/31/07	Additions	Retirements	Balance 12/31/08
Serial Bonds:				
General Capital Fund	\$ 1,316,700		\$ 336,850	\$ 979,850
Water/Sewer Utility	1,524,300		443,150	1,081,150
Bond Anticipation Notes:				
Water/Sewer Utility	878,750	\$ 878,750	878,750	878,750
Loans Payable:				
Water/Sewer Utility:				
FHA Loan	2,610,813		39,397	2,571,416
NJEIT Loan	400,741		30,568	370,173
Total	\$ 6,731,304	\$ 878,750	\$ 1,728,715	\$ 5,881,339

The Borough's debt issued and outstanding on December 31, 2009 is described as follows:

General Capital Bond Anticipation Notes

Purpose	Issue Date	Maturity Date	Interest Rate	Balance Dec. 31, 2009
Acquisition of Emergency Vehicles	08/28/09	08/27/10	0.75%	\$ 106,875
Various Capital Improvements	08/28/09	08/27/10	0.75%	118,125
Various Capital Improvements	08/28/09	08/27/10	0.75%	628,750
				<u>\$ 853,750</u>

General Capital Serial Bonds

Purpose	Outstanding Maturities		Interest Rate	Balance Dec. 31, 2009
	Date	Amount		
General Bonds of 2002	08/01/10	\$ 151,300	3.50%	
	08/01/11-13	155,750	3.50%	\$ 618,550
Pension Refunding Bonds of 2003	10/1/10	25,000	4.40%	25,000
				<u>\$ 643,550</u>

BOROUGH OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009
(Continued)

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

The Borough's debt issued and outstanding on December 31, 2009 is described as follows:

Water and Sewer Capital Serial Bonds

<u>Purpose</u>	<u>Outstanding Maturities</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2009</u>
	<u>Date</u>	<u>Amount</u>		
Sewer Refunding Bonds of 2002	10/01/10	165,000	3.00%	\$ 165,000
Water/Sewer Bonds of 2002	08/01/10	38,700	3.50%	
	08/01/11-12	39,250	3.50%	
	08/01/13	35,250	3.50%	
	08/01/14-15	20,000	3.50%	192,450
Refunding Bonds of 2003	10/01/10	265,000	3.00%	265,000
				\$ 622,450

Water and Sewer Capital United States Department of Agriculture (FHA) Loan

<u>Purpose</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2009</u>
Construct Water/Sewer Line	05/01/98	11/01/38	4.75%	\$ 2,530,160

Water and Sewer Capital New Jersey Infrastructure Trust (NJEIT) Loan

<u>Purpose</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2009</u>
Removal and Construction of New Water Tank	11/01/00	08/01/20	5.00%-5.25%	\$ 340,050
Total Water and Sewer Utility Debt Issued and Outstanding				\$ 4,989,960

United States Department of Agriculture (Farmers Home Administration) Rural Development Loan Payable

On May 1, 1998, the Borough of Franklin entered into an agreement with the Farmers Home Administration of the United States Department of Agriculture, in the aggregate amount of \$2,905,000, which represents a direct obligation of the Borough. The loan was obtained to fund the construction of a water/sewer line within the Borough.

Principal payments on the loan commenced on May 1, 1999, and will continue on an annual basis over 40 years at 4.75% interest. The Borough will be responsible for all such interest and principal payments.

BOROUGH OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009
(Continued)

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

New Jersey Infrastructure Trust Loans Payable

On November 1, 2000, the Borough of Franklin entered into a loan agreement with the United States Department of Environmental Protection, in the aggregate amount of \$550,000, which represents a direct obligation of the Borough. The Trust Loan portion of the loan is \$280,000 at 5.00% to 5.25% interest and the Fund Loan portion of the loan is \$270,000 at 0.00% interest. The loan was obtained to fund the removal and construction of a new water tank.

Principal payments on the loan commenced on August 1, 2001, and will continue on a semi-annual basis over 20 years at 5.00%-5.25% interest. The Borough will be responsible for all such interest and principal payments.

Schedule of Annual Debt Service for Principal and Interest for the Next Five Years and Thereafter for Bonded Debt and Loans Issued and Outstanding

Calendar Year	General		Water/Sewer Utility		Total
	Principal	Interest	Principal	Interest	
2010	\$ 176,300	\$ 22,749	\$ 541,618	\$ 150,705	\$ 891,372
2011	155,750	16,354	113,801	131,972	417,877
2012	155,750	10,902	115,534	127,670	409,856
2013	155,750	5,451	113,372	123,264	397,837
2014			100,070	118,887	218,957
Thereafter:					
2015-2019			484,582	534,974	1,019,556
2020-2024			413,075	435,032	848,107
2025-2029			481,275	333,295	814,570
2030-2034			608,601	205,969	814,570
2035-2038			520,732	50,746	571,478
Total	\$ 643,550	\$ 55,456	\$ 3,492,660	\$ 2,212,514	\$ 6,404,180

Note 3: Fund Balances Appropriated

Fund balances at December 31, 2009, which were appropriated and included as anticipated revenue in their own respective funds in the introduced budget for the year ending December 31, 2010 are as follows:

Current Fund	\$ 175,000
Water/Sewer Utility Operating Fund	75,000

BOROUGH OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009
(Continued)

Note 4: Deferred Charges to be Raised in Succeeding Years

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2009, the following deferred charge is shown on the balance sheet of the Current Fund.

	Balance Dec. 31, 2009	2010 Budget Appropriation	Balance to Succeeding Years' Budgets
Current Fund:			
Emergency Appropriation (NJSA 40A:4-47)	\$ 24,000	\$ 8,000	\$ 16,000
Special Emergency Authorization (NJSA 40A:4-55)	160,000	40,000	120,000
	<u>\$ 184,000</u>	<u>\$ 48,000</u>	<u>\$ 136,000</u>

The 2010 budget appropriation is not less than that required by statute.

Note 5: Local School District Taxes

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

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

Note 6: Pension Plans

Borough employees are enrolled in one of two cost sharing multiple-employer public employee retirement systems: the Public Employees' Retirement System (PERS) or the Police and Firemen's Retirement System (PFRS) of New Jersey. The State of New Jersey sponsors and administers these two plans which cover substantially all Borough employees. As a general rule, all full-time employees are eligible to join one of the two public employee retirement systems.

Employees who are members of PERS and retire at or after age 55 are entitled to a retirement benefit based upon a formula which takes 1/55th of the average annual compensation for the highest three fiscal year's compensation for each year of membership during years of creditable service. Vesting occurs after 8 to 10 years of service.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems. 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.

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Employee contributions are based on percentages of 5.5% for PERS and 8.5% for PFRS of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits.

BOROUGH OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009
(Continued)

Note 6: Pension Plans (Cont'd)

Effective July 1, 2003, Chapter 108, P.L. 2003 provides for a reduction or "phase-in" of the required pension contribution to PERS for local employers for State fiscal years 2005-2008. The local employer PERS normal and accrued liability contributions required for State fiscal years 2005-2008 were as follows:

20% for payments due in State fiscal year 2005
Not more than 40% for payments due in State fiscal year 2006
Not more than 60% for payments due in State fiscal year 2007
Not more than 80% for payments due in State fiscal year 2008

Three-Year Trend of PERS			
Year Funding December 31,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2009	\$ 115,187	100.00%	\$ 115,187
2008	109,176	80.00%	87,341
2007	78,447	60.00%	47,068

Effective July 1, 2003, Chapter 108, P.L. 2003 provides for a reduction or "phase-in" of the required pension contribution to PFRS for local employers for State fiscal years 2004-2007. The local employer PERS normal and accrued liability contributions required for State fiscal years 2004-2008 were as follows:

20% for payments due in State fiscal year 2004
Not more than 40% for payments due in State fiscal year 2005
Not more than 60% for payments due in State fiscal year 2006
Not more than 80% for payments due in State fiscal year 2007

Three-Year Trend of PFRS			
Year Funding December 31,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2009	150,130	100.00%	\$ 150,130
2008	135,388	100.00%	135,388
2007	100,079	80.00%	80,063

The Borough elected not to defer any of their pension costs for 2009.

Note 7: Accrued Sick, Vacation and Compensatory Time

The Borough policy allows Borough employees to accrue sick and vacation time. The current cost of such unpaid compensation upon termination or separation from the Borough would approximate \$512,381. This amount is not reported either as expenditure or a liability. However, it is expected that the cost of such unpaid compensation would be included in the Borough's budget operating expenditure in the year in which it is used. As of December 31, 2009, the Borough had \$4,235 reserved in the Other Trust Funds for accrued leave.

BOROUGH OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009
(Continued)

Note 8: Deferred Compensation Plan

The Borough offers its employees a deferred compensation plan (the "plans") created in accordance with Section 457 of the Internal Revenue Code. The plan, which is administered by Lincoln Financial, is available to all Borough employees and permit participants to defer a portion of their salary. The deferred compensation is not available to employees until termination, retirement, unforeseeable emergency or upon death to their beneficiaries.

Note 9: Selected Tax Information

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

Comparative Schedule of Tax Rate Information

	2009	2008	2007
<u>Tax Rate</u>	\$ 4.69	\$ 4.63	\$ 4.51
<u>Apportionment of Tax Rate</u>			
Municipal	1.47	1.34	1.22
County	0.80	0.83	0.83
Local School	1.68	1.63	1.60
Regional High School	0.74	0.83	0.86
<u>Assessed Valuations</u>			
2009	\$ 244,614,857		
2008		\$ 243,599,787	
2007			\$ 243,017,024

Comparison of Tax Levies and Collections 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.

BOROUGH OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009
(Continued)

Note 9: Selected Tax Information (Cont'd)

<u>Year</u>	<u>Tax Levy</u>	<u>Currently</u>	
		<u>Cash Collections</u>	<u>Percentage of Collection</u>
2009	\$ 11,489,558	\$ 11,223,091	97.68%
2008	11,313,592	11,119,564	98.28%
2007	11,022,165	10,718,077	97.24%

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

Note 10: Cash and Cash Equivalents and Investments

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

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

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

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

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

Deposits:

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

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

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

BOROUGH OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009
(Continued)

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

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

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

Investments

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

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

BOROUGH OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009
(Continued)

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

As of December 31, 2009, cash and cash equivalents of the Borough of Franklin consisted of the following:

<u>Fund</u>	<u>Cash on Hand</u>	<u>Checking Accounts</u>	<u>NJ Cash Management Fund</u>	<u>Investments Certificates of Deposit</u>	<u>Total</u>
Current	\$ 500	\$ 797,197	\$ 75,075		\$ 872,772
Animal Control		816			816
Other Trust		648,395	82,250	\$ 100,000	830,645
General Capital		217,416	39,049		256,465
Water/Sewer Utility Operating	200	627,361	76,176		703,737
Water/Sewer Utility Capital		335,150	38,943		374,093
Public Assistance		5,447			5,447
	<u>\$ 700</u>	<u>\$ 2,631,782</u>	<u>\$ 311,493</u>	<u>\$ 100,000</u>	<u>\$ 3,043,975</u>

During the period ended December 31, 2009, the Borough had investments of \$100,000 in the form of a certificate of deposit. The Borough also has funds held in the NJ Cash Management Fund. The carrying amount of the Borough's cash and cash equivalents and investments at December 31, 2009, was \$3,043,975 and the bank balance was \$2,998,176. The \$311,493 in the NJ Cash Management Fund is uninsured and/or unregistered.

Note 11: Interfund Receivables and Payables

The following interfund balances remain on the balance sheet at December 31, 2009:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund		\$ 13,695
Federal and State Grant Fund	\$ 13,695	
	<u>\$ 13,695</u>	<u>\$ 13,695</u>

The interfund receivable in the Current Fund and the interfund payable in the Federal and State Grant Fund represent grant funds received and grant fund expenditures made from the Current Fund on behalf of the Federal and State Grant Fund.

Note 12: Risk Management

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

BOROUGH OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009
(Continued)

Note 12: Risk Management (Cont'd)

Property and Liability

The Borough is currently a member of the Statewide Insurance Fund (the "Fund"). The Fund provides its members with Liability, Property and Workers' Compensation and Employer Liability Insurance. The Fund is a risk-sharing public entity risk pools that are both insured and self administered groups of governmental entities established for the purpose of providing low-cost insurance coverage for their respective members in order to keep local property taxes at a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the respective Fund are elected.

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

The Fund can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body.

The December 31, 2009 audit reports of the Funds were not available as of the date of this report. Selected, summarized financial information for the Funds as of December 31, 2008, are as follows:

	Statewide Insurance Fund
	<u> </u>
Total Assets	\$ 36,796,917
Net Assets	\$ 4,366,131
Total Revenue	\$ 21,473,387
Total Expenses	\$ 21,908,649
Change in Net Assets	\$ (435,262)
Net Assets Distribution to Participating Members	\$ -0-

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

Statewide Insurance Fund
260 Columbia Turnpike
P.O. Box 678
Florham Park, NJ 07932-0678
(973) 549-1900

BOROUGH OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009
(Continued)

Note 12: Risk Management (Cont'd)

New Jersey Unemployment Compensation Insurance

The Borough has elected to fund its New Jersey Unemployment Compensation Insurance under the "Contributory Method". Under this plan, the Borough is required to remit employee withholdings to the State on a quarterly basis. All of the Borough's claims are paid by the State.

Note 13: Fixed Assets (Unaudited)

The following schedule is a summarization of general fixed assets for the fiscal year ended December 31, 2009:

	<u>Balance</u> <u>Dec. 31, 2008</u>	<u>Additions/</u> <u>(Deletions)</u>	<u>Balance</u> <u>Dec. 31, 2009</u>
Land, Buildings and Improvements	\$ 3,841,700	\$ (164,500)	\$ 3,677,200
Machinery and Equipment	2,076,262	26,529	2,102,791
	<u>\$ 5,917,962</u>	<u>\$ (137,971)</u>	<u>\$ 5,779,991</u>

Note 14: Economic Dependency

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

Note 15: Contingencies

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

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

BOROUGH OF FRANKLIN

SUPPLEMENTARY DATA

BOROUGH OF FRANKLIN
SCHEDULE OF OFFICIALS IN OFFICE AND SURETY BONDS
YEAR ENDED DECEMBER 31, 2009

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

Name	Title	Amount of Bond	Name of Company
Paul Crowley	Mayor		
Patrick Barton	Council President		
Joseph Limon	Councilperson		
Donna Miller	Councilperson		
Gilbert Snyder	Councilperson		
Jack Stoll	Councilperson		
Mark Zschack	Councilperson		
Richard R. Wolak	Administrator, Certified Public Manager		
Patricia Leasure	Borough Clerk; Deputy Registrar; Office for Searches for Municipal Improvement		
Marguerite Nemeth	Deputy Clerk; Registrar; BPW Secretary; Recreation Secretary		
Grant W. Rome	Chief Financial Officer, Qualified Purchasing Agent	\$ 250,000	National Union
Leigh Franzino	Finance Clerk		
Terry Beshada	Tax Collector, Tax Search Officer	250,000	National Union
Theresa Simons	Water/Sewer Collector	250,000	National Union
John E. Ursin	Borough Attorney		
Angelo Bolcato	BPW and Rent Leveling Attorney		
James G. Devine	Municipal Judge	250,000	National Union
Lorraine Spirito	Court Administrator	250,000	National Union
Lindsay Miller	Deputy Court Administrator	250,000	National Union
Joseph Kistle	Chief of Police		
Everett Gunderman	Roads Superintendent		
Brian Vandenbroek	Water Superintendent		
Keith Utter	Construction Official (Shared Service - Hardyston Township)		
Scott Holzhauser	Tax Assessor		
George Unverzagt	Engineer - Clough Harbor & Associates		

A blanket bond in the amount of \$250,000 covers all other public employees who may handle Municipal monies through the Statewide Insurance Fund.

BOROUGH OF FRANKLIN
COUNTY OF SUSSEX
2009
CURRENT FUND

BOROUGH OF FRANKLIN
CURRENT FUND
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	
Balance December 31, 2008	A	\$ 1,372,710.17
Increased by Receipts:		
Tax Collector		\$ 11,246,837.92
Revenue Accounts Receivable		1,494,131.27
Miscellaneous Revenue Not Anticipated		44,462.76
Interest on Investments and Deposits		21,753.59
Due Federal and State Grant Fund:		
Current Year Grants Receivable		17,121.00
Prior Year Grants Receivable		118,566.88
Unappropriated Grant Reserves		9,314.77
Due State of New Jersey:		
Senior Citizens' and Veterans' Deductions		60,515.75
Marriage/Civil Union License Fees Payable		425.00
Reserve for:		
Sale of Municipal Assets		11,616.78
Garden State Trust		11,893.82
Appropriation Refunds		36,957.01
Appropriation Reserve Refunds		2,238.79
		<hr/>
		13,075,835.34
		<hr/>
		14,448,545.51
Decreased by Disbursements:		
2009 Appropriation Expenditures		5,254,832.83
2008 Appropriation Reserve Expenditures		185,990.70
Accounts Payable		9,471.00
Local School Taxes		4,109,239.00
Regional High School Taxes		1,804,224.70
County Taxes		1,959,273.85
Due Federal and State Grant Fund:		
Appropriated Grant Reserves		103,751.26
Due State of New Jersey:		
Marriage License Fees Payable		575.00
Refund of Tax Overpayments		13,281.93
Reserve for:		
Revision of Master Plan		2,042.00
Sale of Assets		374.25
Revaluation of Taxes		132,120.07
Refund of Prior Year Revenue:		
Federal Emergency Management Agency - Federal		266.27
Federal Emergency Management Agency - State of New Jersey		830.76
		<hr/>
		13,576,273.62
		<hr/>
Balance December 31, 2009	A	\$ 872,271.89
		<hr/>

BOROUGH OF FRANKLIN
CURRENT FUND
SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Year	Balance	2009 Levy	Collections		State of NJ Senior Citizens' and Veterans' Deductions	Canceled	Transferred to Tax Title Liens	Balance
	Dec. 31, 2008		2008	2009				Dec. 31, 2009
2001	\$ 429.57							\$ 429.57
2002	1,736.04							1,736.04
2003	1,811.52							1,811.52
2004	2,045.00					\$ 229.04		1,815.96
2005	1,767.12							1,767.12
2006	1,878.12							1,878.12
2007	4,383.72					1,168.09		3,215.63
2008	178,410.81			\$ 167,902.46		5,668.16	\$ 1,536.14	3,304.05
	192,461.90			167,902.46		7,065.29	1,536.14	15,958.01
2009		\$ 11,489,558.39	\$ 200,519.44	10,964,321.92	\$ 58,250.00	12,439.26	5,415.79	248,611.98
	\$ 192,461.90	\$ 11,489,558.39	\$ 200,519.44	\$ 11,132,224.38	\$ 58,250.00	\$ 19,504.55	\$ 6,951.93	\$ 264,569.99
Ref.	A							A

Analysis of 2009 Property Tax Levy

Tax Yield:

General Purpose Tax	\$ 11,469,991.65
Added and Omitted Taxes	19,566.74
	<u>\$ 11,489,558.39</u>

Tax Levy:

Local School District Taxes	\$ 4,109,239.00
Regional High School District Taxes	1,804,224.70
County Taxes:	
General Tax	\$ 1,954,751.07
Due County for Added and Omitted Taxes	3,344.88
	<u>1,958,095.95</u>
	<u>7,871,559.65</u>
Local Tax for Municipal Purposes Levied	3,599,886.00
Add: Additional Tax Levied	18,112.74
	<u>3,617,998.74</u>
	<u>\$ 11,489,558.39</u>

BOROUGH OF FRANKLIN
CURRENT FUND
SCHEDULE OF TAX TITLE LIENS

	<u>Ref.</u>		
Balance December 31, 2008	A		\$ 2,537.78
Increased by:			
Transfer from Taxes Receivable		\$ 6,951.93	
Interest and Costs		<u>325.86</u>	
			<u>7,277.79</u>
Balance December 31, 2009	A		<u>\$ 9,815.57</u>

BOROUGH OF FRANKLIN
CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	<u>Balance</u> <u>Dec. 31, 2008</u>	<u>Accrued In</u> <u>2009</u>	<u>Collected by</u> <u>Treasurer</u>	<u>Balance</u> <u>Dec. 31, 2009</u>
Clerk:				
Alcoholic Beverage Licenses		\$ 10,505.00	\$ 10,505.00	
Other Licenses		10,491.00	10,491.00	
Fees and Permits		22,945.45	22,945.45	
Municipal Court:				
Fines and Costs		157,174.25	157,174.25	
Extraordinary Aid		200,000.00	200,000.00	
Consolidated Municipal Property Tax Relief		75,824.00	75,824.00	
Energy Receipts Tax		688,062.00	688,062.00	
Watershed Moratorium Offset		4,089.00	4,089.00	
Interlocal Service Agreement:				
Hardyston Township:				
Tax Office		86,261.00	86,261.00	
Finance Office		63,751.00	63,751.00	
Hardyston Township MUA:				
Finance Office		12,976.00	12,976.00	
Uniform Fire Safety		8,940.10	8,940.10	
Concetta Towers in Lieu of Taxes		15,000.00	15,000.00	
Beverly Hills Solid Waste Collection		40,824.00	40,824.00	
Borough Ordinance #94-03 Municipal Service Fee				
Assessed to Mobile Home Parks - Fees & Permits		58,968.00	58,968.00	
Rent Senior Center		1,333.00	1,333.00	
Cable TV Franchise		16,786.00	16,786.00	
Antenna Lease Contract		20,201.47	20,201.47	
	<u>\$ -0-</u>	<u>\$ 1,494,131.27</u>	<u>\$ 1,494,131.27</u>	<u>\$ -0-</u>
<u>Ref.</u>	A			A

BOROUGH OF FRANKLIN
FEDERAL AND STATE GRANT FUND
SCHEDULE OF GRANTS RECEIVABLE

	<u>Balance</u> <u>Dec. 31, 2008</u>	<u>2009 Budget</u> <u>Revenue</u> <u>Realized</u>	<u>Received</u>	<u>Canceled to</u> <u>Appropriated</u> <u>Grant Reserves</u>	<u>Balance</u> <u>Dec. 31, 2009</u>
N.J. Transportation Trust Fund - Scott Road:					
2006	\$ 35,000.00		\$ 35,000.00		
2007	130,000.00		83,566.88		\$ 46,433.12
Small Cities Grant - 2006	122,400.00			\$ 122,400.00	
Clean Communities Program:					
2008		\$ 539.00	539.00		
2009		6,955.00	6,955.00		
State Recycling Grant - 2009		3,153.00	3,153.00		
Drunk Driving Enforcement Fund - 2007		3,567.00	3,567.00		
Body Armor Grant - 2009		1,465.00	1,465.00		
Alcohol Education and Rehabilitation Fund - 2009		1,981.00	1,981.00		
	<u>\$ 287,400.00</u>	<u>\$ 17,660.00</u>	<u>\$ 136,226.88</u>	<u>\$ 122,400.00</u>	<u>\$ 46,433.12</u>

<u>Ref.</u>	A				A
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Current Year Receivable	\$ 17,121.00
Prior Year Receivable	118,566.88
Transfer from Unappropriated Reserves	539.00
	<u>\$ 136,226.88</u>
Federal Grants	\$ 120,031.88
State Grants	16,195.00
	<u>\$ 136,226.88</u>

BOROUGH OF FRANKLIN
CURRENT FUND
SCHEDULE OF 2008 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2009

	<u>Balance</u> <u>Dec. 31, 2008</u>	<u>Balance After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Unexpended</u> <u>Balance</u> <u>Lapsed</u>
GENERAL GOVERNMENT:				
General Administration:				
Salaries and Wages	\$ 35.63	\$ 35.63		\$ 35.63
Other Expenses	3,791.65	3,791.65	\$ 2,795.26	996.39
Elections:				
Other Expenses	725.99	725.99		725.99
Financial Administration:				
Other Expenses	1,287.88	1,287.88	869.09	418.79
Annual Audit	21,300.00	21,300.00	21,300.00	
Revenue Administration (Tax Collection):				
Other Expenses	1,297.01	1,297.01	66.69	1,230.32
Tax Assessment Administration:				
Salaries and Wages	714.55	714.55		714.55
Other Expenses	423.52	423.52	315.39	108.13
Legal Services and Costs:				
Other Expenses	441.64	4,041.64	3,961.41	80.23
Engineering Services and Costs:				
Other Expenses	3,344.05	3,344.05		3,344.05
Municipal Land Use Law (NJSA 40:55D-1):				
Planning Board:				
Salaries and Wages	24.72	24.72		24.72
Other Expenses	6,701.61	6,701.61	178.35	6,523.26
Zoning Board of Adjustment:				
Other Expenses	2,262.84	2,262.84	553.33	1,709.51
Insurance:				
Surety Bonds	37.00	37.00		37.00
Other Insurance Premiums	5,577.24	5,577.24	4,627.28	949.96
Worker's Compensation	952.50	952.50		952.50
Group Insurance Plan for Employees	5,125.46	125.46		125.46
Unemployment Compensation Insurance	132.24	132.24	132.24	
Municipal Court:				
Salaries and Wages	2,196.19	196.19		196.19
Other Expenses	2,087.97	2,087.97	842.43	1,245.54
Municipal Prosecutor:				
Other Expenses	461.56	461.56		461.56
Public Buildings and Grounds:				
Other Expenses	485.72	5,985.72	5,590.30	395.42

BOROUGH OF FRANKLIN
CURRENT FUND
SCHEDULE OF 2008 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2009
(Continued)

	<u>Balance</u> <u>Dec. 31, 2008</u>	<u>Balance After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Unexpended</u> <u>Balance</u> <u>Lapsed</u>
PUBLIC SAFETY:				
First Aid Organization - Contribution	\$ 20,048.04	\$ 20,048.04	\$ 16,741.18	\$ 3,306.86
Fire Prevention Official:				
Salaries and Wages	171.52	171.52		171.52
Other Expenses	2.00	2.00		2.00
Police:				
Salaries and Wages	43,568.16	24,968.16	3,756.15	21,212.01
Other Expenses	12,125.11	23,125.11	15,516.07	7,609.04
Crossing Guards:				
Salaries and Wages	517.08	517.08	308.88	208.20
Other Expenses	141.20	141.20		141.20
Emergency Management Services:				
Salaries and Wages	390.75	390.75		390.75
Other Expenses	883.57	883.57		883.57
STREETS AND ROADS:				
Road Repairs and Maintenance:				
Salaries and Wages	13,004.60	14,504.60	14,504.60	
Other Expenses	27,766.91	27,766.91	27,766.91	
HEALTH AND WELFARE:				
Board of Health:				
Salaries and Wages	100.00	100.00		100.00
Other Expenses	506.38	506.38	69.77	436.61
H.B.V. Vaccination	1,450.00	450.00		450.00
Animal Regulation:				
Other Expenses	127.39	127.39		127.39
RECREATION AND EDUCATION:				
Board of Recreation Commissioners (NJSA 40:12-1 et seq.):				
Salaries and Wages	200.00	200.00		200.00
Other Expenses	1,189.98	189.98	88.58	101.40
Contribution to Senior Citizen Center	233.29	233.29	200.00	33.29
State Uniform Construction Code (NJSA 52:27D-120 et seq.):				
Construction Official:				
Salaries and Wages	239.32	239.32		239.32
Other Expenses	1,808.25	1,808.25	1,188.40	619.85

BOROUGH OF FRANKLIN
CURRENT FUND
SCHEDULE OF 2008 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2009
(Continued)

	<u>Balance</u> <u>Dec. 31, 2008</u>	<u>Balance After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Unexpended</u> <u>Balance</u> <u>Lapsed</u>
State Uniform Construction Code (NJSA 52:27D-120 et seq.) (Continued):				
Zoning Official:				
Salaries and Wages	\$ 546.98	\$ 546.98		\$ 546.98
Other Expenses	34.52	34.52	\$ 7.80	26.72
Economic Development Committee:				
Other Expenses	750.00	750.00		750.00
UNCLASSIFIED:				
Utility Bulk - Telephone	1,845.14	1,845.14	1,735.12	110.02
Street Lighting	2,428.39	7,428.39	7,202.97	225.42
Gasoline & Oil	5,508.25	5,508.25	3,898.08	1,610.17
Solid Waste Contract	42,479.05	42,479.05	37,247.60	5,231.45
Reserve for Accrued Sick Time	10,000.00	10,000.00	10,000.00	
Network Maintenance Agreement	271.16	271.16		271.16
Statutory Expenditures:				
Social Security System (OASI)	422.00	1,422.00	1,275.06	146.94
Interlocal Municipal Service Agreements:				
Township of Sparta:				
"911" Dispatching:				
Other Expense - Fire	0.32	0.32		0.32
Other Expense - Police	0.32	0.32		0.32
Other Expense - EMS	0.36	0.36		0.36
Township of Hardyston:				
Municipal Drug Alliance Program	1,400.00	1,400.00		1,400.00
Joint Recreation Program	14,560.00	14,560.00		14,560.00
Joint Community Center	0.50	0.50		0.50
Tax Office:				
Salaries and Wages	0.58	0.58		0.58
Other Expenses	1,225.28	1,225.28	270.47	954.81
Finance Office:				
Salaries and Wages	0.38	0.38		0.38
Other Expenses	1,661.58	1,661.58	742.50	919.08
	<u>\$ 267,015.33</u>	<u>\$ 267,015.33</u>	<u>\$ 183,751.91</u>	<u>\$ 83,263.42</u>

BOROUGH OF FRANKLIN
CURRENT FUND
SCHEDULE OF 2008 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2009
(Continued)

		<u>Balance</u> <u>Dec. 31, 2008</u>	<u>Balance After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Unexpended</u> <u>Balance</u> <u>Lapsed</u>
<u>Analysis of Balance December 31, 2008</u>					
	<u>Ref.</u>				
Unencumbered	A	\$ 206,958.71			
Encumbered	A	<u>60,056.62</u>			
		<u>\$ 267,015.33</u>			
Cash Disbursed				\$ 185,990.70	
Less: Appropriation Reserve Refunds				<u>2,238.79</u>	
				<u>\$ 183,751.91</u>	

BOROUGH OF FRANKLIN
CURRENT FUND
SCHEDULE OF LOCAL SCHOOL DISTRICT TAXES PAYABLE
YEAR ENDED DECEMBER 31, 2009

Increased by:		
Levy - Calendar Year 2009	\$	4,109,239.00
Decreased by:		
Payments to Regional School District	\$	<u>4,109,239.00</u>

BOROUGH OF FRANKLIN
CURRENT FUND
SCHEDULE OF REGIONAL HIGH SCHOOL DISTRICT TAXES PAYABLE
YEAR ENDED DECEMBER 31, 2009

Increased by:		
Levy - Calendar Year 2009	\$	1,804,224.70
Decreased by:		
Payments to Regional High School District	\$	<u>1,804,224.70</u>

BOROUGH OF FRANKLIN
FEDERAL AND STATE GRANT FUND
SCHEDULE OF APPROPRIATED RESERVES

	<u>Balance</u> <u>Dec. 31, 2008</u>	<u>Transferred</u> <u>from 2009</u> <u>Budget</u> <u>Appropriations</u>	<u>Expended</u>	<u>Canceled to</u> <u>Grants</u> <u>Receivable</u>	<u>Balance</u> <u>Dec. 31, 2009</u>
Drunk Driving Enforcement Fund:					
2006	\$ 2,365.43		\$ 2,365.43		
2007	5,078.00		5,078.00		
2008		\$ 3,567.00	317.93		\$ 3,249.07
Clean Communities Program:					
2008	3,285.67	539.00	3,824.67		
2009		6,955.00	763.33		6,191.67
N.J. Transportation Trust Fund - Scott Road:					
2007	95,290.75		95,290.75		
State of NJ Special Legislative Grant:					
Purchase of Property - 2001	6,470.73				6,470.73
Alcohol Education and Rehabilitation Fund:					
2006	197.36		197.36		
2007	958.00		958.00		
2008		1,981.00	389.79		1,591.21
Recycling Tonnage Grant:					
2004	8.00				8.00
2005	1,089.00				1,089.00
2006	1,807.00				1,807.00
2007	2,151.00				2,151.00
2008		3,153.00			3,153.00
Body Armor Grant:					
2007	742.90				742.90
2008		1,465.00			1,465.00
Stormwater Management - 2006	3,942.97				3,942.97
Small Cities - 2006	125,750.00			\$ 122,400.00	3,350.00
	<u>\$ 249,136.81</u>	<u>\$ 17,660.00</u>	<u>\$ 109,185.26</u>	<u>\$ 122,400.00</u>	<u>\$ 35,211.55</u>
	<u>Ref.</u>	<u>A</u>			<u>A</u>
Cash Disbursed			\$ 103,751.26		
Encumbrances Payable	A		<u>5,434.00</u>		
			<u>\$ 109,185.26</u>		
Federal Grants			\$ 95,290.75		
State Grants			<u>13,894.51</u>		
			<u>\$ 109,185.26</u>		

BOROUGH OF FRANKLIN
FEDERAL AND STATE GRANT FUND
SCHEDULE OF UNAPPROPRIATED RESERVES

	<u>Balance</u> <u>Dec. 31, 2008</u>	<u>Received</u>	<u>Transferred</u> <u>to 2009</u> <u>Budget</u> <u>Revenue</u>	<u>Canceled to</u> <u>Current Fund</u> <u>Operations</u>	<u>Balance</u> <u>Dec. 31, 2009</u>
Clean Communities Program:					
2008	\$ 539.59		\$ 539.00		\$ 0.59
2009		\$ 8,905.43	6,955.00		1,950.43
State Recycling Grant :					
2008	3,153.69		3,153.00		0.69
2009		7,108.47			7,108.47
Drunk Driving Enforcement Fund:					
2008	3,567.08		3,567.00		0.08
2009		2,797.54			2,797.54
Body Armor Grant:					
2008	1,465.81		1,465.00	\$ 0.81	
Alcohol Education and Rehabilitation Fund:					
2008	1,981.18		1,981.00		0.18
2009		1,624.33			1,624.33
Over the Limit, Under Arrest:					
2009		6,000.00			6,000.00
	<u>\$ 10,707.35</u>	<u>\$ 26,435.77</u>	<u>\$ 17,660.00</u>	<u>\$ 0.81</u>	<u>\$ 19,482.31</u>

Ref.

A

A

Current Year Receivable
Unappropriated Funds

\$ 17,121.00

9,314.77

\$ 26,435.77

Federal Grants
State Grants

\$ 6,000.00

20,435.77

\$ 26,435.77

BOROUGH OF FRANKLIN
COUNTY OF SUSSEX
2009
TRUST FUNDS

BOROUGH OF FRANKLIN
TRUST FUNDS
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	<u>Animal Control Fund</u>	<u>Other Trust Funds</u>
Balance December 31, 2008	B	\$ 1,821.60	\$ 853,361.68
Increased by Receipts:			
Animal Control License Fees:			
Dog License Fees		\$ 4,048.20	
Cat License Fees		547.00	
State Dog License Fees		931.80	
Late Fees		742.00	
Rabies Clinic Fees		619.93	
Pick-Up Fees		245.00	
Replacement License Fees		2.00	
Due Current Fund:			
Interest Income		23.08	\$ 4,993.62
Due Animal Control Fund:			
Interfund Returned			200.00
Deposits and Interest:			
Landuse Escrow			117,810.81
Escrow Deposits			1,387.25
Recreation			19,087.47
Small Cities			19,110.00
Parking Offense Adjudication Act			134.00
Public Defender			4,047.92
BPW Escrow			24,894.00
Outside Police Work			59,306.96
Accumulated Sick Leave			4,235.42
Tax Sale Premiums			12,000.00
Outside Liens Redemption			151,857.01
Affordable Housing			6,833.69
Snow Related Costs			8,453.87
Uniform Fire Safety			1,000.00
		<u>7,159.01</u>	<u>435,352.02</u>
		8,980.61	1,288,713.70

BOROUGH OF FRANKLIN
TRUST FUNDS
SCHEDULE OF CASH - TREASURER
(Continued)

<u>Ref.</u>	<u>Animal Control Fund</u>	<u>Other Trust Funds</u>
Decreased by Disbursements:		
Administrative Expenses	\$ 7,008.75	
Due to State Board of Health	933.00	
Due Current Fund:		
Interest Income	23.08	\$ 4,993.62
Due Other Trust Fund:		
Interfund Returned	200.00	
Landuse Escrow Expenditures		102,953.01
Recreation Expenditures		7,423.88
Escrow Deposits		8,451.25
Public Defender Expenditures		3,798.72
BPW Escrow Expenditures		52,942.56
Outside Police Work		46,335.30
Accumulated Sick Leave		35,076.78
Tax Sale Premiums Refunds		19,800.00
Outside Liens Redemptions		151,857.01
Affordable Housing		23,412.00
Payroll Fund		1,024.83
	<u>\$ 8,164.83</u>	<u>\$ 458,068.96</u>
Balance December 31, 2009	B <u>\$ 815.78</u>	<u>\$ 830,644.74</u>

BOROUGH OF FRANKLIN
ANIMAL CONTROL TRUST FUND
SCHEDULE OF CASH - COLLECTOR
YEAR ENDED DECEMBER 31, 2009

NOT APPLICABLE

BOROUGH OF FRANKLIN
ASSESSMENT TRUST FUND
ANALYSIS OF CASH
YEAR ENDED DECEMBER 31, 2009

NOT APPLICABLE

BOROUGH OF FRANKLIN
ANIMAL CONTROL TRUST FUND
SCHEDULE OF RESERVE FOR ANIMAL CONTROL FUND EXPENDITURES

	<u>Ref.</u>	
Balance December 31, 2008	B	\$ 1,614.20
Increased by:		
Animal Control Fees:		
Dog Licenses		\$ 4,048.20
Cat Licenses		547.00
Late Fees and Penalties		742.00
Rabies Clinic Fees		619.93
Pick-Up Fees		245.00
Replacement License Fees		2.00
		6,204.13
		7,818.33
Decreased by:		
Expenditures Under R.S. 4:19-15.11:		
Animal Control Fund		7,008.75
		7,008.75
Balance December 31, 2009	B	\$ 809.58

License Fees Collected

<u>Year</u>	<u>Amount</u>
2007	\$ 3,636.60
2008	4,439.20
	8,075.80
Maximum Allowable Reserve	\$ 8,075.80

BOROUGH OF FRANKLIN
COUNTY OF SUSSEX
2009
GENERAL CAPITAL FUND

BOROUGH OF FRANKLIN
GENERAL CAPITAL FUND
SCHEDULE OF CASH

	<u>Ref.</u>	
Balance December 31, 2008	C	\$ 229,059.72
Increased by Receipts:		
Due Current Fund:		
Interest Income		\$ 1,279.91
2009 Budget Appropriation:		
Capital Improvement Fund		91,000.00
Deferred Charges to Future Taxation		10,000.00
		<u>102,279.91</u>
		<u>331,339.63</u>
Decreased by:		
Improvement Authorizations		73,594.68
Due Current Fund:		
Interest Income		1,279.91
		<u>74,874.59</u>
Balance December 31, 2009	C	<u>\$ 256,465.04</u>

BOROUGH OF FRANKLIN
GENERAL CAPITAL FUND
ANALYSIS OF CASH

	Balance/ (Deficit) Dec. 31, 2008	Receipts		Disbursements		Transfers		Balance/ (Deficit) Dec. 31, 2009	
		Budget Appropriation	Miscellaneous	Improvement Authorizations	Miscellaneous	From	To		
Capital Fund Balance	\$ 4,547.06							\$ 4,547.06	
Capital Improvement Fund	188,350.03	\$ 91,000.00				\$ 85,675.00		193,675.03	
Due Current Fund			\$ 1,279.91		\$ 1,279.91				
Contracts Payable							\$ 5,500.00	5,500.00	
<u>Ord.</u>									
<u>No.</u>	<u>Improvement Description</u>								
06-02	Various Capital Improvements			\$ 238.53					
16-03	Improvement to Recreation Facility							16,117.35	
15-04	Improvement to Recreation							38,000.00	
10-05	Purchase of Mason Dump Truck	3,199.24							
12-06	Various Capital Improvements			3,268.97					
13-07	Purchase of Fire Equipment			594.54				928.87	
11-08	Various Road Improvements	6,800.76				3,650.29		(60,699.24)	
12-08	Various Capital Improvements			31,530.45		1,849.71		10,683.16	
19-09	Various Capital Improvements			37,962.19			25,000.00	(12,962.19)	
20-09	Various Capital Improvements						60,675.00	60,675.00	
		<u>\$ 229,059.72</u>	<u>\$ 101,000.00</u>	<u>\$ 1,279.91</u>	<u>\$ 73,594.68</u>	<u>\$ 1,279.91</u>	<u>\$ 91,175.00</u>	<u>\$ 91,175.00</u>	<u>\$ 256,465.04</u>

BOROUGH OF FRANKLIN
GENERAL CAPITAL FUND
SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED

Ord. No.	Improvement Description	Balance Dec. 31, 2008	2009 Improvement Authorizations	Funded by Budget Appropriation	Notes Paid by Budget Appropriation	Balance Dec. 31, 2009	Analysis of Balance Dec. 31, 2009		
							Funded by Bond Anticipation Notes	Expenditures	Unexpended Improvement Authorizations
10-05	Purchase of Mason Dump Truck	\$ 3,199.24		\$ 3,199.24					
17-05	Purchase of Emergency Vehicles	118,750.00			\$ 11,875.00	\$ 106,875.00	\$ 106,875.00		
12-06	Various Capital Improvements	760,000.00			13,125.00	746,875.00	746,875.00		
11-08	Various Road Improvements	67,500.00		6,800.76		60,699.24		\$ 60,699.24	
19-09	Various Capital Improvements		\$ 225,000.00			225,000.00		12,962.19	\$ 212,037.81
		<u>\$ 949,449.24</u>	<u>\$ 225,000.00</u>	<u>\$ 10,000.00</u>	<u>\$ 25,000.00</u>	<u>\$ 1,139,449.24</u>	<u>\$ 853,750.00</u>	<u>\$ 73,661.43</u>	<u>\$ 212,037.81</u>

Ref.

C

C

Improvement Authorizations - Unfunded

\$ 212,037.81

BOROUGH OF FRANKLIN
GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord. No.	Improvement Description	Ordinance		Balance Dec. 31, 2008		2009 Authorizations		Paid or Charged	Balance Dec. 31, 2009	
		Date	Amount	Funded	Unfunded	Capital Improvement Fund	Deferred Charges to Future Taxation - Unfunded		Funded	Unfunded
06-02	Various Capital Improvements	04/23/02	\$ 500,000.00	\$ 238.53				\$ 238.53		
16-03	Improvement to Recreation Facility	08/12/03	113,850.00	16,117.35					\$ 16,117.35	
15-04	Improvement to Recreation	09/28/04	38,000.00	38,000.00					38,000.00	
12-06	Various Capital Improvements	07/11/06	800,000.00		\$ 3,268.97			3,268.97		
13-07	Purchase of Fire Equipment	05/22/07	25,000.00	1,523.41				594.54	928.87	
11-08	Various Road Improvements	09/09/08	75,000.00		3,650.29			3,650.29		
12-08	Various Capital Improvements	09/09/08	58,740.00	44,063.32				33,380.16	10,683.16	
19-09	Various Capital Improvements	12/08/09	250,000.00			\$ 25,000.00	\$ 225,000.00	37,962.19		\$ 212,037.81
20-09	Various Capital Improvements	12/08/09	60,675.00			60,675.00			60,675.00	
				<u>\$ 99,942.61</u>	<u>\$ 6,919.26</u>	<u>\$ 85,675.00</u>	<u>\$ 225,000.00</u>	<u>\$ 79,094.68</u>	<u>\$ 126,404.38</u>	<u>\$ 212,037.81</u>
		<u>Ref.</u>		C	C				C	C
								Cash Disbursed	\$ 73,594.68	
								Contracts Payable	5,500.00	
									<u>\$ 79,094.68</u>	

BOROUGH OF FRANKLIN
GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2008	C	\$ 188,350.03
Increased by:		
2009 Budget Appropriation		<u>91,000.00</u>
		279,350.03
Decreased by:		
Appropriated to Finance Improvement Authorizations		<u>85,675.00</u>
Balance December 31, 2009	C	<u>\$ 193,675.03</u>

BOROUGH OF FRANKLIN
GENERAL CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE

Ord. No.	Improvement Description	Original Note	Date of		Interest Rate	Balance Dec. 31, 2008	Issued	Matured	Balance Dec. 31, 2009
			Issue	Maturity					
17-05	Acquisition of Emergency Vehicles	11/08/06	08/29/08	08/28/09	2.15%	\$ 118,750.00	\$ 106,875.00	\$ 118,750.00	\$ 106,875.00
			08/28/09	08/27/10	0.75%				
12-06	Various Capital Improvements	11/08/06	08/29/08	08/28/09	2.15%	131,250.00	118,125.00	131,250.00	118,125.00
			08/28/09	08/27/10	0.75%				
12-06	Various Capital Improvements	08/30/07	08/29/08	08/28/09	2.15%	628,750.00	628,750.00	\$ 628,750.00	628,750.00
			08/28/09	08/27/10	0.75%				
						<u>\$ 878,750.00</u>	<u>\$ 853,750.00</u>	<u>\$ 878,750.00</u>	<u>\$ 853,750.00</u>
<u>Ref.</u>						C			C
							\$ 853,750.00	\$ 853,750.00	
								25,000.00	
							<u>\$ 853,750.00</u>	<u>\$ 878,750.00</u>	

BOROUGH OF FRANKLIN
GENERAL CAPITAL FUND
SCHEDULE OF SERIAL BONDS PAYABLE

Purpose	Date of Issue	Amount Original Issue	Maturities of Bonds		Interest Rate	Balance Dec. 31, 2008	Matured	Balance Dec. 31, 2009
			Outstanding Dec. 31, 2009 Date	Amount				
General Bonds of 2002	08/01/02	\$ 1,584,200.00	08/01/10	\$ 151,300.00	3.50%			
			08/01/11-13	155,750.00	3.50%	\$ 769,850.00	\$ 151,300.00	\$ 618,550.00
						<u>\$ 769,850.00</u>	<u>\$ 151,300.00</u>	<u>\$ 618,550.00</u>
					<u>Ref.</u>			C

BOROUGH OF FRANKLIN
GENERAL CAPITAL FUND
SCHEDULE OF PENSION REFUNDING BONDS PAYABLE

Purpose	Date of Issue	Amount Original Issue	Maturities of Bonds Outstanding Dec. 31, 2009		Interest Rate	Balance Dec. 31, 2008	Matured	Balance Dec. 31, 2009
			Date	Amount				
Pension Refunding Bonds of 2003	10/02/03	\$ 330,000.00	10/01/10	\$ 25,000.00	4.40%	\$ 210,000.00	\$ 185,000.00	\$ 25,000.00
						<u>\$ 210,000.00</u>	<u>\$ 185,000.00</u>	<u>\$ 25,000.00</u>
					<u>Ref.</u>	C		C

BOROUGH OF FRANKLIN
GENERAL CAPITAL FUND
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

<u>Ord. No.</u>	<u>Ord. Date</u>	<u>Improvement Description</u>	<u>Balance Dec. 31, 2008</u>	<u>2009 Improvement Authorizations</u>	<u>Funded by Budget Appropriation</u>	<u>Balance Dec. 31, 2009</u>
10-05	04/26/05	Purchase of Mason Dump Truck	\$ 3,199.24		\$ 3,199.24	
11-08	09/09/08	Various Road Improvements	67,500.00		6,800.76	\$ 60,699.24
19-09	12/08/09	Various Capital Improvements		\$ 225,000.00		225,000.00
			<u>\$ 70,699.24</u>	<u>\$ 225,000.00</u>	<u>\$ 10,000.00</u>	<u>\$ 285,699.24</u>

BOROUGH OF FRANKLIN
COUNTY OF SUSSEX
2009
WATER/SEWER UTILITY FUND

BOROUGH OF FRANKLIN
WATER/SEWER UTILITY OPERATING FUND
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	<u>Operating</u>	<u>Capital</u>
Balance December 31, 2008	D	\$ 795,790.80	\$380,100.43
Increased by Receipts:			
Water/Sewer Utility Collector		\$ 2,070,764.66	
Reserve for:			
Sewer Hook-Ups WVRHS		29,237.80	
Interest on Investments		5,819.44	
Miscellaneous		67,549.31	
Due Water/Sewer Utility Operating Fund:			
Interest Income			\$ 1,040.77
Due Water/Sewer Utility Capital Fund:			
Interest Income		1,040.77	
Appropriation Reserve Refunds		2,214.58	
Budget Appropriations:			
Capital Improvement Fund			10,000.00
		<u>2,176,626.56</u>	<u>11,040.77</u>
		2,972,417.36	391,141.20
Decreased by Disbursements:			
2009 Budget Appropriations		2,062,565.64	
2008 Appropriation Reserves		30,482.65	
Accrued Interest on:			
Bonds and Notes		164,073.74	
Reserve for:			
Capital Outlay		5,258.71	
BPW Maps		6,500.00	
Due Water/Sewer Utility Operating Fund:			
Interest Income			1,040.77
Improvement Authorizations			16,007.64
		<u>2,268,880.74</u>	<u>17,048.41</u>
Balance December 31, 2009	D	<u>\$ 703,536.62</u>	<u>\$374,092.79</u>

BOROUGH OF FRANKLIN
WATER/SEWER UTILITY OPERATING FUND
SCHEDULE OF CASH - COLLECTOR
YEAR ENDED DECEMBER 31, 2009

Increased by Receipts:

Consumer Accounts Receivable:

Water Rents	\$ 541,261.36
Sewer Rents	1,148,406.00
Interest on Delinquent Rents	13,048.29
Final Reading	841.81
Turn On/Off Fees	1,475.26
Sprinklers	9,652.56
Bad Checks	350.00
Miscellaneous Fees	760.20

Total Consumer Accounts Receivable

	\$ 1,715,795.48
--	-----------------

Reserve for Sewer Hook - Ups

189,345.18

Reserve for Water Hook - Ups

162,240.00

Reserve for Capital Outlay

3,384.00

	2,070,764.66
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Decreased by Disbursements:

Paid to Treasurer

	\$ 2,070,764.66
--	-----------------

BOROUGH OF FRANKLIN
WATER/SEWER UTILITY CAPITAL FUND
ANALYSIS OF CASH

	Balance Dec. 31, 2008	Receipts		Disbursements		Transfers		Balance Dec. 31, 2009
		Budget Appropriation	Miscellaneous	Improvement Authorizations	Miscellaneous	From	To	
Capital Fund Balance	\$ 4,938.33							\$ 4,938.33
Capital Improvement Fund	368,942.40	\$ 10,000.00				\$ 150,000.00		228,942.40
Due to Water/Sewer Utility Operating Fund			\$ 1,040.77		\$ 1,040.77			
Reserve for Preliminary Expenses	228.20							228.20
<u>Improvement Authorizations</u>								
Ord. No.								
11-06 Improvements to the Water/Sewer System	4,595.91			\$ 1,130.28				3,465.63
19-07 Improvements to the Water/Sewer Buildings and Grounds	1,395.59			1,395.59				
11-09 Various Water/Sewer Capital Improvements				13,481.77			\$ 109,000.00	95,518.23
16-09 Improvements to the Water/Sewer Systems							41,000.00	41,000.00
	<u>\$ 380,100.43</u>	<u>\$ 10,000.00</u>	<u>\$ 1,040.77</u>	<u>\$ 16,007.64</u>	<u>\$ 1,040.77</u>	<u>\$ 150,000.00</u>	<u>\$ 150,000.00</u>	<u>\$ 374,092.79</u>

BOROUGH OF FRANKLIN
WATER/SEWER UTILITY OPERATING FUND
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE

	<u>Ref.</u>	
Balance December 31, 2008	D	\$ 54,333.46
Increased by:		
Rents, Fees and Other Charges Levied		<u>1,743,549.72</u>
		1,797,883.18
Decreased by:		
Collections		<u>1,715,795.48</u>
Balance December 31, 2009	D	<u>\$ 82,087.70</u>

BOROUGH OF FRANKLIN
WATER/SEWER UTILITY CAPITAL FUND
SCHEDULE OF FIXED CAPITAL

	<u>Ref.</u>	
Balance December 31, 2008	D	\$ 20,499,387.75
Increased by:		
Additions by:		
Ordinance		\$ 15,000.00
Capital Outlay:		
Water/Sewer Utility Reserve Budget		13,144.29
Reserve for Capital Outlay		<u>2,863.02</u>
		<u>31,007.31</u>
Balance December 31, 2009	D	<u><u>\$ 20,530,395.06</u></u>

BOROUGH OF FRANKLIN
WATER/SEWER UTILITY CAPITAL FUND
SCHEDULE OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED

Ordinance Number	Improvement Description	Ordinance		Balance Dec. 31, 2008	2009 Authorizations	Costs to Fixed Capital	Balance Dec. 31, 2009
		Date	Amount				
11-06	Improvements to Water/Sewer System	06/13/06	\$ 45,000.00	\$ 45,000.00			\$ 45,000.00
19-07	Improvements to Water/Sewer Buildings and Grounds	09/11/07	15,000.00	15,000.00		\$ 15,000.00	
11-09	Various Water/Sewer Capital Improvements	07/14/09	109,000.00		\$ 109,000.00		109,000.00
16-09	Improvements to the Water/Sewer Systems	11/24/09	850,000.00		850,000.00		850,000.00
				<u>\$ 60,000.00</u>	<u>\$ 959,000.00</u>	<u>\$ 15,000.00</u>	<u>\$1,004,000.00</u>
			<u>Ref.</u>	D			D

BOROUGH OF FRANKLIN
WATER/SEWER UTILITY OPERATING FUND
SCHEDULE OF 2008 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2009

	Balance Dec. 31, 2008	Balance After Modification	Paid or Charged	Balance Lapsed
Operating:				
Salaries and Wages	\$ 5,859.51	\$ 7,059.51	\$ 6,985.72	\$ 73.79
Other Expenses	17,821.95	16,421.95	8,008.68	8,413.27
Capital Improvements:				
Capital Outlay	54.15	54.15		54.15
Improvements to Sewers and Sewer Stations	11,900.25	11,900.25	11,900.25	
Purchase of Water/Sewer Equipment	3,508.26	3,508.26	1,244.04	2,264.22
Statutory Expenditures:				
Contribution to:				
Public Employees' Retirement System	0.20	0.20		0.20
Social Security System (O.A.S.I.)	283.48	613.48	585.67	27.81
Unemployment Compensation Insurance	134.03	4.03	1.26	2.77
	<u>\$ 39,561.83</u>	<u>\$ 39,561.83</u>	<u>\$ 28,725.62</u>	<u>\$ 10,836.21</u>

Ref.Balance December 31, 2008:

Appropriation Reserves:

Unencumbered	D	\$ 33,715.54
Encumbered	D	<u>5,846.29</u>
		<u>\$ 39,561.83</u>

Cash Disbursed	\$ 30,482.65
Reserve for Capital Outlay	<u>457.55</u>
	30,940.20
Less: Appropriation Reserve Refunds	<u>2,214.58</u>
	<u>\$ 28,725.62</u>

BOROUGH OF FRANKLIN
WATER/SEWER UTILITY CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ordinance Number	Improvement Description	Ordinance Date	Ordinance Amount	Balance Dec. 31, 2008 Funded	2009 Authorizations		Paid or Charged	Balance Dec. 31, 2009	
					Capital Improvement Fund	Deferred Charges to Future Revenue		Funded	Unfunded
11-06	Improvements to Water/Sewer System	06/13/06	\$ 45,000.00	\$ 4,595.91			\$ 1,130.28	\$ 3,465.63	
19-07	Improvements to Water/Sewer Buildings and Grounds	09/11/07	15,000.00	1,395.59			1,395.59		
11-09	Various Water/Sewer Capital Improvements	07/14/09	109,000.00		\$ 109,000.00		13,481.77	95,518.23	
16-09	Improvements to the Water/Sewer Systems	11/24/09	850,000.00		41,000.00	\$ 809,000.00		41,000.00	\$ 809,000.00
				\$ 5,991.50	\$ 150,000.00	\$ 809,000.00	\$ 16,007.64	\$ 139,983.86	\$ 809,000.00
				<u>Ref.</u>	D			D	D

BOROUGH OF FRANKLIN
WATER/SEWER UTILITY CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2008	D	\$ 368,942.40
Increased by:		
2009 Budget Appropriation		<u>10,000.00</u>
		378,942.40
Decreased by:		
Appropriated to Finance Improvement Authorizations		<u>150,000.00</u>
Balance December 31, 2009	D	<u><u>\$ 228,942.40</u></u>

BOROUGH OF FRANKLIN
WATER/SEWER UTILITY CAPITAL FUND
SCHEDULE OF RESERVE FOR AMORTIZATION

	<u>Ref.</u>	
Balance December 31, 2008	D	\$ 16,476,648.67
Increased by:		
Paid by Water Utility Operating Budget:		
Serial Bonds	\$	458,700.00
Farmers Home Administration Loan		41,255.90
New Jersey Environmental Infrastructure Loan		30,123.49
Capital Outlay:		
Water/Sewer Utility Reserve Budget		13,144.29
Reserve for Capital Outlay		2,863.02
Transfer from Deferred Reserve for Amortization		<u>15,000.00</u>
		<u>561,086.70</u>
Balance December 31, 2009	D	<u>\$ 17,037,735.37</u>

BOROUGH OF FRANKLIN
WATER/SEWER UTILITY CAPITAL FUND
SCHEDULE OF DEFERRED RESERVE FOR AMORTIZATION

Ordinance Number	Improvement Description	Date of Ordinance	Balance Dec. 31, 2008	2009 Authorizations	To Reserve for Amortization Fixed Capital	Balance Dec. 31, 2009
11-06	Improvements to Water/Sewer System	06/13/06	\$ 45,000.00			\$ 45,000.00
19-07	Improvements to Water/Sewer Buildings and Grounds	09/11/07	15,000.00		\$ 15,000.00	
11-09	Various Water/Sewer Capital Improvements	07/14/09		\$ 109,000.00		109,000.00
16-09	Improvements to the Water/Sewer Systems	11/24/09		41,000.00		41,000.00
			<u>\$ 60,000.00</u>	<u>\$ 150,000.00</u>	<u>\$ 15,000.00</u>	<u>\$ 195,000.00</u>
		<u>Ref.</u>	D			D

BOROUGH OF FRANKLIN
WATER/SEWER UTILITY CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE
YEAR ENDED DECEMBER 31, 2009

NOT APPLICABLE

BOROUGH OF FRANKLIN
WATER/SEWER UTILITY CAPITAL FUND
SCHEDULE OF SERIAL BONDS PAYABLE

Purpose	Date of Issue	Amount Original Issue	Maturities of Bonds Outstanding		Int. Rate	Balance Dec. 31, 2008	Matured	Balance Dec. 31, 2009
			Date	Amount				
Sewer Refunding Bonds of 2002	03/01/02	\$ 1,315,000.00	10/01/10	\$ 165,000.00	3.00%	\$ 325,000.00	\$ 160,000.00	\$ 165,000.00
Water/Sewer Bonds of 2002	08/01/02	446,800.00	08/01/10	38,700.00	3.50%	231,150.00	38,700.00	192,450.00
			08/01/11-12	39,250.00	3.50%			
			08/01/13	35,250.00	3.50%			
			08/01/14-15	20,000.00	3.50%			
Refunding Bonds of 2003	10/02/03	1,690,000.00	10/01/10	265,000.00	3.00%	525,000.00	260,000.00	265,000.00
						<u>\$ 1,081,150.00</u>	<u>\$ 458,700.00</u>	<u>\$ 622,450.00</u>
<u>Ref.</u>						D		D

BOROUGH OF FRANKLIN
WATER/SEWER UTILITY CAPITAL FUND
SCHEDULE FARMERS HOME ADMINISTRATION (FHA) LOAN PAYABLE

	<u>Ref.</u>	
Balance December 31, 2008	D	\$ 2,571,416.04
Decreased by:		
Principal Matured		
Adjustment for Principal Paid in Prior Years		41,255.90
		<u>41,255.90</u>
Balance December 31, 2009	D	<u>\$ 2,530,160.14</u>

Schedule of Principal and Interest Payments Outstanding December 31, 2009

<u>Payment Number</u>	<u>Due</u>	<u>Principal</u>	<u>Interest</u>	<u>Loan Balance</u>
				\$ 2,530,160.14
25	05/01/10	\$ 21,365.70	\$ 60,091.30	2,508,794.44
26	11/01/10	21,873.13	59,583.87	2,486,921.31
27	05/01/11	22,392.62	59,064.38	2,464,528.69
28	11/01/11	22,924.44	58,532.56	2,441,604.25
29	05/01/12	23,468.90	57,988.10	2,418,135.35
30	11/01/12	24,026.29	57,430.71	2,394,109.06
31	05/01/13	24,596.91	56,860.09	2,369,512.15
32	11/01/13	25,181.09	56,275.91	2,344,331.06
33	05/01/14	25,779.14	55,677.86	2,318,551.92
34	11/01/14	26,391.39	55,065.61	2,292,160.53
35	05/01/15	27,018.19	54,438.81	2,265,142.34
36	11/01/15	27,659.87	53,797.13	2,237,482.47
37	05/01/16	28,316.79	53,140.21	2,209,165.68
38	11/01/16	28,989.31	52,467.69	2,180,176.37
39	05/01/17	29,677.81	51,779.19	2,150,498.56
40	11/01/17	30,382.66	51,074.34	2,120,115.90
41	05/01/18	31,104.25	50,352.75	2,089,011.65
42	11/01/18	31,842.97	49,614.03	2,057,168.68
43	05/01/19	32,599.24	48,857.76	2,024,569.44
44	11/01/19	33,373.48	48,083.52	1,991,195.96
45	05/01/20	34,166.10	47,290.90	1,957,029.86
46	11/01/20	34,977.54	46,479.46	1,922,052.32
47	05/01/21	35,808.26	45,648.74	1,886,244.06
48	11/01/21	36,658.70	44,798.30	1,849,585.36

BOROUGH OF FRANKLIN
WATER/SEWER UTILITY CAPITAL FUND
SCHEDULE FARMERS HOME ADMINISTRATION (FHA) LOAN PAYABLE
(Continued)

Schedule of Principal and Interest Payments Outstanding December 31, 2009

<u>Payment Number</u>	<u>Due</u>	<u>Principal</u>	<u>Interest</u>	<u>Loan Balance</u>
49	05/01/22	\$ 37,529.35	\$ 43,927.65	\$ 1,812,056.01
50	11/01/22	38,420.67	43,036.33	1,773,635.34
51	05/01/23	39,333.16	42,123.84	1,734,302.18
52	11/01/23	40,267.32	41,189.68	1,694,034.86
53	05/01/24	41,223.67	40,233.33	1,652,811.19
54	11/01/24	42,202.73	39,254.27	1,610,608.46
55	05/01/25	43,205.05	38,251.95	1,567,403.41
56	11/01/25	44,231.17	37,225.83	1,523,172.24
57	05/01/26	45,281.66	36,175.34	1,477,890.58
58	11/01/26	46,357.10	35,099.90	1,431,533.48
59	05/01/27	47,458.08	33,998.92	1,384,075.40
60	11/01/27	48,585.21	32,871.79	1,335,490.19
61	05/01/28	49,739.11	31,717.89	1,285,751.08
62	11/01/28	50,920.41	30,536.59	1,234,830.67
63	05/01/29	52,129.77	29,327.23	1,182,700.90
64	11/01/29	53,367.85	28,089.15	1,129,333.05
65	05/01/30	54,635.34	26,821.66	1,074,697.71
66	11/01/30	55,932.93	25,524.07	1,018,764.78
67	05/01/31	57,261.34	24,195.66	961,503.44
68	11/01/31	58,621.29	22,835.71	902,882.15
69	05/01/32	60,013.55	21,443.45	842,868.60
70	11/01/32	61,438.87	20,018.13	781,429.73
71	05/01/33	62,898.04	18,558.96	718,531.69
72	11/01/33	64,391.87	17,065.13	654,139.82
73	05/01/34	65,921.18	15,535.82	588,218.64
74	11/01/34	67,486.81	13,970.19	520,731.83
75	05/01/35	69,089.62	12,367.38	451,642.21
76	11/01/35	70,730.50	10,726.50	380,911.71
77	05/01/36	72,410.35	9,046.65	308,501.36
78	11/01/36	74,130.09	7,326.91	234,371.27
79	05/01/37	75,890.68	5,566.32	158,480.59
80	11/01/37	77,693.09	3,763.91	80,787.50
81	05/01/38	79,538.30	1,918.70	1,249.20
82	11/01/38	1,249.20	29.68	
		<u>\$2,530,160.14</u>	<u>\$2,114,167.74</u>	

BOROUGH OF FRANKLIN
WATER/SEWER UTILITY CAPITAL FUND
SCHEDULE OF NEW JERSEY INFRASTRUCTURE (NJEIT) LOAN PAYABLE

	<u>Ref.</u>	
Balance December 31, 2008	D	\$ 370,173.04
Decreased by:		
Principal Matured		30,123.49
Balance December 31, 2009	D	\$ 340,049.55

Schedule of Principal and Interest Payments Outstanding December 31, 2009

Payment Number	Due	Fund Loan	Trust Loan		Loan Balance
		Principal	Principal	Interest	
					\$ 340,049.55
18	02/01/10	\$ 2,890.11		\$ 4,871.88	337,159.44
19	08/01/10	11,788.46	\$ 15,000.00	4,871.88	310,370.98
20	02/01/11	2,667.65		4,496.88	307,703.33
21	08/01/11	11,566.00	15,000.00	4,496.88	281,137.33
22	02/01/12	2,445.19		4,121.88	278,692.14
23	08/01/12	11,343.54	15,000.00	4,121.88	252,348.60
24	02/01/13	2,222.73		3,746.88	250,125.87
25	08/01/13	11,121.08	15,000.00	3,746.88	224,004.79
26	02/01/14	2,000.27		3,371.88	222,004.52
27	08/01/14	10,898.62	15,000.00	3,371.88	196,105.90
28	02/01/15	1,777.81		2,996.88	194,328.09
29	08/01/15	10,676.17	15,000.00	2,996.88	168,651.92
30	02/01/16	1,549.79		2,612.50	167,102.13
31	08/01/16	13,414.26	20,000.00	2,612.50	133,687.87
32	02/01/17	1,245.76		2,100.00	132,442.11
33	08/01/17	13,110.23	20,000.00	2,100.00	99,331.88
34	02/01/18	934.32		1,575.00	98,397.56
35	08/01/18	12,798.79	20,000.00	1,575.00	65,598.77
36	02/01/19	622.88		1,050.00	64,975.89
37	08/01/19	12,487.35	20,000.00	1,050.00	32,488.54
38	02/01/20	311.44		525.00	32,177.10
39	08/01/20	12,177.10	20,000.00	525.00	
		\$ 150,049.55	\$ 190,000.00	\$ 62,937.56	

BOROUGH OF FRANKLIN
WATER/SEWER UTILITY CAPITAL FUND
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED
YEAR ENDED DECEMBER 31, 2009

<u>Ord. Date</u>	<u>Improvement Description</u>	<u>Balance Dec. 31, 2008</u>	<u>2009 Authorizations</u>	<u>Balance Dec. 31, 2009</u>
11/24/09	Improvements to the Water/Sewer Systems	<u>\$ -0-</u>	<u>\$ 809,000.00</u>	<u>\$ 809,000.00</u>

BOROUGH OF FRANKLIN
COUNTY OF SUSSEX
2009
SEWER UTILITY FUND

NOT APPLICABLE

BOROUGH OF FRANKLIN
COUNTY OF SUSSEX
2009
PUBLIC ASSISTANCE FUND

BOROUGH OF FRANKLIN
PUBLIC ASSISTANCE FUND
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	<u>Fund Total</u>	<u>Public Assistance Trust Fund I</u>
Balance December 31, 2008	F	\$ 18,326.89	\$ 18,326.89
Increased by Receipts:			
Interest Earned		120.22	120.22
		<u>18,447.11</u>	<u>18,447.11</u>
Decreased by Disbursements:			
Due to Current Fund:			
Public Assistance Funds Canceled		13,000.00	13,000.00
		<u>13,000.00</u>	<u>13,000.00</u>
Balance December 31, 2009	F	<u>\$ 5,447.11</u>	<u>\$ 5,447.11</u>

BOROUGH OF FRANKLIN

PART II

SINGLE AUDIT

BOROUGH OF FRANKLIN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2009

<u>Federal Department</u>	<u>Federal Program</u>	<u>C.F.D.A. Account Number</u>	<u>Grant Award</u>	<u>Grant Period</u>		<u>Grant Receipts</u>	<u>Expenditures</u>	<u>MEMO Cumulative Total Expenditures</u>
				<u>From</u>	<u>To</u>			
<u>Department of Transportation</u>								
(Passed through NJ Department of Transportation)	Transportation Trust Fund Authority Act: Municipal Aid - Improvements to Scott Road	20.205	\$ 140,000.00	01/01/06	12/31/09	\$ 35,000.00		\$ 140,000.00
			130,000.00	01/01/07	12/31/09	83,566.88	\$ 95,290.75	130,000.00
						<u>118,566.88</u>	<u>95,290.75</u>	<u>270,000.00</u>
	Over the Limit Under Arrest - Impaired Driving Crackdown Grant	20.605	6,000.00	01/01/09	12/31/10	6,000.00		
Total Department of Transportation						<u>124,566.88</u>	<u>95,290.75</u>	<u>270,000.00</u>
TOTAL FEDERAL AWARDS						<u>\$ 124,566.88</u>	<u>\$ 95,290.75</u>	<u>\$ 270,000.00</u>

N/A - Not Applicable.

BOROUGH OF FRANKLIN
SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED DECEMBER 31, 2009

Name of State Agency or Department	Name of Program	State Program Account Number	Grant Award	Grant Period		Grant Receipts	Expenditures	MEMO
				From	To			Cumulative Total Expenditures
<u>Department of Environmental Protection</u>	Clean Communities Grant	765-042- 4900-004-6020	\$ 6,955.59	01/01/08	12/31/09		\$ 3,824.67	\$ 6,955.00
			8,905.43	01/01/09	12/31/10	\$ 8,905.43	763.33	763.33
						<u>8,905.43</u>	<u>4,588.00</u>	<u>7,718.33</u>
	Recycling Tonnage Grant	752-042- 4900-001-6020	7,108.47	01/01/09	12/31/10	7,108.47		
						<u>7,108.47</u>		
Total Department of Environmental Protection						<u>16,013.90</u>	<u>4,588.00</u>	<u>7,718.33</u>
<u>Department of Law and Public Safety</u>	Drunk Driving Enforcement Fund	100-078- 6400-YYYY	6,163.00	01/01/06	12/31/09		2,365.43	6,163.00
			5,078.57	01/01/07	12/31/09		5,078.00	5,078.57
			3,567.08	01/01/08	12/31/10		317.93	317.93
			2,797.54	01/01/09	12/31/10		2,797.54	
							<u>2,797.54</u>	<u>7,761.36</u>
Total Department of Law and Public Safety						<u>2,797.54</u>	<u>7,761.36</u>	<u>11,559.50</u>
<u>Department of Health and Senior Services</u>	Alcohol Education and Rehabilitation Enforcement	760-098- Y900-001-6020	1,414.85	01/01/06	12/31/09		197.36	1,414.85
			958.47	01/01/07	12/31/09		958.00	958.47
			1,981.18	01/01/08	12/31/10		389.79	389.79
			1,624.33	01/01/09	12/31/10		1,624.33	
							<u>1,624.33</u>	<u>1,545.15</u>
Total Department of Health and Senior Services						<u>1,624.33</u>	<u>1,545.15</u>	<u>2,763.11</u>
TOTAL STATE AWARDS						<u>\$ 20,435.77</u>	<u>\$ 13,894.51</u>	<u>\$ 22,040.94</u>

SEE ACCOMPANYING NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

BOROUGH OF FRANKLIN
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED DECEMBER 31, 2009

A. GENERAL

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

B. BASIS OF ACCOUNTING

The accompanying Schedules of Expenditures of Federal and State Awards are presented using the modified accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of federal OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

C. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

D. STATE LOANS OUTSTANDING

The Borough of Franklin has the following loans outstanding as of December 31, 2009:

Water/Sewer Utility Capital Fund:	
Farmers Home Administration Loan	\$ 2,530,160
New Jersey Infrastructure Trust Loan	<u>340,050</u>
Total Water/Sewer Utility Capital Fund	<u>\$ 2,870,210</u>

Currently, the Borough is in the process of repaying the loan balances. There were no loan receipts or expenditures in the current year. The projects which relate to the loans are complete.



Mount Arlington Corporate Center
 200 Valley Road, Suite 300
 Mount Arlington, NJ 07856
 Phone: 973-328-1825
 Fax: 973-328-0507

Lawrence Business Park
 11 Lawrence Road
 Newton, NJ 07860
 Phone: 973-383-6699
 Fax: 973-383-6555

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

The Honorable Mayor and Members
 of the Borough Council
 Borough of Franklin
 Franklin, New Jersey

We have audited the financial statements of the Borough of Franklin, in the County of Sussex (the "Borough") as of, and for the years ended, December 31, 2009 and 2008 and have issued our report thereon dated May 21, 2010, which indicated that the financial statements have been prepared on an other comprehensive basis of accounting. The general fixed assets account group was not included in the scope of the audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as Finding 2009-01 that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

The Honorable Mayor and Members
of the Borough Council
Borough of Franklin
Page 2

Compliance and Other Matters

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

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

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

Nisivoccia & Company, LLP

NISIVOCCIA & COMPANY LLP

Mount Arlington, New Jersey
May 21, 2010

Kathryn L. Mantell

Kathryn L. Mantell
Certified Public Accountant
Registered Municipal Accountant No. 447

BOROUGH OF FRANKLIN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2009

Summary of Auditors' Results:

- A qualified report was issued on the Borough's financial statements prepared on an other comprehensive basis of accounting as a result of the general fixed assets account group not being included in the scope of our audit.
- The audit did not disclose any material weaknesses in the internal controls of the Borough.
- The audit did not disclose any noncompliance that is material to the financial statements of the Borough.
- The Borough was not subject to the single audit provisions of Federal OMB Circular A-133 (the "Circular") and New Jersey OMB Circular NJ OMB 04-04 for 2009 as grant expenditures were less than the single audit thresholds of \$500,000 identified in the Circulars.

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

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

Finding 2009-1

The Borough does not maintain an adequate segregation of duties with respect to the recording and treasury functions. Segregation of duties refers to separating those functions that place too much control over a transaction or class of transactions that would enable a person to perpetuate errors and prevent detection within a reasonable period of time. The various departments and 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. Also, the Treasurer deposits and disburses funds, maintains the general ledger and reconciles the bank accounts for all of the Borough's funds or accounts. This is due, in part, to the limited number of personnel of the Borough and the decentralized nature of governmental collection procedures. Accordingly, management and the Borough Council should be aware of this situation and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view.

Management's Response

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 since federal expenditures were below the single audit threshold.

Findings and Questioned Costs for State Awards:

- Not Applicable since state expenditures were below the single audit threshold.

BOROUGH OF FRANKLIN
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2009

The Borough's prior year audit finding regarding segregation of duties has not been resolved and is included as current year Finding 2009-1.

BOROUGH OF FRANKLIN

PART III

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2009

BOROUGH OF FRANKLIN
COMMENTS AND RECOMMENDATIONS

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

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

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

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

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

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

Effective July 1, 2005 and thereafter, the bid threshold in accordance with N.J.S. 40A:11-3 and 40A:11-4 (as amended) is \$21,000 and with a qualified purchasing agent the bid threshold may be up to \$29,000.

The governing body of the Borough of Franklin has 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 that bids were requested by public advertising per N.J.S. 40A:11-4. The minutes also indicated that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services," per N.J.S. 40A:11-5.

BOROUGH OF FRANKLIN
COMMENTS AND RECOMMENDATIONS
 (Continued)

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

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

Collection of Interest on Delinquent Taxes and Utility Rents

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

On January 6, 2009, the governing body adopted the following resolution authorizing interest to be charged on delinquent taxes and utility rents:

BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE BOROUGH OF FRANKLIN, COUNTY OF SUSSEX AND STATE OF NEW JERSEY, that the rate of interest to be charged for non-payment of taxes on or before the date that they would become delinquent shall be set at the rate of 8% per annum on the first \$1,500 of the delinquency, and 18% per annum on any amount in excess of \$1,500, and

BE IT FURTHER RESOLVED, that the rate of interest to be charged for nonpayment of water/sewer bills on or before the date that they would become delinquent shall be set at the rate of 8% per annum on the first \$1500 of the delinquency, and 18% per annum on any amount in excess of \$1500, and

BE IT FURTHER RESOLVED, that in accordance with the provisions of N.J.S.A. 54:4-67, a six percent (6%) penalty shall be charged to a taxpayer with a delinquency in excess of Ten Thousand and no/100 Dollars (\$10,000) who fails to pay the delinquency prior to the end of the calendar year. Delinquency in this instance means the sum of all taxes and municipal charges due on a given parcel of property covering any number of quarters or tax years.

BE IT FURTHER RESOLVED, that no interest shall be charged if payment of any installation is made within ten days after the date which same became payable.

It appears from an examination of the Collector's records that interest was collected in accordance with the foregoing resolution.

Delinquent Taxes and Tax Title Liens

A tax sale was held on October 7, 2009.

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>
2009	4
2008	1
2007	0

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

BOROUGH OF FRANKLIN
COMMENTS AND RECOMMENDATIONS
(Continued)

Municipal Court

The report of the Municipal Court has been forwarded to the Division of Local Government Services and the Borough's Magistrate under separate cover. Reflected below is a summary of receipts and disbursements for the year ended December 31, 2009.

RECEIPTS AND DISBURSEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

	Balance Dec. 31, 2008	Receipts	Disbursements	Balance Dec. 31, 2009
State Treasurer	\$ 6,871.18	\$ 77,024.84	\$ 76,173.03	\$ 7,722.99
County Treasurer	4,703.50	51,008.75	49,558.50	6,153.75
Municipal Treasurer:				
Fines and Costs		157,174.25	157,174.25	
P.O.A.A. Fines		134.00	134.00	
Public Defender		4,047.92	4,047.92	
Conditional Discharge Fee	145.00	660.00	750.00	55.00
Weights and Measures	600.00	23,400.00	21,150.00	2,850.00
Restitution	756.98	9,922.30	9,703.56	975.72
Fish and Game	20.00		20.00	
Cash Bail	5,000.90	38,361.84	41,787.74	1,575.00
	<u>\$ 18,097.56</u>	<u>\$ 361,733.90</u>	<u>\$ 360,499.00</u>	<u>\$ 19,332.46</u>

Outside Offices

Although all outside offices maintain individual cash ledgers, a monthly cash report is not prepared and submitted to the Chief Financial Officer for reconciliation to the general ledger.

It is recommended that all outside offices prepare monthly cash reports and submit them to the Chief Financial Officer for reconciliation to the general ledger.

Management's Response

Monthly cash reports will be prepared and submitted to the Finance Office.

Corrective Action Plan

The Borough has initiated a corrective action plan to resolve comments and recommendations from the 2008 audit report. Prior year recommendations 1 and 2 have been repeated in the current year and are in the process of being implemented, where practical.

BOROUGH OF FRANKLIN
SUMMARY OF RECOMMENDATIONS

It is recommended that:

1. Adequate segregation of duties is maintained with respect to the recording and treasury functions.
2. All outside offices prepare monthly cash reports and submit them to the Chief Financial Officer for reconciliation to the general ledger.

* * * * *