

**REPORT OF AUDIT**  
**BOROUGH OF FRANKLIN**  
**COUNTY OF SUSSEX**  
**DECEMBER 31, 2018**

**BOROUGH OF FRANKLIN, N.J.**  
**YEAR ENDED DECEMBER 31, 2018**  
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**BOROUGH OF FRANKLIN**

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**PART I**

**REPORT OF AUDIT ON FINANCIAL STATEMENTS**

**AND SUPPLEMENTARY DATA**

**YEAR ENDED DECEMBER 31, 2018**

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

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Borough of Franklin in the County of Sussex, as of December 31, 2018 and 2017, the related statement of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Borough of Franklin as of December 31, 2018 and 2017, or changes in financial position for the years then ended.

***Basis for Qualified Opinion on Regulatory Basis Accounting Principles***

As described in Note 18 of the financial statements, the Town participates in a Length of Service Award Program (LOSAP) volunteer fire and rescue personnel. The amount reflected in the trust fund statements of \$13,000.00 for 2018, was not audited and, therefore, we express no opinion on the LOSAP program.

***Qualified Opinion on Regulatory Basis of Accounting***

In our opinion, except for the effects of the matters described in “Basis for Qualified Opinion on Regulatory Basis Accounting Principles” paragraph, the financial statements referred to above present fairly, in all material respects, the regulatory basis balances sheets as of December 31, 2018 and 2017, the regulatory basis statements of operations for the years then ended and the regulatory basis statements of revenues and expenditures for the year ended December 31, 2018 in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

***Emphasis of Matter***

***Adoption of New Accounting Principle***

As discussed in Note 1 to the basic financial statements, during the year ended December 31, 2018, the Borough adopted Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Post Employment Benefits Other Than Pensions (an Amendment of GASB Statement No. 45). As a result of the regulatory basis of accounting, described in the previous paragraph, the implementation of this statement only required financial statement disclosure. Our opinions are not modified with respect to this matter

***Other Matters***

***Other Information***

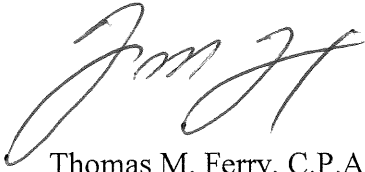
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Franklin’s basic financial statements. The supplementary information listed in the table of contents and the letter of comments and recommendations section are presented for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

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 19, 2019 on our consideration of the Borough of Franklin's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of Franklin's internal control over financial reporting and compliance.



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

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

Newton, New Jersey

July 19, 2019

**Borough of Franklin, N.J.**

**Comparative Balance Sheet - Regulatory Basis**

**Current Fund**

**December 31,**

	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
<u>Assets</u>			
Current Fund:			
Cash	A-4	3,519,220.09	3,838,321.67
Change Fund	A-5	500.00	500.00
		<u>3,519,720.09</u>	<u>3,838,821.67</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Taxes Receivable	A-6	344,503.36	406,832.92
Tax Title Liens Receivable	A-7	340,076.79	143,921.75
Property Acquired for Taxes - Assessed Valuation	A-8	347,100.00	347,100.00
		<u>1,031,680.15</u>	<u>897,854.67</u>
Deferred Charges:			
Special Emergency Authorizations	A-13		5,000.00
		<u>4,551,400.24</u>	<u>4,741,676.34</u>
Federal and State Grant Fund:			
Interfund Receivables - Current Fund	A-21	127,315.55	131,102.61
		<u>4,678,715.79</u>	<u>4,872,778.95</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

<b>Current Fund</b>			
<b>December 31,</b>			
	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Current Fund:			
Appropriation Reserves:			
Unencumbered	A-3;A-12	418,806.03	670,578.83
Encumbered	A-3;A-12	127,690.48	84,121.24
Total Appropriation Reserves		<u>546,496.51</u>	<u>754,700.07</u>
Due To State of New Jersey:			
Senior Citizen and Veteran Deductions	A-10	19,430.28	20,601.51
Interfunds Payable:			
Federal and State Grant Fund	A-11	127,315.55	131,102.61
Other Trust Fund	A-11		400.00
Tax Overpayments	A-14	153.19	92.31
Reserve for:			
Revision of Master Plan	A-14	7,562.86	7,562.86
Revision of Tax Maps	A-14	1,375.00	1,375.00
Tax Appeals	A-14	109,184.27	145,398.49
Due to State of New Jersey:			
Marriage Surcharge	A-14	175.00	150.00
Accounts Payable	A-15	439.34	1,970.26
Prepaid Taxes	A-16	80,243.10	226,343.23
County Taxes Payable	A-17	3,325.67	504.42
Prepaid Revenue	A-20	31,827.00	33,041.65
		<u>927,527.77</u>	<u>1,323,242.41</u>
Reserve for Receivables	Contra	1,031,680.15	897,854.67
Fund Balance	A-1	2,592,192.32	2,520,579.26
		<u>4,551,400.24</u>	<u>4,741,676.34</u>
Federal and State Grant Fund:			
Appropriated Reserve for Grants	A-23	109,174.50	93,922.82
Unappropriated Reserve for Grants	A-24	18,141.05	37,179.79
		<u>127,315.55</u>	<u>131,102.61</u>
		<u>4,678,715.79</u>	<u>4,872,778.95</u>

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

## Years Ended December 31,

	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
Revenues and Other Income:			
Fund Balance Utilized	A-2	535,700.00	448,100.00
Miscellaneous Revenue Anticipated	A-2	1,214,879.50	1,164,593.80
Receipts from Delinquent Taxes	A-2	344,538.01	377,547.91
Receipts from Current Taxes	A-2	14,412,429.84	14,079,636.27
Non-Budget Revenue	A-2	44,652.14	71,737.48
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-12	587,290.63	497,263.14
Total Revenues and Other Income		<u>17,139,490.12</u>	<u>16,638,878.60</u>
Expenditures:			
Budget and Emergency Appropriations:			
Operations - Within Caps:			
Salaries and Wages	A-3	2,847,811.00	2,827,435.00
Other Expenses	A-3	2,030,990.00	2,107,099.00
Deferred Charges and Statutory Expenditures -			
Municipal - Within Caps	A-3	645,754.00	565,598.00
Operations - Excluded From CAPS:			
Other Expenses	A-3	290,440.79	241,637.71
Capital Improvements - Excluded from Caps	A-3	193,200.00	184,500.00
Municipal Debt Service - Excluded from Caps	A-3	350,246.00	352,578.55
Deferred Charges and Statutory Expenditures -			
Municipal - Excluded from Caps	A-3	5,000.00	5,000.00
Transfer Prior Years Mobil Record to Trust			744.50
County Taxes including Added Taxes	A-17	2,388,788.27	2,383,220.05
Local District School Tax	A-18	5,493,122.00	5,257,963.00
Regional High School Tax	A-19	2,286,825.00	2,214,734.04
Total Expenditures		<u>16,532,177.06</u>	<u>16,140,509.85</u>
Statutory Excess to Fund Balance		607,313.06	498,368.75
Fund Balance, January 1,	A	<u>2,520,579.26</u>	<u>2,470,310.51</u>
		3,127,892.32	2,968,679.26
Fund Balance Utilized as Budget Revenue	A-1	<u>535,700.00</u>	<u>448,100.00</u>
Fund Balance, December 31,	A	<u><u>2,592,192.32</u></u>	<u><u>2,520,579.26</u></u>

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, 2018

	<u>Ref.</u>	<u>Budget</u>	Special N.J.S. <u>40A:4-87</u>	<u>Realized</u>	Excess or <u>(Deficit)</u>
Fund Balance Anticipated	A-1	535,700.00		535,700.00	
Miscellaneous Revenues:					
Licenses:					
Alcoholic Beverages	A-9	12,500.00		12,705.00	205.00
Other	A-9	9,775.00		8,015.00	(1,760.00)
Fees and Permits	A-9	15,998.00		19,146.05	3,148.05
Fines and Costs:					
Municipal Court	A-9	100,860.00		114,265.87	13,405.87
Interest and Costs on Taxes	A-9	80,548.00		75,723.46	(4,824.54)
Interest on Investments and Deposits	A-9	37,908.00		79,683.19	41,775.19
Energy Receipts Tax	A-9	607,671.00		607,671.00	
Watershed Moratorium Offset Aid	A-9	4,089.00		4,089.00	
Garden State Trust	A-9	7,929.00		7,929.00	
Special Items of General Revenue Anticipated With					
Prior Written Consent of Director of Local					
Government Services					
Public and Private Revenues:					
Recycling Tonnage Grant	A-22	11,369.90		11,369.90	
Drunk Driving Enforcement	A-22	5,104.92		5,104.92	
Alcohol Education and Rehabilitation	A-22	3,860.39		3,860.39	
Body Armor Grant	A-22	5,013.75		5,013.75	
Clean Communities Program	A-22	11,830.83		11,830.83	
Distracted Driver Grant	A-22		5,280.00	5,280.00	
Other Special Items:					
Concetta Towers - In Lieu of Taxes	A-9	15,000.00		15,000.00	
Beverly Hills - Solid Waste Collection	A-9	41,256.00		41,256.00	
Municipal Service Fees	A-9	89,388.00		89,388.00	
Rent Senior Center	A-9	30,095.00		22,916.62	(7,178.38)
Cable TV Franchise Fee	A-9	15,065.00		15,065.00	
Antenna Lease Contract	A-9	62,238.00		59,566.52	(2,671.48)
Total Miscellaneous Revenues	A-1	1,167,499.79	5,280.00	1,214,879.50	42,099.71
Receipts from Delinquent Taxes	A-1;A-2	390,099.00		344,538.01	(45,560.99)
Subtotal General Revenues		2,093,298.79	5,280.00	2,095,117.51	(3,461.28)
Amount to be Raised by Taxes for Support of					
Municipal Budget-Local Tax Including Reserve					
for Uncollected Taxes	A-2	4,665,185.00		4,644,016.57	(21,168.43)
Budget Totals		6,758,483.79	5,280.00	6,739,134.08	(24,629.71)
Non-Budget Revenue	A-1;A-2			44,652.14	44,652.14
		<u>6,758,483.79</u>	<u>5,280.00</u>	<u>6,783,786.22</u>	<u>20,022.43</u>
		A-3	A-3		

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, 2018

<u>Analysis of Realized Revenues</u>	<u>Ref.</u>		
Revenue from Collections	A-1;A-6		14,412,429.84
Less:			
Allocated to School and County Taxes	A-6		<u>10,168,735.27</u>
Balance for Support of Municipal Budget Appropriations			4,243,694.57
Add : Appropriation - Reserve for Uncollected Taxes	A-3		<u>400,322.00</u>
Amount for Support of Municipal Budget Appropriations	A-2		<u><u>4,644,016.57</u></u>
Receipts from Delinquent Taxes:			
Delinquent Taxes			
Taxes Receivable	A-6		316,112.67
Tax Title Lien Receivable	A-7		<u>28,425.34</u>
	A-2		<u><u>344,538.01</u></u>
<u>Analysis of Non-budget Revenues</u>			
	<u>Ref.</u>		
Miscellaneous Revenues Not Anticipated:			
Revenues Accounts Receivable:			
Tax Collector	A-9	93.00	
Planning/Zoning	A-9	<u>9,230.00</u>	
			9,323.00
Veterans & Senior Citizens Administration Fee		806.08	
Senior Housing PILOT		30,884.00	
Rent - Senior Center		1,024.10	
O/S Police - Use of Car/Admin Fees		1,302.87	
State Motor Vehicle Inspection Fees		150.00	
Various Refunds and Miscellaneous		<u>1,162.09</u>	
	A-4		<u>35,329.14</u>
	A-2		<u><u>44,652.14</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, 2018**

	<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			197,979.00	197,979.00	183,551.41	14,427.59	
Other Expenses			62,500.00	62,500.00	35,958.51	26,541.49	-
Elections							
Other Expenses			3,500.00	3,500.00	2,903.53	596.47	
Financial Administration							
Salaries and Wages			132,305.00	132,305.00	132,003.48	301.52	
Other Expenses			11,200.00	11,200.00	9,926.96	1,273.04	-
Audit Services			16,650.00	16,650.00	11,475.00	5,175.00	
Collection of Taxes							-
Salaries and Wages			35,380.00	35,880.00	35,657.03	222.97	-
Other Expenses			9,010.00	9,010.00	7,953.75	1,056.25	
Assessment of Taxes							
Salaries and Wages			47,300.00	47,300.00	46,184.66	1,115.34	-
Other Expenses			13,130.00	13,130.00	10,621.53	2,508.47	
Revaluation			1.00	1.00		1.00	
Legal Services and Costs:							
Other Expenses			130,500.00	130,500.00	113,349.76	17,150.24	
Engineering Services and Costs							
Other Expenses			15,000.00	15,000.00	13,124.30	1,875.70	

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, 2018**

<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>
Economic Development						
Other Expenses		2,000.00	2,000.00	575.00	1,425.00	
Planning Board						
Salaries and Wages		47,578.00	47,578.00	41,594.61	5,983.39	
Other Expenses		18,200.00	18,200.00	13,262.69	4,937.31	
Revision of Master Plan		1.00	1.00		1.00	
Insurance						
Other Insurance Premiums		75,376.00	75,376.00	75,376.00	-	
Workers Compensation		134,050.00	134,050.00	134,050.00	-	
Group Insurance Plan		484,400.00	484,400.00	449,637.68	34,762.32	
Unemployment Compensation		10,000.00	10,000.00	8,809.60	1,190.40	
Health Benefit Waiver		9,000.00	9,000.00	9,000.00	-	
Public Safety:						
Police						
Salaries and Wages		1,759,294.00	1,759,294.00	1,729,744.31	29,549.69	
Other Expenses		102,800.00	102,800.00	85,284.52	17,515.48	
Crossing Guard						
Salaries and Wages		67,500.00	67,500.00	64,862.80	2,637.20	
Other Expenses		600.00	600.00	599.90	0.10	
Emergency Management						
Salaries and Wages		2,250.00	2,250.00	2,250.00	-	
Other Expenses		500.00	500.00		500.00	

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, 2018**

	<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>
Fire							
Other Expenses			60,185.00	60,185.00	38,806.25	21,378.75	
First Aid Organization - Contribution			17,800.00	17,800.00	8,877.41	8,922.59	
Prosecutor							
Other expenses			21,000.00	21,000.00	18,472.20	2,527.80	
Streets and Roads:							
Road Repairs and Maintenance							
Salaries and Wages			335,555.00	330,255.00	283,070.89	47,184.11	
Other Expenses			159,000.00	159,000.00	112,360.86	46,639.14	
Public Buildings and Grounds							
Other Expenses			101,200.00	101,200.00	73,738.14	27,461.86	-
Municipal Services Act - Condo Cost							
Other Expenses			3,000.00	3,000.00		3,000.00	
Health and Welfare:							
Board of Health							
Salaries and Wages			1,500.00	1,500.00	1,500.00	-	
Other Expenses			500.00	500.00	215.42	284.58	
H.B.V. Vaccination							
Other Expenses			1,000.00	1,000.00	348.00	652.00	
Animal Regulation							
Other Expenses			3,000.00	3,000.00	2,996.25	3.75	
Contribution to Senior Citizen Ctr.			800.00	900.00	625.60	274.40	

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, 2018**

	<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>						
Recreation and Education						
Salaries and Wages		9,360.00	10,560.00	10,560.00	-	
Other Expenses		9,000.00	9,000.00	8,360.44	639.56	
Celebration of Public Events		1.00	1.00		1.00	
Municipal Court						
Salaries and Wages		143,335.00	143,335.00	126,314.56	17,020.44	
Other Expenses		10,735.00	10,735.00	6,539.27	4,195.73	
Municipal Public Defender		1.00	1.00		1.00	
Zoning Official						
Salaries and Wages		72,075.00	72,075.00	72,072.48	2.52	
Other Expenses		1,450.00	1,450.00	1,093.18	356.82	
Fixed Assets Accounting System		1,300.00	1,300.00	1,300.00	-	
Network Maintenance Agreement		13,800.00	13,800.00	13,649.00	151.00	
Utility Expense:						
Street Lighting		48,000.00	48,000.00	42,822.76	5,177.24	
Utility Bulk - Telephone		30,000.00	30,000.00	27,928.82	2,071.18	
Gasoline and Oil		30,000.00	33,500.00	29,558.61	3,941.39	-
Solid Waste Contract		415,000.00	415,000.00	399,999.96	15,000.04	
Postage		2,200.00	2,200.00	1,696.50	503.50	
Total Operations Including Contingent-Within "CAPS"		<u>4,878,801.00</u>	<u>4,878,801.00</u>	<u>4,500,663.63</u>	<u>378,137.37</u>	<u>-</u>
Detail:						
Salaries and Wages	A-1	<u>2,851,411.00</u>	<u>2,847,811.00</u>	<u>2,729,366.23</u>	<u>118,444.77</u>	<u>-</u>
Other Expenses (Including Contingent)	A-1	<u>2,027,390.00</u>	<u>2,030,990.00</u>	<u>1,771,297.40</u>	<u>259,692.60</u>	<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, 2018**

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Deferred Charges and Statutory Expenditures-Within "CAPS"						-
Municipal Within "CAPS"						
Statutory Expenditures						
Contribution to:						
Public Employees' Retirement System		110,390.00	110,390.00	110,390.00	-	
Social Security System (O.A.S.I.)		213,000.00	213,000.00	200,053.66	12,946.34	
Defined Contribution Retirement Program		1,835.00	1,835.00	1,511.27	323.73	
Police and Firemans Retirement System		<u>320,529.00</u>	<u>320,529.00</u>	<u>320,529.00</u>	-	
Total Deferred Charged and Statutory Expenditures - Municipal within "CAPS"	A-1	<u>645,754.00</u>	<u>645,754.00</u>	<u>632,483.93</u>	<u>13,270.07</u>	-
			-			
Total General Appropriations for Municipal Purposes within "CAPS"		<u>5,524,555.00</u>	<u>5,524,555.00</u>	<u>5,133,147.56</u>	<u>391,407.44</u>	-
Operations - Excluded From "CAPS"						
Refund of Tax Appeals		15,000.00	15,000.00	15,000.00	-	
Length of Service Award Program		<u>50,000.00</u>	<u>50,000.00</u>	<u>50,000.00</u>	<u>50,000.00</u>	
Total Other Operations - Excluded From Caps		<u>65,000.00</u>	<u>65,000.00</u>	<u>15,000.00</u>	<u>50,000.00</u>	-
Shared Service Agreements						-
Township of Sparta "911" Emergency Dispatching						
Other Expenses - Fire		29,980.00	29,980.00	29,980.00	-	
Other Expenses - Police		31,797.00	31,797.00	31,797.00	-	
Other Expenses - EMS		29,071.00	29,071.00	29,071.00	-	

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

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**Borough of Franklin, N.J.**

**Statement of Expenditures - Regulatory Basis**

**Current Fund**

**Year Ended December 31, 2018**

	<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>						
Township of Hardyston						
Municipal Drug Alliance		1,600.00	1,600.00	1,599.00	1.00	
Construction Office		64,533.00	64,533.00	8,100.00	56,433.00	
Joint Community Center		26,000.00	26,000.00	26,000.00	-	
Total Shared Service Agreements		<u>182,981.00</u>	<u>182,981.00</u>	<u>126,547.00</u>	<u>56,434.00</u>	<u>-</u>
Public and Private Programs Offset By Revenues						
15 Drunk Driving Enforcement Fund						
Other Expenses		5,104.92	5,104.92	5,104.92	-	
Body Armor Grant						
Other Expenses		1,705.18	1,705.18	1,705.18	-	
Recycling State Grant						
Other Expenses		11,369.90	11,369.90	11,369.90	-	
Alcohol Rehab Fund						
Other Expenses		3,860.39	3,860.39	3,860.39	-	
Clean Communities Grant						
Other Expenses		11,830.83	11,830.83	11,830.83	-	
Federal Body Armor Grant						
Other Expenses		3,308.57	3,308.57	3,308.57	-	
Distracted Driver Grant						
Other Expenses			5,280.00	5,280.00	-	
Total Public and Private Programs Offset By Revenues		<u>37,179.79</u>	<u>42,459.79</u>	<u>42,459.79</u>	<u>-</u>	<u>-</u>
Total Operations - Excluded from "CAPS"		<u>285,160.79</u>	<u>290,440.79</u>	<u>184,006.79</u>	<u>106,434.00</u>	<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, 2018**

	<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>
Detail:							
Other Expenses		A-1	285,160.79	290,440.79	184,006.79	106,434.00	-
Capital Improvements - Excluded From "CAPS"							
Capital Improvement Fund			45,000.00	45,000.00	45,000.00	-	-
Purchase of Police Equipment			49,000.00	49,000.00	43,911.04	5,088.96	
Purchase of Office Equipment			7,200.00	7,200.00	7,200.00	-	
Purchase of Fire Equipment			35,000.00	35,000.00	11,273.50	23,726.50	
Improvements to Streets and Roads			25,000.00	25,000.00	13,476.89	11,523.11	
Improvement to Municipal Property			25,000.00	25,000.00	16,683.50	8,316.50	
Purchase of EMS Equipment			7,000.00	7,000.00	7,000.00	-	
Total Capital Improvements Excluded from "CAPS"		A-1	193,200.00	193,200.00	144,544.93	48,655.07	-
Municipal Debt Service -Excluded From "CAPS"							
Payment of Bond Anticipation Notes and Capital Notes			300,241.00	300,241.00	300,241.00	-	-
Interest on Notes			50,005.00	50,005.00	50,005.00	-	-
Total Municipal Debt Service-Excluded from "CAPS"		A-1	350,246.00	350,246.00	350,246.00	-	-
Deferred Charges - Municipal - Excluded From "CAPS"							
(1) Deferred Charges:							
Special Emergency Authorizations - 5 Years (N.J.S. 40A:4-55)			5,000.00	5,000.00	5,000.00	-	-
Total Deferred Charges - Municipal - Excluded From "CAPS"		A-1	5,000.00	5,000.00	5,000.00	-	-

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

Borough of Franklin, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2018

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Total General Appropriations for Municipal Purposes Excluded from "CAPS"		833,606.79	838,886.79	683,797.72	155,089.07	-
Subtotal General Appropriations		6,358,161.79	6,363,441.79	5,816,945.28	546,496.51	-
Reserve for Uncollected Taxes		400,322.00	400,322.00	400,322.00	-	-
Total General Appropriations		<u>6,758,483.79</u>	<u>6,763,763.79</u>	<u>6,217,267.28</u>	<u>546,496.51</u>	<u>-</u>
 <u>Analysis of Budget After Modification</u>						
Adopted Budget	A-2		6,758,483.79			
Added by N.J.S.A 40A:4-87	A-2		5,280.00			
			<u>6,763,763.79</u>			
 <u>Analysis of Paid or Charged</u>						
Reserve for Uncollected Taxes	A-2			400,322.00		
Cash Disbursements	A-4			5,769,485.49		
Deferred Charges	A-13			5,000.00		
Reserve for Federal & State Grants	A-23			42,459.79		
				<u>6,217,267.28</u>		
 <u>Analysis of Appropriation Reserves</u>						
Unencumbered	A				418,806.03	
Encumbered	A				127,690.48	
					<u>546,496.51</u>	

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

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**Borough of Franklin, N.J.**

**Comparative Balance Sheet - Regulatory Basis**

**Trust Funds**

**December 31,**

<u>Assets</u>	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
Animal Control Trust Fund			
Cash	B-1	<u>466.95</u>	<u>699.90</u>
Other Trust Funds:			
Cash	B-1	1,496,528.07	1,617,311.18
Interfund - Current Fund	B-7	<u>400.00</u>	<u>400.00</u>
		<u>1,496,528.07</u>	<u>1,617,711.18</u>
Emergency Services Volunteer Length of Service Award Program (Unaudited)			
Contribution Receivable	B-8	<u>13,000.00</u>	<u>                    </u>
		<u>1,509,995.02</u>	<u>1,618,411.08</u>
<u>Liabilities, Reserves &amp; Fund Balance</u>			
Animal Control Trust Fund			
Reserve for Animal Control			
Trust Expenditures	B-2	463.35	698.70
Due State Board of Health	B-3	<u>3.60</u>	<u>1.20</u>
		<u>466.95</u>	<u>699.90</u>
Other Trust Fund:			
Reserve for Encumbrances	B-4	45,330.03	57,490.57
Reserve for Various Reserves and Other Trusts	B-5	1,447,717.46	1,556,793.09
Payroll Deductions Payable	B-6	<u>3,480.58</u>	<u>3,427.52</u>
		<u>1,496,528.07</u>	<u>1,617,711.18</u>
Emergency Services Volunteer Length of Service Award Program (Unaudited)			
Net Assets Available for Benefits	B-9	<u>13,000.00</u>	<u>                    </u>
		<u>1,509,995.02</u>	<u>1,618,411.08</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

## General Capital Fund

December 31,

<u>Assets</u>	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
Cash	C-2,C-3	1,584,316.73	1,318,582.98
Deferred Charges to Future Taxation:			
Unfunded	C-4	2,433,199.00	2,697,440.00
Grants Receivable	C-5	303,000.00	239,250.00
		<u>4,320,515.73</u>	<u>4,255,272.98</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Bond Anticipation Notes	C-6	2,433,199.00	2,222,440.00
Improvement Authorizations:			
Funded	C-7	166,505.70	44,541.27
Unfunded	C-7	833,381.89	820,906.05
Capital Improvement Fund	C-8	164,966.20	137,106.20
Reserve for Encumbrances	C-9	575,493.67	912,824.26
Various Reserves	C-10	96,576.05	83,654.98
Fund Balance	C-1	50,393.22	33,800.22
		<u>4,320,515.73</u>	<u>4,255,272.98</u>

Footnote C: There were Bonds and Notes Authorized But Not Issued of \$475,000 on December 31, 2017 and \$-0- on December 31, 2018 as per Schedule C-11.

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

## Borough of Franklin, N.J.

## Comparative Statement of Changes in Fund Balance - Regulatory Basis

## General Capital Fund

## Year Ended December 31,

	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
Balance - January 1,	C	33,800.22	14,547.58
Increased by:			
Premium on Sale of Bond Anticipation Notes	C-2	<u>16,593.00</u>	<u>19,252.64</u>
Balance - December 31,	C	<u><u>50,393.22</u></u>	<u><u>33,800.22</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,

	<u>Ref</u>	<u>2018</u>	<u>2017</u>
<u>Assets</u>			
Operating Fund:			
Cash-Treasurer	D-5	2,158,587.27	2,117,433.94
Change Fund	D-6	200.00	200.00
		<u>2,158,787.27</u>	<u>2,117,633.94</u>
Receivables with Full Reserves:			
Consumers Account Receivable	D-9	164,815.96	140,572.15
Water/Sewer Utility Liens	D-10	25,279.24	14,992.90
		<u>190,095.20</u>	<u>155,565.05</u>
Total Operating Fund		<u>2,348,882.47</u>	<u>2,273,198.99</u>
Capital Fund:			
Cash	D-5;D-8	1,104,602.67	1,045,243.55
Fixed Capital*	D-11	21,164,128.13	21,141,696.05
Fixed Capital Authorized and Uncompleted	D-12	1,095,000.00	959,000.00
Total Capital Fund		<u>23,363,730.80</u>	<u>23,145,939.60</u>
Total Assets		<u>25,712,613.27</u>	<u>25,419,138.59</u>

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

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

## Comparative Balance Sheet - Regulatory Basis

## Water / Sewer Utility Fund

December 31,

	<u>Ref</u>	<u>2018</u>	<u>2017</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Operating Fund:			
Appropriation Reserve:			
Unencumbered	D-4;D-13	319,486.00	334,882.76
Encumbered	D-4;D-13	24,488.48	76,920.72
Total Appropriation Reserve		343,974.48	411,803.48
Accounts Payable - Vendors	D-14	7,075.00	
Accrued Interest on Bonds, Loans, and Notes	D-15	34,930.27	36,562.74
Reserve for Water Hook- Ups	D-17	8,532.75	
Reserve for Sewer Hook- Ups	D-18	5,193.76	0.76
Reserve for Capital Outlay	D-16	1,314.80	1,314.80
Reserve for BPW Maps	D-19	4,293.83	4,293.83
Reserve for Prepaid Water / Sewer Rents	D-20	7,589.02	4,900.36
		412,903.91	458,875.97
Reserve for Receivables	Contra	190,095.20	155,565.05
Fund Balance	D-1	1,745,883.36	1,658,757.97
Total Operating Fund		2,348,882.47	2,273,198.99
Capital Fund:			
Serial Bonds Payable	D-22	1,900,000.00	1,965,000.00
Bond Anticipation Notes	D-25	207,000.00	298,000.00
Various Reserves	D-21	558,988.05	476,389.68
Loan Payable - DEP Infrastructure Loan	D-23	65,598.20	99,331.31
Improvement Authorizations:			
Funded	D-24	10,598.53	6,982.78
Unfunded	D-24	393,029.95	393,029.95
Capital Improvement Fund	D-26	203,774.72	304,774.72
Reserve for Amortization	D-27	19,641,529.93	19,429,364.74
Reserve for Encumbrances	D-28	73,702.00	1,000.00
Reserve for Deferred Amortization	D-29	286,000.00	150,000.00
Fund Balance	D-2	23,509.42	22,066.42
Total Capital Fund		23,363,730.80	23,145,939.60
Total Liabilities, Reserves and Fund Balances		25,712,613.27	25,419,138.59

Footnote D: There were Bonds and Notes Authorized But Not Issued in the Amount of \$159,000.00 and \$159,000.00 on December 31, 2018 and 2017 Per Exhibit D-30.

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

## Water / Sewer Utility Operating Fund

## Years Ending December 31,

	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
Revenue and Other Income Realized:			
Operating Surplus Anticipated	D-3	229,000.00	155,313.00
Water/Sewer Rents	D-3	2,131,411.08	2,188,140.59
Reserve for:			
Water Hook-Ups			5,193.00
Miscellaneous	D-3	140,064.78	125,440.13
Other Credits to Income:			
Unexpended Balance of			
Appropriation Reserves	D-13	<u>232,787.64</u>	<u>203,419.30</u>
Total Income		<u>2,733,263.50</u>	<u>2,677,506.02</u>
Expenditures:			
Operating	D-4	1,888,309.00	1,817,122.00
Capital Improvements	D-4	181,336.00	215,500.00
Debt Service	D-4	271,453.11	269,378.00
Deferred Charges and			
Statutory Expenditures	D-4	<u>76,040.00</u>	<u>67,900.00</u>
Total Expenditures		<u>2,417,138.11</u>	<u>2,369,900.00</u>
Statutory Excess to Surplus		316,125.39	307,606.02
Fund Balance - January 1,	D	<u>1,658,757.97</u>	<u>1,506,464.95</u>
		1,974,883.36	1,814,070.97
Decreased by:			
Utilized as Anticipated Revenue		<u>229,000.00</u>	<u>155,313.00</u>
Fund Balance - December 31,	D	<u>1,745,883.36</u>	<u>1,658,757.97</u>

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

## Borough of Franklin, N.J.

## Comparative Statement of Fund Balance - Regulatory Basis

## Water / Sewer Utility Capital Fund

## Year Ended December 31,

	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
Balance - January 1,	D	22,066.42	<u>22,066.42</u>
Increased by:			
Premium on Sale of Bond Anticipation Notes	D-5	<u>1,443.00</u>	
Balance - December 31,	D	<u>23,509.42</u>	<u>22,066.42</u>

## Statement of Revenues - Regulatory Basis

## Water / Sewer Utility Operating Fund

## Year Ended December 31, 2018

	<u>Ref.</u>	<u>Anticipated</u>	<u>Realized</u>	<u>Excess (Deficit)</u>
Operating Surplus Anticipated	D-1	229,000.00	229,000.00	
Water/Sewer Rents	D-1;D-3	2,188,139.00	2,131,411.08	(56,727.92)
Miscellaneous	D-1		140,064.78	140,064.78
Budget Totals	D-4	<u>2,417,139.00</u>	<u>2,500,475.86</u>	<u>83,336.86</u>
<u>Analysis of Realized Revenues</u>				
Water Rents				
Consumer Accounts Receivable	D-9		2,129,941.43	
Water Utility Liens	D-10		1,469.65	
	D-3		<u>2,131,411.08</u>	
Miscellaneous:				
Interest on Deposits:				
Water / Sewer Operating Fund		31,640.57		
Water / Sewer Capital Fund		<u>4,654.28</u>		
	D-5		36,294.85	
Miscellaneous:				
Antenna Lease Agreement		78,643.48		
Interest on Delinquent Payments		14,048.04		
Other Miscellaneous		<u>11,078.41</u>		
	D-5		<u>103,769.93</u>	
			<u>140,064.78</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, 2018

	Ref.	Appropriated		Expended		Unexpended Balance Cancelled
		Budget	Budget After Modification	Paid or Charged	Reserved	
Operating:						
Salaries and Wages		438,700.00	438,700.00	367,496.52	71,203.48	
Other Expenses		<u>1,449,609.00</u>	<u>1,449,609.00</u>	<u>1,324,327.10</u>	<u>125,281.90</u>	
Total Operating	D-1	<u>1,888,309.00</u>	<u>1,888,309.00</u>	<u>1,691,823.62</u>	<u>196,485.38</u>	
Capital Improvements						
Capital Improvement Fund		15,000.00	15,000.00	15,000.00		
Capital Outlay		30,000.00	30,000.00	16,844.40	13,155.60	
Improvements to Water Distribution System		25,000.00	25,000.00		25,000.00	
Improvements to Sewers & Sewer Stations		50,000.00	50,000.00		50,000.00	
Purchase of Water/Sewer Equipment		10,500.00	10,500.00	5,587.68	4,912.32	
Inflow and Infiltration Improvements		<u>50,836.00</u>	<u>50,836.00</u>	<u>3,437.50</u>	<u>47,398.50</u>	
Total Capital Improvements	D-1	<u>181,336.00</u>	<u>181,336.00</u>	<u>40,869.58</u>	<u>140,466.42</u>	
Debt Service:						
Payment of Bond Principal		65,000.00	65,000.00	65,000.00		
Payment of Bond Anticipation Notes and Capital Notes		91,000.00	91,000.00	91,000.00		
Interest on Bonds		72,715.00	72,715.00	72,715.00		
Interest on Notes		6,292.50	6,292.50	6,292.50		
DEP Loan Principal		33,734.00	33,734.00	33,733.11		0.89
DEP Loan Interest		<u>2,712.50</u>	<u>2,712.50</u>	<u>2,712.50</u>		
Total Debt Service	D-1	<u>271,454.00</u>	<u>271,454.00</u>	<u>271,453.11</u>		<u>0.89</u>
Deferred Charges and Statutory Expenditures:						
Statutory Expenditures:						
Contribution to:						
Public Employees' Retirement System		40,840.00	40,840.00	40,839.39	0.61	
Social Security System (O.A.S.I.)		33,600.00	33,600.00	26,811.15	6,788.85	
Unemployment Compensation Insurance		<u>1,600.00</u>	<u>1,600.00</u>	<u>1,366.78</u>	<u>233.22</u>	
Total Deferred Charges and Statutory Expenditures	D-1	<u>76,040.00</u>	<u>76,040.00</u>	<u>69,017.32</u>	<u>7,022.68</u>	
		<u>2,417,139.00</u>	<u>2,417,139.00</u>	<u>2,073,163.63</u>	<u>343,974.48</u>	<u>0.89</u>
D-3						
<u>Analysis of Paid or Charged</u>						
Cash Disbursed	D-5			1,991,443.63		
Accrued Interest on Bonds and Notes	D-15			81,720.00		
				<u>2,073,163.63</u>		
<u>Analysis of Reserved</u>						
Unencumbered	D				319,486.00	
Encumbered	D				24,488.48	
					<u>343,974.48</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,**

	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
<u>Assets</u>			
Cash	E-1	<u>5,669.13</u>	<u>5,588.59</u>
<u>Liabilities</u>			
Reserve for Public Assistance	E-4	<u>5,669.13</u>	<u>5,588.59</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,**

	<u>Balance</u> <u>Dec. 31, 2018</u>	<u>Balance</u> <u>Dec. 31, 2017</u>
<b><u>ASSETS</u></b>		
Land, Building and Building Improvements	6,548,700.00	6,548,700.00
Machinery and Equipment	<u>4,677,234.00</u>	<u>4,118,515.00</u>
	<u>11,225,934.00</u>	<u>10,667,215.00</u>
<b><u>RESERVES</u></b>		
Investment in Fixed Assets	<u>11,225,934.00</u>	<u>10,667,215.00</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, 2018 AND 2017**

**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, 2018 AND 2017  
(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, 2018 AND 2017  
(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 the 11<sup>th</sup> day of the 11<sup>th</sup> month of the fiscal year levied, the collector in the municipality shall subject to the provisions of the New Jersey Statutes enforce the lien by placing the property on a tax sale. Annual in rem tax foreclosure proceedings are instituted to enforce the tax collection or acquisition of title to the property by the Borough. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the taxes receivable and tax title liens that are uncollectible. GAAP requires tax revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

Miscellaneous Revenues - Miscellaneous revenues are recognized on a cash basis. Receivables for the miscellaneous items that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund 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, 2018 AND 2017  
(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	Public Assistance Trust Fund
General Capital 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 2018, there was one special item of revenue inserted into the budget. In addition, several budget transfers were approved by the Governing Body.

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

**BOROUGH OF FRANKLIN, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017  
(CONTINUED)**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

B. Basis of Accounting (continued)

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

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

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

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

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

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

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

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

**BOROUGH OF FRANKLIN, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017  
(CONTINUED)**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

B. Basis of Accounting (continued)

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 and notes to financial statements because their inclusion would make certain statements and notes to financial statements unduly complex and difficult to understand.

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

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.

**BOROUGH OF FRANKLIN, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017  
(CONTINUED)**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

B. Basis of Accounting (continued)

Impact of Recently Issued Accounting Principles

Recently Issued and Adopted Accounting Pronouncements

For the year ended December 31, 2018, the Borough adopted Government Accounting Standards Board GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. This Statement applies to government employers who provided OPEB plans to their employees and basically parallels GASB Statement 68 and replaces GASB Statement 45. The Statement is effective for periods beginning after June 15, 2017. As a result of adopting this Statement, the Borough was required to measure and disclose liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to their post-employment benefits other than pensions. As a result of the regulatory basis of accounting previously described in note 1, the implementation of this Statement only required financial statement disclosure. There exists no impact on the financial statements of the Borough.

C. Basic Financial Statements

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

**NOTE 2: BUDGETARY INFORMATION**

Under New Jersey State Statutes, the annual budget is required to be a balanced cash basis document. To accomplish this, the municipality is required to establish a reserve for uncollected taxes. The 2018 statutory budget included a reserve for uncollected taxes in the amount of \$400,322.00. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2018 statutory budget was \$535,700.00.

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 was one item of revenue and appropriation inserted into the annual budget for 2018; \$5,280.00, Distracted Driver Grant.

**BOROUGH OF FRANKLIN, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017  
(CONTINUED)**

**NOTE 2: BUDGETARY INFORMATION (CONTINUED)**

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 2018, there were no special emergency appropriations inserted into the budget.

**NOTE 3: FIXED ASSETS**

The following schedule is a summarization of the changes in general fixed assets for the calendar year ended December 31, 2018.

	Balance as of <u>12/31/17</u>	<u>Additions</u>	<u>Disposals</u>	Balance as of <u>12/31/18</u>
Land, Building and Improvements	\$ 6,548,700.00	\$ -	\$ -	\$6,548,000.00
Equipment (Including Vehicles)	<u>4,118,515.00</u>	<u>959,775.00</u>	<u>401,056.00</u>	<u>4,677,234.00</u>
	<u>\$10,667,215.00</u>	<u>\$959,775.00</u>	<u>\$401,056.00</u>	<u>\$11,225,234.00</u>

**NOTE 4: MUNICIPAL DEBT**

Long-term debt as of December 31, 2018 consisted of the following:

	Balance <u>Dec. 31, 2017</u>	<u>Increased</u>	<u>Decreased</u>	Balance <u>Dec. 31, 2018</u>	Amount Due Within <u>One Year</u>
Water/Sewer Capital Fund:					
Bonds Payable	\$1,965,000.00	\$ -	\$ 65,000.00	\$1,900,000.00	\$ 70,000.00
NJEIT Loan	<u>99,331.31</u>	<u>-</u>	<u>33,733.11</u>	<u>65,598.20</u>	<u>33,110.23</u>
	<u>2,064,331.31</u>	<u>-</u>	<u>98,733.11</u>	<u>1,965,598.20</u>	<u>103,110.23</u>
Compensated Absences Payable	<u>322,043.72</u>	<u>26,260.50 (1)</u>	<u>16,147.50</u>	<u>332,156.72</u>	<u>-</u>
	<u>\$2,386,375.03</u>	<u>\$26,260.50</u>	<u>\$114,880.61</u>	<u>\$2,297,754.92</u>	<u>\$103,110.23</u>

(1) Net of days allowed and days used.

**BOROUGH OF FRANKLIN, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017  
(CONTINUED)**

**NOTE 4: MUNICIPAL DEBT (CONTINUED)**

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.

The Borough's debt is summarized as follows:

<u>Issued</u>	<u>Year 2018</u>	<u>Year 2017</u>	<u>Year 2016</u>
General:			
Bonds, Notes & Loans	\$2,433,199.00	\$2,222,440.00	\$2,159,420.00
Water/Sewer Utility:			
Bonds, Notes & Loans	<u>2,172,598.20</u>	<u>2,362,331.31</u>	<u>2,552,687.30</u>
	<u>4,605,797.20</u>	<u>4,584,771.31</u>	<u>4,712,107.30</u>
<u>Authorized But Not Issued</u>			
General:			
Bonds and Notes	-	475,000.00	-
Water/Sewer Utility:			
Bonds and Notes	<u>159,000.00</u>	<u>159,000.00</u>	<u>159,000.00</u>
Total Authorized But Not Issued	<u>159,000.00</u>	<u>634,000.00</u>	<u>159,000.00</u>
Net Bonds, Notes and Loans Issued and Authorized but not Issued	<u>4,764,797.20</u>	<u>5,218,771.31</u>	<u>4,871,107.30</u>
Less:			
Self-Liquidating Debt	<u>2,331,598.20</u>	<u>2,521,331.31</u>	<u>2,711,687.30</u>
Net Debt	<u>\$2,433,199.00</u>	<u>\$2,697,440.00</u>	<u>\$2,159,420.00</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 0.595%.

**BOROUGH OF FRANKLIN, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017  
(CONTINUED)**

**NOTE 4: MUNICIPAL DEBT (CONTINUED)**

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Regional High School District Debt	\$506,731.84	\$506,761.84	\$ -
Water/Sewer Utility Debt	2,331,598.20	2,331,598.20	-
General Debt	<u>2,433,199.00</u>	<u>-</u>	<u>2,433,199.00</u>
	<u>\$5,271,559.04</u>	<u>\$2,838,360.04</u>	<u>\$2,433,199.00</u>

Net Debt \$2,433,199.00 divided by equalized valuation basis per N.J.S.A. 40A:2-2 as amended, 408,979,831.67 = 0.595%.

**SUMMARY OF AVERAGE EQUALIZED VALUATION**

2018	408,979,831.67	
2017	410,837,758.33	
2016		412,788,225.00

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

3 1/2% of Equalized Valuation Basis (Municipal)	\$14,314,294.10
Net Debt	<u>2,433,199.00</u>
Remaining Borrowing Power	<u>\$11,881,095.10</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		\$2,500,475.86
Operating And Maintenance Costs	\$1,964,349.00	
Debt Service	<u>271,453.11</u>	
		<u>2,235,802.11</u>
Excess in Revenue		<u>\$ 264,673.75</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 not in agreement with the Annual Debt Statement filed by the Chief Financial Officer.

**BOROUGH OF FRANKLIN, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017  
(CONTINUED)**

**NOTE 4: MUNICIPAL DEBT (CONTINUED)**

Long-term debt as of December 31, 2018 consisted of the following:

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

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, 2018 was \$40,000.00.

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, and February 1 in each of the years, 2001-2020. The balance remaining as of December 31, 2018 was \$25,598.19.

On February 15, 2015, The Borough issued \$2,195,000.00 of Water Refunding Bonds of 2015 at interest rates of 2.00% to 4.00% per annum. At December 31, 2018, the balance remaining was \$1,900,000.00.

The Borough's long term debt consisted of the following at December 31, 2018:

Water Utility Capital Account	<u>\$1,965,598.20</u>
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**SCHEDULE OF ANNUAL DEBT SERVICE FOR PRINCIPAL AND INTEREST FOR BONDED DEBT AND LOAN OBLIGATIONS ISSUED AND OUTSTANDING**

Calendar Year	Water/Sewer Utility		
	Principal	Interest	Total
2019	103,110.23	74,400.00	177,510.23
2020	102,487.97	71,250.00	173,737.97
2021	75,000.00	68,100.00	143,100.00
2022	75,000.00	65,850.00	140,850.00
2023	80,000.00	63,600.00	143,600.00
2024-2028	435,000.00	272,600.00	707,600.00
2029-2033	525,000.00	179,000.00	704,000.00
2034-2038	<u>570,000.00</u>	<u>64,000.00</u>	<u>634,000.00</u>
Total	<u>1,965,598.20</u>	<u>858,800.00</u>	<u>2,824,398.20</u>

**BOROUGH OF FRANKLIN, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017  
(CONTINUED)**

**NOTE 5: BOND ANTICIPATION NOTES**

The Borough issues bond anticipation notes to temporarily fund various capital projects prior to the issuance of serial bonds. The term of the notes cannot exceed one year but the notes may be renewed from time to time for a period not exceeding one year. Generally, such notes must be paid no later than the first day of the fifth month following the close of the tenth fiscal year following the date of the original notes. The State of New Jersey also prescribes that on or before the third anniversary date of the original note, a payment of an amount at least equal to the first legally payable installment of the bonds in anticipation of such notes were issued 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, 2018, a bond anticipation note in the amount of \$2,433,199.00 payable to Oppenheimer. This note will mature on 8/15/19 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 2.750%. Principal and interest on this note is paid from the Current Fund Budget of the Borough.

The Borough has outstanding at December 31, 2018, a bond anticipation note in the amount of \$207,000.00 payable to Oppenheimer. This note will mature on 8/15/19 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 2.750%. Principal and interest on this note is paid from the Water/Sewer Operating Fund Budget of the Borough.

The following activity related to bond anticipation notes occurred during the calendar year ended December 31, 2018.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Notes Payable:				
General Capital:				
Oppenheimer	\$ 2,222,420.00	\$2,433,199.00	\$2,222,420.00	\$2,433,199.00
Water/Sewer Capital:				
Oppenheimer	<u>298,000.00</u>	<u>207,000.00</u>	<u>298,000.00</u>	<u>207,000.00</u>
	<u>\$2,520,420.00</u>	<u>\$2,640,199.00</u>	<u>\$2,520,420.00</u>	<u>\$2,640,199.00</u>

**BOROUGH OF FRANKLIN, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017  
(CONTINUED)**

**NOTE 6: FUND BALANCES APPROPRIATED**

Fund balances at December 31, 2018 and 2017 which were appropriated and included as anticipated revenue in their own respective funds for the years ending December 31, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Current Fund	<u>\$650,000.00</u>	<u>\$535,700.00</u>
Water/Sewer Utility Operating	<u>\$367,853.00</u>	<u>\$229,000.00</u>

**NOTE 7: 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.

**NOTE 8: PENSION PLANS**

Description of Plans:

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

Plan Description

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

Benefits Provided

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

**BOROUGH OF FRANKLIN, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017  
(CONTINUED)**

**NOTE 8: PENSION PLANS (CONTINUED)**

*Public Employees' Retirement System (PERS)*

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

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

*Police and Firemens' Retirement System (PFRS)*

Plan Description

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

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:16A. PFRS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for disability benefits, which vest after 4 years of service. The following represents the membership tiers for PFRS:

**BOROUGH OF FRANKLIN, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017  
(CONTINUED)**

**NOTE 8: PENSION PLANS (CONTINUED)**

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

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

Service retirement benefits are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Members may seek special retirement after achieving 25 years of creditable service, in which benefits would equal 65% (Tiers 1 and 2 members) and 60% (Tier 3 members) of final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. Members may elect deferred retirement benefits after achieving ten years of service, in which case benefits would begin at age 55 equal to 2% of final compensation for each year of service.

Defined Contribution Retirement Program

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

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

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

**BOROUGH OF FRANKLIN, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017  
(CONTINUED)**

**NOTE 8: PENSION PLANS (CONTINUED)**

Contribution Requirements

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

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

<u>Year</u>	<u>PERS</u>	<u>PFRS</u>	<u>DCRP</u>
2018	\$151,229.00	\$320,529.00	\$1,511.27
2018	122,885.00	260,691.00	1,011.00
2016	127,685.53	270,810.00	1,003.75

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

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

**Public Employees Retirement System (PERS)**

At December 31, 2018, the Borough had a liability of \$3,174,781.00 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2017, the Borough's proportion was 0.0161242325 percent, which was a decrease of 0.0000526997 percent from its proportion measured as of June 30, 2017.

**BOROUGH OF FRANKLIN, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017  
(CONTINUED)**

**NOTE 8: PENSION PLANS (CONTINUED)**

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

For the year ended December 31, 2018, the Borough recognized pension expense of \$151,229.00. At December 31, 2018, deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$60,544.00	\$16,370.00
Changes of assumptions	523,151.00	1,015,126.00
Net difference between projected and actual earnings on pension plan investments	-	29,780.00
Changes in proportion and differences between the Borough's contributions and proportionate share of contributions	<u>370,086.00</u>	<u>105,950.00</u>
Total	<u>\$953,781.00</u>	<u>\$1,167,226.00</u>

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (June 30, 2018) will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions (excluding changes in proportion) will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$22,035.00
2020	(30,507.00)
2021	(218,762.00)
2022	(189,626.00)
2023	(60,721.00)

**Changes in Proportion**

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.63, 5.48, 5.57, 5.72 and 6.44 years for 2018, 2017, 2016, 2015 and 2014 amounts respectively.

**BOROUGH OF FRANKLIN, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017  
(CONTINUED)**

**NOTE 8: PENSION PLANS (CONTINUED)**

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

**Additional Information**

Local Group Collective balances at June 30, 2018 and June 30, 2017 are as follows:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Collective deferred outflows of resources	\$4,684,852,302	\$6,424,455,842
Collective deferred inflows of resources	7,646,736,226	5,700,625,981
Collective net pension liability	19,689,501,539	23,278,401,588
Borough's Proportion	0.0161242325%	0.0161769322%

**Actuarial Assumptions**

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which rolled forward to June 30, 2018. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

**Mortality Rates**

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the Conduent modified 2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members.

**BOROUGH OF FRANKLIN, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017  
(CONTINUED)**

**NOTE 8: PENSION PLANS (CONTINUED)**

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

**Mortality Rates (continued)**

In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using projection scale AA and using a generational approach based on Conduent 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

**Long-Term Rate of Return**

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2018 are summarized in the following table:

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

**BOROUGH OF FRANKLIN, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017  
(CONTINUED)**

**NOTE 8: PENSION PLANS (CONTINUED)**

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

**Discount Rate**

The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.87% as of June 30, 2018 based on the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 50% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2046 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the collective net pension liability of the participating employers as of June 30, 2018, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 - percentage point lower or 1-percentage-point higher than the current rate:

	<u>June 30, 2018</u>		
	<u>1%</u> <u>Decrease</u> <u>4.66%</u>	<u>At Current</u> <u>Discount Rate</u> <u>5.66%</u>	<u>1%</u> <u>Increase</u> <u>6.66%</u>
Borough's proportionate share of the pension liability	\$3,991,921	\$3,174,781	\$2,489,253

**Pension Plan Fiduciary Net Position**

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

**BOROUGH OF FRANKLIN, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017  
(CONTINUED)**

**NOTE 8: PENSION PLANS (CONTINUED)**

**Police and Firemen's Retirement System (PFRS)**

At December 31, 2018, the Borough had a liability of \$5,075,271.00 for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2017, the Borough's proportion was 0.0375066742 percent, which was an increase of 0.0012894635 percent from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the Borough recognized pension expense of \$320,529.00. At December 31, 2018, deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference in actual and expected experience	\$51,634.00	\$21,003.00
Changes of assumptions	435,644.00	1,300,704.00
Net difference between projected and actual earnings on pension plan investments	-	27,766.00
Changes in proportion and differences between Borough contributions and proportionate share of contributions	<u>661,125.00</u>	<u>164,967.00</u>
Total	<u>\$1,148,403.00</u>	<u>\$1,514,440.00</u>

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (June 30, 2018) will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions (excluding changes in proportion) will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$43,648.00
2020	(147,135.00)
2021	(411,629.00)
2022	(264,238.00)
2023	(82,841.00)

**BOROUGH OF FRANKLIN, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017  
(CONTINUED)**

**NOTE 8: PENSION PLANS (CONTINUED)**

**Police and Firemen's Retirement System, (continued)**

**Changes in Proportion**

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.73, 5.59, 5.58, 5.53 and 6.17 years for 2018, 2017, 2016, 2015 and 2014 amounts respectively.

**Additional Information**

Local Group Collective balances at June 30, 2018 and June 30, 2017 are as follows:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Collective deferred outflows of resources	\$1,988,215,695	\$2,941,952,753
Collective deferred inflows of resources	4,286,994,294	3,262,432,093
Collective net pension liability	15,369,699,278	17,167,260,198
Borough's Proportion	0.0375066742%	0.0362172107 %

**Actuarial Assumptions**

The collective total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation	2.25 Percent
Salary Increases:	
Through 2026	2.10-8.98 Percent (based on age)
Thereafter	3.10-9.98 Percent (based on age)
Investment Rate of Return	7.00 Percent

**BOROUGH OF FRANKLIN, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017  
(CONTINUED)**

**NOTE 8: PENSION PLANS (CONTINUED)**

**Police and Firemen's Retirement System, (continued)**

**Mortality Rates**

Pre-retirement mortality rates were based on the RP-2000 Combined Health Mortality tables projected on a generational basis from the base year 2000 to 2013 using Projection Scale BB and the Conduent modified 2014 projection scale thereafter. For pre-retirement accidental mortality, a custom table with representative rates was used and there is no mortality improvement assumed. Post-retirement mortality rates for male service retirements are based on the RP-2000 Combined Healthy Mortality Tables projected on a generational basis using Projection Scale AA from the base year 2012 to 2013 and the Conduent modified 2014 projection scale thereafter. Post-retirement mortality rates for female service retirements and beneficiaries were based on the RP-2000 Combined Healthy Mortality Tables projected on a generational basis from the base year 2000 to 2013 using Projection Scale BB and the Conduent modified 2014 projection scale thereafter. Disability mortality rates were based on custom table with representative rates and no mortality improvement assumed.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

**Long-Term Rate of Return**

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2018 are summarized in the following table:

**BOROUGH OF FRANKLIN, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017  
(CONTINUED)**

**NOTE 8: PENSION PLANS (CONTINUED)**

**Police and Firemen's Retirement System, (continued)**

**Long-Term Rate of Return, (continued)**

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

**Discount Rate**

The discount rate used to measure the total pension liability was 6.51% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.87% as of June 30, 2018 based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the non-employer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 50% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2062. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2062, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**BOROUGH OF FRANKLIN, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017  
(CONTINUED)**

**NOTE 8: PENSION PLANS (CONTINUED)**

**Police and Firemen's Retirement System, (continued)**

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

The following presents the collective net pension liability of the participating employers as of June 30, 2018, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1- percentage point lower or 1- percentage-point higher than the current rate:

	<u>June 30, 2018</u>		
	<u>1%</u> Decrease	<u>At Current</u> Discount Rate	<u>1%</u> Increase
	<u>5.51%</u>	<u>6.51%</u>	<u>7.51%</u>
Borough's proportionate share of the pension liability	\$7,715,286	\$5,075,271	\$4,155,754

***Special Funding Situations - PFRS***

Under N.J.S.A.43:16A-15, the Borough is responsible for their own PFRS contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State to make contributions if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 8, P.L. 2000, Chapter 318, p.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the Borough by the State under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Accordingly, the Borough's proportionate share percentage of the net pension liability, deferred outflows and inflows determined under GASB Statement No. 68 is zero percent and the State's proportionate share is 100% for PFRS under this legislation.

**BOROUGH OF FRANKLIN, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017  
(CONTINUED)**

**NOTE 8: PENSION PLANS (CONTINUED)**

**Police and Firemen's Retirement System, (continued)**

At December 31, 2018 and 2017, the State proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$689,392.00 and \$626,266.00, respectively. For the years ended December 31, 2018 and 2017, the pension system has determined the State proportionate share of the pension expense attributable to the Borough for the PFRS special funding situation is \$81,657.00 and \$76,606.00, respectively, which is more than the actual contributions the State made on behalf of the Borough of \$40,829.00 and \$31,316.00, respectively. The State's proportionate share attributable to the Borough was developed based on actual contributions made to PFRS allocated to employers based upon covered payroll. These on-behalf contributions have not been reported on the Borough's financial statements.

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial reports may be accessed at via the New Jersey, Division of Pension and Benefits, website at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**NOTE 9: 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 \$332,156.72. 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, 2018, the Borough had \$152,450.44 reserved in the Other Trust Fund for accrued leave.

The Borough does not permit employees to accrue vacation time.

**NOTE 10: 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.

**BOROUGH OF FRANKLIN, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017  
(CONTINUED)**

**NOTE 11: 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, 2018, \$0- of the Borough's bank balance of \$10,070,386.01 was exposed to custodial credit risk.

**Investments**

**Investment Rate Risk**

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

**Credit Risk**

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

**Concentration of Credit Risk**

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

**BOROUGH OF FRANKLIN, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017  
(CONTINUED)**

**NOTE 12: RISK MANAGEMENT**

The Borough is exposed to various risks of loss related to general liability, automobile coverage, damage and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Borough has obtained insurance coverage to guard against these events which will provide minimum exposure to the Borough should they occur. During the 2018 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.

**NOTE 13: DUE TO/FROM OTHER FUNDS**

Balances due to/from other funds at December 31, 2018 consist of the following:

<u>\$127,315.55</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.

**BOROUGH OF FRANKLIN, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017  
(CONTINUED)**

**NOTE 14: LEASES**

The Borough has a commitment to lease a postal meter under an operational lease for sixty months that starts on July 1, 2018 and expires on June 30, 2023. Monthly payments are \$141.18. Total Operational lease payments made during the year were \$847.08. Future operating lease payments are as follows:

2019	\$1,694.16	2022	\$1,694.16
2020	1,694.16	2023	847.08
2021	1,694.16		

The Borough entered in a long-term lease for the purchase of three (3) Savin copiers totaling \$22,680.00. The lease is for a 5 year term.

The following is a schedule of future minimum lease payments as of December 31, 2018:

Total minimum lease payments	\$18,032.00
Less: Amount representing interest	<u>2,051.96</u>
Present value of net minimum lease payments	<u>\$15,980.04</u>

Payment Dates	<u>Principal</u>	<u>Interest</u>	<u>Total Lease payments</u>
2019	\$3,564.23	\$851.77	\$4,416.00
2020	3,781.42	634.58	4,416.00
2021	4,011.86	404.14	4,416.00
2022	4,256.34	159.66	4,416.00
2023	<u>366.19</u>	<u>1.81</u>	<u>368.00</u>
	<u>\$15,980.04</u>	<u>\$20,51.96</u>	<u>\$18,032.00</u>

**NOTE 15: 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 16: 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, 2018 AND 2017  
(CONTINUED)**

**NOTE 17: TAXES COLLECTED IN ADVANCE**

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

	<u>Balance Dec 31, 2018</u>	<u>Balance Dec 31, 2017</u>
Prepaid Taxes	<u>\$80,243.10</u>	<u>\$226,343.23</u>
Cash Liability for Taxes Collected in Advance	<u>\$80,243.10</u>	<u>\$226,343.23</u>

**NOTE 18: EMERGENCY SERVICES VOLUNTEER LENGTH OF SERVICE AWARD PLAN  
(LOSAP)**

The Borough of Franklin Length of Service Awards Program (LOSAP) was created by a Borough Ordinance adopted on July 25, 2017 for the Volunteer Fire Department and for the Volunteer Wallkill Valley First Aid Squad, pursuant to P.L. 1997, c.388 and Section 457 (e)(11)(B) of the Internal Service Code of 1986, as amended, except for provisions added by Reason of the Length of Service Awards Program as enacted into Federal law in 1997. The voters of the Borough of Franklin approved the adoption of the Plan at the general election held on November 7, 2017.

On December 22, 2017 the Division of Local Government Services approved the Borough's LOSAP plan, provided by Lincoln Financial Group. The purpose of this plan is to enhance the Borough's ability to retain and recruit volunteer firefighters and volunteer members of emergency service squads.

The first year of eligibility for entrance into the Plan was calendar year 2018. The tax deferred income benefits for emergency service volunteers, consists of the Volunteer Fire Department and the Volunteer Wallkill Valley First Aid Squad, come from contributions made solely by the governing body of the municipality, on behalf of those volunteers who meet the criteria of a plan created by that governing body.

If an active member meets the year of active service requirement, a LOSAP must provide a benefit between the minimum contribution of \$100 and a maximum contribution of \$1,150.00 per year. While the maximum amount is established by statute, it is subject to periodic increases that are related to the consumer price index (N.J.S.A. 40A:14-185(f)). The Division of Local Government Services will issue the permitted maximum annually. The maximum contribution for municipal LOSAPs for the year ended December 31, 2018 is set at \$1,717.00.

The Borough of Franklin has elected to contribute \$500 for 2018 per eligible volunteer into the Plan. In addition, the programs does not provide contributions for prior years service.

**BOROUGH OF FRANKLIN, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017  
(CONTINUED)**

**NOTE 18: EMERGENCY SERVICES VOLUNTEER LENGTH OF SERVICE AWARD PLAN  
(LOSAP) (CONTINUED)**

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

We have reviewed the plan for the year ended December 31, 2018 in accordance with the American Institute of Certified Public Accountants (AICPA) Statement on Standards for Accounting and Review Services.

**NOTE 19: OTHER POST-EMPLOYMENT BENEFITS**

In addition to the pension described in Note 8, the Borough does not provide post employment health care benefits as part of the State Health Benefits Local Government Retired Employments Plan. However, benefits are provided as describe below:

**Special Funding Situation PFRS**

Under Chapter 330, P.L. 1997, the State shall pay the premium or periodic charges for the qualified local police and firefighter retirees and dependents equal to 80 percent of the premium or periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or a health maintenance organization participating in the program providing the lowest premium or periodic charge. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under chapter 271, P.L. 1989.

Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No, 75 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan, there is no net OPEB liability, deferred inflows of resources or deferred inflows of resources to report in the financial statements of the local participating employers related to this legislation.

At December 31, 2018, the State's proportionate share of the net OPEB liability attributable to the Borough for the PFRS special funding situation is \$5,248,151 and the State's proportionate share of the OPEB expense for the PFRS special funding situation is \$158,868.

**BOROUGH OF FRANKLIN, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017  
(CONTINUED)**

**NOTE 20: CONTINGENT LIABILITIES**

Previous year's and current year's 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.

**NOTE 21: SUBSEQUENT EVENT**

The Borough has evaluated subsequent events through July 19, 2019, the date which the financial statements were available to be issued and no other items were noted for disclosure.

## SUPPLEMENTARY DATA

**BOROUGH OF FRANKLIN, N.J.**

**OFFICIALS IN OFFICE AND SURETY BONDS**  
**YEAR ENDED DECEMBER 31, 2018**

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

<u>Name</u>	<u>Title</u>
Nicholas Giordano	Mayor
Dawn Fantasia	Council President
John Postas	Councilperson
Joe Limon	Councilperson
Michael Rathbun	Councilperson to 4/13/18
Phillip Crabb	Councilperson from 5/8/18
Stephen Skellenger	Councilperson
Gilbert Snyder	Councilperson
Alison Littell McHose	Administrator; Municipal Housing Liaison
Darlene Tremont	Acting Clerk to 12/14/18; Registrar; Clerk from 12/15/18
Monica Miebach	Chief Finance Officer/Qualified Purchasing Agent
Pam Crum	Finance Clerk
Karen Osellame	Water/Sewer Collector/ Asst. Tax Collector
Judith O'Brien	Tax Collector; Water/Sewer Collector
Thomas Prol	Borough Attorney
Angelo Bolcato	BPW and Rent Leveling Attorney
James G. Devine	Judge
Lorraine Spirito	Court Administrator
Maggie Rodriguez	Deputy Court Administrator
Eugene McInerney	Chief of Police
Brian Vandenbroek	Public Works Manager
Joseph Butto	Construction Official (Shared service - Hardyston Township)
Scott Holzhauser	Tax Assessor
Lisa Smith	Assistant to Tax Assessor & Public Works Supv.
Thomas Knutelsky	Engineer - Harold E. Pellow & Associates
Robert Guerin	Water/Sewer Engineer - Guerin & Vreeland
Michelle Babcock	Planning Board Secretary/Assistant to Administrator from 4/2/18
Donna Vreeland	Recreation Board Secretary/Assistant to Administrator from 4/2/18
Joseph Drossel	Zoning Officer
Thomas M. Ferry, C.P.A., R.M.A.	Auditor

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, 2018**

Federal Department	Federal Program	Federal C.F.D.A Number	State Account No.	Program or Award Amount	Grant Period From/To	12/31/17		Receipts	Expended	12/31/18		MEMO Cumulative Total Expenditures	
						(Receivable)	Reserve Balance			(Receivable)	Reserve Balance		
<b><u>FEDERAL AND STATE GRANT FUND</u></b>													
(Passed through NJ Division of Highway Traffic Safety)	Distracted Driver Incentive	20.616	1160-100-066-1160-158	5,280.00	1/1/18 - 12/31/18			5,280.00	(5,280.00)		-	5,280.00	
U.S. Department of Justice	Body Armor Grant	16.607	066-1020-718-001	2,087.50	1/1/16-12/31/16		2,040.48		(1,894.78)		145.70	1,941.80	
	Body Armor Grant	16.607	066-1020-718-001	3,308.57	1/1/17 - 12/31/17		3,308.57				3,308.57	1,941.80	
							-	5,349.05	-	(1,894.78)	-	3,454.27	1,941.80
<b>TOTAL FEDERAL AWARDS</b>							-	5,349.05	5,280.00	(7,174.78)	-	3,454.27	7,221.80

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

Borough of Franklin  
 Schedule of Expenditures of State Awards  
 For the Year Ended December 31, 2018

Name of State Agency or Department	Name of Program	Grant or State Project Number	Program or Award Amount	Grant Period From/To	12/31/17		Receipts	Expended	12/31/18		MEMO Cumulative Total Expenditures	
					Receivable	Reserve Balance			Receivable	Reserve Balance		
<b>FEDERAL AND STATE GRANT FUND</b>												
<u>Department of Environmental Protection</u>												
	Clean Communities Grant	4900-765-042-4900-004-V42Y-6020	10,021.68	1/1/14-12/31/14		406.33		(406.33)			10,021.68	
	Clean Communities Grant	4900-765-042-4900-004-V42Y-6020	12,073.46	1/1/15-12/31/15		12,073.46		(2,624.80)		9,448.66	2,624.80	
	Clean Communities Grant	4900-765-042-4900-004-V42Y-6020	13,925.79	1/1/16-12/31/16		13,925.79				13,925.79		
	Clean Communities Grant	4900-765-042-4900-004-V42Y-6020	11,830.83	1/1/17-12/31/17		11,830.83				11,830.83		
	Clean Communities Grant	4900-765-042-4900-004-V42Y-6020	11,318.73	1/1/18-12/31/18			11,318.73			11,318.73		
						38,236.41		(3,031.13)		46,524.01	12,646.48	
	Recycling Tonnage	4900-752-042-4900-001-V42Y-6020	11,398.95	1/1/12-12/31/12		8,961.06		(8,961.06)			11,398.95	
	Recycling Tonnage	4900-752-042-4900-001-V42Y-6020	10,941.54	1/1/13-12/31/13		10,941.54		(2,825.86)		8,115.68	2,825.86	
	Recycling Tonnage	4900-752-042-4900-001-V42Y-6020	10,892.36	1/1/14-12/31/14		10,892.36				10,892.36		
	Recycling Tonnage	4900-752-042-4900-001-V42Y-6020	12,117.89	1/1/15-12/31/15		12,117.89				12,117.89		
	Recycling Tonnage	4900-752-042-4900-001-V42Y-6020	11,061.03	1/1/16-12/31/16		11,061.03				11,061.03		
	Recycling Tonnage	4900-752-042-4900-001-V42Y-6020	11,369.90	1/1/17-12/31/17		11,369.90				11,369.90		
						65,343.78		(11,786.92)		53,556.86	14,224.81	
Total NJ Department of Environmental Protection						103,580.19	11,318.73	(14,818.05)		100,080.87	26,871.29	
<u>Department of Health and Senior Services</u>												
	Rehabilitation and Enforcement Alcohol Education and Rehabilitation	9735-760-098-Y900-001-X100-6020	2,840.28	1/1/16-12/31/16		1,185.78				1,185.78		
	Rehabilitation and Enforcement Alcohol Education and Rehabilitation	9735-760-098-Y900-001-X100-6020	3,860.39	1/1/17-12/31/17		3,860.39				3,860.39		
	Rehabilitation and Enforcement Alcohol Education and Rehabilitation	9735-760-098-Y900-001-X100-6020	2,416.67	1/1/18-12/31/18			2,416.67			2,416.67		
Total Department of Health and Senior Services						5,046.17	2,416.67			7,462.84		
<u>Department of Law and Public Safety</u>												
	Drunk Driving Enforcement Fund	6400-100-078-6400-YYYY	4,287.55	1/1/14-12/31/14		951.78		(951.78)			4,287.55	
	Drunk Driving Enforcement Fund	6400-100-078-6400-YYYY	4,563.19	1/1/15-12/31/15		4,563.19		(2,558.32)		2,004.87	2,558.32	
	Drunk Driving Enforcement Fund	6400-100-078-6400-YYYY	4,802.13	1/1/16-12/31/16		4,802.13				4,802.13		
	Drunk Driving Enforcement Fund	6400-100-078-6400-YYYY	5,104.92	1/1/17-12/31/17		5,104.92				5,104.92		
	Drunk Driving Enforcement Fund	6400-100-078-6400-YYYY	4,405.65	1/1/18-12/31/18			4,405.65			4,405.65		
						15,422.02		(3,510.10)		16,317.57	15,422.02	
	Body Armor Replacement	718-066-1020-001-YCJS-6120	1,705.18	1/1/17-12/31/17		1,705.18		(1,705.18)			1,705.18	
Total Department of Law and Public Safety						17,127.20	4,405.65	(5,215.28)		16,317.57	17,127.20	
<b>TOTAL FEDERAL AND STATE GRANT FUND</b>						<b>125,753.56</b>	<b>18,141.05</b>	<b>(20,033.33)</b>		<b>123,861.28</b>	<b>43,998.49</b>	
<b>GENERAL CAPITAL FUND</b>												
<u>NJ Department of Transportation</u>												
	Municipal Local Aid - Main Street I	480-078-6320-ALS-6010	140,000.00	1/1/15-12/31/15	(35,000.00)		35,000.00				140,000.00	
	Municipal Local Aid - Main Street II	480-078-6320-AMF-6010	165,000.00	1/1/16-12/31/16	(41,250.00)		41,250.00				165,000.00	
	Municipal Local Aid - Buckwheat Rd	480-078-6320-ALW-6010	163,000.00	1/1/17-12/31/17	(163,000.00)				(163,000.00)		163,000.00	
	Municipal Local Aid - Washington & School	480-078-6320-ALW-6010	140,000.00	1/1/18-12/31/18				(6,131.00)	(140,000.00)	133,869.00		
<b>TOTAL GENERAL CAPITAL FUND</b>						<b>(239,250.00)</b>	<b>76,250.00</b>	<b>(6,131.00)</b>	<b>(303,000.00)</b>	<b>133,869.00</b>	<b>468,000.00</b>	
<b>TOTAL STATE AID</b>						<b>(239,250.00)</b>	<b>125,753.56</b>	<b>94,391.05</b>	<b>(26,164.33)</b>	<b>(303,000.00)</b>	<b>257,730.28</b>	<b>511,998.49</b>

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

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>Tax Rate:</u>	<u>3.731</u>	<u>3.640</u>	<u>3.561</u>

Apportionment of Tax Rate:

Municipal	1.173	1.171	1.171
County	.601	.598	.578
Local School	1.382	1.317	1.269
Regional High School	.575	.554	.543

Assessed Valuation

2018	395,793,500		
2017		399,364,584	
2016			400,632,049

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>
2018	14,853,769.45	14,412,429.84	97.02%
2017	14,539,943.29	14,079,636.27	96.83%
2016	14,293,830.18	13,879,899.38	97.10%

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>
2018	344,503.36	340,076.79	684,580.15	4.60%
2017	406,832.92	143,921.75	550,754.67	3.79%
2016	435,339.99	83,286.81	518,626.80	3.62%

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>
2018	347,100.00
2017	347,100.00
2016	347,100.00
2015	347,100.00
2014	61,500.00

COMPARISON OF WATER/SEWER UTILITY LEVIES

<u>Year</u>	<u>Levy</u>	<u>Cash Collections</u>
2018	2,165,941.23	2,129,941.43
2017	2,198,461.67	2,187,747.22
2016	2,231,606.14	2,209,394.72
2015	2,228,610.13	2,254,793.16
2014	2,263,199.53	2,251,920.85

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>
2018	2,592,192.32	650,000.00
2017	2,520,579.26	535,700.00
2016	2,470,310.51	448,100.00
2015	2,150,531.96	300,000.00
2014	1,613,510.49	151,360.00

Water/Sewer Utility Operating Fund:

2018	1,745,883.36	367,853.00
2017	1,658,757.97	229,000.00
2016	1,506,464.95	155,313.00
2015	1,284,886.54	94,496.00
2014	993,677.27	34,768.00

**Borough of Franklin, N.J.**  
**Schedule of Cash - Treasurer**  
**Current Fund**  
**Year Ended December 31, 2018**

	<u>Ref.</u>		
Balance - December 31, 2017	A		3,838,321.67
Increased by Receipts:			
Miscellaneous Revenue Not Anticipated	A-2	35,329.14	
Taxes Receivable	A-6	14,463,815.04	
Tax Title Liens Receivable	A-7	28,425.34	
Revenue Accounts Receivable	A-9	1,148,701.06	
Due From State - Senior Citizen and Veteran Deductions	A-10	37,213.01	
Interfunds	A-11	23,421.05	
Various Cash Liabilities and Reserves	A-14	27,203.26	
Prepaid Taxes	A-16	80,243.10	
Prepaid Revenue	A-20	31,827.00	
		15,876,178.00	
			19,714,499.67
Decreased by Disbursements:			
Current Year Budget Appropriations	A-3	5,769,485.49	
Interfunds	A-11	27,608.11	
Appropriation Reserves	A-12	166,970.10	
Various Cash Liabilities and Reserves	A-14	63,331.60	
Accounts Payable	A-15	1,970.26	
County Taxes Payable	A-17	2,385,967.02	
District School Taxes Payable	A-18	5,493,122.00	
High School Taxes Payable	A-19	2,286,825.00	
		16,195,279.58	
Balance - December 31, 2018	A		3,519,220.09

## Borough of Franklin, N.J.

## Schedule of Cash - Change Fund

## Current Fund

## Year Ended December 31, 2018

Balance - December 31, 2017	<u>Ref.</u> A	<u>500.00</u>
Balance - December 31, 2018	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 Taxes Receivable and Analysis of Property Tax Levy

Current Fund

Year Ended December 31, 2018

Year	Balance, Dec. 31,	Levy	Added Taxes	Collected		Senior Citizen and Veteran Deductions	Transferred to Tax Title Liens	Canceled	Balance, Dec. 31, 2018
	2017			2018	2017				
2002	491.91						491.91		
2003	1,811.52						1,811.52		
2004	1,815.96						1,815.96		
2005	1,767.12						1,767.12		
2006	1,878.12						1,878.12		
2007	2,002.44						2,002.44		
2008	2,057.50						2,057.50		
2009	2,081.92						2,081.92		
2010	21,643.21						2,928.62		18,714.59
2011	3,099.26						3,099.26		
2012	3,273.37						3,273.37		
2013	3,365.61						3,365.61		
2014	4,013.59				250.00	(250.00)	4,013.59		
2015	4,118.52				840.42	(840.42)	4,118.52		
2016	4,107.36						4,105.83	1.53	
2017	349,305.51		12,304.60		317,017.46	(904.79)	45,497.44		
	406,832.92		12,304.60		318,107.88	(1,995.21)	84,308.73	1.53	18,714.59
2018		14,833,278.32	20,491.13	226,343.23	14,145,707.16	40,379.45	81,969.69	33,581.15	325,788.77
	406,832.92	14,833,278.32	32,795.73	226,343.23	14,463,815.04	38,384.24	166,278.42	33,582.68	344,503.36
	A			A-2;A-16	A-2;A-4	A-2;A-10	A-7		A

Analysis of Tax Levy

	Ref.
Tax yield:	
General Purpose Tax	14,833,278.32
Added Tax (R.S. 54:4-63.1 et seq.)	20,491.13
	<u>14,853,769.45</u>
Tax Levy:	
County Tax	A-17 2,385,462.60
Added County Taxes	A-17 3,325.67
	<u>2,388,788.27</u>
Local District School Tax	A-18 5,493,122.00
Regional High School District Tax	A-19 2,286,825.00
	<u>10,168,735.27</u>
Local Tax for Municipal Purposes	A-2 4,665,185.00
Additional Taxes	19,849.18
	<u>4,685,034.18</u>
	<u>14,853,769.45</u>

**Borough of Franklin, N.J.**

**Schedule of Tax Title Liens Receivable**

**Current Fund**

**Year Ended December 31, 2018**

	<u>Ref.</u>		
Balance - December 31, 2017	A		143,921.75
Increased by:			
Transferred from 2018 Taxes Receivable	A-6	81,969.69	
Transferred from 2017 Taxes Receivable	A-6	84,308.73	
Interest and Costs on Tax Sale		<u>58,301.96</u>	
			<u>224,580.38</u>
			368,502.13
Decreased by:			
Cash Receipts	A-2; A-4		<u>28,425.34</u>
Balance - December 31, 2018	A		<u><u>340,076.79</u></u>

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

**Current Fund**

**Year Ended December 31, 2018**

	<u>Ref.</u>		
Balance - December 31, 2017	A		<u><u>347,100.00</u></u>
Balance - December 31, 2018	A		<u><u>347,100.00</u></u>

## Borough of Franklin, N.J.

## Schedule of Revenue Accounts Receivable

## Current Fund

## Year Ended December 31, 2018

	<u>Ref.</u>	<u>Accrued</u>	<u>Collected</u>
Clerk			
Licenses:			
Alcoholic Beverages	A-2	12,705.00	12,705.00
Other Licenses	A-2	8,015.00	8,015.00
Fees and Permits	A-2	19,146.05	19,146.05
Municipal Court			
Fines and Costs	A-2	114,265.87	114,265.87
Tax Collector			
Interest and Costs on Taxes	A-2	75,723.46	75,723.46
Miscellaneous Revenue not Anticipated	A-2	93.00	93.00
Interest on Investments and Deposits	A-2	79,683.19	79,683.19
Beverly Hills - Solid Waste Collection	A-2	41,256.00	41,256.00
Rent - Senior Center	A-2	22,916.62	22,916.62
Ord. #94-03 - Mobil Home Park Fees	A-2	89,388.00	89,388.00
Antenna Lease Contract	A-2	59,566.52	59,566.52
Planning/Zoning:			
Miscellaneous Revenue not Anticipated	A-2	9,230.00	9,230.00
Energy Receipts Tax	A-2	607,671.00	607,671.00
Cable TV Franchise Fee	A-2	15,065.00	15,065.00
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
Garden State Trust	A-2	7,929.00	7,929.00
		<u>1,181,742.71</u>	<u>1,181,742.71</u>
		<u>Ref.</u>	
	Cash Receipts	A-4	1,148,701.06
	Prepaid Revenues Applied	A-20	33,041.65
			<u>1,181,742.71</u>

## 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, 2018**

	<u>Ref.</u>	
Balance - December 31, 2017	A	20,601.51
Increased by:		
State Share of Senior Citizens and Veteran Deductions Received in Cash	A-4	<u>37,213.01</u>
		57,814.52
Decreased by:		
Senior Citizens' Deductions Per Tax Billing		7,500.00
Veterans' Deductions Per Tax Billing		33,250.00
Deductions Allowed by Collector - Current Year		<u>750.00</u>
		41,500.00
Less:		
Deductions Disallowed - Current Year		1,120.55
Deductions Disallowed - Prior Years		<u>1,995.21</u>
	A-6	3,115.76
		<u>38,384.24</u>
Balance - December 31, 2018	A	<u><u>19,430.28</u></u>

## Borough of Franklin, N.J.

## Schedule of Interfunds Receivables/(Payables)

## Current Fund

## Year Ended December 31, 2018

<u>Fund</u>	<u>Ref.</u>	Due From/(To)			Due From/(To)
		<u>Balance</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance</u>
		<u>Dec. 31, 2017</u>			<u>Dec. 31, 2018</u>
Federal and State Grants	A	(131,102.61)	23,421.05	27,208.11	(127,315.55)
Other Trust	A	(400.00)		400.00	
		<u>(131,502.61)</u>	<u>23,421.05</u>	<u>27,608.11</u>	<u>(127,315.55)</u>
			A-4	A-4	
<u>Analysis</u>					
Due From Current Fund		<u>(131,502.61)</u>			<u>(127,315.55)</u>

Borough of Franklin, N.J.

Schedule of Appropriation Reserves

Current Fund

Year Ended December 31, 2018

	Balance, Dec. 31, <u>2017</u>	Balance after <u>Transfers</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
<b>Salaries and Wages Within "CAPS":</b>				
Administrative and Executive	15,903.18	15,903.18	195.00	15,708.18
Financial Administration	0.90	0.90		0.90
Assessment of Taxes	1,240.13	1,240.13	78.54	1,161.59
Collection of Taxes	80.76	80.76		80.76
Planning Board	8,063.17	8,063.17		8,063.17
Police	173,890.29	172,390.29	31,486.02	140,904.27
Crossing Guard	849.65	849.65		849.65
Municipal Court	12,648.29	12,648.29	80.00	12,568.29
Road Repairs and Maintenance	87,359.56	87,359.56	7,048.88	80,310.68
Recreation and Education	418.00	418.00		418.00
Zoning Official	6,116.97	6,116.97		6,116.97
<b>Total Salaries and Wages Within "CAPS"</b>	<b>306,570.90</b>	<b>305,070.90</b>	<b>38,888.44</b>	<b>266,182.46</b>
<b>Other Expenses Within "CAPS":</b>				
Administrative and Executive	44,207.21	44,207.21	7,215.82	36,991.39
Elections	398.23	398.23		398.23
Financial Administration	2,274.15	2,274.15	1,127.60	1,146.55
Audit Services	11,250.00	11,250.00	11,250.00	
Assessment of Taxes	2,888.00	2,888.00	139.43	2,748.57
Revaluation	1.00	1.00		1.00
Collection of Taxes	1,773.27	1,773.27	180.00	1,593.27
Legal Services and Costs	50,162.95	50,162.95	27,958.99	22,203.96
Engineering Services and Costs	18,971.36	18,971.36	684.50	18,286.86
Planning Board	11,402.24	11,402.24	1,744.80	9,657.44
Revision of Master Plan	1.00	1.00		1.00
Economic Development	2,391.70	2,391.70		2,391.70
Police	39,052.03	39,052.03	11,036.21	28,015.82
Crossing Guard	2,704.31	2,704.31		2,704.31
Office of Emergency Management	500.00	500.00		500.00
Fire	7,743.41	7,743.41	1,956.59	5,786.82
First Aid Org. Contribution	7,352.97	7,352.97	858.67	6,494.30
Municipal Court	3,151.62	3,151.62		3,151.62
Prosecutor	83.40	83.40		83.40
Public Defender	1.00	1.00		1.00
Public Buildings and Grounds	30,652.94	30,652.94	7,819.41	22,833.53
Road Repairs and Maintenance	43,145.75	43,145.75	30,510.76	12,634.99
Municipal Services Act - Condo Cost	3,000.00	3,000.00		3,000.00
Board of Health	69.52	69.52		69.52
H.B.V. Vaccination	1,130.00	1,130.00		1,130.00
Animal Regulation	1,062.50	1,062.50		1,062.50
Contribution to Senior Citizen Center	4.40	4.40		4.40
Recreation and Education	2,855.94	2,855.94	2,855.94	
Celebration of Public Events	1.00	1.00		1.00
Street Lighting	2,466.49	3,966.49	3,744.71	221.78
Telephone	2,060.76	2,060.76		2,060.76
Postage	383.16	383.16		383.16
Gasoline and Oil	10,717.70	10,717.70	1,739.21	8,978.49
Group Insurance Plan	34,260.23	34,260.23	818.34	33,441.89
Unemployment Compensation Insurance	1,945.36	1,945.36	262.40	1,682.96
Zoning Official	727.82	727.82		727.82

Borough of Franklin, N.J.

Schedule of Appropriation Reserves

Current Fund

Year Ended December 31, 2018

	Balance, Dec. 31, <u>2017</u>	Balance after <u>Transfers</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Solid Waste Contract	0.04	0.04		0.04
Network Maintenance Agreement	635.80	635.80		635.80
Total Other Expenses Within "CAPS"	<u>341,429.26</u>	<u>342,929.26</u>	<u>111,903.38</u>	<u>231,025.88</u>
Total Operations Within "CAPS"	<u>648,000.16</u>	<u>648,000.16</u>	<u>150,791.82</u>	<u>497,208.34</u>
Deferred Charges and Statutory Expenditures Within "CAPS":				
Statutory Expenditures:				
Contribution To:				
Social Security ( O.A.S.I. )	26,000.43	26,000.43	1,704.31	24,296.12
Defined Contribution Retirement Program	711.00	711.00	5.36	705.64
Total Deferred Charges and Statutory Expenditures Within "CAPS"	<u>26,711.43</u>	<u>26,711.43</u>	<u>1,709.67</u>	<u>25,001.76</u>
Total General Appropriations within "CAPS"	<u>674,711.59</u>	<u>674,711.59</u>	<u>152,501.49</u>	<u>522,210.10</u>
Operations Excluded from CAPS				
Interlocal Municipal Service Agreements				
Township of Sparta				
Other Expenses - Fire	0.84	0.84		0.84
Other Expenses - Police	0.84	0.84		0.84
Other Expenses EMS	0.32	0.32		0.32
Township of Hardyston				
Municipal Drug Alliance	10.00	10.00		10.00
Construction Office	63,366.00	63,366.00		63,366.00
Total Operations Excluded From "CAPS"	<u>63,378.00</u>	<u>63,378.00</u>		<u>63,378.00</u>
Capital Improvements				
Reserve For:				
Purchase of Police Equipment	572.57	572.57	572.57	
Purchase of Office Equipment	4,040.02	4,040.02	4,040.02	
Purchase of EMS Equipment	711.92	711.92	711.92	
Improvements to Streets and Roads	11,277.04	11,277.04	9,583.44	1,693.60
Improvement to Municipal Property	8.93	8.93		8.93
Total Capital Improvements Excluded from "CAPS"	<u>16,610.48</u>	<u>16,610.48</u>	<u>14,907.95</u>	<u>1,702.53</u>
Total General Appropriations Excluded from "CAPS"	<u>79,988.48</u>	<u>79,988.48</u>	<u>14,907.95</u>	<u>65,080.53</u>
Total Reserves	<u>754,700.07</u>	<u>754,700.07</u>	<u>167,409.44</u>	<u>587,290.63</u>

A-1

	Ref.		
<u>Analysis of Reserve Balance</u>			
Unencumbered	A	670,578.83	
Encumbered	A	84,121.24	
		<u>754,700.07</u>	
<u>Analysis of Paid or Charged</u>			
Cash Disbursed	A-4		166,970.10
Accounts Payable	A-15		439.34
			<u>167,409.44</u>

**Borough of Franklin, N.J.**  
**Schedule of Deferred Charges**  
**N.J.S.A. 40A:4-55 Special Emergency**  
**Current Fund**  
**Year Ended December 31, 2018**

<u>Purpose</u>	<u>Date</u>	<u>Amount Authorized</u>	<u>1/5 of Amount Authorized</u>	<u>Balance, Dec. 31, 2017</u>	<u>Reduced in 2018</u>
Revaluation of Taxes	07/09/13	25,000.00	5,000.00	<u>5,000.00</u> A	<u>5,000.00</u> A-3

## Borough of Franklin, N.J.

## Schedule of Various Cash Liabilities and Reserves

## Current Fund

Year Ended December 31, 2018

<u>Liabilities and Reserves</u>	<u>Balance</u> <u>Dec. 31, 2017</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance</u> <u>Dec. 31, 2018</u>
<u>Liabilities:</u>				
Due State of NJ Marriage License Fees	150.00	800.00	775.00	175.00
Tax Overpayments	92.31	11,403.26	11,342.38	153.19
<u>Reserves for:</u>				
Revision of Master Plan	7,562.86			7,562.86
Revision of Tax Maps	1,375.00			1,375.00
Tax Appeals	145,398.49	15,000.00	51,214.22	109,184.27
	<u>154,578.66</u>	<u>27,203.26</u>	<u>63,331.60</u>	<u>118,450.32</u>
	A	A-4	A-4	A

**Borough of Franklin, N.J.**  
**Schedule of Accounts Payable**  
**Current Fund**  
**Year Ended December 31, 2018**

	<u>Ref.</u>	
Balance - December 31, 2017	A	1,970.26
Increased by:		
Transfer from Appropriation Reserves	A-12	439.34
		2,409.60
Decreased by:		
Cash Disbursed	A-4	1,970.26
		1,970.26
Balance - December 31, 2018	A	439.34

**Schedule of Prepaid Taxes**  
**Current Fund**  
**Year Ended December 31, 2018**

	<u>Ref.</u>	
Balance - December 31, 2017	A	226,343.23
Increased by:		
Receipts - Prepaid 2019 Taxes	A-4	80,243.10
		306,586.33
Decreased by:		
Applied to 2018 Taxes	A-6	226,343.23
		226,343.23
Balance - December 31, 2018	A	80,243.10

**Borough of Franklin, N.J.**  
**Schedule of County Taxes Payable**

**Current Fund**

**Year Ended December 31, 2018**

	<u>Ref.</u>	
Balance - December 31, 2017	A	504.42
Increased by:		
Levy- 2018	A-1;A-6	2,385,462.60
Added and Omitted Taxes	A-1;A-6	<u>3,325.67</u>
		<u>2,388,788.27</u>
		2,389,292.69
Decreased by:		
Payments	A-4	<u>2,385,967.02</u>
Balance - December 31, 2018	A	<u><u>3,325.67</u></u>

**Schedule of Local School District Taxes Payable**

**Current Fund**

**Year Ended December 31, 2018**

	<u>Ref.</u>	
Increased by:		
Levy - 2018	A-1;A-6	<u><u>5,493,122.00</u></u>
Decreased by:		
Payments	A-4	<u><u>5,493,122.00</u></u>

## Borough of Franklin, N.J.

## Schedule of Regional High School Taxes Payable

## Current Fund

## Year Ended December 31, 2018

	<u>Ref.</u>	
Increased by:		
Levy- 2018	A-6;A-1	<u>2,286,825.00</u>
Decreased by:		
Payments	A-4	<u>2,286,825.00</u>

A-20

## Schedule of Prepaid Revenue

## Current Fund

## Year Ended December 31, 2018

	<u>Ref.</u>	
Balance - December 31, 2017	A	33,041.65
Increased by:		
Cash Receipts	A-4	<u>31,827.00</u>
		64,868.65
Decreased by:		
Applied to 2018 Revenue	A-9	<u>33,041.65</u>
Balance - December 31, 2018	A	<u>31,827.00</u>
<hr/> <u>Description</u>		
Verizon Antenna Lease		<u>31,827.00</u>

## Borough of Franklin, N.J.

## Schedule of Interfunds

## Federal and State Grant Fund

Year Ended December 31, 2018

<u>Fund</u>	<u>Ref.</u>	Due From/(To) Balance			Due From/(To) Balance
		<u>Dec. 31, 2017</u>	<u>Increased</u>	<u>Decreased</u>	<u>Dec. 31, 2018</u>
Current Fund	A	<u>131,102.61</u>	<u>23,421.05</u>	<u>27,208.11</u>	<u>127,315.55</u>
Grants Receivable	A-22		5,280.00		
Appropriated Grants	A-23			27,208.11	
Unappropriated Grants	A-24		<u>18,141.05</u>		
			<u>23,421.05</u>	<u>27,208.11</u>	

**Borough of Franklin, N.J.**  
**Schedule of Grants Receivable**  
**Federal and State Grant Fund**  
**Year Ended December 31, 2018**

<u>Grant</u>	<u>Budget Revenue</u>	<u>Receipts</u>	<u>Transfer from Unappropriated Reserves</u>
<u>Federal:</u>			
Federal Body Armor Grant	3,308.57		3,308.57
Distracted Driver Grant	5,280.00	5,280.00	
	<u>8,588.57</u>	<u>5,280.00</u>	<u>3,308.57</u>
 <u>State:</u>			
Recycling Tonnage Grant	11,369.90		11,369.90
Clean Communities Program	11,830.83		11,830.83
Alcohol Education and Rehabilitation Fund	3,860.39		3,860.39
Drunk Driving Enforcement Fund	5,104.92		5,104.92
State Body Armor Grant	1,705.18		1,705.18
	<u>33,871.22</u>		<u>33,871.22</u>
	<u>42,459.79</u>	<u>5,280.00</u>	<u>37,179.79</u>
	A-2	A-21	A-24

## Borough of Franklin, N.J.

## Schedule of Appropriated Reserves for Grants

## Federal and State Grant Fund

## Year Ended December 31, 2018

<u>Grant</u>	<u>Balance Dec. 31, 2017</u>	<u>Transfer From 2018 Budget</u>	<u>Ch. 159</u>	<u>Disbursed</u>	<u>Balance Dec. 31, 2018</u>
<u>Federal:</u>					
Federal Body Armor Grant	2,040.48	3,308.57		1,894.78	3,454.27
Distracted Driver Grant			5,280.00	5,280.00	
	<u>2,040.48</u>	<u>3,308.57</u>	<u>5,280.00</u>	<u>7,174.78</u>	<u>3,454.27</u>
<u>State:</u>					
Drunk Driving Enforcement	10,317.10	5,104.92		3,510.10	11,911.92
Clean Communities Program	26,405.58	11,830.83		3,031.13	35,205.28
Alcohol Education and Rehabilitation	1,185.78	3,860.39			5,046.17
Recycling Tonnage Grant	53,973.88	11,369.90		11,786.92	53,556.86
Body Armor Grant		1,705.18		1,705.18	
	<u>91,882.34</u>	<u>33,871.22</u>		<u>20,033.33</u>	<u>105,720.23</u>
	<u>93,922.82</u>	<u>37,179.79</u>	<u>5,280.00</u>	<u>27,208.11</u>	<u>109,174.50</u>
	A	A-3	A-3	A-21	A

## Borough of Franklin, N.J.

## Schedule of Unappropriated Reserves for Grants

## Federal and State Grant Fund

## Year Ended December 31, 2018

<u>Grant</u>	<u>Balance Dec. 31, 2017</u>	<u>Transfer To Appropriated Reserves</u>	<u>Received</u>	<u>Balance Dec. 31, 2018</u>
<u>Federal:</u>				
Federal Body Armor	3,308.57	3,308.57	_____	_____
<u>State:</u>				
Clean Communities Program	11,830.83	11,830.83	11,318.73	11,318.73
State Recycling Grant	11,369.90	11,369.90		
Drunk Driving Enforcement	5,104.92	5,104.92	4,405.65	4,405.65
Body Armor Grant	1,705.18	1,705.18		
Alcohol Education and Rehabilitation Fund	3,860.39	3,860.39	2,416.67	2,416.67
	<u>33,871.22</u>	<u>33,871.22</u>	<u>18,141.05</u>	<u>18,141.05</u>
	<u>37,179.79</u>	<u>37,179.79</u>	<u>18,141.05</u>	<u>18,141.05</u>
	A	A-22	A-21	A

## Borough of Franklin, N.J.

## Schedule of Cash

## Trust Funds

Year Ended December 31, 2018

	<u>Ref.</u>	<u>Animal Control Trust Fund</u>	<u>Other Trust Funds</u>
Balance - December 31, 2017	B	<u>699.90</u>	<u>1,617,311.18</u>
Increase by Receipts:			
Dog License Fees	B-2	6,836.40	
Cat License Fees	B-2	617.00	
Late Fees / Pick-up's/Rabies Clinic	B-2	1,300.00	
Due to State Board of Health	B-3	1,032.60	
Other Trust Funds	B-5		391,448.63
Net Payroll & Payroll Deductions	B-6		3,904,883.26
Interfund - Current Fund	B-7		400.00
Total Receipts		<u>9,786.00</u>	<u>4,296,731.89</u>
		10,485.90	5,914,043.07
Decreased by Disbursements:			
Reserve for Animal Control Trust			
Fund Expenditures	B-2	8,988.75	
Due to State Board of Health	B-3	1,030.20	
Reserve from Encumbrances	B-4	0.00	13,740.57
Other Trust Funds	B-5		498,944.23
Net Payroll & Payroll Deductions	B-6		3,904,830.20
Total Disbursements		<u>10,018.95</u>	<u>4,417,515.00</u>
Balance - December 31, 2018	B	<u><u>466.95</u></u>	<u><u>1,496,528.07</u></u>

## Borough of Franklin, N.J.

## Reserve for Animal Control Trust Fund Expenditures

## Animal Control Trust Fund

Year Ended December 31, 2018

	<u>Ref.</u>	
Balance - December 31, 2017	B	698.70
Increased by:		
Dog License Fees		6,836.40
Cat License Fees		617.00
Late Fees / Pick-up's/Rabies Clinic		<u>1,300.00</u>
	B-1	<u>8,753.40</u>
		9,452.10
Decreased by:		
Disbursements	B-1	<u>8,988.75</u>
Balance - December 31, 2018	B	<u><u>463.35</u></u>

License Fees Collected

<u>Year</u>	
2017	7,923.40
2016	<u>8,704.00</u>
	<u><u>16,627.40</u></u>

## Schedule of Due to State Department of Health

## Animal Control Trust Fund

Year Ended December 31, 2018

	<u>Ref.</u>	
Balance - December 31, 2017	B	1.20
Increased by:		
State Fees Collected	B-1	<u>1,032.60</u>
		1,033.80
Decreased by:		
Paid to State	B-1	<u>1,030.20</u>
Balance - December 31, 2018	B	<u><u>3.60</u></u>

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

**Other Trust Fund**

**Year Ended December 31, 2018**

	<u>Ref.</u>	
Balance - December 31, 2017	B	57,490.57
Increased by:		
Various Reserves	B-5	<u>1,580.03</u> 59,070.60
Decreased by:		
Cash Disbursements	B-1	<u>13,740.57</u>
Balance - December 31, 2018	B	<u><u>45,330.03</u></u>

**Borough of Franklin, N.J.**

**Schedule of Various Other Trust Funds**

**Trust Funds**

**Year Ended December 31, 2018**

	<u>Balance</u> <u>Dec. 31, 2017</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance</u> <u>Dec. 31, 2018</u>
Reserve for Land Use Escrow Deposits	142,264.39	70,462.26	61,637.33	151,089.32
Reserve for Performance Bonds Escrow	66,918.48	10,500.00	55,723.17	21,695.31
Reserve for Recreation	160,990.28	80,324.27	102,918.68	138,395.87
Reserve for Senior Citizens	85.01			85.01
Reserve for Small Cities	300,475.72	20,227.00		320,702.72
Reserve for Road Opening	13,000.00		10,000.00	3,000.00
Reserve for Driveway Escrow	10,611.26			10,611.26
Reserve for Court POAA	117.24	52.00		169.24
Reserve for Public Defender	6,939.00	3,467.92	3,150.00	7,256.92
Reserve for BPW Escrow	63,013.22	500.00		63,513.22
Reserve for Outside Police Work	2,236.06	17,129.68	18,506.67	859.07
Reserve for Outside Liens	36,696.52	148,373.32	166,775.00	18,294.84
Reserve for Accumulated Leave	135,832.93	16,617.51		152,450.44
Reserve for Tax Sale Premium	251,600.00	3,028.15	73,328.15	181,300.00
Reserve for Snow Removal/Storm Recovery	101,010.32		8,485.26	92,525.06
Reserve for Affordable Housing	262,343.87	20,130.42		282,474.29
Reserve for Forfeited Property	41.41	0.60		42.01
Reserve for Mobile Video Record System	1,250.00	635.50		1,885.50
Reserve for Uniform Fire Safety Penalty	1,367.38			1,367.38
	<u>1,556,793.09</u>	<u>391,448.63</u>	<u>500,524.26</u>	<u>1,447,717.46</u>
	B			B

	<u>Ref.</u>		
Reserve for Encumbrances	B-4		1,580.03
Cash Receipts	B-1	391,448.63	
Cash Disbursements	B-1		498,944.23
		<u>391,448.63</u>	<u>500,524.26</u>

## Borough of Franklin, N.J.

## Schedule of Net Payroll and Payroll Deductions

## Trust Fund

Year Ended December 31, 2018

	Balance <u>Dec. 31, 2017</u>	<u>Receipts</u>	<u>Disbursed</u>	Balance <u>Dec. 31, 2018</u>
Federal Withholding Tax	123.00	344,523.96	344,523.96	123.00
Social Security / Medicare	32.33	462,196.50	462,196.50	32.33
NJ State Withholding	-	115,092.51	115,092.51	-
State Unemployment Insurance	1,322.24	18,004.93	17,967.71	1,359.46
AFLAC	-	1,856.64	1,856.64	-
PERS Contributory Insurance	188.62	5,224.59	5,244.10	169.11
Public Employees Retirement System	169.81	240,524.01	240,490.27	203.55
Police and Fire Retirement System	1,591.52	507,558.88	507,557.27	1,593.13
Dues	-	13,090.00	13,090.00	-
Savings	-	9,076.00	9,076.00	-
Medical	-	152,657.94	152,657.94	-
Lincoln Life	-	38,725.00	38,725.00	-
Interest	-	768.66	768.66	-
DCRP	-	3,722.99	3,722.99	-
Back Pension	-	1,087.48	1,087.48	-
Net Payroll	-	1,990,773.17	1,990,773.17	-
	<u>3,427.52</u>	<u>3,904,883.26</u>	<u>3,904,830.20</u>	<u>3,480.58</u>
	B	B-1	B-1	B

**Borough of Franklin, N.J.**

**Schedule of Due (To)/From - Current Fund**

**Trust Fund**

**Year Ended December 31, 2018**

Balance - December 31, 2017	<u>Ref.</u> B	<u>400.00</u>
Decreased by: Cash Receipt	B-1	<u>400.00</u>

**Borough of Franklin, N.J.**

**Schedule of Contributions Receivable**

**Emergency Services Volunteer Length of Services Award Program**

**Year Ended December 31, 2018**

	<u>Ref.</u>	
Increased by:		
Borough Contributions		
For the Year 2018	B-9	<u>13,000.00</u>
Balance - December 31, 2018	B	<u><u>13,000.00</u></u>

B-9

**Schedule of Net Assets Available for Benefits**

**Emergency Services Volunteer Length of Services Award Program**

**Year Ended December 31, 2018**

	<u>Ref.</u>	
Increased by:		
Borough Contributions	B-8	<u>13,000.00</u>
Balance - December 31, 2018	B	<u><u>13,000.00</u></u>

## Borough of Franklin, N.J.

## Schedule of Cash

## General Capital Fund

## Year Ended December 31, 2018

	<u>Ref.</u>		
Balance - December 31, 2017	C		1,318,582.98
Increased by Receipts:			
Fund Balance	C-1	16,593.00	
Grants Receivable	C-5	76,250.00	
Bond Anticipation Notes Issued	C-6	811,000.00	
Capital Improvement Fund	C-8	45,000.00	
Various Reserves	C-10	<u>12,921.07</u>	
			<u>961,764.07</u>
			2,280,347.05
Decreased by Disbursements:			
Bond Anticipation Notes	C-6	300,000.00	
Improvement Authorizations	C-7	58,009.78	
Reserve for Encumbrances	C-9	<u>338,020.54</u>	
			<u>696,030.32</u>
Balance - December 31, 2018	C		<u><u>1,584,316.73</u></u>

**Borough of Franklin, N.J.**  
**Schedule of General Capital Cash**  
**General Capital Fund**  
**Year Ended December 31, 2018**

	Balance Dec. 31, 2017	Receipts			Disbursements			Transfers		Balance Dec. 31, 2018
		Budget Appropriation	Bond Antic. Notes	Miscellaneous	Improvement Authorization	Bond Antic. Notes	Miscellaneous	(From)	To	
Fund Balance	33,800.22		16,593.00							50,393.22
Capital Improvement Fund	137,106.20	45,000.00					(17,140.00)			164,966.20
Reserve for Encumbrances	912,824.26					338,020.54		689.95		575,493.67
Grants Receivable	(239,250.00)			76,250.00			(140,000.00)			(303,000.00)
Various Reserves	83,654.98	12,921.07								96,576.05
<b>Improvement Authorizations</b>										
<b>Ordinance</b>										
<b>Number</b>										
16-03 Imp. To Recreation Facility	3,337.62				3,337.62					
15-04 Improvement to Recreation	32,753.13				19,927.08		(299.95)			12,526.10
19-09 Various Capital Improvements	1,912.79				1,912.79					
17-10 Various Capital Improvements	4,756.92				4,756.92					
18-10 Imp. For Economic Development	2,970.60									2,970.60
08-14 Various Capital Improvements	177,086.42				1,403.00					175,683.42
12-16 Purchase of Ambulance Equipment	723.00				723.00					
13-16 Imp. To the Public Works Garage	1,047.86				1,047.86					
15-16 Various Capital Improvements	322,056.56				3,681.79	300,000.00	(390.00)			17,984.77
09-17 Various Capital Improvements	293,606.14				10,608.81					282,997.33
16-17 Acquisition of New Fire Truck	(449,803.72)		475,000.00		4,479.91					20,716.37
10-18 Improvements to Various Roads			336,000.00		6,131.00			157,140.00		487,009.00
	<u>1,318,582.98</u>	<u>57,921.07</u>	<u>827,593.00</u>	<u>76,250.00</u>	<u>58,009.78</u>	<u>300,000.00</u>	<u>338,020.54</u>	<u>(157,829.95)</u>	<u>157,829.95</u>	<u>1,584,316.73</u>
	C									C

**Borough of Franklin, N.J.**

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

**General Capital Fund**

**Year Ended December 31, 2018**

Analysis of Balance  
Dec. 31, 2018

Financed by  
Bond  
Anticipation  
Notes

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Ordinance Number	Improvement Description	Balance Dec. 31, 2017	2018 Authorizations	Notes Paid by Budget Appropriation	Canceled	Balance Dec. 31, 2018	
19-09	Various Capital Improvements	62,500.00		20,833.00		41,667.00	41,667.00
11-13	Improvement to Various Roads	140,500.00		23,417.00		117,083.00	117,083.00
12-13	Improvement to the Fire House	9,400.00		1,567.00		7,833.00	7,833.00
08-14	Various Capital Improvements	1,040,200.00		148,600.00		891,600.00	891,600.00
07-15	Various Capital Improvements	176,840.00		22,105.00		154,735.00	154,735.00
15-16	Various Capital Improvements	397,700.00		44,189.00	300,000.00	53,511.00	53,511.00
09-17	Various Capital Improvements	395,300.00		39,530.00		355,770.00	355,770.00
16-17	Acquisition of New Fire Truck	475,000.00				475,000.00	475,000.00
10-18	Improvements to Various Roads		336,000.00			336,000.00	336,000.00
		<u>2,697,440.00</u>	<u>336,000.00</u>	<u>300,241.00</u>	<u>300,000.00</u>	<u>2,433,199.00</u>	<u>2,433,199.00</u>
		C	C-7;C-11	C-6	C-7	C	C-6

## Borough of Franklin, N.J.

## Schedule of Grants Receivable

## General Capital Fund

## Year Ended December 31, 2018

Balance - December 31, 2017	<u>Ref.</u> C	239,250.00
Increased by:		
Grants Funding Improvement Authorizations	C-7	<u>140,000.00</u>
		379,250.00
Decreased by:		
Cash Receipts	C-2	<u>76,250.00</u>
Balance - December 31, 2018	C	<u><u>303,000.00</u></u>

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 ANALYSIS
 

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Washington Ave & School Plaza (Ord. # 10-18)	140,000.00
Buckwheat Road (Ord. # 09-17)	<u>163,000.00</u>
	<u><u>303,000.00</u></u>

**Borough of Franklin, N.J.**  
**Schedule of Bond Anticipation Notes Payable**  
**General Capital Fund**  
**Year Ended December 31, 2018**

Ordinance Number	Improvement Description	Original Amount Issued	Date of Original Issue	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2017	Increased	Decreased	Balance Dec. 31, 2018
19-09	Various Capital Improvements	225,000.00	4/29/2010	8/18/2017 8/16/2018	8/17/2018 8/15/2019	2.250% 2.750%	62,500.00	41,667.00	62,500.00	41,667.00
11-13	Improvements to Various Roads	242,500.00	10/25/2013	8/18/2017 8/16/2018	8/17/2018 8/15/2019	2.250% 2.750%	140,500.00	117,083.00	140,500.00	117,083.00
12-13	Improvement to the Fire House	19,000.00	10/25/2013	8/18/2017 8/16/2018	8/17/2018 8/15/2019	2.250% 2.750%	9,400.00	7,833.00	9,400.00	7,833.00
08-14	Various Improvements	1,536,000.00	8/21/2014	8/18/2017 8/16/2018	8/17/2018 8/15/2019	2.250% 2.750%	1,040,200.00	891,600.00	1,040,200.00	891,600.00
07-15	Various Improvements	227,300.00	8/20/2015	8/18/2017 8/16/2018	8/17/2018 8/15/2019	2.250% 2.750%	176,840.00	154,735.00	176,840.00	154,735.00
15-16	Various Improvements	453,000.00	8/19/2016	8/18/2017 8/16/2018	8/17/2018 8/15/2019	2.250% 2.750%	397,700.00	53,511.00	397,700.00	53,511.00
09-17	Various Improvements	395,300.00	8/18/2017	8/18/2017 8/16/2018	8/17/2018 8/15/2019	2.250% 2.750%	395,300.00	355,770.00	395,300.00	355,770.00
16-17	Purchase of Fire Truck	475,000.00	8/16/2018	8/16/2018	8/15/2019	2.750%		475,000.00		475,000.00
10-18	Improvements to Various Roads	336,000.00	8/16/2018	8/16/2018	8/15/2019	2.750%		336,000.00		336,000.00
							<u>2,222,440.00</u>	<u>2,433,199.00</u>	<u>2,222,440.00</u>	<u>2,433,199.00</u>
							C			C
						<u>Ref.</u>				
					Renewals			1,622,199.00	1,622,199.00	
					General Capital Cash	C-2			300,000.00	
					Issued for Cash	C-2;C-11		811,000.00		
					Paid by Budget Appropriation	C-4			300,241.00	
							<u>2,433,199.00</u>	<u>2,222,440.00</u>		



**Borough of Franklin, N.J.**  
**Schedule of Capital Improvement Fund**  
**General Capital Fund**  
**Year Ended December 31, 2018**

	<u>Ref.</u>	
Balance - December 31, 2017	C	137,106.20
Increased by:		
Budget Appropriation	C-2	45,000.00
		<u>182,106.20</u>
Decreased by:		
Appropriated to Finance		
Improvement Authorizations	C-7	17,140.00
		<u>17,140.00</u>
Balance - December 31, 2018	C	<u><u>164,966.20</u></u>

**Schedule of Reserve for Encumbrances**  
**General Capital Fund**  
**Year Ended December 31, 2018**

	<u>Ref.</u>	
Balance - December 31, 2017	C	912,824.26
Increased by:		
2018 Charges	C-7	689.95
		<u>913,514.21</u>
Decreased by:		
Cash Disbursed	C-2	338,020.54
		<u>338,020.54</u>
Balance - December 31, 2018	C	<u><u>575,493.67</u></u>

## Borough of Franklin, N.J.

## Schedule of Various Reserves

## General Capital Fund

Year Ended December 31, 2018

<u>Description</u>	<u>Balance</u> <u>Dec. 31, 2017</u>	<u>Increased</u>	<u>Balance</u> <u>Dec. 31, 2018</u>
Reserve for Improvements to Municipal Property	45,578.59		45,578.59
Reserve for Purchase of Office Equipment	657.68	2,831.96	3,489.64
Reserve for Improvements to Streets and Roads	22,365.94	9,516.54	31,882.48
Reserve for Police Equipment	15,052.77	572.57	15,625.34
	<u>83,654.98</u>	<u>12,921.07</u>	<u>96,576.05</u>
	C	C-2	C

## Borough of Franklin, N.J.

## Schedule of Bonds and Notes Authorized But Not Issued

## General Capital Fund

Year Ended December 31, 2018

<u>Ordinance Number</u>	<u>Ordinance Date</u>	<u>Improvement Description</u>	<u>Balance Dec. 31, 2017</u>	<u>2018 Authorizations</u>	<u>Bond Anticipation Notes Issued</u>
		<u>General Improvements:</u>			
16-17	11/14/2017	Acquisition of New Fire Truck	475,000.00		475,000.00
10-18	7/10/2018	Improvements to Various Roads		336,000.00	336,000.00
			<u>475,000.00</u>	<u>336,000.00</u>	<u>811,000.00</u>
			Footnote C	C-4	C-6

## Borough of Franklin, N.J.

## Schedule of Cash

## Water / Sewer Utility Fund

## Year Ended December 31, 2018

	<u>Ref.</u>	<u>Operating</u>	<u>Capital</u>
Balance - December 31, 2017	D	<u>2,117,433.94</u>	<u>1,045,243.55</u>
Increased by Receipts:			
Fund Balance	D-2		1,443.00
Interest on Deposits	D-3	36,294.85	
Miscellaneous Revenue	D-3	103,769.93	
Collector Cash Receipts	D-7	2,126,510.72	
Reserve for Water Hook-Up Fees	D-17	8,532.75	
Reserve for Sewer Hook-Up Fees	D-18	5,193.00	
Prepaid Water / Sewer Rents	D-20	7,589.02	
Various Capital Reserves	D-21		102,598.37
Capital Improvement Fund	D-26		15,000.00
		<u>2,287,890.27</u>	<u>119,041.37</u>
		4,405,324.21	1,164,284.92
Decreased by Disbursements:			
Budget Appropriations	D-4	1,991,443.63	
Appropriation Reserves	D-13	171,940.84	
Interest on Bonds, Loans, and Notes	D-15	83,352.47	
Improvement Authorizations	D-24		59,682.25
		<u>2,246,736.94</u>	<u>59,682.25</u>
Balance - December 31, 2018	D	<u><u>2,158,587.27</u></u>	<u><u>1,104,602.67</u></u>

## Borough of Franklin, N.J.

## Schedule of Change Funds

## Water / Sewer Utility Fund

Year Ended December 31, 2018

<u>Office</u>	Balance <u>Dec. 31, 2017</u>	Balance <u>Dec. 31, 2018</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, 2018

	<u>Ref.</u>		
Increased by Receipts:			
Water/Sewer Rents Receivable	D-9	2,125,041.07	
Water/Sewer Liens Collections	D-10	<u>1,469.65</u>	
			<u>2,126,510.72</u>
Decreased by Disbursements:			
Payment to Treasurer	D-5		<u>2,126,510.72</u>

**Borough of Franklin, N.J.**

**Schedule of Water / Sewer Utility Capital Cash**

**Water / Sewer Utility Fund**

**Year Ended December 31, 2018**

	Balance Dec. 31, 2017	Receipts		Disbursements	Transfers		Balance Dec. 31, 2018
		Budget Appropriation	Bond Anticipation Note Issued	Improvement Authorizations	(From)	To	
Fund Balance	22,066.42		1,443.00				23,509.42
Capital Improvement Fund	304,774.72	15,000.00			(116,000.00)		203,774.72
Reserve for Preliminary Expenses	228.20						228.20
101 Reserve for Encumbrances	1,000.00					72,702.00	73,702.00
Reserve for I&I Study	208,696.32	51,000.00					259,696.32
Reserve for Water/Sewer Equipment	1,022.72	1,656.32					2,679.04
Reserve for Sewer Stations	154,052.45	36,772.00			(20,000.00)		170,824.45
Reserve for Water Distribution	67,708.15	7,274.60					74,982.75
Reserve for Capital Outlay	44,681.84	5,895.45					50,577.29
<b>Improvement Authorizations</b>							
<b>Ordinance</b>							
<b>Number</b>							
11-09 Various Water/Sewer Capital Improvements	6,982.78						6,982.78
16-09 Improvements to Water / Sewer System	234,029.95						234,029.95
03-18 Replacement of Sewer Pump Maple Rd Station				17,810.00		20,000.00	2,190.00
11-18 Acquisition of New Vehicular Equipment				41,872.25	(72,702.00)	116,000.00	1,425.75
	<u>1,045,243.55</u>	<u>117,598.37</u>	<u>1,443.00</u>	<u>59,682.25</u>	<u>(208,702.00)</u>	<u>208,702.00</u>	<u>1,104,602.67</u>
	D					D	

**Borough of Franklin, N.J.**

**Schedule of Consumer Accounts Receivable**

**Water / Sewer Utility Fund**

**Year Ended December 31, 2018**

	<u>Ref.</u>	
Balance - December 31, 2017	D	140,572.15
Increased by:		
Water/Sewer Rents Levy		<u>2,165,941.23</u>
		2,306,513.38
Decreased by:		
Water/Sewer Rents Collected	D-7	2,125,041.07
Pre-Paid Water Rents Applied	D-20	<u>4,900.36</u>
	D-3	2,129,941.43
Transferred to Water/Sewer Liens	D-10	<u>11,755.99</u>
		<u>2,141,697.42</u>
Balance - December 31, 2018	D	<u><u>164,815.96</u></u>
		<b>D-10</b>

**Schedule of Water/Sewer Tax Title Lien**

**Water / Sewer Utility Fund**

**Year Ended December 31, 2018**

	<u>Ref.</u>	
Balance - December 31, 2017	D	14,992.90
Increased by:		
Transferred From Water/Sewer Consumer Accounts Receivable	D-9	<u>11,755.99</u>
		26,748.89
Decreased by:		
Redemption	D-3;D-7	<u>1,469.65</u>
Balance - December 31, 2018	D	<u><u>25,279.24</u></u>

## Borough of Franklin, N.J.

## Schedule of Fixed Capital

## Water / Sewer Utility Capital Fund

Year Ended December 31, 2018

<u>Description</u>	<u>Balance</u> <u>Dec. 31, 2017</u>	<u>Additions</u> <u>By Budget</u> <u>Capital</u>	<u>Balance</u> <u>Dec. 31, 2018</u>
General Structures, Electric Power Equipment			
Distribution Mains and General Equipment	3,580,953.23		3,580,953.23
Sanitary Sewer System	10,625,941.11		10,625,941.11
Office Equipment	37,181.01		37,181.01
Vehicles	222,198.23		222,198.23
Backhoe	73,614.90		73,614.90
Plow Assembly	5,295.00		5,295.00
Sewer Jet Cleaner	719.43		719.43
Water Meters	10,588.95	16,844.40	27,433.35
Imp. To Pond / Reservoir	39,039.00		39,039.00
Dam Restoration	19,600.00		19,600.00
Imp. To The Water Supply & Dist. System	5,521,450.00		5,521,450.00
Imp. To Borough Hall	303,750.00		303,750.00
Installation of Sidewalks	17,500.00		17,500.00
Sewer Refunding Bond	105,000.00		105,000.00
I & I Study and Repair	109,180.17		109,180.17
Miscellaneous	469,685.02	5,587.68	475,272.70
	<u>21,141,696.05</u>	<u>22,432.08</u>	<u>21,164,128.13</u>
	D	D-27	D

## Borough of Franklin, N.J.

## Schedule of Fixed Capital Authorized and Uncompleted

## Water / Sewer Utility Capital Fund

Year Ended December 31, 2018

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Ordinance Date</u>	<u>Amount</u>	<u>Balance, Dec. 31, 2017</u>	<u>2018 Authorizations</u>	<u>Balance, Dec. 31, 2018</u>
11-09	Various Water/Sewer Capital Improvements	7/14/2009	109,000.00	109,000.00		109,000.00
16-09	Improvements to Water/Sewer Systems	11/24/2009	850,000.00	850,000.00		850,000.00
03-18	Replacement of Sewer Pump Maple Rd Station	4/10/2018	20,000.00		20,000.00	20,000.00
11-18	Acquisition of New Vehicular Equipment	7/24/2018	116,000.00		116,000.00	116,000.00
				<u>959,000.00</u>	<u>136,000.00</u>	<u>1,095,000.00</u>
				D	D-24	D

## Borough of Franklin, N.J.

## Schedule of Appropriation Reserves

## Water /Sewer Utility Operating Fund

Year Ended December 31, 2018

	<u>Balance, Dec. 31, 2017</u>	<u>Balance After Transfers</u>	<u>Paid or Charged</u>	<u>Balance Lapsed</u>
Operating:				
Salaries and Wages	68,521.48	68,521.48	5,245.59	63,275.89
Other Expenses	178,929.95	178,929.95	21,085.14	157,844.81
	<u>247,451.43</u>	<u>247,451.43</u>	<u>26,330.73</u>	<u>221,120.70</u>
Capital Improvements:				
Capital Outlay	19,411.05	19,411.05	15,439.54	3,971.51
Improvements to Water Distribution System	13,622.28	13,622.28	12,524.60	1,097.68
Improvements to Sewers & Sewer Stations	36,772.00	36,772.00	36,772.00	
Inflow and Infiltration Improvements	85,000.00	85,000.00	85,000.00	
Purchase of Water / Sewer Equipment	2,510.13	2,510.13	2,510.13	
	<u>157,315.46</u>	<u>157,315.46</u>	<u>152,246.27</u>	<u>5,069.19</u>
Statutory Expenditures:				
Social Security System (O.A.S.I.)	6,920.06	6,920.06	402.13	6,517.93
Unemployment Compensation Fund	116.53	116.53	36.71	79.82
	<u>7,036.59</u>	<u>7,036.59</u>	<u>438.84</u>	<u>6,597.75</u>
	<u>411,803.48</u>	<u>411,803.48</u>	<u>179,015.84</u>	<u>232,787.64</u>
	Ref.			D-1
<u>Analysis of Reserve Balance</u>				
Unencumbered	D	334,882.76		
Encumbered	D	76,920.72		
		<u>411,803.48</u>		
<u>Analysis of Paid or Charged</u>				
Disbursed	D-5		171,940.84	
Accounts Payable	D-14		7,075.00	
			<u>179,015.84</u>	

**Borough of Franklin, N.J.**  
**Schedule of Accounts Payable - Vendors**  
**Water / Sewer Utility Operating Fund**  
**Year Ended December 31, 2018**

	<u>Ref.</u>	
Increased by:		
Appropriation Reserves	D-13	<u>7,075.00</u>
Balance - December 31, 2018	D	<u><u>7,075.00</u></u>

**Borough of Franklin, N.J.**

**Schedule of Accrued Interest on Bonds, Loans and Notes**

**Water / Sewer Utility Operating Fund**

**Year Ended December 31, 2018**

	<u>Ref.</u>	
Balance - December 31, 2017	D	36,562.74
Increased by:		
Budget Appropriations	D-4	81,720.00
		<u>118,282.74</u>
Decreased by:		
Interest Paid	D-5	<u>83,352.47</u>
Balance - December 31, 2018	D	<u><u>34,930.27</u></u>

Principal Outstanding <u>Dec. 31, 2018</u>	Interest Rate	<u>From</u>	<u>To</u>	<u>Period (Days)</u>	<u>Required Amount</u>	<u>Actual Amount</u>
Serial Bonds and Loans						
1,900,000.00	Various	8/15/2018	12/31/2018	138	27,715.00	31,464.28
65,598.20	Various	8/01/2018	12/31/2018	152	886.67	1,006.61
Bond Anticipation Notes						
207,000.00	2.750%	8/16/2018	12/31/2018	137	<u>2,166.31</u>	<u>2,459.37</u>
					<u><u>30,767.98</u></u>	<u><u>34,930.27</u></u>

**Borough of Franklin, N.J.**

**Schedule of Reserve for Capital Outlay**

**Water / Sewer Utility Operating Fund**

**Year Ended December 31, 2018**

	<u>Ref.</u>	
Balance - December 31, 2017	D	<u>1,314.80</u>
Balance - December 31, 2018	D	<u>1,314.80</u>

**D-17**

**Schedule of Reserve for Water Hook-Up Fees**

**Water / Sewer Utility Operating Fund**

**Year Ended December 31, 2018**

	<u>Ref.</u>	
Increased by:		
Cash Receipts	D-5	<u>8,532.75</u>
Balance - December 31, 2018	D	<u>8,532.75</u>

**Borough of Franklin, N.J.**

**Schedule of Reserve for Sewer Hook-Up Fees**

**Water / Sewer Utility Operating Fund**

**Year Ended December 31, 2018**

	<u>Ref.</u>	
Balance - December 31, 2017	D	0.76
Increased by:		
Cash Receipts	D-5	<u>5,193.00</u>
Balance - December 31, 2018	D	<u><u>5,193.76</u></u>

**Borough of Franklin, N.J.**  
**Schedule of Reserve for BPW Maps**  
**Water / Sewer Utility Operating Fund**  
**Year Ended December 31, 2018**

Balance - December 31, 2017	<u>Ref.</u> D	<u>4,293.83</u>
Balance - December 31, 2018	D	<u>4,293.83</u>

**Schedule of Prepaid Water / Sewer Rents**  
**Water / Sewer Utility Operating Fund**  
**Year Ended December 31, 2018**

Balance - December 31, 2017	<u>Ref.</u> D	4,900.36
Increased by:		
Cash Receipts	D-5	<u>7,589.02</u>
		12,489.38
Decreased by:		
Prepaid Rents Applied	D-9	<u>4,900.36</u>
Balance - December 31, 2018	D	<u>7,589.02</u>

## Borough of Franklin, N.J.

## Schedule of Various Reserves

## Water / Sewer Utility Capital Fund

Year Ended December 31, 2018

<u>Description</u>	<u>Balance</u> <u>Dec. 31, 2017</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance</u> <u>Dec. 31, 2018</u>
Reserve for Preliminary Expenses	228.20			228.20
Reserve for I & I Study	208,696.32	51,000.00		259,696.32
Reserve for Water/Sewer Equipment	1,022.72	1,656.32		2,679.04
Reserve for Sewer Stations	154,052.45	36,772.00	20,000.00	170,824.45
Reserve for Water Distribution	67,708.15	7,274.60		74,982.75
Reserve for Capital Outlay	44,681.84	5,895.45		50,577.29
	<u>476,389.68</u>	<u>102,598.37</u>	<u>20,000.00</u>	<u>558,988.05</u>
	D	D-5	D-24	D

**Borough of Franklin, N.J.**

**Schedule of Water / Sewer Serial Bonds Payable**

**Water / Sewer Utility Capital Fund**

**Year Ended December 31, 2018**

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds Outstanding Dec. 31, 2018</u>		<u>Interest Rate</u>	<u>Balance, Dec. 31, 2017</u>	<u>Decreased</u>	<u>Balance, Dec. 31, 2018</u>
			<u>Date</u>	<u>Amount</u>				
Water Refunding Bonds of 2015	2/15/2015	2,195,000.00	08/15/19	70,000.00	3.00%			
			08/15/20	70,000.00	3.00%			
			08/15/21	75,000.00	3.00%			
			08/15/22	75,000.00	3.00%			
			08/15/23	80,000.00	3.00%			
			08/15/24	80,000.00	4.00%			
			08/15/25	85,000.00	4.00%			
			08/15/26	85,000.00	4.00%			
			08/15/27	90,000.00	4.00%			
			08/15/28	95,000.00	4.00%			
			08/15/29	95,000.00	4.00%			
			08/15/30	100,000.00	4.00%			
			08/15/31	105,000.00	4.00%			
			08/15/32	110,000.00	4.00%			
			08/15/33	115,000.00	4.00%			
			08/15/34	120,000.00	4.00%			
			08/15/35	125,000.00	4.00%			
			08/15/36	130,000.00	4.00%			
			08/15/37	135,000.00	4.00%			
			08/15/38	60,000.00	4.00%			
						<u>1,965,000.00</u>	<u>65,000.00</u>	<u>1,900,000.00</u>
						D	D-27	D

**Borough of Franklin, N.J.**

**Schedule of New Jersey Infrastructure Trust Loan**

**Water / Sewer Utility Capital Fund**

**Year Ended December 31, 2018**

113

Improvement Description	Date of Issue	Amount Issued	Maturities		Interest Rate	Balance, Dec. 31, 2017	Decreased	Balance, Dec. 31, 2018
			Date	Amount				
Removal and Construction of a New Water Tank:								
Trust Loan Portion	11/1/2000	280,000.00	8/1/2019	20,000.00	5.25%			
			8/1/2020	20,000.00	5.25%	60,000.00	20,000.00	40,000.00
Fund Loan Portion	11/1/2000	270,000.00	2/1/2019	622.88	0.00%			
			8/1/2019	12,487.35	0.00%			
			2/1/2020	311.44	0.00%			
			8/1/2020	12,176.53	0.00%			
Sub-total						<u>39,331.31</u>	<u>13,733.11</u>	<u>25,598.20</u>
						<u>99,331.31</u>	<u>33,733.11</u>	<u>65,598.20</u>
						D	D-27	D

**Borough of Franklin, N.J.**

**Schedule of Improvement Authorizations**

**Water / Sewer Utility Capital Fund**

**Year Ended December 31, 2018**

114

Ordinance Number	Improvement Description	Ordinance Date	Amount	Balance Dec. 31, 2017		2018 Authorizations	Paid or Charged	Balance Dec. 31, 2018	
				Funded	Unfunded			Funded	Unfunded
11-09	Various Water/Sewer Capital Improvements	7/14/2009	109,000.00	6,982.78				6,982.78	
16-09	Improvements to Water/ Sewer Systems	11/24/2009	850,000.00		393,029.95				393,029.95
03-18	Replacement of Sewer Pump Maple Rd Station	4/10/2018	20,000.00			20,000.00	17,810.00	2,190.00	
11-18	Acquisition of New Vehicular Equipment	7/24/2018	116,000.00			116,000.00	114,574.25	1,425.75	
				<u>6,982.78</u>	<u>393,029.95</u>	<u>136,000.00</u>	<u>132,384.25</u>	<u>10,598.53</u>	<u>393,029.95</u>
				D	D			D	D
			<u>Ref.</u>						
	Various Reserves		D-21			20,000.00			
	Capital Improvement Fund		D-26			<u>116,000.00</u>			
			D-12;D-29			<u>136,000.00</u>			
	Cash Disbursements		D-5				59,682.25		
	Reserve for Encumbrances		D-28				<u>72,702.00</u>		
							<u>132,384.25</u>		

**Borough of Franklin, N.J.**

**Schedule of Water / Sewer Capital Bond Anticipation Notes**

**Water / Sewer Utility Capital Fund**

**Year Ended December 31, 2018**

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Original Date of Issue</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance, Dec. 31, 2017</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance, Dec. 31, 2018</u>
16-09	Improvements to Water/ Sewer System	04/29/2010	08/18/2017 08/16/2018	08/17/2018 08/15/2019	2.250% 2.750%	203,000.00	142,000.00	203,000.00	142,000.00
16-09	Improvements to Water/ Sewer System	08/23/2013	08/18/2017 08/16/2018	08/17/2018 08/15/2019	2.250% 2.750%	95,000.00	65,000.00	95,000.00	65,000.00
						<u>298,000.00</u>	<u>207,000.00</u>	<u>298,000.00</u>	<u>207,000.00</u>
						D			D
					<u>Ref.</u>				
				Renewals			207,000.00	207,000.00	
				Paid by Budget Appropriations	D-27			91,000.00	
							<u>207,000.00</u>	<u>298,000.00</u>	

## Borough of Franklin, N.J.

## Schedule of Capital Improvement Fund

## Water / Sewer Utility Capital Fund

## Year Ended December 31, 2018

	<u>Ref.</u>	
Balance - December 31, 2017	D	304,774.72
Increased by:		
Budget Appropriation	D-5	15,000.00
		<u>319,774.72</u>
Decreased by:		
Appropriation to Finance		
Improvement Authorizations	D-24	116,000.00
		<u>116,000.00</u>
Balance - December 31, 2018	D	<u><u>203,774.72</u></u>

## Schedule of Reserve for Amortization

## Water / Sewer Utility Capital Fund

## Year Ended December 31, 2018

	<u>Ref.</u>	
Balance - December 31, 2017	D	19,429,364.74
Increased by:		
Capital Purchases	D-11	22,432.08
Serial Bonds Paid by Budget	D-22	65,000.00
New Jersey Environmental		
Infrastructure Loan	D-23	33,733.11
Bond Anticipation Notes		
Paid by Budget	D-25	91,000.00
		<u>91,000.00</u>
		<u>212,165.19</u>
Balance - December 31, 2018	D	<u><u>19,641,529.93</u></u>

**Borough of Franklin, N.J.**  
**Schedule of Reserve for Encumbrances**  
**Water / Sewer Utility Capital Fund**  
**Year Ended December 31, 2018**

	<u>Ref.</u>	
Balance - December 31, 2017	D	1,000.00
Increased by:		
Charges to Improvement Authorizations	D-24	<u>72,702.00</u>
Balance - December 31, 2018	D	<u><u>73,702.00</u></u>

## Borough of Franklin, N.J.

## Schedule of Deferred Reserve for Amortization

## Water / Sewer Utility Capital Fund

## Year Ended December 31, 2018

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Date of Ordinance</u>	<u>Balance, Dec. 31,2017</u>	<u>Fixed Capital Authorized</u>	<u>Balance, Dec. 31,2018</u>
11-09	Various Water/Sewer Capital Improvements	7/14/2009	109,000.00		109,000.00
16-09	Improvements to Water / Sewer Systems	11/24/2009	41,000.00		41,000.00
03-18	Replacement of Sewer Pump Maple Rd Station	4/10/2018		20,000.00	20,000.00
11-18	Acquisition of New Vehicular Equipment	7/24/2018		116,000.00	116,000.00
			<u>150,000.00</u>	<u>136,000.00</u>	<u>286,000.00</u>
			D	D-24;D-26	D

**Borough of Franklin, N.J.**

**Schedule of Bonds and Notes Authorized But Not Issued**

**Water / Sewer Utility Capital Fund**

**Year Ended December 31, 2018**

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Balance, Dec. 31,2017</u>	<u>Balance, Dec. 31,2018</u>
16-09	Improvement to Water/Sewer Systems	<u>159,000.00</u> Footnote D	<u>159,000.00</u> Footnote D

**Borough of Franklin, N.J.**  
**Schedule of Cash-Treasurer**  
**Public Assistance Fund**  
**Year Ended December 31, 2018**

	<u>Ref.</u>	<u>P.A.T.F.</u> <u>Account #1</u>
Balance - December 31, 2017	E	5,588.59
Increased by Receipts:		
Interest on Investment	E-3;E-4	<u>80.54</u>
Balance - December 31, 2018	E	<u><u>5,669.13</u></u>

**Borough of Franklin, N.J.**  
**Schedule of Cash and Reconciliation**  
**Public Assistance Fund**  
**Year Ended December 31, 2018**

	<u>Ref.</u>	
Balance - December 31, 2017	E	5,588.59
Increased by Receipts:		
Cash Receipts Record	E-1	<u>80.54</u>
Balance - December 31, 2018	E	<u><u>5,669.13</u></u>
		P.A.T.F.
<u>Reconciliation - December 31, 2018</u>		<u>Account #1</u>
Balance on Deposit per Statement of:		
Lakeland Bank		
Checking		<u>5,669.13</u>
Balance - December 31, 2018		<u><u>5,669.13</u></u>

**Borough of Franklin, N.J.**

**Schedule of Revenues**

**Public Assistance Fund**

**Year Ended December 31, 2018**

	<u>P.A.T.F. Account #1</u>
Interest on Investments	<u>80.54</u>
Total Revenues (P.A.T.F.)	<u><u>80.54</u></u>

E-1

**Borough of Franklin, N.J.****Schedule of Reserve for Public Assistance****Public Assistance Fund****Year Ended December 31, 2018**

	<u>Ref.</u>	
Balance - December 31, 2017	E	5,588.59
Increased by:		
Receipts	E-1	<u>80.54</u>
Balance - December 31, 2018	E	<u><u>5,669.13</u></u>

**BOROUGH OF FRANKLIN**

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**PART II**

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

**COMMENTS AND RECOMMENDATIONS**

**YEAR ENDED DECEMBER 31, 2018**

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

Charles J. Ferraioli, Jr., MBA, CPA, RMA  
Steven D. Wielkottz, CPA, RMA  
James J. Cerullo, CPA, RMA  
Paul J. Cuva, CPA, RMA  
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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements-regulatory basis of the Borough of Franklin in the County of Sussex as of and for the year ended December 31, 2018 and the related notes to the financial statements, and have issued our report thereon dated July 19, 2019, which was adverse due to being presented in accordance with New Jersey regulatory basis of accounting.

### **Internal Control Over Financial Reporting**

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



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

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

We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as 2018-01, that we consider 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*.

However, 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.

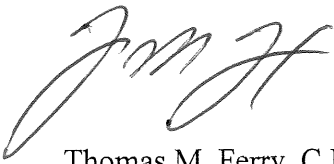
### **Borough of Franklin's Responses to Findings**

The Borough of Franklin's response to the findings identified in our audit are described in the accompanying General Comments section of our audit. The Borough's response was not subjected to the auditing procedures applied in the audit of financial statements and, accordingly, we express no opinion on it.

Honorable Mayor and  
Members of the Borough Council  
Page 3

**Purpose of this Report**

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



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

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

Newton, New Jersey

July 19, 2019



## BOROUGH OF FRANKLIN

### SUMMARY OF FINDINGS AND RESPONSES YEAR ENDED DECEMBER 31, 2018

#### Summary of Auditor's Results:

##### Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the Borough prepared in accordance with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey.
- A significant deficiency was disclosed during the audit of the financial statements as reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*. No material weaknesses are reported.
- No instances of noncompliance material to the financial statements of the Borough which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- The Borough was not subject to the single audit provisions of the Uniform Guidance and New Jersey's OMB Circular 15-08 for the year ended December 31, 2018 as both state and federal grant expenditures were less than the single audit thresholds of \$750,000 identified in the Uniform Guidance and NJOMB 15-08.

#### 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 2018-01: Segregation of Duties

The Borough does not maintain an adequate segregation of duties within the Tax Collector and Water/Sewer Utility Collector Departments. 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 Tax Collector and Water/Sewer Utility Collector collects cash, posts to the computer and can make adjustments to individual accounts. 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.

##### Management Response:

The Borough will consider strengthening internal control within reason of the costs, benefits derived and budget constraints.

##### 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, 2018**

The Borough's prior year finding regarding Segregation of Duties has not been corrected for the Tax Collector and Water/Sewer Utility Departments and is included in the audit for the year ended December 31, 2018.

Finding 2017-01:

Condition:

Segregation of Duties

The Borough does not maintain an adequate segregation of duties within the Tax Collector and Water/Sewer Utility Collector Departments. 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 Tax Collector and Water/Sewer Utility Collector collects cash, posts to the computer and can make adjustments to individual accounts. 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.

Current Status:

Corrective action has not been taken for the Tax Collector and Water/Sewer Utility Departments. The Borough was made aware of this lack of internal control and will consider strengthening internal control within reason of the costs, benefits derived and budget constraints.

## GENERAL COMMENTS

### Cash Balances

Cash balances in all funds were verified by independent certificates obtained from the depositories as of December 31, 2018, and at July 19, 2019, 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 July 1, 2015, the bid threshold in accordance with N.J.S.A. 40A:11-3 and 40A:11-4 (as amended) is \$17,500.00 and with a qualified purchasing agent the threshold may be up to \$40,000.00.

The Governing Body of the Borough of 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 1, 2018 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 October 31, 2018 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>
2018	23
2017	9
2016	5

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

### Verification of Delinquent Taxes and Other Charges

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

The result of the test, which was made as of December 31, 2018 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 Tax Collector and Water/Sewer Utility Collector Departments. 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 Tax Collector and Water/Sewer Utility Collector collects cash, posts to the computer and can make adjustments to individual accounts. 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.

#### Recommendation:

That the Borough strengthen internal control in the Tax Collector and Water/Sewer Utility Collector Departments.

#### Management Response:

The Borough was made aware of this lack of internal control and will consider strengthening internal control within reason of the costs, benefits derived and budget constraints.

## OTHER COMMENTS

### Municipal Court

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

### Finance

1. In some cases, requisitions/purchase orders are not being issued prior to the purchase of goods and services.

#### Recommendation:

That requisition/purchase orders be issued prior to the purchase of goods or services rendered.

#### Management Response:

All attempts will be made to issue requisition/purchase orders prior to the purchase of goods or services rendered.

### Recreation

1. We were unable to verify the accuracy of monies collected for the Franklin Pond annual badges, daily wrist bands and concession stand. There was an annual badge log report kept, however, it was not properly maintained. It did not include dates badges were received. In some cases, it did not accurately reflect monies collected and in some cases, badges were not accounted for.

#### Recommendation:

That the Recreation Department properly account for the Franklin Pond collection of annual badges, daily wrist bands and concession stand monies.

#### Management Response:

In 2019 a cash register has been installed in the municipal building for collection of annual badges and daily wristbands. The concession stand is not in operation in 2019.

**RECOMMENDATIONS**

1. That requisition/purchase orders be issued prior to the purchase of goods or services rendered.
2. That adequate segregation of duties within the Tax Collector and Water/Sewer Utility Collector Departments be maintained.
3. That the Recreation Department properly account for the Franklin Pond collection of annual badges, daily wrist bands and concession stand monies.

**Status of Prior Year's Audit Findings/Recommendations**

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

1. That requisition/purchase orders be issued prior to the purchase of goods or services rendered.
2. That adequate segregation of duties within the Tax Collector and Water/Sewer Utility Collector Departments be maintained.

\* \* \* \* \*

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,



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

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