

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

BOROUGH OF FRANKLIN, N.J.
YEAR ENDED DECEMBER 31, 2011
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BOROUGH OF FRANKLIN

PART I

REPORT OF AUDIT ON FINANCIAL STATEMENTS

AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2011

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INDEPENDENT AUDITOR'S REPORT

June 20, 2012

The Honorable Mayor and
Members of the Borough Council
Borough of Franklin
46 Main Street
Franklin, New Jersey 07416

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Borough of Franklin in the County of Sussex, as of and for the years ended December 31, 2010 and 2011, and the related statements of operations and changes in fund balance - regulatory basis for the year then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2011. These financial statements are the responsibility of the Borough's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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



The Honorable Mayor and
Members of the Borough Council
June 20, 2012
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In our opinion, because of the Borough of Franklin's policy to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Borough of Franklin, New Jersey as of December 31, 2011 or the results of its operation for the year then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the financial position - regulatory basis of the various funds and account group of the Borough of Franklin, New Jersey at December 31, 2011, and the results of its operations and the changes in fund balance - regulatory basis of such funds for the year then ended and the statement of revenues - regulatory basis, and statement of expenditures - regulatory basis for the year ended December 31, 2011, on the basis of accounting described in Note 1.

In accordance with the Government Auditing Standards, we have also issued a report dated June 20, 2012 on our consideration of the Borough of Franklin, New Jersey internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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



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

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



Borough of Franklin, N.J.
Comparative Balance Sheet - Regulatory Basis
Current Fund
December 31, 2011 and 2010

	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
<u>Assets</u>			
Current Fund:			
Cash	A-4	997,789.90	668,429.40
Change Fund	A-5	500.00	500.00
		998,289.90	668,929.40
Receivables and Other Assets with Full Reserves:			
Delinquent Taxes Receivable	A-6	354,223.08	429,351.07
Tax Title Liens Receivable	A-7	46,030.24	27,708.84
Property Acquired for Taxes - Assessed Valuation	A-8	61,500.00	255,800.00
		461,753.32	712,859.91
Deferred Charges:			
Special Emergency Authorizations	A-13	104,000.00	156,000.00
		1,564,043.22	1,537,789.31
Federal and State Grant Fund:			
Interfund Receivables - Current Fund	A-20	78,243.42	55,372.06
Grants Receivable	A-22	12,241.75	12,241.75
		90,485.17	67,613.81
		1,654,528.39	1,605,403.12

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

Borough of Franklin, N.J.

Comparative Balance Sheet - Regulatory Basis

Current Fund

December 31, 2011 and 2010

	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Current Fund:			
Appropriation Reserves	A-3;A-12	300,624.36	159,083.75
Due To State of New Jersey:			
Senior Citizen and Veteran Deductions	A-10	13,434.39	11,434.39
Interfunds Payable:			
Federal and State Grant Fund	A-11	78,243.42	55,372.06
Reserve for:			
Revision of Master Plan	A-14	18,794.82	19,019.82
Sale of Municipal Assets	A-14	193,545.60	193,545.60
Revision of Tax Maps	A-14	1,375.00	1,375.00
Revaluation of Taxes	A-14	2,329.08	19,310.37
Garden State Trust	A-14	7,929.00	7,929.00
Due to State of New Jersey:			
Marriage Surcharge	A-14	25.00	250.00
Encumbrances Payable	A-15	175,716.21	93,232.63
Prepaid Taxes	A-16	37,005.97	56,807.94
County Taxes Payable	A-17	2,737.37	2,400.56
		832,189.46	619,761.12
Reserve for Receivables	Contra	461,753.32	712,859.91
Fund Balance	A-1	270,100.44	205,168.28
		1,564,043.22	1,537,789.31
Federal and State Grant Fund:			
Encumbrances Payable	A-21	1,355.29	2,281.63
Appropriated Reserve for Grants	A-23	48,405.56	45,648.56
Unappropriated Reserve for Grants	A-24	40,724.32	19,683.62
		90,485.17	67,613.81
		1,654,528.39	1,605,403.12

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

Borough of Franklin, N.J.

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

Current Fund

Year Ended December 31, 2011 and 2010

	Ref.	2011	2010
Revenues and Other Income:			
Fund Balance Utilized	A-2	48,000.00	175,000.00
Miscellaneous Revenue Anticipated	A-2	1,230,658.36	1,264,443.23
Receipts from Delinquent Taxes	A-2	400,944.54	247,159.83
Receipts from Current Taxes	A-2	12,391,305.30	12,006,583.92
Non-Budget Revenue	A-2	76,017.08	39,195.10
Other Credits to Income:			
Grants Cancelled	A-11	2.62	2.06
Unexpended Balance of Appropriation Reserves	A-12	60,648.52	54,507.36
Cancellation of Tax Overpayments			80.00
Encumbrances Cancelled	A-15	209.69	
Total Revenues and Other Income		<u>14,207,786.11</u>	<u>13,786,971.50</u>
Expenditures:			
Budget and Emergency Appropriations:			
Operations - Within Caps:			
Salaries and Wages	A-3	2,303,739.00	2,396,318.00
Other Expenses	A-3	1,966,078.00	1,907,003.00
Deferred Charges and Statutory Expenditures -			
Municipal - Within Caps	A-3	513,078.00	436,803.35
Operations - Excluded From CAPS:			
Salaries and Wages	A-3	99,095.00	108,907.00
Other Expenses	A-3	257,407.00	285,416.65
Capital Improvements - Excluded from Caps	A-3	114,500.00	90,000.00
Municipal Debt Service - Excluded from Caps	A-3	294,765.60	293,327.37
Deferred Charges and Statutory Expenditures -			
Municipal - Excluded from Caps	A-3	62,000.00	58,000.00
Prior Year Tax Refunds	A-4	14,721.01	
County Taxes including Added Taxes	A-17	2,162,449.63	2,167,282.88
Local District School Tax	A-18	4,364,933.00	4,238,607.00
Regional High School Tax	A-19	1,942,087.71	1,823,507.23
Total Expenditures		<u>14,094,853.95</u>	<u>13,805,172.48</u>
Excess (Deficit) Revenue Over Expenditures		112,932.16	(18,200.98)
Adjustment to Income Before Fund Balance			
Expenditures Included above Which are by Statute			
Deferred Charges to Budget of Succeeding Year			20,000.00
Statutory Excess to Fund Balance		112,932.16	1,799.02
Fund Balance, January 1,	A	<u>205,168.28</u>	<u>378,369.26</u>
		318,100.44	380,168.28
Fund Balance Utilized as Budget Revenue		<u>48,000.00</u>	<u>175,000.00</u>
Fund Balance, December 31,	A	<u><u>270,100.44</u></u>	<u><u>205,168.28</u></u>

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

Statement of Revenues - Regulatory Basis

Current Fund

Year Ended December 31, 2011

	<u>Ref.</u>	<u>Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Fund Balance Anticipated	A-1	48,000.00	48,000.00	
Miscellaneous Revenues:				
Licenses:				
Alcoholic Beverages	A-9	9,500.00	10,505.00	1,005.00
Other	A-9	9,000.00	8,613.00	(387.00)
Fees and Permits	A-9	23,000.00	22,483.55	(516.45)
Fines and Costs:				
Municipal Court	A-9	140,000.00	143,630.96	3,630.96
Interest and Costs on Taxes	A-9	64,000.00	93,636.55	29,636.55
Interest on Investments and Deposits	A-9	8,900.00	5,383.59	(3,516.41)
Consolidated Municipal Property Tax Relief Aid	A-9	24,053.00	24,053.00	
Cable TV Franchise Fee	A-9	16,000.00	16,871.00	871.00
Energy Receipts Tax	A-9	583,618.00	583,618.00	
Watershed Moratorium Offset Aid	A-9	4,089.00	4,089.00	
Garden State Trust	A-14	7,929.00	7,929.00	
Concetta Towers - In Lieu of Taxes	A-9	15,000.00	15,000.00	
Ord #94-03 - Mobile Home Park Fees	A-9	58,968.00	58,968.00	
Beverly Hills - Solid Waste Collection	A-9	40,824.00	40,824.00	
Rent Senior Center	A-9	1,333.00	1,350.00	17.00
Antenna Lease Contract	A-9	21,000.00	22,272.02	1,272.02
Special Items of General Revenue Anticipated With Prior Written Consent of Director of Local Government Services				
Shared Services:				
Tax Office	A-9	90,148.00	90,148.00	
Finance Office - Hardyston	A-9	54,940.00	49,883.25	(5,056.75)
Finance Office - Hardyston MUA	A-9	13,485.00	8,813.44	(4,671.56)
Public and Private Revenues:				
Clean Communities Program	A-22	8,906.00	8,906.00	
Reserve for Clean Communities	A-22	376.00	376.00	
Alcohol Education and Rehabilitation	A-22	3,066.00	3,066.00	
Body Armor Grant	A-22	3,493.00	3,493.00	
Recycling Tonnage Grant	A-22	6,746.00	6,746.00	
Total Miscellaneous Revenues	A-1	1,208,374.00	1,230,658.36	22,284.36
Receipts from Delinquent Taxes	A-1;A-2	409,000.00	400,944.54	(8,055.46)
Subtotal General Revenues		1,665,374.00	1,679,602.90	14,228.90
Amount to be Raised by Taxes for Support of Municipal Budget-Local Tax Including Reserve for Uncollected Taxes	A-2	4,270,628.00	4,246,160.96	(24,467.04)
Budget Totals		5,936,002.00	5,925,763.86	(10,238.14)
Non-Budget Revenue	A-1;A-2		76,017.08	76,017.08
		<u>5,936,002.00</u>	<u>6,001,780.94</u>	<u>65,778.94</u>

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

Borough of Franklin, N.J.

Statement of Revenues - Regulatory Basis

Current Fund

Year Ended December 31, 2011

<u>Analysis of Realized Revenues</u>	<u>Ref.</u>	
Revenue from Collections	A-1;A-6	12,391,305.30
Less:		
Allocated to School and County Taxes	A-6	<u>8,469,470.34</u>
Balance for Support of Municipal Budget Appropriations		3,921,834.96
Add : Appropriation - Reserve for Uncollected Taxes	A-3	<u>324,326.00</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u><u>4,246,160.96</u></u>
Receipts from Delinquent Taxes:		
Delinquent Taxes		
Taxes Receivable	A-6	391,430.82
Tax Title Lien Receivable	A-7	<u>9,513.72</u>
	A-2	<u><u>400,944.54</u></u>
<u>Analysis of Non-budget Revenues</u>	<u>Ref.</u>	
Miscellaneous Revenues Not Anticipated:		
Revenues Accounts Receivable:		
Borough Clerk	A-9	148.50
Tax Collector	A-9	1,623.17
Planning/Zoning	A-9	<u>52,529.72</u>
		54,301.39
Payment in Lieu of Taxes		7,364.42
Veterans & Senior Citizens Administration Fee		1,110.00
Rents		2,906.50
Various Refunds and Miscellaneous		<u>10,334.77</u>
	A-4	<u>21,715.69</u>
	A-2	<u><u>76,017.08</u></u>

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

Borough of Franklin, N.J.
Statement of Expenditures - Regulatory Basis
Current Fund
Year Ended December 31, 2011

	<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Operations - within "CAPS"							
General Government:							
Administrative and Executive							
Salaries and Wages			132,875.00	132,875.00	124,234.75	8,640.25	
Other Expenses			43,800.00	43,800.00	38,488.43	5,311.57	
Elections			3,500.00	3,500.00	3,239.28	260.72	
Financial Administration							
Salaries and Wages			58,939.00	58,939.00	58,362.43	576.57	
Other Expenses			31,056.00	31,056.00	28,605.29	2,450.71	
Audit Services			22,000.00	22,000.00	8,925.00	13,075.00	
Assessment of Taxes							
Salaries and Wages			39,176.00	37,176.00	36,381.95	794.05	
Other Expenses			7,850.00	9,850.00	7,647.02	2,202.98	
Collection of Taxes							
Salaries and Wages			23,005.00	23,005.00	20,157.45	2,847.55	
Other Expenses			13,765.00	13,765.00	13,070.07	694.93	
Legal Services and Costs:							
Other Expenses			88,000.00	95,000.00	92,449.39	2,550.61	
Engineering Services and Costs							
Other Expenses			10,000.00	10,000.00	4,264.63	5,735.37	
Planning Board							
Salaries and Wages			74,200.00	65,200.00	64,541.24	658.76	
Other Expenses			13,200.00	7,750.00	2,067.11	5,682.89	
Economic Development							
Other Expenses			500.00	650.00	640.15	9.85	
Zoning Board							
Other Expenses			7,200.00	5,200.00	2,423.81	2,776.19	

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

Borough of Franklin, N.J.
Statement of Expenditures - Regulatory Basis
Current Fund
Year Ended December 31, 2011

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Public Safety:						
Police						
Salaries and Wages		1,364,400.00	1,380,400.00	1,367,875.67	12,524.33	
Other Expenses		92,070.00	92,070.00	82,453.34	9,616.66	
Crossing Guard						
Salaries and Wages		57,222.00	57,222.00	54,317.81	2,904.19	
Other Expenses		600.00	600.00	124.80	475.20	
Emergency Management						
Salaries and Wages		2,550.00	2,550.00	2,086.58	463.42	
Other Expenses		1,000.00	1,000.00	151.86	848.14	
Fire						
Other Expenses		57,450.00	57,450.00	47,703.23	9,746.77	
First Aid Organization - Contribution		37,500.00	37,500.00	29,365.35	8,134.65	
Uniform Fire Safety Act Ch. 383 P.L. 1983						
Other Expenses		500.00	500.00		500.00	
Municipal Court						
Salaries and Wages		116,731.00	116,731.00	108,430.03	8,300.97	
Other Expenses		7,925.00	7,925.00	5,690.54	2,234.46	
Prosecutor		15,862.00	15,862.00	15,400.44	461.56	
Public Buildings and Grounds						
Other Expenses		110,500.00	122,500.00	93,837.08	28,662.92	
Streets and Roads:						
Road Repairs and Maintenance						
Salaries and Wages		383,709.00	395,709.00	381,767.28	13,941.72	
Other Expenses		151,950.00	151,950.00	144,982.24	6,967.76	
Sanitation						
Garbage and Trash Removal						
Other Expenses		450,000.00	442,000.00	409,891.65	32,108.35	

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

Borough of Franklin, N.J.
Statement of Expenditures - Regulatory Basis
Current Fund
Year Ended December 31, 2011

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Health and Welfare:						
Board of Health						
Salaries and Wages		1,200.00	1,400.00	1,350.00	50.00	
Other Expenses		1,500.00	1,500.00	1,055.87	444.13	
H.B.V. Vaccination						
Other Expenses		1,600.00	1,600.00	240.00	1,360.00	
Animal Regulation						
Other Expenses		4,500.00	4,500.00	4,407.90	92.10	
Senior Organization		500.00	500.00	499.55	0.45	
Recreation and Education						
Salaries and Wages		1,700.00	1,700.00	1,500.00	200.00	
Other Expenses		9,000.00	9,000.00	8,986.68	13.32	
Utility Expense:						
Street Lighting		50,000.00	50,000.00	40,253.52	9,746.48	
Utility Bulk - Telephone		29,000.00	29,000.00	19,198.90	9,801.10	
Gasoline and Oil		55,000.00	68,000.00	65,122.88	2,877.12	
Insurance						
Surety Bond		500.00	500.00		500.00	
Other Insurance Premiums		132,000.00	102,000.00	100,775.00	1,225.00	
Workers Compensation		86,000.00	86,000.00	85,536.00	464.00	
Group Insurance Plan		410,000.00	410,000.00	386,744.25	23,255.75	
Unemployment Compensation		6,500.00	6,500.00	6,084.46	415.54	
Sub-Code Officials						
Construction Officials		9,000.00	6,000.00	5,463.00	537.00	
Other Expenses						
Zoning Official		30,732.00	30,832.00	29,592.87	1,239.13	
Salaries and Wages		1,750.00	1,750.00	1,211.42	538.58	
Other Expenses						

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

Borough of Franklin, N.J.
Statement of Expenditures - Regulatory Basis
Current Fund
Year Ended December 31, 2011

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Reserve for Accrued Sick Time		5,000.00	5,000.00	5,000.00		
Fixed Assets Accounting System		1,300.00	1,300.00	1,300.00		
Network Maintenance Agreement		11,000.00	11,000.00	10,995.32	4.68	
Total Operations {Item 8 (A)} Within "CAPS"		<u>4,266,817.00</u>	<u>4,269,817.00</u>	<u>4,024,893.52</u>	<u>244,923.48</u>	
Detail:						
Salaries and Wages	A-1	2,286,439.00	2,303,739.00	2,250,598.06	53,140.94	
Other Expenses (Including Contingent)	A-1	<u>1,980,378.00</u>	<u>1,966,078.00</u>	<u>1,774,295.46</u>	<u>191,782.54</u>	
Deferred Charges and Statutory Expenditures-Within "CAPS"						
Municipal Within "CAPS"						
Statutory Expenditures						
Contribution to:						
Public Employees' Retirement System		113,465.00	113,465.00	113,465.00		
Social Security System (O.A.S.I.)		176,000.00	173,000.00	166,849.28	6,150.72	
Police and Firemans Retirement System		226,613.00	226,613.00	226,613.00		
Total Deferred Charged and Statutory Expenditures - Municipal within "CAPS"	A-1	<u>516,078.00</u>	<u>513,078.00</u>	<u>506,927.28</u>	<u>6,150.72</u>	
Total General Appropriations for Municipal Purposes within "CAPS"		<u>4,782,895.00</u>	<u>4,782,895.00</u>	<u>4,531,820.80</u>	<u>251,074.20</u>	
Shared Service Agreements						
Township of Sparta		26,700.00	26,700.00	26,700.00		
Other Expenses - Fire		28,700.00	28,700.00	28,700.00		
Other Expenses - Police		26,700.00	26,700.00	26,700.00		
Other Expenses - EMS						
Township of Hardyston		1,400.00	1,400.00		1,400.00	
Municipal Drug Alliance		60,000.00	60,000.00	60,000.00		
Construction Office		31,842.00	31,842.00	31,841.50	0.50	
Joint Community Center						

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

Borough of Franklin, N.J.
Statement of Expenditures - Regulatory Basis
Current Fund
Year Ended December 31, 2011

	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
<u>General Appropriations</u>						
Tax Office						
Salaries and Wages		56,325.00	56,325.00	56,042.04	282.96	
Other Expenses		33,823.00	33,823.00	26,360.72	7,462.28	
Finance Office						
Salaries and Wages		29,285.00	29,285.00	20,839.28	8,445.72	
Other Expenses		25,655.00	25,655.00	22,364.05	3,290.95	
Hardyston Twp MUA						
Finance Office						
Salaries and Wages		13,485.00	13,485.00	13,485.00		
Total Interlocal Municipal Service Agreements		333,915.00	333,915.00	313,032.59	20,882.41	
Public and Private Programs Offset By Revenues						
Clean Communities Grant						
Other Expenses		8,906.00	8,906.00	8,906.00		
Body Armor Grant						
Other Expenses		3,493.00	3,493.00	3,493.00		
Recycling State Grant						
Other Expenses		6,746.00	6,746.00	6,746.00		
Alcohol Rehab Fund						
Other Expenses		3,066.00	3,066.00	3,066.00		
Reserve for Clean Communities						
Other Expenses		376.00	376.00	376.00		
Total Public and Private Programs Offset		22,587.00	22,587.00	22,587.00		
By Revenues						
Total Operations - Excluded from "CAPS"		356,502.00	356,502.00	335,619.59	20,882.41	
Detail:						
Salaries and Wages	A-1	99,095.00	99,095.00	90,366.32	8,728.68	
Other Expenses	A-1	257,407.00	257,407.00	245,253.27	12,153.73	

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

Borough of Franklin, N.J.
Statement of Expenditures - Regulatory Basis
Current Fund
Year Ended December 31, 2011

	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
<u>General Appropriations</u>						
Capital Improvements - Excluded From "CAPS"						
Capital Improvement Fund		20,000.00	20,000.00	20,000.00		
Purchase of Police Equipment		15,000.00	15,000.00	15,000.00		
Purchase of Office Equipment		7,500.00	7,500.00	1,175.49	6,324.51	
Purchase of Fire Equipment		33,000.00	33,000.00	31,362.06	1,637.94	
Improvements to Streets and Roads		20,000.00	20,000.00	18,294.70	1,705.30	
Improvement to Municipal Property		15,000.00	15,000.00		15,000.00	
Purchase of EMS Equipment		4,000.00	4,000.00		4,000.00	
Total Capital Improvements Excluded from "CAPS"	A-1	114,500.00	114,500.00	85,832.25	28,667.75	
<u>Municipal Debt Service - Excluded From "CAPS"</u>						
Payment of Bond Principal		155,750.00	155,750.00	155,750.00		
Payment of Bond Anticipation Notes and Capital Notes		110,375.00	110,375.00	110,375.00		
Interest on Bonds		16,354.00	16,354.00	16,353.75		0.25
Interest on Notes		12,300.00	12,300.00	12,286.85		13.15
Total Municipal Debt Service-Excluded from "CAPS"	A-1	294,779.00	294,779.00	294,765.60		13.40
<u>Deferred Charges - Municipal - Excluded From "CAPS"</u>						
(1) Deferred Charges:						
Emergency Authorization						
Special Emergency Authorizations - 5 Years (N.J.S. 40A:4-55)		53,000.00	53,000.00	52,000.00		1,000.00
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"	A-1	63,000.00	63,000.00	62,000.00		1,000.00

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

Borough of Franklin, N.J.
Statement of Expenditures - Regulatory Basis
Current Fund
Year Ended December 31, 2011

	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
General Appropriations						
Total General Appropriations for Municipal Purposes Excluded from "CAPS"		828,781.00	828,781.00	778,217.44	49,550.16	1,013.40
Subtotal General Appropriations		5,611,676.00	5,611,676.00	5,310,038.24	300,624.36	1,013.40
Reserve for Uncollected Taxes		324,326.00	324,326.00	324,326.00		
Total General Appropriations		<u>5,936,002.00</u>	<u>5,936,002.00</u>	<u>5,634,364.24</u>	<u>300,624.36</u>	<u>1,013.40</u>
			A-2		A	
Reserve for Uncollected Taxes	A-2			324,326.00		
Cash Disbursements	A-4			5,077,678.08		
Deferred Charges	A-13			52,000.00		
Encumbrances Payable	A-15			157,773.16		
Reserve for Federal & State Grants	A-23			22,587.00		
				<u>5,634,364.24</u>		

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

Borough of Franklin, N.J.

Comparative Balance Sheet - Regulatory Basis

Trust Funds

December 31, 2011 and 2010

<u>Assets</u>	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
Animal Control Trust Fund			
Cash	B-1	10.67	410.53
Other Trust Funds:			
Cash		1,022,603.28	823,886.14
Investments		100,000.00	100,000.00
	B-1	1,122,603.28	923,886.14
		1,122,613.95	924,296.67
<u>Liabilities, Reserves & Fund Balance</u>			
Animal Control Trust Fund			
Reserve for Animal Control			
Trust Expenditures	B-2	6.87	404.33
Due State Board of Health	B-3	3.80	6.20
		10.67	410.53
Other Trust Fund:			
Reserve for Encumbrances	B-4	4,721.89	10,222.08
Reserve for Various Reserves and			
Other Trusts	B-5	1,106,300.41	912,234.80
Payroll Deductions Payable	B-6	11,580.98	1,429.26
		1,122,603.28	923,886.14
		1,122,613.95	924,296.67

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

Borough of Franklin, N.J.
Comparative Balance Sheet - Regulatory Basis
General Capital Fund
December 31, 2011 and 2010

<u>Assets</u>	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
Cash	C-2,C-3	401,369.26	326,344.31
Deferred Charges to Future Taxation:			
Funded	C-4	311,500.00	467,250.00
Unfunded	C-5	998,699.24	1,041,574.24
		<u>1,711,568.50</u>	<u>1,835,168.55</u>
 <u>Liabilities, Reserves and Fund Balance</u>			
General Serial Bonds	C-6	311,500.00	467,250.00
Bond Anticipation Notes	C-7	880,500.00	990,875.00
Improvement Authorizations:			
Funded	C-8	209,753.29	130,759.94
Unfunded	C-8	115,332.55	38,518.35
Capital Improvement Fund	C-9	147,775.03	137,775.03
Reserve for Encumbrances	C-10	42,160.57	65,443.17
Fund Balance	C-1	4,547.06	4,547.06
		<u>1,711,568.50</u>	<u>1,835,168.55</u>

Footnote: There were \$118,199.24 of Bonds and Notes Authorized But Not Issued per Exhibit C-12 on December 31, 2011

Borough of Franklin, N.J.
Statement of Changes in Fund Balance - Regulatory Basis
General Capital Fund
Year Ended December 31, 2011

	<u>Ref.</u>	
Balance - December 31, 2010	C	<u><u>4,547.06</u></u>
Balance - December 31, 2011	C	<u><u>4,547.06</u></u>

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

Comparative Balance Sheet - Regulatory Basis

Water / Sewer Utility Fund

December 31, 2011 and 2010

	<u>Ref</u>	<u>2011</u>	<u>2010</u>
<u>Assets</u>			
Operating Fund:			
Cash-Treasurer	D-5	754,668.23	513,228.59
Change Fund	D-6	200.00	200.00
		<u>754,868.23</u>	<u>513,428.59</u>
Receivables with Full Reserves:			
Consumers Account Receivable	D-9	125,362.19	110,549.06
		<u>125,362.19</u>	<u>110,549.06</u>
Total Operating Fund		<u>880,230.42</u>	<u>623,977.65</u>
Capital Fund:			
Cash	D-5;D-8	551,562.07	638,750.60
Fixed Capital*	D-11	20,554,118.54	20,536,061.14
Fixed Capital Authorized and Uncompleted	D-12	1,004,000.00	1,004,000.00
Total Capital Fund		<u>22,109,680.61</u>	<u>22,178,811.74</u>
Total Assets		<u>22,989,911.03</u>	<u>22,802,789.39</u>

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

Comparative Balance Sheet - Regulatory Basis

Water / Sewer Utility Fund

December 31, 2011 and 2010

	<u>Ref</u>	<u>2011</u>	<u>2010</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Operating Fund:			
Appropriation Reserve	D-4;D-13	157,673.67	31,046.41
Encumbrance Payable	D-14	23,675.78	8,239.11
Accrued Interest on Bonds and Notes	D-15	27,552.26	26,807.03
Reserve for Sewer Hook- Ups	D-16		8,017.00
Res. for Sewer Hooks WVRHS	D-17		29,169.50
Reserve for Capital Outlay	D-18	55,267.47	55,267.47
Reserve for Water Improvement	D-20	21,787.38	21,787.38
Reserve for BPW Maps	D-21	7,625.08	8,895.08
		<u>293,581.64</u>	<u>189,228.98</u>
Reserve for Receivables	Contra	125,362.19	110,549.06
Fund Balance	D-1	461,286.59	324,199.61
Total Operating Fund		<u>880,230.42</u>	<u>623,977.65</u>
Capital Fund:			
Reserve for Preliminary Costs	D-19	228.20	228.20
Serial Bonds Payable	D-22	114,500.00	153,750.00
Bond Anticipation Notes	D-26	360,000.00	400,000.00
FHA Water Supply Loan	D-23	2,441,516.21	2,486,852.56
Loan Payable - DEP Infrastructure Loan	D-24	281,137.33	310,370.98
Improvement Authorizations:			
Funded	D-25	41,995.65	70,649.14
Unfunded	D-25	656,083.46	690,156.70
Capital Improvement Fund	D-27	253,942.40	238,942.40
Reserve for Amortization	D-28	17,756,965.00	17,585,087.60
Reserve for Deferred Amortization	D-30	195,000.00	195,000.00
Reserve for Encumbrances	D-29	3,374.03	42,835.83
Fund Balance	D-2	4,938.33	4,938.33
Total Capital Fund		<u>22,109,680.61</u>	<u>22,178,811.74</u>
Total Liabilities, Reserves and Fund Balances		<u>22,989,911.03</u>	<u>22,802,789.39</u>

Footnote: There were Bonds and Notes Authorized But Not Issued on December 31, 2011 in the amount of \$409,000.00 Per Exhibit D-31

Borough of Franklin, N.J.

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

Water / Sewer Utility Operating Fund

Years Ended December 31, 2011 and 2010

	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
Revenue and Other Income Realized:			
Operating Surplus Anticipated	D-3	125,000.00	75,000.00
Water/Sewer Rents	D-3	2,258,941.70	2,145,497.28
Reserve for:			
Sewer Hook-Ups WVRHS	D-3	29,169.50	29,238.00
Sewer Hook-Ups	D-3	8,017.00	189,346.00
Water Hook-Ups			158,623.00
Miscellaneous	D-3	105,311.00	105,916.81
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	D-13	12,020.80	38,951.30
Total Income		<u>2,538,460.00</u>	<u>2,742,572.39</u>
Expenditures:			
Operating	D-4	1,817,100.00	1,724,601.00
Capital Improvements	D-4	100,000.00	15,000.00
Debt Service	D-4	290,763.02	687,836.00
Deferred Charges and Statutory Expenditures	D-4	68,510.00	43,800.00
Total Expenditures		<u>2,276,373.02</u>	<u>2,471,237.00</u>
Statutory Excess to Surplus		262,086.98	271,335.39
Fund Balance - January 1,	D	<u>324,199.61</u>	<u>127,864.22</u>
		586,286.59	399,199.61
Decreased by:			
Utilized as Anticipated Revenue		125,000.00	75,000.00
Fund Balance - December 31,	D	<u><u>461,286.59</u></u>	<u><u>324,199.61</u></u>

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

Borough of Franklin, N.J.

Statement of Fund Balance - Regulatory Basis

Water / Sewer Utility Capital Fund

Year Ended December 31, 2011

	<u>Ref.</u>	
Balance - December 31, 2010	D	<u>4,938.33</u>
Balance - December 31, 2011	D	<u>4,938.33</u>

D-3

Statement of Revenues - Regulatory Basis

Water / Sewer Utility Operating Fund

Year Ended December 31, 2011

	<u>Ref.</u>	<u>Anticipated</u>	<u>Realized</u>	<u>Excess (Deficit)</u>
Operating Surplus Anticipated	D-1	125,000.00	125,000.00	
Water/Sewer Rents	D-1;D-9	2,114,197.00	2,258,941.70	144,744.70
Reserve for Sewer Hook-Ups	D-1;D-16	8,017.00	8,017.00	
Res. for Sewer Hook-Ups WVRHS	D-1;D-17	29,169.00	29,169.50	0.50
Miscellaneous	D-1		105,311.00	105,311.00
Budget Totals	D-4	<u>2,276,383.00</u>	<u>2,526,439.20</u>	<u>250,056.20</u>

Analysis of Realized Revenues

Miscellaneous:

Interest on Deposits:

Water / Sewer Operating Fund	D-5	3,246.27	
Water / Sewer Capital Fund	D-10	<u>47.17</u>	
			3,293.44

Miscellaneous:

Antenna Lease Agreement		63,944.38	
Penalty		38,003.18	
Other Miscellaneous		<u>70.00</u>	
	D-5		<u>102,017.56</u>
			<u>105,311.00</u>

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

Borough of Franklin, N.J.

Statement of Expenditures - Regulatory Basis

Water / Sewer Utility Operating Fund

Year Ended December 31, 2011

	Ref.	Appropriated		Expended		Unexpended Balance Cancelled
		Budget	Budget After Modification	Paid or Charged	Reserved	
Operating:						
Salaries and Wages		375,000.00	375,000.00	350,742.76	24,257.24	
Other Expenses		<u>1,442,100.00</u>	<u>1,442,100.00</u>	<u>1,383,781.76</u>	<u>58,318.24</u>	
Total Operating	D-1	<u>1,817,100.00</u>	<u>1,817,100.00</u>	<u>1,734,524.52</u>	<u>82,575.48</u>	
Capital Improvements						
Capital Improvement Fund		15,000.00	15,000.00	15,000.00		
Capital Outlay		10,000.00	10,000.00	3,719.62	6,280.38	
Improvements to Water Distribution System		26,600.00	26,600.00		26,600.00	
Purchase of Water/Sewer Equipment		37,900.00	37,900.00	9,780.00	28,120.00	
Inflow and Infiltration Improvements		<u>10,500.00</u>	<u>10,500.00</u>	<u>1,862.20</u>	<u>8,637.80</u>	
	D-1	<u>100,000.00</u>	<u>100,000.00</u>	<u>30,361.82</u>	<u>69,638.18</u>	
Debt Service:						
Payment of Bond Principal		39,250.00	39,250.00	39,250.00		
Payment of Bond Anticipation Notes and Capital Notes		40,000.00	40,000.00	40,000.00		
Interest on Bonds		4,810.00	4,810.00	4,810.00		
Interest on Notes		7,360.00	7,360.00	7,360.00		
FHA Loan Principal		45,330.00	45,330.00	45,320.37		9.63
FHA Loan Interest		117,240.00	117,240.00	117,240.00		
DEP Loan Principal		29,234.00	29,234.00	29,233.65		0.35
DEP Loan Interest		<u>7,549.00</u>	<u>7,549.00</u>	<u>7,549.00</u>		
Total Debt Service	D-1	<u>290,773.00</u>	<u>290,773.00</u>	<u>290,763.02</u>		<u>9.98</u>
Deferred Charges and Statutory Expenditures:						
Statutory Expenditures:						
Contribution to:						
Public Employees' Retirement System		37,822.00	37,822.00	37,821.75	0.25	
Social Security System (O.A.S.I.)		28,688.00	28,688.00	23,237.56	5,450.44	
Unemployment Compensation Insurance		<u>2,000.00</u>	<u>2,000.00</u>	<u>1,990.68</u>	<u>9.32</u>	
Total Deferred Charges and Statutory Expenditures	D-1	<u>68,510.00</u>	<u>68,510.00</u>	<u>63,049.99</u>	<u>5,460.01</u>	
		<u>2,276,383.00</u>	<u>2,276,383.00</u>	<u>2,118,699.35</u>	<u>157,673.67</u>	<u>9.98</u>
			D-3		D	
Cash Disbursed	D-5			1,959,158.32		
Reserve for Encumbrances	D-14			22,582.03		
Accrued Interest on Bonds and Notes	D-15			136,959.00		
				<u>2,118,699.35</u>		

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

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

	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
<u>Assets</u>			
Cash	E-1	<u>5,486.88</u>	<u>5,472.31</u>
 <u>Liabilities</u>			
Reserve for Public Assistance	E-5	<u>5,486.88</u>	<u>5,472.31</u>

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

Borough of Franklin, N.J.

Comparative Statement of General Fixed Assets - Regulatory Basis

December 31, 2011 and 2010

	<u>Balance</u> <u>Dec. 31, 2011</u>	<u>Balance</u> <u>Dec. 31, 2010</u>
<u>ASSETS</u>		
Land, Building and Building Improvements	3,677,200.00	3,677,200.00
Machinery and Equipment	<u>2,191,474.00</u>	<u>2,195,674.00</u>
	<u>5,868,674.00</u>	<u>5,872,874.00</u>
<u>RESERVES</u>		
Investment in Fixed Assets	<u>5,868,674.00</u>	<u>5,872,874.00</u>

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

BOROUGH OF FRANKLIN, N.J.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

BOROUGH OF FRANKLIN, NJ

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting

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

The Borough has the following funds and account groups:

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

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

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

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

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

Public Assistance Fund - This fund is used to account for the receipt and disbursement of funds that provide assistance to certain residents of the Borough pursuant to Title 44 of New Jersey Statutes.

General Fixed Assets - This fund is used to account for all fixed assets of the Borough. The Borough's infrastructure is not reported in the group.

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

BOROUGH OF FRANKLIN, NJ

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting (continued)

Basis of Accounting

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

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

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

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

BOROUGH OF FRANKLIN, NJ

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting (continued)

Budgets and Budgetary Accounting

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

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

Animal Control Trust Fund
General Capital Fund

Public Assistance Fund Trust Fund
Water/Sewer Capital Fund

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

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

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

BOROUGH OF FRANKLIN, NJ

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting (continued)

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

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

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

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

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

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

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

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

BOROUGH OF FRANKLIN, NJ

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting (continued)

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

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

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

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

No depreciation has been provided for in the financial statements.

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

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

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

C. Basic Financial Statements

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

BOROUGH OF FRANKLIN, NJ

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

NOTE 2: BUDGETARY INFORMATION

Under New Jersey State Statutes, the annual budget is required to be a balanced cash basis document. To accomplish this, the municipality is required to establish a reserve for uncollected taxes. The 2011 statutory budget included a reserve for uncollected taxes in the amount of \$324,326.00. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2011 statutory budget was \$48,000.00.

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

N.J.S.A. 40A:4-87 permits special items of revenue and appropriations to be inserted into the annual budget when the item has been made available by any public or private funding source and the item was not determined at the time of budget adoption. There were no items of revenue and appropriation inserted into the annual budget for 2011.

The municipality may make emergency appropriations, after the adoption of the budget, for a purpose which was not foreseen at the time the budget was adopted or for which adequate provision was not made therein. This type of appropriation shall be made to meet a pressing need or public expenditure to protect or promote the public health, safety, morals or welfare or to provide temporary housing or public assistance prior to the next succeeding fiscal year. Emergency appropriations, except those classified as a special emergency, must be raised in the budgets of the succeeding year. Special emergency appropriations are permitted to be raised in the budgets of the succeeding three or five years. During 2011, there were no special emergency appropriations.

NOTE 3: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2011 the following deferred charges are shown on the balance sheets of the various funds.

	<u>Balance</u> <u>Dec. 31, 2011</u>	<u>2012 Budget</u> <u>Appropriation</u>	<u>Balance to</u> <u>Succeeding Budgets</u>
Current Fund:			
Special Emergency Authorization (NJSA 40A:4-55)	<u>\$104,000.00</u>	<u>\$52,000.00</u>	<u>\$52,000.00</u>

BOROUGH OF FRANKLIN, NJ

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

NOTE 4: FIXED ASSETS

The following schedule is a summarization of the changes in general fixed assets for the calendar year ended December 31, 2011.

	Balance as of <u>12/31/10</u>	<u>Additions</u>	<u>Disposals</u>	Balance as of <u>12/31/11</u>
Land, Building and Improvements	\$3,677,200.00	\$ -	\$ -	\$3,677,200.00
Equipment (Including Vehicles)	<u>2,195,674.00</u>	<u>122,238.00</u>	<u>126,438.00</u>	<u>2,191,474.00</u>
	<u>\$5,872,874.00</u>	<u>\$122,238.00</u>	<u>\$126,438.00</u>	<u>\$5,868,674.00</u>

NOTE 5: MUNICIPAL DEBT

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

	Balance <u>Dec. 31, 2010</u>	<u>Reductions</u>	Balance <u>Dec. 31, 2011</u>	Amount Due <u>Within One Year</u>
Serial Bonds Payable:				
General Capital Fund	\$ 467,250.00	\$155,750.00	\$ 311,500.00	\$155,750.00
Water Sewer Utility	153,750.00	39,250.00	114,500.00	39,250.00
Loans Payable:				
Water Sewer Utility:				
USDA (FHA) Loan	2,486,852.56	45,336.35	2,441,516.21	47,495.19
NJEIT Loan	<u>310,370.98</u>	<u>29,233.65</u>	<u>281,137.33</u>	<u>28,788.73</u>
	<u>3,418,223.54</u>	<u>269,570.00</u>	<u>3,148,653.54</u>	<u>271,283.92</u>
Compensated Absences Payable	<u>\$ 533,634.43</u>	<u>\$151,372.84</u>	<u>\$ 382,261.59</u>	<u>\$ -</u>

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

BOROUGH OF FRANKLIN, NJ

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

NOTE 5: MUNICIPAL DEBT (CONTINUED)

The Borough's debt is summarized as follows:

<u>Issued</u>	<u>Year 2011</u>	<u>Year 2010</u>	<u>Year 2009</u>
General:			
Bonds, Notes & Loans	\$1,192,000.00	\$1,458,125.00	\$1,497,300.00
Water/Sewer Utility:			
Bonds, Notes & Loans	<u>3,197,153.54</u>	<u>3,350,973.54</u>	<u>3,492,660.00</u>
	<u>4,389,153.54</u>	<u>4,809,098.54</u>	<u>4,989,960.00</u>
<u>Authorized But Not Issued</u>			
General:			
Bonds and Notes	118,199.24	50,699.24	285,699.00
Water/Sewer Utility:			
Bonds and Notes	<u>409,000.00</u>	<u>409,000.00</u>	<u>809,000.00</u>
Total Authorized But Not Issued	<u>527,199.24</u>	<u>459,699.24</u>	<u>1,094,699.00</u>
Less:			
Refunding Pension Bonds (N.J.S.A. 40A:2-52)	<u>-</u>	<u>-</u>	<u>25,000.00</u>
Net Bonds, Notes and Loans Issued and Authorized but not Issued	<u>\$4,916,352.78</u>	<u>\$5,268,797.78</u>	<u>\$6,059,659.00</u>

SUMMARY OF STATUTORY DEBT CONDITION - ANNUAL DEBT STATEMENT

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statement net debt of 0.26%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 516,848.98	\$ 516,848.98	\$ -
Water/Sewer Utility Debt	3,606,153.54	3,606,153.54	-
General Debt	<u>1,310,199.24</u>	<u>-</u>	<u>1,310,199.24</u>
	<u>\$5,433,201.76</u>	<u>\$4,123,002.52</u>	<u>\$1,310,199.24</u>

BOROUGH OF FRANKLIN, NJ

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

NOTE 5: MUNICIPAL DEBT (CONTINUED)

Net Debt \$1,310,199.24 divided by equalized valuation basis per N.J.S.A. 40A:2-2 as amended, \$511,955,295.00 = 0.26%.

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

Outstanding debt whose principal and interest are paid from the Current Fund budget of the Borough:

On March 1, 2002, the Borough issued \$1,584,200.00 General Improvement Bonds at the rate of 3.50% per annum. At December 31, 2011, General Improvement Bonds of 2002 payable amounted to \$311,500.00.

Outstanding debt whose principal and interest are paid from the Water/Sewer Utility Operating Fund budget of the Borough:

On August 1, 2002, the Borough issued \$446,800.00 of Water/Sewer Bonds at the rate of 3.50% per annum. At December 31, 2011, the balance remaining was \$114,500.00.

\$2,905,000.00 Water and Sewer Utility Loan dated May 1, 1998 with the United States Department of Agriculture, Rural Development. This loan is payable in semi-annual installments of \$81,457.00 through May 1, 2038. Interest is calculated at 4.75% and included in the semi-annual installment. This method of calculating interest is not in conformance with New Jersey Statutes. The Borough has received approval from the Local Finance Board to use this method of interest calculation for this issue. The remaining balance as of December 31, 2011 was \$2,441,516.21.

On November 1, 2000, the Borough issued a New Jersey Infrastructure Trust Loan, Trust Loan portion in the amount of \$280,000.00, at various rates from 5.00% to 5.25% for the Removal and Construction of a New Water Tank. This will mature on August 1, in each of the years, 2001-2020. The balance remaining as of December 31, 2011 was \$160,000.00.

On November 1, 2000, the Borough issued a New Jersey Infrastructure Trust Loan, Fund Loan portion in the amount of \$270,000.00, at a rate of 0.00% for the Removal and Construction of a New Water Tank. This will mature on August 1, in each of the years, 2001-2020. The balance remaining as of December 31, 2011 was \$121,137.33.

BOROUGH OF FRANKLIN, NJ

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

NOTE 5: MUNICIPAL DEBT (CONTINUED)

The Borough's long term debt consisted of the following at December 31, 2011:

General Obligation Bonds & Loan from the General Capital Account	\$ 311,500.00
Water Utility Loan from the Water Utility Capital Account	<u>2,837,153.54</u>
	<u>\$3,148,653.54</u>

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

3 1/2% of Equalized Valuation Basis (Municipal)	\$17,918,435.33
Net Debt	<u>1,310,199.24</u>
Remaining Borrowing Power	<u>\$16,608,236.09</u>

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

Cash Receipts from Fees, Rents or Other Charges for Year	\$2,526,439.20
Operating And Maintenance Costs	\$1,885,610.00
Debt Service	<u>290,763.02</u>
	<u>2,176,373.02</u>
Excess in Revenue	<u>\$ 350,066.18</u>

If there is an "excess in revenue" all such utility debt is deductible. If there is a deficit, then utility debt is not deductible to the extent of 20 times such deficit amount. The forgoing debt information is in agreement with the Annual Debt Statement filed by the Chief Financial Officer.

ANALYSIS OF AVERAGE EQUALIZED VALUATION

2011	511,955,295.00	
2010		514,860,744.00
2009		517,750,098.00

BOROUGH OF FRANKLIN, NJ

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

NOTE 5: MUNICIPAL DEBT (CONTINUED)

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

Calendar Year	General		Water/Sewer Utility		Yearly Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	155,750.00	10,902.50	115,533.92	127,670.07	271,283.92	138,572.57
2013	155,750.00	5,451.26	113,371.81	123,263.52	269,121.81	128,714.78
2014			100,069.42	118,887.23	100,069.42	118,887.23
2015			102,132.04	114,929.70	102,132.04	114,929.70
2016			92,270.15	110,832.90	92,270.15	110,832.90
2017-2021			464,278.88	494,478.99	464,278.88	494,478.99
2022-2026			418,051.88	396,518.12	418,051.88	396,518.12
2027-2031			528,651.33	285,918.67	528,651.33	285,918.67
2032-2036			668,510.88	146,059.12	668,510.88	146,059.12
2037-2041			234,283.23	11,278.61	234,283.23	11,278.61
Total	<u>311,500.00</u>	<u>16,353.76</u>	<u>2,837,153.54</u>	<u>1,929,836.93</u>	<u>3,148,653.54</u>	<u>1,946,190.69</u>

NOTE 6: BOND ANTICIPATION NOTES

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

The Borough has outstanding at December 31, 2011, a bond anticipation note in the amount of \$880,500.00 payable to Valley National Bank. This note will mature on 8/25/12 and it is the intent of the Borough council to renew this note for another one year period. The current interest rate on this note is 0.88%. Principal and interest on this note is paid from the Current Fund Budget of the Borough.

The Borough has outstanding at December 31, 2011, a bond anticipation note in the amount of \$360,000.00 payable to Valley National Bank. This note will mature on 8/25/12 and it is the intent of the Borough council to renew this note for another one year period. The current interest rate on this note is 0.88%. Principal and interest on this note is paid from the Water/Sewer Operating Fund Budget of the Borough.

BOROUGH OF FRANKLIN, NJ

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

NOTE 6: BOND ANTICIPATION NOTES (CONTINUED)

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Notes Payable:				
General Capital:				
Sussex Bank	\$ 990,875.00	\$ -	\$ 990,875.00	\$ -
Valley National Bank	-	880,500	-	880,500.00
Water/Sewer Capital:				
Sussex Bank	400,000.00	-	400,000.00	-
Valley National Bank	<u>-</u>	<u>360,000.00</u>	<u>-</u>	<u>360,000.00</u>
	<u>\$1,390,875.00</u>	<u>\$1,240,500.00</u>	<u>\$1,390,875.00</u>	<u>\$1,240,500.00</u>

NOTE 7: FUND BALANCES APPROPRIATED

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

Current Fund	<u>\$ 68,000.00</u>
Water/ Sewer Utility Operating	<u>\$160,000.00</u>

NOTE 8: LOCAL DISTRICT SCHOOL TAXES

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

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

BOROUGH OF FRANKLIN, NJ

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

NOTE 9: PENSION PLANS

Description of Systems:

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

Public Employees' Retirement System (PERS)

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

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

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

BOROUGH OF FRANKLIN, NJ

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

NOTE 9: PENSION PLANS (CONTINUED)

Description of Systems, (continued)

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

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

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

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

Police and Firemens' Retirement System (PFRS)

The Police and Firemens' Retirement System was established in July 1944 under the provisions of N.J.S.A. 43:16A to provide retirement, death and disability benefits to its members. Membership is mandatory for all full time county and municipal police and firemen, and state firemen or officer employees with police powers appointed after June 30, 1944.

Enrolled members of the Police and Firemens' Retirement System may retire at age 55 with no minimum service requirement. The annual allowance is equal to 2% of the members' final compensation for each year of service up to 30 years, plus 1% of each year of creditable service over 30 years. Final compensation equals the compensation for the final year of service prior to retirement. Special retirement is permitted to members who have 25 or more years of creditable service in the system. Benefits fully vest on reaching 10 years of service. Members are always fully vested for their own contributions. In the case of death before retirement, members' beneficiaries are entitled to full payment of members' contributions.

BOROUGH OF FRANKLIN, NJ

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

NOTE 9: PENSION PLANS (CONTINUED)

Description of Systems, (continued)

Police and Firemens' Retirement System (PFRS), (continued)

Chapter 1, P.L. 2010, effective May 21, 2010, eliminated the provision in PFRS that would permit a member to retire, at any age after 25 years of service credit, on a special retirement allowance of 70% of final compensation after the retirement system reaches a funded level of 104%. Also, for new members of PFRS, the law capped the maximum compensation that can be used to calculate a pension from the plan at the annual wage contribution base for Social Security, and requires the pension to be calculated using a three year average annual compensation instead of the last year's salary.

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

Contribution Requirements

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

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

<u>Year Ended</u> <u>December 31,</u>	<u>PERS</u>	<u>PFRS</u>
2011	\$151,287.00	\$226,613.00
2010	123,658.00	169,639.00
2009	115,187.00	150,130.00

BOROUGH OF FRANKLIN, NJ

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

NOTE 9: PENSION PLANS (CONTINUED)

Defined Contribution Retirement Program

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

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

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

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

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

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

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

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

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

BOROUGH OF FRANKLIN, NJ

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

NOTE 10: ACCRUED SICK AND VACATION BENEFITS

The Borough permits employees to accrue unused sick time pay, which may be taken as time off or paid upon retirement or separation at an agreed-upon rate. It is estimated that the current cost of such unpaid compensation would approximate \$382,261.59. This amount is not reported either as an expenditure or liability. However, it is expected that the cost of such unpaid compensation would be included in the Borough's budget operating expenditures in the year in which it is used. At December 31, 2011, the Borough had \$24,235.42 reserved in the Other Trust Fund for accrued leave.

The Borough does not permit employees to accrue vacation time.

NOTE 11: DEFERRED COMPENSATION PLAN

The Borough offers its employees a deferred compensation plan (the "plan") 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 12: CASH AND CASH EQUIVALENTS

Cash

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Borough's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. As of December 31, 2011, \$-0- of the Borough's bank balance of \$4,133,501.43 was exposed to custodial credit risk.

Investments

Investment Rate Risk

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

BOROUGH OF FRANKLIN, NJ

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

NOTE 12: CASH AND CASH EQUIVALENTS

Credit Risk

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

Concentration of Credit Risk

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

NOTE 13: RISK MANAGEMENT

The Borough is exposed to various risks of loss related to general liability, automobile coverage, damage and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Borough has obtained insurance coverage to guard against these events which will provide minimum exposure to the Borough should they occur. During the 2011 calendar year, the Borough did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

The Borough is a member of the Statewide Insurance Fund (the "Fund"). The Fund is a self-administered group of municipalities established for the purpose of providing certain low-cost workers' compensation insurance for member municipalities. The Borough pays an annual assessment to the Fund and should it be determined that payments received by the Fund are deficient, additional assessments may be levied.

The Fund can declare and return excess surplus to members upon approval of the State of New Jersey Department of Insurance. These distributions would be divided among the members in the same ratio as their individual assessment relates to the total assessment of the membership body. In accordance with Statement No. 10 of the Government Accounting Standards Board, these distributions may be issued to reduce the amount recorded for membership expense in the year in which the distribution was declared.

Financial statements for the funds are available at the office of the Funds' Executive Director, 26 Columbia Turnpike, P. O. Box 678, Florham Park, NJ 07932.

The Borough of Franklin continues to carry commercial insurance coverage for all other risks of loss, including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

BOROUGH OF FRANKLIN, NJ

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

NOTE 14: DUE TO/FROM OTHER FUNDS

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

<u>\$78,243.42</u>	Due to Federal and State Grant Fund from Current Fund for Receipts and disbursements made in Current Fund.
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It is anticipated that all interfunds will be liquidated during the calendar year.

NOTE 15: LEASES

The Borough has a commitment to lease two (2) copy machines under an operating lease that expires in 2013. Total operating lease payments made during the year were \$8,670.00. Future operating lease payments are as follows:

2012	\$8,670
2013	8,670

NOTE 16: PUBLIC ASSISTANCE

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

NOTE 17: HEALTH INSPECTIONS

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

BOROUGH OF FRANKLIN, NJ

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

NOTE 18: TAXES COLLECTED IN ADVANCE

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

	Balance <u>Dec 31, 2011</u>	Balance <u>Dec 31, 2010</u>
Prepaid Taxes	<u>\$37,005.97</u>	<u>\$56,807.94</u>
Cash Liability for Taxes Collected in Advance	<u>\$37,005.97</u>	<u>\$56,807.94</u>

NOTE 19: CONTINGENT LIABILITIES

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

SUPPLEMENTARY DATA

BOROUGH OF FRANKLIN, N.J.

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

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

<u>Name</u>	<u>Title</u>
Paul Crowley	Mayor
Mark Zschack	Council President
Susan Gardell	Councilperson
Nick Giordano	Councilperson
Thomas Kulsar	Councilperson
Joe Limon	Councilperson
Hilbert Snyder	Councilperson
James Kilduff	Administrator
Darlene Tremont	Confidential Secretary from September 2011
Patricia Leasure	Borough Clerk; Deputy Registrar
Rachel Heath	Acting Borough Clerk from April 2011 to November 2011
Robin Hought	Acting Borough Clerk from November 2011
Marguerite Nemeth	Deputy Clerk; Registrar to October 2011
	BPW Secretary; Recreation Secretary
Grant W. Rome	Chief Finance Officer; Qualified Purchasing Agent to October 2011
Monica Miebach	Chief Finance Officer; Qualified Purchasing Agent from November 2011
Leigh Franzino	Finance Clerk to November 2011
Terry Beshada	Tax Collector; Tax Search Officer
Theresa Simons	Water/Sewer Collector
John E. Ursin	Borough Attorney
Angelo Bolgato	BPW and Rent Leveling Attorney
James G. Devine	Judge
Lorraine Spirito	Court Administrator
Lindsay Miller	Deputy Court Administrator to March 2011
Joseph Kistle	Chief of Police to May 2011
Eugene McInerney	Officer in Charge from May 2011
Everett Gunderman	Roads Superintendent to July 2011
Brian Vandebroek	Public Works Superintendent
Keith Utter	Construction Official (Shared service - Hardyston Township)
Scott Holzhauer	Tax Assessor
Thomas Knutelsky	Engineer - Harold E. Pellow & Associates
James Kilduff	Planning and Community Development Director
Robin Hough	Secretary Planning and Zoning Board
Thomas M. Ferry, C.P.A., R.M.A.	Auditor
Pat Fisher	Zoning Officer

A blanket bond in the amount of \$1,000,000 covers all other public employees who may handle Municipal monies through the Statewide Insurance Fund.

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

Federal Department	Federal Program	Federal C.F.D.A. Number	Program or Award Amount	Grant Period From/To	12/31/2010		12/31/2011		MEMO Cumulative Total Expenditures
					(Receivable)	Reserve Balance	(Receivable)	Reserve Balance	
Department of Transportation (Passed through NJ Department of Transportation)	Transportation Trust Fund Authority Act	20.205	130,000.00	01/01/07-12/31/09	12,241.75		12,241.75		130,000.00
Total Department of Transportation					12,241.75	6,000.00	12,241.75	6,000.00	
U.S. Department of Housing and Urban Development	Over the Limit Under Arrest - Impaired Driving Crackdown Grant	20.605	6,000.00	1/1/09-12/31/09		6,000.00		6,000.00	
U.S. Department of Justice	Small Cities Grant		77,600.00	1/1/06-12/31/06		2,425.00		2,425.00	75,175.00
	Body Armor Grant		1,048.00	1/1/10-12/31/10		1,048.28			1,048.00
TOTAL FEDERAL AWARDS					24,483.50	9,473.28	24,483.50	8,425.00	206,223.00

Note: This schedule was not subject to an audit in accordance with Federal OMB Circular A-133.

Borough of Franklin
 Schedule of Expenditures of State Awards
 For the Year Ended December 31, 2011

Name of State Agency or Department	Name of Program	Grant or State Project Number	Program or Award Amount	Grant Period From To	12/31/2010		Receipts	Expended	Adjustments	12/31/2011		MEMO Cumulative Total Expenditures
					Receivable	Reserve Balance				Receivable	Reserve Balance	
FEDERAL AND STATE GRANT FUND Department of Environmental Protection	Clean Communities Grant Clean Communities Grant	4900-752-042-4900-001-V42Y-6020	9,282.00	1/1/2010-12/31/2010	9,190.90	9,190.90	9,115.61	8,576.97	0.57	613.36	9,115.61	8,668.62
		4900-752-042-4900-004-V42Y-6020	9,115.61	1/1/11-12/31/11	9,115.61	8,576.97	0.57	9,728.97				
	Recycling Tonnage	4900-752-042-4900-001-V42Y-6020	1,807.90	1/1/06-12/31/06	1,126.90	1,126.90		546.26			580.64	1,226.36
		4900-752-042-4900-001-V42Y-6020	2,151.71	1/1/07-12/31/07	2,151.00	2,151.00					2,151.00	
		4900-752-042-4900-001-V42Y-6020	3,153.69	1/1/08-12/31/08	3,153.00	3,153.00					3,153.00	
		4900-752-042-4900-001-V42Y-6020	7,109.00	1/1/09-12/31/09	7,109.00	7,109.00			0.40		7,109.00	
		4900-752-042-4900-001-V42Y-6020	6,746.00	1/1/10-12/31/10	6,746.00	6,746.00					6,746.00	
	4900-752-042-4900-001-V42Y-6020	11,384.59	1/1/11-12/31/11	11,384.59	11,384.59	11,384.59	546.26	0.40		11,384.59	31,124.23	
	Stormwater Management	N/A	5,000.00	1/1/06-12/31/06	2,802.16	2,802.16	20,500.20	2,802.16	0.97		40,853.20	5,000.00
	Department of Health and Senior Services	Alcohol Education and Rehabilitation and Enforcement	9735-760-098-Y900-001-X100-6020	3,066.00	1/1/10-12/31/10			3,937.23		0.66	3,066.00	3,937.23
Alcohol Education and Rehabilitation and Enforcement		9735-760-098-Y900-001-X100-6020	3,937.23	1/1/11-12/31/11	3,066.66	3,066.66	3,937.23		0.66	7,003.23	7,003.23	
Department of Law and Public Safety	Drunk Driving Enforcement Fund	6400-100-078-6400-YYYY	2,797.54	1/1/09-12/31/09	2,744.39	2,744.39	17,670.40	2,744.39		7,184.83	2,797.54	
		6400-100-078-6400-YYYY	8,741.75	1/1/10-12/31/10	8,741.00	1,566.17		1,566.17		17,670.40	1,566.17	
	Body Armor Replacement	718-666-1020-001-YCJS-6120	N/A	1/1/08-12/31/08	111.05	111.05		4,300.56			24,855.23	
		718-666-1020-001-YCJS-6120	2,445.71	1/1/10-12/31/10	2,445.71	2,445.00	1,522.49	2,445.00	0.71	1,522.49	1,522.49	2,445.00
Total Department of Law and Public Safety			1,522.49	1/1/11-12/31/11	2,556.76	1,522.49	1,522.49	2,556.05	0.71	1,522.49	1,522.49	
					14,042.15	19,192.89	19,192.89	6,856.61	0.71	26,377.72		
NI Department of Community Affairs	Special Legislative Grant - Purchase of Property		250,000.00	1/1/01-12/31/01	6,470.73	6,470.73				6,470.73	243,239.27	
					55,858.90	43,630.32	43,630.32	18,782.00	2.34	80,704.88		
GENERAL CAPITAL FUND NI Department of Transportation	Master Street		150,000.00	1/1/11-12/31/11			112,500.00	16,449.17		(37,800.00)	133,550.83	16,449.17
							112,500.00	16,449.17		(37,800.00)	133,550.83	
	TOTAL GENERAL CAPITAL FUND								2.34	(37,800.00)		
	TOTAL STATE AID								2.34	(37,800.00)		

Note: This schedule was not subject to an audit in accordance with N.J.OMB Circular 04-04.

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	<u>2011</u>	<u>2010*</u>	<u>2008</u>
<u>Tax Rate:</u>	<u>2.688</u>	<u>2.540</u>	<u>4.690</u>
<u>Apportionment of Tax Rate:</u>			
Municipal	.901	.860	1.470
County	.457	.443	.800
Local School	.921	.865	1.680
Regional High School	.409	.372	.740
<u>Assessed Valuation</u>			
2011	473,912,265		
2010*		489,898,013	
2009			244,614,857

* Revaluation Year

COMPARISON OF TAX LEVIES AND COLLECTION CURRENTLY

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

<u>Year</u>	<u>Tax Levy</u>	<u>Currently</u>	
		<u>Collections</u>	<u>Percentage of Collection</u>
2011	12,754,840.65	12,391,305.30	97.15%
2010	12,457,173.38	12,006,583.92	96.38%
2009	11,489,558.00	11,223,091.00	97.68%

DELINQUENT TAXES AND TAX TITLE LIENS

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

<u>Year</u>	<u>Amount of Delinquent Taxes</u>	<u>Amount of Tax Title Liens</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2011	354,223.08	46,030.24	400,253.32	3.14%
2010	429,351.07	27,708.84	457,059.91	3.67%
2009	264,569.99	9,815.57	274,385.56	2.39%

PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

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

<u>Year</u>	<u>Amount</u>
2011	61,500.00
2010	255,800.00
2009	255,800.00
2008	255,800.00
2007	199,000.00

COMPARISON OF WATER/SEWER UTILITY LEVIES

<u>Year</u>	<u>Levy</u>	<u>Cash Collections</u>
2011	2,273,754.83	2,258,941.70
2010	2,173,958.64	2,145,497.28
2009	1,743,549.72	1,715,795.48
2008	1,759,700.85	1,753,822.90
2007	1,718,903.84	1,733,197.00

COMPARATIVE SCHEDULE OF FUND BALANCES

<u>Current Fund:</u>		<u>Utilized</u>
<u>Year</u>	<u>Balance</u> <u>Dec. 31</u>	<u>In Budget of</u> <u>Succeeding Year</u>
2011	270,100.44	68,000.00
2010	205,168.28	48,000.00
2009	378,369.26	175,000.00
2008	506,392.00	267,000.00
2007	464,507.44	275,000.00

Water/Sewer Utility Operating Fund:

2011	461,286.59	160,000.00
2010	324,199.61	125,000.00
2009	127,864.22	75,000.00
2008	204,823.01	150,000.00
2007	382,464.61	327,564.00

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

	<u>Ref.</u>		
Balance - December 31, 2010	A		668,429.40
Increased by Receipts:			
Miscellaneous Revenue Not Anticipated	A-2	21,715.69	
Taxes Receivable	A-6	12,672,428.18	
Tax Title Liens Receivable	A-7	9,513.72	
Revenue Accounts Receivable	A-9	1,254,443.75	
Due From State - Senior Citizen and Veteran Deductions	A-10	55,500.00	
Interfunds	A-11	46,911.51	
Various Cash Liabilities and Reserves	A-14	30,818.65	
Prepaid Taxes	A-16	37,005.97	
		<hr/>	14,128,337.47
			<hr/> <u>14,796,766.87</u>
Decreased by Disbursements:			
Prior Year Tax Refunds	A-1	14,721.01	
Current Year Budget Appropriations	A-3	5,077,678.08	
Interfunds	A-11	24,037.53	
Appropriation Reserves	A-12	100,435.23	
Various Cash Liabilities and Reserves	A-14	32,133.65	
Encumbrances Payable	A-15	80,837.94	
County Taxes Payable	A-17	2,162,112.82	
District School Taxes Payable	A-18	4,364,933.00	
High School Taxes Payable	A-19	1,942,087.71	
		<hr/>	13,798,976.97
			<hr/> <u>13,798,976.97</u>
Balance - December 31, 2011	A		<hr/> <u>997,789.90</u>

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

Balance - December 31, 2010	<u>Ref.</u> A	<u>500.00</u>
Balance - December 31, 2011	A	<u>500.00</u>
<u>Analysis of Balance:</u>		
Tax Collector		200.00
Municipal Clerk		150.00
Court Administrator		100.00
Police Department		<u>50.00</u>
		<u>500.00</u>

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

Current Fund

Year Ended December 31, 2011

	<u>Ref.</u>		
Balance - December 31, 2010	A		27,708.84
Increased by:			
Transferred from 2011 Taxes Receivable	A-6	18,321.40	
Transferred from 2010 Taxes Receivable	A-6	8,382.00	
Interest and Costs on Tax Sale		<u>1,131.72</u>	
			<u>27,835.12</u>
			<u>55,543.96</u>
Decreased by:			
Cash Receipts	A-2;A-4		<u>9,513.72</u>
Balance - December 31, 2011	A		<u><u>46,030.24</u></u>

A-8

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

Current Fund

Year Ended December 31, 2011

	<u>Ref.</u>		
Balance - December 31, 2010	A		255,800.00
Decreased by:			
Adjustment			<u>194,300.00</u>
Balance - December 31, 2011	A		<u><u>61,500.00</u></u>

Borough of Franklin, N.J.

Schedule of Revenue Accounts Receivable

Current Fund

Year Ended December 31, 2011

	<u>Ref.</u>	<u>Accrued</u>	<u>Collected</u>
Clerk			
Licenses:			
Alcoholic Beverages	A-2	10,505.00	10,505.00
Miscellaneous Revenue not Anticipated	A-2	148.50	148.50
Other Licenses	A-2	8,613.00	8,613.00
Fees and Permits	A-2	22,483.55	22,483.55
Municipal Court			
Fines and Costs	A-2	143,630.96	143,630.96
Tax Collector			
Interest and Costs on Taxes	A-2	93,636.55	93,636.55
Miscellaneous Revenue not Anticipated	A-2	1,623.17	1,623.17
Interest on Investments and Deposits	A-2	5,383.59	5,383.59
Beverly Hills - Solid Waste Collection	A-2	40,824.00	40,824.00
Rent - Senior Center	A-2	1,350.00	1,350.00
Ord. #94-03 - Mobil Home Park Fees	A-2	58,968.00	58,968.00
Antenna Lease Contract	A-2	22,272.02	22,272.02
Planning/Zoning:			
Miscellaneous Revenue not Anticipated	A-2	52,529.72	52,529.72
Shared Services:			
Tax Office	A-2	90,148.00	90,148.00
Finance Office - Hardyston Township	A-2	49,883.25	49,883.25
Finance Office - Hardyston MUA	A-2	8,813.44	8,813.44
Energy Receipts Tax	A-2	583,618.00	583,618.00
Cable TV Franchise Fee	A-2	16,871.00	16,871.00
Consolidated Municipal Property Tax Relief Act	A-2	24,053.00	24,053.00
Concetta Towers in Lieu of Taxes	A-2	15,000.00	15,000.00
Watershed Moratorium Offset Aid	A-2	4,089.00	4,089.00
		<u>1,254,443.75</u>	<u>1,254,443.75</u>
			A-4

Borough of Franklin, N.J.

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

Current Fund

Year Ended December 31, 2011

	<u>Ref.</u>	
Balance - December 31, 2010	A	11,434.39
Increased by:		
State Share of Senior Citizens and Veteran Deductions Received in Cash	A-4	<u>55,500.00</u>
		66,934.39
Decreased by:		
Senior Citizens' Deductions Per Tax Billing		14,000.00
Veterans' Deductions Per Tax Billing		41,250.00
Senior Citizens' and Veterans' Allowed		<u>500.00</u>
		55,750.00
Less:		
Deductions Disallowed - Current Year		<u>2,250.00</u>
	A-6	<u>53,500.00</u>
Balance - December 31, 2011	A	<u><u>13,434.39</u></u>

Borough of Franklin, N.J.

Schedule of Interfunds Receivables/(Payables)

Current Fund

Year Ended December 31, 2011

<u>Fund</u>	<u>Ref.</u>	Due From/(To)		Due From/(To)
		Balance	Decreased	
		<u>Dec. 31, 2010</u>	<u>Increased</u>	<u>Dec. 31, 2011</u>
Federal and State Grants	A	<u>(55,372.06)</u>	<u>46,911.51</u>	<u>(78,243.42)</u>
Grants Cancelled	A-1		2.62	
Received	A-4		46,911.51	
Disbursed	A-4		24,037.53	
		<u>46,911.51</u>	<u>24,040.15</u>	<u>24,040.15</u>

Borough of Franklin, N.J.
Schedule of Appropriation Reserves
Current Fund
Year Ended December 31, 2011

	Balance, Dec. 31, <u>2010</u>	Encumbrances <u>Transferred</u>	Balance after <u>Transfers</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Salaries and Wages Within "CAPS":					
Administrative and Executive	406.03		406.03		406.03
Financial Administration	546.73		46.73		46.73
Assessment of Taxes	1,748.53		48.53		48.53
Collection of Taxes	0.16		0.16		0.16
Municipal Land Use Board	850.99		0.99		0.99
Police	4.68		6,420.68	6,420.46	0.22
Crossing Guard	1,005.34		1,195.34	1,193.51	1.83
Office of Emergency Management Services	410.45		10.45		10.45
Fire Prevention Official	819.84		19.84		19.84
Road Repairs and Maintenance	126.83		14,126.83	14,101.71	25.12
Board of Recreation and Commissions	200.00		200.00		200.00
Municipal Court	55.35		55.35		55.35
Zoning Officials	979.69		29.69		29.69
Total Salaries and Wages Within "CAPS"	7,154.62		22,560.62	21,715.68	844.94
Other Expenses Within "CAPS":					
Administrative and Executive	1,686.41	2,000.00	1,686.41	1,380.40	306.01
Elections	2,608.10		8.10		8.10
Financial Administration	2,736.57		2,186.57	2,148.03	38.54
Audit Services	12,010.00		12,010.00	8,750.00	3,260.00
Assessment of Taxes	368.44		368.44	240.00	128.44
Collection of Taxes	319.59		319.59	16.75	302.84
Legal Services and Costs	132.59		132.59		132.59
Engineering Services and Costs	633.62		33.62		33.62
Land Use Board	3,816.16		16.16		16.16
Zoning Board	1,453.68		40.68	37.50	3.18
Police	9,641.45		4,641.45	3,888.85	752.60
Crossing Guard	393.00		3.00		3.00
Office of Emergency Management	708.92		8.92		8.92
Fire	19,960.32		19,960.32	15,212.04	4,748.28
First Aid Org. Contribution	18,890.50		3,890.50	1,663.03	2,227.47
Fire Prevention Official	988.00		88.00		88.00
Public Buildings and Grounds	8,971.53		6,471.53	6,068.41	403.12
Economic Development	715.00		15.00		15.00
Road Repairs and Maintenance	12,464.56		8,464.56	3,388.84	5,075.72
Garbage and Trash Removal	15,210.86		44,860.86	16,634.74	28,226.12
Board of Health	221.58		221.58		221.58
H.B.V. Vaccination	2,346.00		146.00		146.00
Animal Regulation	74.88		74.88		74.88
Contribution to Senior Center	62.14		62.14		62.14
Board of Recreation	3,271.86		271.86	108.71	163.15
Municipal Court	582.85		582.85	415.40	167.45
Prosecutor	11.56		11.56		11.56
Construction Code Official	32.00		32.00		32.00
Zoning Official	880.28		530.28	494.80	35.48
Street Lighting	4,706.14		4,706.14	4,706.14	
Telephone	3,154.80		1,154.80	1,089.38	65.42
Gasoline	6,944.59		4,944.59	4,871.41	73.18
Reserve for Accrued Sick Time	5,000.00		12,873.00	5,300.00	7,573.00
Network Maintenance Agreement	1.01		1.01		1.01
Other Insurance Premiums	376.48		0.48		0.48
Workman's Compensation Insurance	200.89		0.89		0.89
Employee Group Health	4,073.93		73.93		73.93

Borough of Franklin, N.J.
Schedule of Appropriation Reserves
Current Fund
Year Ended December 31, 2011

	Balance, Dec. 31, 2010	Encumbrances Transferred	Balance after Transfers	Paid or Charged	Balance Lapsed
Unemployment Compensation Insurance	199.91		49.91		49.91
Total Other Expenses Within "CAPS"	145,850.20	2,000.00	130,944.20	76,414.43	54,529.77
Total Operations Within "CAPS"	153,004.82	2,000.00	153,504.82	98,130.11	55,374.71
Deferred Charges and Statutory Expenditures Within "CAPS":					
Statutory Expenditures:					
Contribution To:					
Social Security (O.A.S.I.)	752.13		2,252.13	2,157.62	94.51
Total Deferred Charges and Statutory Expenditures Within "CAPS"	752.13		2,252.13	2,157.62	94.51
Total General Appropriations within "CAPS"	153,756.95	2,000.00	155,756.95	100,287.73	55,469.22
Operations Excluded from CAPS					
Interlocal Municipal Service Agreements					
Township of Sparta					
Other Expenses EMS	1.00		1.00		1.00
Township of Hardyston					
Municipal Drug Alliance	1,400.00		1,400.00		1,400.00
Joint Community Center	0.48		0.48		0.48
Tax Office					
Salaries and Wages	0.99		0.99		0.99
Other Expenses	1,958.42		1,958.42		1,958.42
Finance Office					
Other Expenses	1,726.95		1,726.95	147.50	1,579.45
Hardyston Township MUA					
Finance Office S&W	238.96		238.96		238.96
Total Operations Excluded From "CAPS"	5,326.80		5,326.80	147.50	5,179.30
Detail:	5,326.80		5,326.80	147.50	5,179.30
Salaries and Wages	239.95		239.95		239.95
Other Expenses	5,086.85		5,086.85	147.50	4,939.35
Total General Appropriations Excluded from "CAPS"	5,326.80		5,326.80	147.50	5,179.30
Total Reserves	159,083.75	2,000.00	161,083.75	100,435.23	60,648.52
	A	A-15		A-4	A-1

Borough of Franklin, N.J.

Schedule of Deferred Charges

N.J.S.A. 40A:4-55 Special Emergency

Current Fund

Year Ended December 31, 2011

<u>Purpose</u>	<u>Date</u>	<u>Amount Authorized</u>	<u>1/5 of Amount Authorized</u>	<u>Balance, Dec. 31, 2010</u>	<u>Reduced in 2011</u>	<u>Balance, Dec. 31, 2011</u>
Revision of Master Plan and Codification	05/08/07	40,000.00	8,000.00	16,000.00	8,000.00	8,000.00
Revaluation of Taxes	11/25/08	200,000.00	40,000.00	120,000.00	40,000.00	80,000.00
Revision of Master Plan and Codification	09/28/10	20,000.00	4,000.00	20,000.00	4,000.00	16,000.00
				<u>156,000.00</u>	<u>52,000.00</u>	<u>104,000.00</u>
				A	A-3	A

Borough of Franklin, N.J.

Schedule of Various Cash Liabilities and Reserves

Current Fund

Year Ended December 31, 2011

	Balance Dec. 31, 2010	Increased	Decreased	Balance Dec. 31, 2011
<u>Liabilities and Reserves</u>				
<u>Liabilities:</u>				
Due State of NJ Marriage License Fees	250.00	700.00	925.00	25.00
Tax Overpayments		22,189.65	21,760.41	429.24
<u>Reserves for:</u>				
Revision of Master Plan	19,019.82		225.00	18,794.82
Sale of Municipal Assets	193,545.60			193,545.60
Revision of Tax Maps	1,375.00			1,375.00
Garden State Trust	7,929.00	7,929.00	7,929.00	7,929.00
Revaluation of Taxes	19,310.37		16,981.29	2,329.08
	<u>241,429.79</u>	<u>30,818.65</u>	<u>47,820.70</u>	<u>224,427.74</u>
	A			A
	Ref.			
Realized as Anticipated Revenue	A-2		7,929.00	
Cash Receipts	A-4	30,818.65		
Cash Disbursements	A-4		32,133.65	
Encumbrances	A-15		7,758.05	
		<u>30,818.65</u>	<u>47,820.70</u>	

Borough of Franklin, N.J.

Schedule of Encumbrances Payable

Current Fund

Year Ended December 31, 2011

	<u>Ref.</u>		
Balance - December 31, 2010	A		93,232.63
Increased by:			
Transfer from Current Appropriations	A-3	157,773.16	
Various Reserves	A-14	<u>7,758.05</u>	
			<u>165,531.21</u>
			258,763.84
Decreased by:			
Cancelled	A-1	209.69	
Cash Disbursed	A-4	80,837.94	
Transfer to Appropriation Reserves	A-12	<u>2,000.00</u>	
			<u>83,047.63</u>
Balance - December 31, 2011	A		<u><u>175,716.21</u></u>

Schedule of Prepaid Taxes

Current Fund

Year Ended December 31, 2011

	<u>Ref.</u>		
Balance - December 31, 2010	A		56,807.94
Increased by:			
Receipts - Prepaid 2012 Taxes	A-4		<u>37,005.97</u>
			93,813.91
Decreased by:			
Applied to 2011 Taxes	A-6		<u>56,807.94</u>
Balance - December 31, 2011	A		<u><u>37,005.97</u></u>

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

	<u>Ref.</u>		
Balance - December 31, 2010	A		2,400.56
Increased by:			
Levy- 2011	A-1;A-6	2,159,712.26	
Added and Omitted Taxes	A-1;A-6	<u>2,737.37</u>	
			<u>2,162,449.63</u>
			2,164,850.19
Decreased by:			
Payments	A-4		<u>2,162,112.82</u>
Balance - December 31, 2011	A		<u><u>2,737.37</u></u>

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

	<u>Ref.</u>		
Increased by:			
Levy - 2011	A-1;A-6		<u><u>4,364,933.00</u></u>
Decreased by:			
Payments	A-4		<u><u>4,364,933.00</u></u>

Borough of Franklin, N.J.
Schedule of Regional High School Taxes Payable
Current Fund
Year Ended December 31, 2011

	<u>Ref.</u>	
Increased by:		
Levy- 2011	A-6;A-1	<u>1,942,087.71</u>
Decreased by:		
Payments	A-4	<u>1,942,087.71</u>

Borough of Franklin, N.J.

Schedule of Interfunds

Federal and State Grant Fund

Year Ended December 31, 2011

<u>Fund</u>	<u>Ref.</u>	Due From/(To)			Due From/(To)
		Balance	Increased	Decreased	Balance
		<u>Dec. 31, 2010</u>			<u>Dec. 31, 2011</u>
Current Fund	A	<u>55,372.06</u>	<u>43,630.32</u>	<u>20,758.96</u>	<u>78,243.42</u>
Encumbrances Payable	A-21			2,281.63	
Grants Receivable	A-22		8,906.00		
Unappropriated Grants - Cancelled	A-24			2.62	
Appropriated Grants	A-23			18,474.71	
Unappropriated Grants	A-24		<u>34,724.32</u>		
			<u>43,630.32</u>	<u>20,758.96</u>	

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Schedule of Encumbrances Payable

Federal and State Grant Fund

Year Ended December 31, 2011

	<u>Ref.</u>	
Balance - December 31, 2010	A	2,281.63
Increased by:		
Appropriated Reserves for Grants	A-23	<u>1,355.29</u>
		3,636.92
Decreased by:		
Interfund - Current Fund	A-20	<u>2,281.63</u>
Balance - December 31, 2011	A	<u>1,355.29</u>

Borough of Franklin, N.J.

Schedule of Grants Receivable

Federal and State Grant Fund

Year Ended December 31, 2011

<u>Grant</u>	<u>Balance Dec. 31, 2010</u>	<u>Budget Revenue</u>	<u>Receipts</u>	<u>Transfer from Unappropriated Reserves</u>	<u>Balance Dec. 31, 2011</u>
N.J. Transportation Trust Fund - Scott Road Clean Communities Program	12,241.75	9,282.00	8,906.00	376.00	12,241.75
Alcohol Education and Rehabilitation Fund		3,066.00		3,066.00	
Body Armor Grant		3,493.00		3,493.00	
State Recycling Grant		6,746.00		6,746.00	
	<u>12,241.75</u>	<u>22,587.00</u>	<u>8,906.00</u>	<u>13,681.00</u>	<u>12,241.75</u>
A		A-2	A-20	A-24	A

Borough of Franklin, N.J.

Schedule of Appropriated Reserves for Grants

Federal and State Grant Fund

Year Ended December 31, 2011

Grant	Balance	Transfer	Disbursed	Balance
	<u>Dec. 31, 2010</u>	From 2011 <u>Budget</u>		<u>Dec. 31, 2011</u>
Drunk Driving Enforcement	11,485.39		4,300.56	7,184.83
Clean Communities Program	8,814.33	9,282.00	8,576.97	9,519.36
State of NJ Special Legislation Grant				
Purchase of Property	6,470.73			6,470.73
Alcohol Education and Rehabilitation		3,066.00		3,066.00
Recycling Tonnage Grant	13,539.90	6,746.00	546.26	19,739.64
Body Armor Grant	111.05	3,493.00	3,604.05	
Stormwater Management	2,802.16		2,802.16	
Small Cities	2,425.00			2,425.00
	<u>45,648.56</u>	<u>22,587.00</u>	<u>19,830.00</u>	<u>48,405.56</u>
	A			A
State Grant Fund	A-3	22,587.00		
Interfund - Current Fund	A-20		18,474.71	
Encumbrances Payable	A-21		1,355.29	
		<u>22,587.00</u>	<u>19,830.00</u>	

Borough of Franklin, N.J.

Schedule of Unappropriated Reserves for Grants

Federal and State Grant Fund

Year Ended December 31, 2011

Grant	Balance	Transfer To	Cancel to	Balance
	<u>Dec. 31, 2010</u>	Appropriated <u>Reserves</u>		
Clean Communities Program	376.57	376.00	0.57	209.61
State Recycling Grant	6,746.40	6,746.00	0.40	11,384.59
Drunk Driving Enforcement				17,670.40
Body Armor Grant	2,445.71	2,445.00	0.71	1,522.49
Alcohol Education and Rehabilitation Fund	3,066.66	3,066.00	0.66	3,937.23
Over The Limit Under Arrest	6,000.00			6,000.00
Federal Body Armor Grant	1,048.28	1,048.00	0.28	
	<u>19,683.62</u>	<u>13,681.00</u>	<u>2.62</u>	<u>40,724.32</u>
A		A-22	A-20	A

Borough of Franklin, N.J.

Schedule of Cash

Trust Funds

Year Ended December 31, 2011

	<u>Ref.</u>	<u>Animal Control Trust Fund</u>	<u>Other Trust Funds</u>
Balance - December 31, 2010	B	<u>410.53</u>	<u>923,886.14</u>
Increase by Receipts:			
Animal Control Official	B-2	5,950.54	
Due to State Board of Health	B-3	872.40	
Other Trust Funds	B-5		592,937.00
Net Payroll & Payroll Deductions	B-6		<u>2,988,896.58</u>
Total Receipts		<u>6,822.94</u>	<u>3,581,833.58</u>
		<u>7,233.47</u>	<u>4,505,719.72</u>
Decreased by Disbursements:			
Reserve for Animal Control Trust			
Fund Expenditures	B-2	6,348.00	
Due to State Board of Health	B-3	874.80	
Reserve from Encumbrances	B-4		10,222.08
Other Trust Funds	B-5		394,149.50
Net Payroll & Payroll Deductions	B-6		<u>2,978,744.86</u>
Total Disbursements		<u>7,222.80</u>	<u>3,383,116.44</u>
Balance - December 31, 2011	B	<u><u>10.67</u></u>	<u><u>1,122,603.28</u></u>

Borough of Franklin, N.J.

Reserve for Animal Control Trust Fund Expenditures

Animal Control Trust Fund

Year Ended December 31, 2011

	<u>Ref.</u>	
Balance - December 31, 2010	B	404.33
Increased by:		
Dog License Fees		3,876.60
Cat License Fees		532.00
Late Fees / Pick-up's/ Miscellaneous		<u>1,541.94</u>
	B-1	<u>5,950.54</u>
		6,354.87
Decreased by:		
Disbursements	B-1	<u>6,348.00</u>
Balance - December 31, 2011	B	<u><u>6.87</u></u>

License Fees Collected

<u>Year</u>	
2010	4,545.80
2009	<u>4,595.20</u>
	<u><u>9,141.00</u></u>

Schedule of Due to State Department of Health

Animal Control Trust Fund

Year Ended December 31, 2011

	<u>Ref.</u>	
Balance - December 31, 2010	B	6.20
Increased by:		
State Fees Collected	B-1	<u>872.40</u>
		878.60
Decreased by:		
Paid to State	B-1	<u>874.80</u>
Balance - December 31, 2011	B	<u><u>3.80</u></u>

Borough of Franklin, N.J.
Schedule of Reserve for Encumbrances

Other Trust Fund

Year Ended December 31, 2011

Balance - December 31, 2010	<u>Ref.</u> B	10,222.08
Increased by:		
Various Reserves	B-5	4,721.89
		<u>14,943.97</u>
Decreased by:		
Cash Disbursements		
Other Trust Fund	B-1	10,222.08
		<u>10,222.08</u>
Balance - December 31, 2011	B	<u>4,721.89</u>
<u>Analysis:</u>		
Other Trust Fund		<u>4,721.89</u>

Borough of Franklin, N.J.

Schedule of Various Other Trust Funds

Trust Funds

Year Ended December 31, 2011

	Balance <u>Dec. 31, 2010</u>	Increased	Decreased	Balance <u>Dec. 31, 2011</u>
Reserve for Land Use Escrow Deposits	180,069.95	87,474.86	102,397.18	165,147.63
Reserve for Performance Bonds Escrow	20,028.20			20,028.20
Reserve for Recreation	137,324.50	10,744.47	15,796.93	132,272.04
Reserve for Senior Citizens	1,922.91			1,922.91
Reserve for Small Cities	260,380.72			260,380.72
Reserve for Road Opening	13,500.00			13,500.00
Reserve for Driveway Escrow	9,111.26			9,111.26
Reserve for Court POAA	638.82	82.00		720.82
Reserve for Public Defender	2,897.18	5,817.69	7,650.00	1,064.87
Reserve for BPW Escrow	20,681.36	206,726.87	1,393.75	226,014.48
Reserve for Outside Police Work	22,851.43	25,407.38	25,893.71	22,365.10
Reserve for Outside Liens		229,707.20	229,707.20	
Reserve for Accumulated Leave	19,235.42	5,000.00		24,235.42
Reserve for Tax Sale Premium	25,700.00	20,000.00	14,900.00	30,800.00
Reserve for Snow Related Costs	17,986.53			17,986.53
Reserve for Affordable Housing	178,906.52	476.53		179,383.05
Reserve for Uniform Fire Safety Penalty	1,000.00	1,500.00	1,132.62	1,367.38
	<u>912,234.80</u>	<u>592,937.00</u>	<u>398,871.39</u>	<u>1,106,300.41</u>
	B		B	B
Ref.				
Reserve for Encumbrances	B-4		4,721.89	
Cash Receipts	B-1	592,937.00		
Cash Disbursements	B-1		394,149.50	
		<u>592,937.00</u>	<u>398,871.39</u>	

Borough of Franklin, N.J.
Schedule of Net Payroll and Payroll Deductions
Trust Fund
Year Ended December 31, 2011

	<u>Balance</u> <u>Dec. 31, 2010</u>	<u>Receipts</u>	<u>Disbursed</u>	<u>Balance</u> <u>Dec. 31, 2011</u>
Federal Withholding Tax		416,825.72	416,825.72	
Social Security / Medicare		360,931.92	360,931.92	
NJ State Withholding		102,126.76	102,126.76	
State Unemployment Insurance		15,010.49	14,890.08	120.41
Public Employees Retirement System	184.92	93,023.21	85,579.67	7,628.46
PERS Contributory Insurance	4.86	5,895.37	5,466.75	433.48
Police and Fire Retirement System	1,239.48	114,166.80	111,998.18	3,408.10
DCRP		123.25	132.72	(9.47)
Christmas Club		15,820.00	15,820.00	
Savings		13,640.00	13,640.00	
Lincoln Life		16,920.08	16,920.08	
Interest		72.28	72.28	
Dues		10,275.00	10,275.00	
Medical		23,703.18	23,703.18	
Net Payroll		1,800,362.52	1,800,362.52	
	<u>1,429.26</u>	<u>2,988,896.58</u>	<u>2,978,744.86</u>	<u>11,580.98</u>
	B	B-1	B-1	B

Borough of Franklin, N.J.

Schedule of Cash

General Capital Fund

Year Ended December 31, 2011

	<u>Ref.</u>		
Balance - December 31, 2010	C		326,344.31
Increased by Receipts:			
Deferred Charges to Future Taxation - Unfunded	C-5	122,500.00	
Capital Improvement Fund	C-9	20,000.00	
Interfund - Current Fund	C-11	45.37	
	C-3	<u>45.37</u>	<u>142,545.37</u>
			<u>468,889.68</u>
Decreased by Disbursements:			
Improvement Authorizations	C-8	43,822.45	
Reserve for Encumbrances	C-10	23,652.60	
Interfund - Current Fund	C-11	45.37	
	C-3	<u>45.37</u>	<u>67,520.42</u>
Balance - December 31, 2011	C		<u><u>401,369.26</u></u>

Borough of Franklin, N.J.
Schedule of General Capital Cash
General Capital Fund

Year Ended December 31, 2011

	Balance Dec. 31, 2010	Receipts		Disbursements		Transfers		Balance Dec. 31, 2011
		Budget Appropriation	Miscellaneous	Improvement Authorization	Miscellaneous	From	To	
Fund Balance	4,547.06							4,547.06
Capital Improvement Fund	137,775.03	20,000.00			23,652.60	10,000.00	370.00	147,775.03
Reserve for Encumbrances	65,443.17		45.37		45.37			42,160.57
Interfund - Current Fund								
Improvement Authorizations								
Ordinance								
Number								
16-03 Imp. To Recreation Facility	16,117.35							16,117.35
15-04 Improvement to Recreation	38,000.00							38,000.00
13-07 Purchase of Fire Equipment	178.87							178.87
11-08 Various Road Improvements	(50,699.24)	10,000.00		1,251.87				(40,699.24)
12-08 Various Capital Improvements	3,289.13			685.80				2,037.26
19-09 Various Capital Improvements	38,518.35							37,832.55
20-09 Various Capital Improvements	206.80							206.80
11-10 Imp. To Buildings and Grounds	209.43			4,020.60				209.43
17-10 Various Capital Improvements	38,858.36			21,785.01				34,837.76
18-10 Imp. For Economic Development	33,900.00			16,079.17				12,114.99
06-11 Improvements To Master Street				43,822.45		370.00	10,000.00	106,050.83
	<u>326,344.31</u>	<u>30,000.00</u>	<u>112,545.37</u>	<u>43,822.45</u>	<u>23,697.97</u>	<u>10,370.00</u>	<u>10,370.00</u>	<u>401,369.26</u>
	C	C-2	C-2	C-2	C-2	C-2	C	C

Borough of Franklin, N.J.**Schedule of Deferred Charges to Future
Taxation - Funded****General Capital Fund****Year Ended December 31, 2011**

	<u>Ref.</u>	
Balance - December 31, 2010	C	467,250.00
Decreased by:		
Serial Bonds Paid by		
Budget Appropriations	C-6	<u>155,750.00</u>
Balance - December 31, 2011	C	<u><u>311,500.00</u></u>

Borough of Franklin, N.J.

Schedule of General Serial Bonds Payable

General Capital Fund

Year Ended December 31, 2011

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding December 31, 2011	Interest Rate	Balance	
					Dec. 31, 2010	Dec. 31, 2011
General Bonds of 2002	08/01/02	1,584,200.00	8/1/12-13	3.50%	Decreased	Balance
					155,750.00	311,500.00
					C-4	C

Borough of Franklin, N.J.

Schedule of Bond Anticipation Notes Payable

General Capital Fund

Year Ended December 31, 2011

Ordinance Number	Improvement Description	Original Amount Issued	Date of Original Issue	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2010	Increased	Decreased	Balance Dec. 31, 2011
17-05	Acquisition of Emergency Vehicles	118,750.00	11/08/06	08/27/10 08/26/11	08/26/11 08/25/12	1.24% 0.88%	95,875.00	84,000.00	95,875.00	84,000.00
12-06	Various Capital Improvements	131,250.00	11/08/06	08/27/10	08/26/11	1.24%	104,125.00		104,125.00	
12-06	Various Capital Improvements	628,750.00	08/30/07	08/27/10 08/26/11	08/26/11 08/25/12	1.24% 0.88%	565,875.00	594,000.00	565,875.00	594,000.00
19-09	Various Capital Improvements	225,000.00	04/29/10	04/29/10 08/26/11	08/26/11 08/25/12	1.24% 0.88%	225,000.00	202,500.00	225,000.00	202,500.00
							<u>990,875.00</u>	<u>880,500.00</u>	<u>990,875.00</u>	<u>880,500.00</u>
							C			C
						Ref.		880,500.00	880,500.00	
						Renewals			110,375.00	
						Paid by Budget Appropriation		<u>880,500.00</u>	<u>990,875.00</u>	
						C-5				

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

Ordinance Number	Improvement Description	Ordinance Date	Ordinance Amount	Balance Dec. 31, 2010		2011 Authorizations	Paid or Charged	Balance Dec. 31, 2011	
				Funded	Unfunded			Funded	Unfunded
16-03	General Improvements: Imp. 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	
13-07	Purchase of Fire Equipment	05/22/07	25,000.00	178.87				178.87	
12-08	Various Capital Improvements	09/09/08	58,740.00	3,289.13			1,251.87	2,037.26	37,832.55
19-09	Various Capital Improvements	12/08/09	250,000.00		38,518.35		685.80		
20-09	Various Capital Improvements	12/08/09	60,675.00	206.80				206.80	
11-10	Imp. To Buildings and Grounds	10/12/10	42,000.00	209.43				209.43	
17-10	Various Capital Improvements	11/09/10	70,000.00	38,858.36			4,020.60	34,837.76	
18-10	Imp. For Economic Development	11/23/10	33,900.00	33,900.00			21,785.01	12,114.99	
06-11	Improvements To Master Street	05/10/11	200,000.00			200,000.00	16,449.17	106,050.83	77,500.00
				130,759.94	38,518.35	200,000.00	44,192.45	209,753.29	115,332.55
				C	C	Ref.		C	C
	Deferred Charges to Future Taxation - Unfunded Capital Improvement Fund					190,000.00			
						10,000.00			
						200,000.00			
	Cash Disbursements						43,822.45		
	Reserve for Encumbrances						370.00		
							44,192.45		

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

	<u>Ref.</u>	
Balance - December 31, 2010	C	137,775.03
Increased by:		
Budget Appropriation	C-2	<u>20,000.00</u>
		157,775.03
Decreased by:		
Appropriated to Finance Improvement Authorizations	C-8	<u>10,000.00</u>
Balance - December 31, 2011	C	<u><u>147,775.03</u></u>

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

	<u>Ref.</u>	
Balance - December 31, 2010	C	65,443.17
Increased by:		
2011 Charges	C-8	<u>370.00</u>
		65,813.17
Decreased by:		
Cash Disbursed	C-2	<u>23,652.60</u>
Balance - December 31, 2011	C	<u><u>42,160.57</u></u>

Borough of Franklin, N.J.**Schedule of Interfund - Current Fund****General Capital Fund****Year Ended December 31, 2011**

	<u>Ref.</u>	
Increased by:		
Interest on Investments	C-2	<u>45.37</u>
Decreased by:		
Cash Disbursements	C-2	<u>45.37</u>

Borough of Franklin, N.J.

Schedule of Bonds and Notes Authorized But Not Issued

General Capital Fund

Year Ended December 31, 2011

<u>Ordinance Number</u>	<u>Ordinance Date</u>	<u>Improvement Description</u>	<u>Balance Dec. 31, 2010</u>	<u>2011 Authorizations</u>	<u>Funded By Budget Appropriation</u>	<u>NJDOT Grant</u>	<u>Balance Dec. 31, 2011</u>
		<u>General Improvements:</u>					
11-08	09/09/08	Various Road Improvements	50,699.24		10,000.00		40,699.24
06-11	05/10/11	Improvements To Master Street		190,000.00		112,500.00	77,500.00
			<u>50,699.24</u>	<u>190,000.00</u>	<u>10,000.00</u>	<u>112,500.00</u>	<u>118,199.24</u>
				C-5	C-5	C-5	Footnote C

Borough of Franklin, N.J.

Schedule of Cash

Water / Sewer Utility Fund

Year Ended December 31, 2011

	<u>Ref.</u>	<u>Operating</u>	<u>Capital</u>
Balance - December 31, 2010	D	<u>513,228.59</u>	<u>638,750.60</u>
Increased by Receipts:			
Interest on Deposits	D-3	3,246.27	
Miscellaneous Revenue	D-3	102,017.56	
Collector Cash Receipts	D-7	2,258,941.70	
Due Water / Sewer Capital	D-10	47.17	
Capital Improvement Fund	D-27		15,000.00
		<u>2,364,252.70</u>	<u>15,000.00</u>
Decreased by Disbursements:			
Budget Appropriations	D-4	1,959,158.32	
Appropriation Reserves	D-13	19,025.61	
Reserve for Encumbrances	D-14;D-29	8,239.11	42,835.83
Interest on Bonds and Notes	D-15	136,213.77	
Reserve for BPW Maps	D-21	176.25	
Improvement Authorizations	D-25		59,352.70
		<u>2,122,813.06</u>	<u>102,188.53</u>
Balance - December 31, 2011	D	<u><u>754,668.23</u></u>	<u><u>551,562.07</u></u>

Borough of Franklin, N.J.
Schedule of Change Funds
Water / Sewer Utility Fund
Year Ended December 31, 2011

<u>Office</u>	<u>Balance</u> <u>Dec. 31, 2010</u>	<u>Balance</u> <u>Dec. 31, 2011</u>
Water / Sewer Utility Collector	<u>200.00</u>	<u>200.00</u>
	D	D

Schedule of Water / Sewer Utility Collector Cash
Water / Sewer Utility Fund
Year Ended December 31, 2011

	<u>Ref.</u>	
Increased by Receipts:		
Water/Sewer Rents Receivable	D-9	<u>2,258,941.70</u>
Decreased by Disbursements:		
Payment to Treasurer	D-5	<u>2,258,941.70</u>

Borough of Franklin, N.J.

Schedule of Water / Sewer Utility Capital Cash

Water / Sewer Utility Fund

Year Ended December 31, 2011

	Receipts			Disbursements			Transfers		Balance Dec. 31, 2011
	Balance Dec. 31, 2010	Budget Appropriation	Improvement Authorizations	Miscellaneous	From	To			
Fund Balance	4,938.33								4,938.33
Capital Improvement Fund	238,942.40	15,000.00							253,942.40
Reserve for Preliminary Expenses	228.20								228.20
Reserve for Encumbrances	42,835.83			42,835.83					3,374.03
Improvement Authorizations Ordinance Number									
11-06 Improvements to Water / Sewer System	3,465.63		2,499.00						966.63
11-09 Various Water/Sewer Capital Improvements	67,183.51		26,154.49						41,029.02
16-09 Improvements to Water / Sewer System	281,156.70		30,699.21		(3,374.03)				247,083.46
	638,750.60	15,000.00	59,352.70	42,835.83	(3,374.03)	3,374.03			551,562.07
	D	D-5	D-5	D-5					D

Borough of Franklin, N.J.
Schedule of Consumer Accounts Receivable
Water / Sewer Utility Fund
Year Ended December 31, 2011

	<u>Ref.</u>	
Balance - December 31, 2010	D	110,549.06
Increased by:		
Water/Sewer Rents Levy		<u>2,273,754.83</u>
		<u>2,384,303.89</u>
Decreased by:		
Water/Sewer Rents Collected	D-3;D-7	<u>2,258,941.70</u>
Balance - December 31, 2011	D	<u><u>125,362.19</u></u>

Borough of Franklin, N.J.

Schedule of Interfund - Water / Sewer Capital

Water / Sewer Utility Fund

Year Ended December 31, 2011

	<u>Ref.</u>	
Increased by:		
Interest On Investments	D-3	<u>47.17</u>
Decreased by:		
Cash Receipt	D-5	<u>47.17</u>

Borough of Franklin, N.J.

Schedule of Fixed Capital

Water / Sewer Utility Capital Fund

Year Ended December 31, 2011

<u>Description</u>	<u>Balance</u>	<u>Additions</u>	<u>Balance</u>
	<u>Dec. 31, 2010</u>	<u>By Budget</u> <u>Capital Outlay</u>	<u>Dec. 31, 2011</u>
General Structures, Electric Power Equipment	3,520,544.18		3,520,544.18
Distribution Mains and General Equipment	10,571,448.12	9,780.00	10,581,228.12
Sanitary Sewer System	37,181.01		37,181.01
Office Equipment	95,313.92		95,313.92
Vehicles	73,614.90		73,614.90
Backhoe	5,295.00		5,295.00
Flow Assembly	719.43		719.43
Sewer Jet Cleaner	39,039.00		39,039.00
Imp. To Pond / Reservoir	19,600.00		19,600.00
Dam Restoration	4,030,871.63	8,277.40	4,039,149.03
Imp. To The Water Supply & Dist. System	303,750.00		303,750.00
Imp. To Borough Hall	17,500.00		17,500.00
Installation of Sidewalks			
Water System Improvements	1,256,765.98		1,256,765.98
and Distribution System	105,000.00		105,000.00
Sewer Refunding Bond	459,417.97		459,417.97
Miscellaneous			
	<u>20,536,061.14</u>	<u>18,057.40</u>	<u>20,554,118.54</u>
	D	D-28	D

Borough of Franklin, N.J.

Schedule of Fixed Capital Authorized and Uncompleted

Water / Sewer Utility Operating Fund

Year Ended December 31, 2011

Ordinance Number	Improvement Description	Ordinance		Balance, Dec. 31, 2010	Balance, Dec. 31, 2011
		Date	Amount		
11-06	Improvements to Water / Sewer System	06/13/06	45,000.00	45,000.00	45,000.00
11-09	Various Water/Sewer Capital Improvements	07/14/09	109,000.00	109,000.00	109,000.00
16-09	Improvements to Water/Sewer Systems	11/24/09	850,000.00	850,000.00	850,000.00
				<u>1,004,000.00</u>	<u>1,004,000.00</u>
				D	D

Borough of Franklin
Schedule of Appropriation Reserves
Water /Sewer Utility Operating Fund
Year Ended December 31, 2011

	<u>Balance,</u> <u>Dec. 31, 2010</u>	<u>Balance</u> <u>After</u> <u>Transfers</u>	<u>Paid</u>	<u>Balance</u> <u>Lapsed</u>
Operating:				
Salaries and Wages	8,295.82	8,295.82	7,698.08	597.74
Other Expenses	<u>16,585.82</u>	<u>16,585.82</u>	<u>8,043.05</u>	<u>8,542.77</u>
	<u>24,881.64</u>	<u>24,881.64</u>	<u>15,741.13</u>	<u>9,140.51</u>
Capital Improvements:				
Capital Outlay	<u>5,000.00</u>	<u>5,000.00</u>	<u>2,695.58</u>	<u>2,304.42</u>
Statutory Expenditures:				
Social Security System (O.A.S.I.)	1,157.49	1,157.49	588.90	568.59
Unemployment Compensation Fund	<u>7.28</u>	<u>7.28</u>		<u>7.28</u>
	<u>1,164.77</u>	<u>1,164.77</u>	<u>588.90</u>	<u>575.87</u>
	<u>31,046.41</u>	<u>31,046.41</u>	<u>19,025.61</u>	<u>12,020.80</u>
	D		D-5	D-1

Borough of Franklin, N.J.
Schedule of Encumbrance Payable
Water / Sewer Utility Operating Fund
Year Ended December 31, 2011

	<u>Ref.</u>		
Balance - December 31, 2010	D		8,239.11
Increased by:			
Charges to Appropriation Payable	D-4	22,582.03	
Transfer from Reserve for BPW Maps	D-21	<u>1,093.75</u>	
			<u>23,675.78</u>
			31,914.89
Decreased by:			
Disbursements	D-5		<u>8,239.11</u>
Balance - December 31, 2011	D		<u><u>23,675.78</u></u>

Borough of Franklin, N.J.

Schedule of Accrued Interest on Bonds and Notes

Water / Sewer Utility Operating Fund

Year Ended December 31, 2011

	<u>Ref.</u>	
Balance - December 31, 2010	D	26,807.03
Increased by:		
Budget Appropriations	D-4	136,959.00
		<u>163,766.03</u>
Decreased by:		
Interest Paid	D-5	136,213.77
		<u>136,213.77</u>
Balance - December 31, 2011	D	<u>27,552.26</u>

Principal Outstanding Dec. 31, 2011	Interest Rate	From	To	Period (Days)	Required Amount	Actual Amount
Serial Bonds and Loans						
114,500.00	3.50%	8/1/2011	12/31/2011	150	1,669.79	1,779.43
2,441,516.21	4.75%	11/1/2011	12/31/2011	60	19,328.67	20,597.78
160,000.00	5.00%	8/1/2011	12/31/2011	150	3,747.40	3,993.45
Bond Anticipation Notes						
360,000.00	0.88%	8/27/2011	12/31/2011	126	1,108.80	1,181.60
					<u>25,854.66</u>	<u>27,552.26</u>

D-16

Schedule of Reserve for Sewer Hook- Ups

Water / Sewer Utility Operating Fund

Year Ended December 31, 2011

	<u>Ref.</u>	
Balance - December 31, 2010	D	<u>8,017.00</u>
Decreased by:		
Realized as Revenue	D-3	8,017.00
		<u>8,017.00</u>

Borough of Franklin, N.J.
Schedule of Reserve for Sewer Hook - Up
for Wallkill Valley Regional High School
Water / Sewer Utility Operating Fund
Year Ended December 31, 2011

	<u>Ref.</u>	
Balance - December 31, 2010	D	<u>29,169.50</u>
Decreased by:		
Realized as Revenue	D-3	<u>29,169.50</u>

Borough of Franklin, N.J.

Schedule of Reserve for Capital Outlay

Water / Sewer Utility Operating Fund

Year Ended December 31, 2011

	<u>Ref.</u>	
Balance - December 31, 2010	D	<u><u>55,267.47</u></u>
Balance - December 31, 2011	D	<u><u>55,267.47</u></u>

Schedule of Reserve for Preliminary Costs

Water / Sewer Utility Capital Fund

Year Ended December 31, 2011

	<u>Ref.</u>	
Balance - December 31, 2010	D	<u><u>228.20</u></u>
Balance - December 31, 2011	D	<u><u>228.20</u></u>

Borough of Franklin, N.J.

Schedule of Reserve for Water Improvements

Water / Sewer Utility Operating Fund

Year Ended December 31, 2011

	<u>Ref.</u>	
Balance - December 31, 2010	D	<u>21,787.38</u>
Balance - December 31, 2011	D	<u>21,787.38</u>

Schedule of Reserve for BPW Maps

Water / Sewer Utility Operating Fund

Year Ended December 31, 2011

	<u>Ref.</u>		
Balance - December 31, 2010	D		8,895.08
Decreased by:			
Reserve for Encumbrances	D-14	1,093.75	
Disbursements	D-5	<u>176.25</u>	
			<u>1,270.00</u>
Balance - December 31, 2011	D		<u>7,625.08</u>

Borough of Franklin, N.J.
Schedule of Water / Sewer Serial Bonds Payable
Water / Sewer Utility Capital Fund
Year Ended December 31, 2011

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	Maturities of Bonds		<u>Interest Rate</u>	<u>Balance, Dec. 31, 2010</u>	<u>Decreased</u>	<u>Balance, Dec. 31, 2011</u>
			<u>Date</u>	<u>Amount</u>				
Water/Sewer Bonds of 2002	8/01/02	446,800.00	08/01/12	39,250.00	3.50%			
			08/01/13	35,250.00	3.50%			
			8/1/2014-2015	20,000.00	3.50%	153,750.00	39,250.00	114,500.00
					D	D-28	D	

Borough of Franklin, N.J.
Schedule of FHA Water Supply Loan
Water / Sewer Utility Capital Fund
Year Ended December 31, 2011

Balance - December 31, 2010	<u>Ref.</u> D	2,486,852.56
Decreased by:		
Principal Matured	D-28	<u>45,336.35</u>
Balance - December 31, 2011	D	<u><u>2,441,516.21</u></u>

Schedule of Principal and Interest Payments Outstanding December 31, 2011

<u>Payment Number</u>	<u>Maturity Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Loan Balance</u>
				2,441,535.50
29	05/01/12	23,468.90	57,988.10	2,418,066.60
30	11/01/12	24,026.29	57,430.71	2,394,040.31
31	05/01/13	24,596.91	56,860.09	2,369,443.40
32	11/01/13	25,181.09	56,275.91	2,344,262.31
33	05/01/14	25,779.14	55,677.86	2,318,483.17
34	11/01/14	26,391.39	55,065.61	2,292,091.78
35	05/01/15	27,018.19	54,438.81	2,265,073.59
36	11/01/15	27,659.87	53,797.13	2,237,413.72
37	05/01/16	28,316.79	53,140.21	2,209,096.93
38	11/01/16	28,989.31	52,467.69	2,180,107.62
39	05/01/17	29,677.81	51,779.19	2,150,429.81
40	11/01/17	30,382.66	51,074.34	2,120,047.15
41	05/01/18	31,104.25	50,352.75	2,088,942.90
42	11/01/18	31,842.97	49,614.03	2,057,099.93
43	05/01/19	32,599.24	48,857.76	2,024,500.69
44	11/01/19	33,373.48	48,083.52	1,991,127.21
45	05/01/20	34,166.10	47,290.90	1,956,961.11
46	11/01/20	34,977.54	46,479.46	1,921,983.57
47	05/01/21	35,808.26	45,648.74	1,886,175.31
48	11/01/21	36,658.70	44,798.30	1,849,516.61

Borough of Franklin, N.J.
Schedule of FHA Water Supply Loan
Water / Sewer Utility Capital Fund
Year Ended December 31, 2011

Schedule of Principal and Interest Payments Outstanding December 31,

<u>Payment Number</u>	<u>Maturity Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Loan Balance</u>
49	05/01/22	37,529.35	43,927.65	1,811,987.26
50	11/01/22	38,420.67	43,036.33	1,773,566.59
51	05/01/23	39,333.16	42,123.84	1,734,233.43
52	11/01/23	40,267.32	41,189.68	1,693,966.11
53	05/01/24	41,223.67	40,233.33	1,652,742.44
54	11/01/24	42,202.73	39,254.27	1,610,539.71
55	05/01/25	43,205.05	38,251.95	1,567,334.66
56	11/01/25	44,231.17	37,225.83	1,523,103.49
57	05/01/26	45,281.66	36,175.34	1,477,821.83
58	11/01/26	46,357.10	35,099.90	1,431,464.73
59	05/01/27	47,458.08	33,998.92	1,384,006.65
60	11/01/27	48,585.21	32,871.79	1,335,421.44
61	05/01/28	49,739.11	31,717.89	1,285,682.33
62	11/01/28	50,920.41	30,536.59	1,234,761.92
63	05/01/29	52,129.77	29,327.23	1,182,632.15
64	11/01/29	53,367.85	28,089.15	1,129,264.30
65	05/01/30	54,635.34	26,821.66	1,074,628.96
66	11/01/30	55,932.93	25,524.07	1,018,696.03
67	05/01/31	57,261.34	24,195.66	961,434.69
68	11/01/31	58,621.29	22,835.71	902,813.40
69	05/01/32	60,013.55	21,443.45	842,799.85
70	11/01/32	61,438.87	20,018.13	781,360.98
71	05/01/33	62,898.04	18,558.96	718,462.94
72	11/01/33	64,391.87	17,065.13	654,071.07
73	05/01/34	65,921.18	15,535.82	588,149.89
74	11/01/34	67,486.81	13,970.19	520,663.08
75	05/01/35	69,089.62	12,367.38	451,573.46
76	11/01/35	70,730.50	10,726.50	380,842.96
77	05/01/36	72,410.35	9,046.65	308,432.61
78	11/01/36	74,130.09	7,326.91	234,302.52
79	05/01/37	75,890.68	5,566.32	158,411.84
80	11/01/37	77,693.09	3,763.91	80,718.75
81	05/01/38	79,538.30	1,918.70	1,180.45
82	11/01/38	1,161.16	29.68	19.29
		<u>2,441,516.21</u>	<u>1,876,895.63</u>	

Borough of Franklin, N.J.

Schedule of New Jersey Infrastructure Trust Loan

Water / Sewer Utility Capital Fund

Year Ended December 31, 2011

Improvement Description	Date of Issue	Amount Issued	Maturities		Interest Rate	Balance, Dec. 31, 2010	Decreased	Balance, Dec. 31, 2011
			Date	Amount				
Removal and Construction of a New Water Tank: Trust Loan Portion	11/01/00	280,000.00	8/1/2012	15,000.00	5.00%			
			8/1/2013	15,000.00	5.00%			
			8/1/2014	15,000.00	5.00%			
			8/1/2015	15,000.00	5.13%			
			8/1/2016	20,000.00	5.13%			
			8/1/2017	20,000.00	5.25%			
			8/1/2018	20,000.00	5.25%			
			8/1/2019	20,000.00	5.25%			
			8/1/2020	20,000.00	5.25%			
	Sub-total						175,000.00	15,000.00

Borough of Franklin, N.J.

Schedule of New Jersey Infrastructure Trust Loan

Water / Sewer Utility Capital Fund

Year Ended December 31, 2011

Improvement Description	Date of Issue	Amount Issued	Semi Annual Maturities		Interest Rate	Balance, Dec. 31, 2010	Decreased	Balance, Dec. 31, 2011
			Date	Amount				
Removal and Construction of a New Water Tank:								
Fund Loan Portion	11/01/00	270,000.00	02-01-12	2,445.19	0%			
			08-01-12	11,343.54	0%			
			02-01-13	2,222.73	0%			
			08-01-13	11,121.08	0%			
			02-01-14	2,000.27	0%			
			08-01-14	10,898.62	0%			
			02-01-15	1,777.81	0%			
			08-01-15	10,676.17	0%			
			02-01-16	1,549.79	0%			
			08-01-16	13,414.26	0%			
			02-01-17	1,245.76	0%			
			08-01-17	13,110.23	0%			
			02-01-18	934.32	0%			
			08-01-18	12,798.79	0%			
			02-01-19	622.88	0%			
			08-01-19	12,487.35	0%			
			02-01-20	311.44	0%			
			08-01-20	12,177.10	0%			
Sub-total						135,370.98	14,233.65	121,137.33
Grand Total						310,370.98	29,233.65	281,137.33
						D	D-28	D

Borough of Franklin, N.J.

Schedule of Improvement Authorizations

Water / Sewer Utility Capital Fund

Year Ended December 31, 2011

Ordinance Number	Improvement Description	Ordinance Date	Amount	Balance Dec. 31, 2010		Paid or Charged	Balance Dec. 31, 2011	
				Funded	Unfunded		Funded	Unfunded
11-06	Improvements to Water / Sewer System	06/13/06	45,000.00	3,465.63		2,499.00	966.63	
11-09	Various Water/Sewer Capital Improvements	07/14/09	109,000.00	67,183.51		26,154.49	41,029.02	
16-09	Improvements to Water/ Sewer Systems	11/24/09	850,000.00		690,156.70	34,073.24		656,083.46
				<u>70,649.14</u>	<u>690,156.70</u>	<u>62,726.73</u>	<u>41,995.65</u>	<u>656,083.46</u>
				D	D	D	D	D
	Cash Disbursements					59,352.70		
	Reserve for Encumbrances					3,374.03		
						<u>62,726.73</u>		

Borough of Franklin, N.J.

Schedule of Capital Improvement Fund

Water / Sewer Utility Capital Fund

Year Ended December 31, 2011

	<u>Ref.</u>	
Balance - December 31, 2010	D	238,942.40
Increased by:		
Budget Appropriation	D-5	<u>15,000.00</u>
Balance - December 31, 2011	D	<u><u>253,942.40</u></u>

Schedule of Reserve for Amortization

Water / Sewer Utility Capital Fund

Year Ended December 31, 2011

	<u>Ref.</u>	
Balance - December 31, 2010	D	17,585,087.60
Increased by:		
Capital Purchases	D-11	18,057.40
Serial Bonds Paid by Budget	D-22	39,250.00
FHA Water Supply Loan	D-23	45,336.35
New Jersey Environmental Infrastructure Loan	D-24	29,233.65
Bond Anticipation Notes Paid by Budget	D-26	<u>40,000.00</u>
		<u>171,877.40</u>
Balance - December 31, 2011	D	<u><u>17,756,965.00</u></u>

Borough of Franklin, N.J.

Schedule of Reserve for Encumbrances

Water / Sewer Utility Capital Fund

Year Ended December 31, 2011

	<u>Ref.</u>	
Balance - December 31, 2010	D	42,835.83
Increased by:		
Charges to Improvement		
Authorizations	D-25	3,374.03
		<u>46,209.86</u>
Decreased by:		
Disbursements	D-5	42,835.83
		<u>42,835.83</u>
Balance - December 31, 2011	D	<u><u>3,374.03</u></u>

Borough of Franklin, N.J.

Schedule of Deferred Reserve for Amortization

Water / Sewer Utility Capital Fund

Year Ended December 31, 2011

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Date of Ordinance</u>	<u>Balance, Dec. 31, 2010</u>	<u>Balance, Dec. 31, 2011</u>
11-06	Improvements to Water / Sewer System	06/13/06	45,000.00	45,000.00
11-09	Various Water/Sewer Capital Improvements	07/14/09	109,000.00	109,000.00
16-09	Improvements to Water / Sewer Systems	11/24/09	41,000.00	41,000.00
			<u>195,000.00</u>	<u>195,000.00</u>
			D	D

Borough of Franklin, N.J.

Schedule of Bonds and Notes Authorized But Not Issued

Water / Sewer Utility Capital Fund

Year Ended December 31, 2011

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Balance, Dec. 31, 2010</u>	<u>Balance, Dec. 31, 2011</u>
11/24/09	Improvement to Water/Sewer Systems	409,000.00	409,000.00
		<u>409,000.00</u>	<u>409,000.00</u>
			<u>Footnote D</u>

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

	<u>Ref.</u>	<u>P.A.T.F.</u> <u>Account #1</u>
Balance - December 31, 2010	E	5,472.31
Increased by Receipts:		
Interest on Investment	E-4;E-5	<u>14.57</u>
Balance - December 31, 2011	E	<u><u>5,486.88</u></u>

Borough of Franklin, N.J.
Schedule of Cash and Reconciliation Per N.J.S.A. 40A:5-5
Public Assistance Fund
Year Ended December 31, 2011

	<u>Ref.</u>	
Balance - December 31, 2011	E-1	5,486.88
Increased by:		
Cash Receipts Record		<u>4.59</u>
Balance - June 20, 2012		<u><u>5,491.47</u></u>
<u>Reconciliation - June 20, 2012</u>		<u>P.A.T.F.</u>
Balance on Deposit per Statement of:		<u>Account #1</u>
Lakeland Bank		
Checking		<u>5,491.47</u>
Balance - June 20, 2012		<u><u>5,491.47</u></u>

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

	<u>Ref.</u>	
Balance - December 31, 2010	E	5,472.31
Increased by Receipts:		
Cash Receipts Record	E-1	<u>14.57</u>
Balance - December 31, 2011	E	<u><u>5,486.88</u></u>
		<u>P.A.T.F.</u>
<u>Reconciliation - December 31, 2011</u>		<u>Account #1</u>
Balance on Deposit per Statement of:		
Lakeland Bank		
Checking		<u>5,486.88</u>
Balance - December 31, 2011		<u><u>5,486.88</u></u>

Borough of Franklin, N.J.
Schedule of Revenues
Public Assistance Fund
Year Ended December 31, 2011

	P.A.T.F. <u>Account #1</u>
Interest on Investments	<u>14.57</u>
Total Revenues (P.A.T.F.)	<u><u>14.57</u></u>

E-1

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

	<u>Ref.</u>	
Balance - December 31, 2010	E	5,472.31
Increased by:		
Receipts	E-1	<u>14.57</u>
Balance - December 31, 2011	E	<u><u>5,486.88</u></u>

BOROUGH OF FRANKLIN

PART II

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

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2011

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

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

June 20, 2012

Honorable Mayor and
Members of the Borough Council
Borough of Franklin
46 Main Street
Franklin, New Jersey 07416

We have audited the financial statements - regulatory basis of the Borough of Franklin, in the County of Sussex, State of New Jersey as of and for the year ended December 31, 2011, and have issued our report thereon dated June 20, 2012. Our report disclosed that, as described in Note 1 to the financial statements - regulatory basis, the Borough of Franklin prepares its financial statements on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with a modified accrual basis of accounting and the budget laws of the State of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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



Honorable Mayor and
Members of the Borough Council
Borough of Franklin
June 20, 2012
Page 2

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

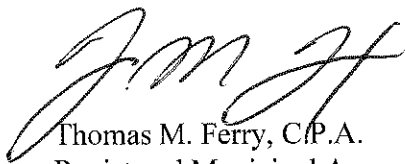
A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as 11-01 to be a significant deficiency.

Compliance and Other Matters

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

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

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



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

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



BOROUGH OF FRANKLIN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2011

Summary of Auditor's Results:

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

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

The Borough was not subject to the single audit provisions of Federal OMB Circular A-133 (the "Circular") and State Circular 04-04 OMB for 2011 as grant expenditures were less than the single audit thresholds identified in the Circulars.

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

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

Finding 11-01:

Segregation of Duties

The Borough does not maintain an adequate segregation of duties within the Treasury Department. Segregation of duties refers to separating those functions that place too much control over a transaction or class of transactions that would enable a person to misappropriate funds and prevent detection within a reasonable period of time. The Chief Financial Officer controls disbursements of funds, maintains the General Ledger, has control of checks, and reconciles bank statements. These situations occur because of the limited number of employees qualified to perform other accounting functions. The Borough was made aware of this lack on internal control and will consider strengthening Internal Control within reason of the costs and benefits derived. Therefore, no formal recommendation is deemed necessary at this time.

Findings and Questioned Costs for Federal Awards:

Not applicable

Findings and Questioned Costs for State Awards:

Not applicable

BOROUGH OF FRANKLIN

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

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

GENERAL COMMENTS

Cash Balances

Cash balances in all funds were verified by independent certificates obtained from the depositories as of December 31, 2011, and at June 20, 2012, in connection with the supplemental reconciliations made for all officials. Cash on hand was counted on that date.

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

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

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

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

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

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

GENERAL COMMENTS (CONTINUED)

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

Effective January 1, 2011, the bid threshold in accordance with N.J.S. 40A:11-3 and 40A:11-4 (as amended) is \$17,500.00 and with a qualified purchasing agent the threshold may be up to \$36,000.00.

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

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

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

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

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

Collection of Interest on Delinquent Taxes and Assessments

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

The governing body on January 4, 2011 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, 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 be 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 \$1,500 of the delinquency, and 18% per annum on any amount in excess of \$1,500 and

GENERAL COMMENTS (CONTINUED)

Collection of Interest on Delinquent Taxes and Assessments (continued)

BE IT FURTHER RESOLVED, that in accordance with the provision 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 dollars, (\$10,000.00), 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 upon which same became payable.

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

Delinquent Taxes and Tax Title Liens

The last tax sale was held on September 28, 2011 and was complete, except for properties in bankruptcy court.

Inspection of tax sale certificates on file revealed that all tax sale certificates were available for audit.

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

<u>Year</u>	<u>Number of Liens</u>
2011	5
2010	5
2009	4

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

Verification of Delinquent Taxes and Other Charges

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

The result of the test, which was made as of December 31, 2011 is not yet known, but a separate report will be rendered if any irregularities are developed.

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

GENERAL COMMENTS (CONTINUED)

Segregation of Duties

The Borough does not maintain an adequate segregation of duties within the Treasury Department. Segregation of duties refers to separating those functions that place too much control over a transaction or class of transactions that would enable a person to misappropriate funds and prevent detection within a reasonable period of time. The Chief Financial Officer controls disbursements of funds, maintains the General Ledger, has control of checks, and reconciles bank statements. These situations occur because of the limited number of employees qualified to perform other accounting functions. The Borough was made aware of this lack on internal control and will consider strengthening Internal Control within reason of the costs and benefits derived. Therefore, no formal recommendation is deemed necessary at this time.

OTHER COMMENTS

Finance

1. No analysis of Police Outside Services

Management Response:

New Chief Financial Officer has started to maintain in 2012.

2. It was noted that there are several old encumbrances.

Management Response:

New Chief Financial Officer is aware of them and is currently in the process of reviewing the list.

Outside Offices

A formal cash receipts journal was not maintained for the Recreations and Planning and Zoning.

Management Response:

The Borough is in the process of hiring a new Planning and Zoning secretary. It is the recommendation of the Chief Financial Officer that all Recreation receipts and a cash receipts journal be maintained.

RECOMMENDATIONS

1. That an analysis of Police Outside Services be maintained on a monthly basis.
2. That old encumbrances be reviewed for possible cancellation.
3. That a formal cash receipts journal be maintained for Recreation and Planing and Zoning.

Status of Prior Year's Audit Findings/Recommendations

A review was performed on all prior year's recommendations and corrective action, except for the following:

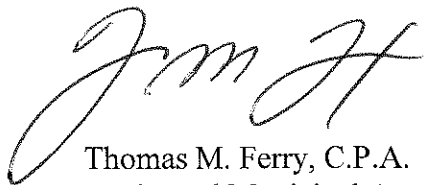
1. That the Recreation Department maintain a formal cash receipts journal.

* * * * *

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

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

Very truly yours,
Ferraioli, Wielkotz, Cerullo & Cuva, P.A.
Certified Public Accountants



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