

REPORT OF AUDIT
BOROUGH OF FRANKLIN
COUNTY OF SUSSEX
DECEMBER 31, 2019

BOROUGH OF FRANKLIN, N.J.
YEAR ENDED DECEMBER 31, 2019
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BOROUGH OF FRANKLIN



PART I

REPORT OF AUDIT ON FINANCIAL STATEMENTS

AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2019



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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, 2019 and 2018, 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, 2019, 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, 2019 and 2018, 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 \$26,948.63 and \$13,000.00 for 2019 and 2018, respectively, were not audited and, therefore we express no opinion on the LOSAP program.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of the 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, 2019 and 2018, 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, 2019 in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of 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.

Honorable Mayor and
Members of the Borough Council
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 16, 2020 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

Wielkocz & Company, LLC
Wielkocz & Company, LLC
Certified Public Accountants

Newton, New Jersey

July 16, 2020

Borough of Franklin, N.J.

Comparative Balance Sheet - Regulatory Basis

Current Fund			
December 31,			
	<u>Ref.</u>	<u>2019</u>	<u>2018</u>
<u>Assets</u>			
Current Fund:			
Cash	A-4	3,545,877.12	3,519,220.09
Change Fund	A-5	500.00	500.00
		<u>3,546,377.12</u>	<u>3,519,720.09</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Taxes Receivable	A-6	425,871.02	344,503.36
Tax Title Liens Receivable	A-7	307,703.78	340,076.79
Labor Lien Receivable	A-8	56,980.61	-
Property Acquired for Taxes - Assessed Valuation	A-9	347,100.00	347,100.00
Revenue Accounts Receivable	A-10	5,621.82	-
Interfund Receivables:			
Other Trust Fund	A-12	1,837.94	-
		<u>1,145,115.17</u>	<u>1,031,680.15</u>
Federal and State Grant Fund:			
Interfund Receivables - Current Fund	A-21	98,897.13	127,315.55
Grants Receivable	A-23	65,000.00	-
		<u>163,897.13</u>	<u>127,315.55</u>
		<u>4,855,389.42</u>	<u>4,678,715.79</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

Current Fund			
December 31,			
	<u>Ref.</u>	<u>2019</u>	<u>2018</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Current Fund:			
Appropriation Reserves:			
Unencumbered	A-3;A-13	775,305.15	418,806.03
Encumbered	A-3;A-13	182,325.61	127,690.48
Total Appropriation Reserves		957,630.76	546,496.51
Due To State of New Jersey:			
Senior Citizen and Veteran Deductions	A-11	19,809.73	19,430.28
Interfunds Payable:			
Federal and State Grant Fund	A-12	98,897.13	127,315.55
Tax Overpayments	A-14	3,585.90	153.19
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	110,884.58	109,184.27
Due to State of New Jersey:			
Marriage Surcharge	A-14	125.00	175.00
Accounts Payable	A-15	-	439.34
Prepaid Taxes	A-16	130,539.79	80,243.10
County Taxes Payable	A-17	2,023.89	3,325.67
District School Taxes Payable	A-18	1.00	-
Prepaid Revenue	A-20	32,781.81	31,827.00
		1,365,217.45	927,527.77
Reserve for Receivables	Contra	1,145,115.17	1,031,680.15
Fund Balance	A-1	2,181,159.67	2,592,192.32
		4,691,492.29	4,551,400.24
Federal and State Grant Fund:			
Encumbrances Payable	A-22	2,869.50	-
Appropriated Reserve for Grants	A-24	128,713.57	109,174.50
Unappropriated Reserve for Grants	A-25	32,314.06	18,141.05
		163,897.13	127,315.55
		4,855,389.42	4,678,715.79

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>2019</u>	<u>2018</u>
Revenues and Other Income:			
Fund Balance Utilized	A-2	650,000.00	535,700.00
Miscellaneous Revenue Anticipated	A-2	1,274,646.94	1,214,879.50
Receipts from Delinquent Taxes	A-2	350,252.67	344,538.01
Receipts from Current Taxes	A-2	14,624,017.81	14,412,429.84
Non-Budget Revenue	A-2	26,904.68	44,652.14
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-13	344,781.31	587,290.63
Accounts Payable Cancelled	A-15	439.34	-
Total Revenues and Other Income		<u>17,271,042.75</u>	<u>17,139,490.12</u>
Expenditures:			
Budget and Emergency Appropriations:			
Operations - Within Caps:			
Salaries and Wages	A-3	2,851,265.00	2,847,811.00
Other Expenses	A-3	2,172,364.00	2,030,990.00
Deferred Charges and Statutory Expenditures -			
Municipal - Within Caps	A-3	718,652.00	645,754.00
Operations - Excluded From CAPS:			
Salaries and Wages	A-3	30,200.00	-
Other Expenses	A-3	308,721.05	290,440.79
Capital Improvements - Excluded from Caps	A-3	112,700.00	193,200.00
Municipal Debt Service - Excluded from Caps	A-3	423,013.00	350,246.00
Deferred Charges and Statutory Expenditures -			
Municipal - Excluded from Caps		-	5,000.00
Interfund Advances	A-12	1,837.94	-
County Taxes including Added Taxes	A-17	2,341,727.41	2,388,788.27
Local District School Tax	A-18	5,731,001.00	5,493,122.00
Regional High School Tax	A-19	2,340,594.00	2,286,825.00
Total Expenditures		<u>17,032,075.40</u>	<u>16,532,177.06</u>
Statutory Excess to Fund Balance		238,967.35	607,313.06
Fund Balance, January 1,	A	<u>2,592,192.32</u>	<u>2,520,579.26</u>
		2,831,159.67	3,127,892.32
Fund Balance Utilized as Budget Revenue	A-1	<u>650,000.00</u>	<u>535,700.00</u>
Fund Balance, December 31,	A	<u><u>2,181,159.67</u></u>	<u><u>2,592,192.32</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, 2019

	<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	650,000.00	-	650,000.00	-
Miscellaneous Revenues:					
Licenses:					
Alcoholic Beverages	A-10	12,705.00	-	12,342.00	(363.00)
Other	A-10	8,015.00	-	8,533.00	518.00
Fees and Permits	A-10	19,146.00	-	16,544.65	(2,601.35)
Fines and Costs:					
Municipal Court	A-10	114,265.00	-	88,392.61	(25,872.39)
Interest and Costs on Taxes	A-10	75,723.00	-	78,435.52	2,712.52
Interest on Investments and Deposits	A-10	79,683.00	-	84,224.51	4,541.51
Energy Receipts Tax	A-10	607,671.00	-	607,671.00	-
Watershed Moratorium Offset Aid	A-10	4,089.00	-	4,089.00	-
Garden State Trust	A-10	7,929.00	-	7,929.00	-
Special Items of General Revenue Anticipated With Prior Written Consent of Director of Local Government Services					
Shared Services:					
Interlocal Service Agreement - Zoning Office	A-10	2,700.00	-	2,700.00	-
Public and Private Revenues:					
Drunk Driving Enforcement	A-23	4,405.65	-	4,405.65	-
Alcohol Education and Rehabilitation	A-23	2,416.67	-	2,416.67	-
Clean Communities Program	A-23	11,318.73	-	11,318.73	-
Drive Sober or Get Pulled Over	A-23	-	5,500.00	5,500.00	5,500.00
NJ Highlands Master Plan	A-23	65,000.00	-	65,000.00	-
Other Special Items:					
Hillside Estates - Solid Waste Collection	A-10	41,256.00	-	37,818.00	(3,438.00)
Municipal Service Fees - Mobile Home Parks	A-10	89,388.00	-	81,939.00	(7,449.00)
Rent Senior Center	A-10	27,700.00	-	27,700.00	-
Cable TV Franchise Fee	A-10	14,721.00	-	14,721.00	-
Antenna Lease Contract	A-10	64,596.00	-	64,596.60	0.60
Franklin Senior Housing PILOT	A-10	31,160.00	-	23,370.00	(7,790.00)
Reserve for Improvement to Streets & Roads	A-10	10,000.00	-	10,000.00	-
Reserve for Improvement to Municipal Property	A-10	15,000.00	-	15,000.00	-
Total Miscellaneous Revenues	A-1	1,308,888.05	5,500.00	1,274,646.94	(34,241.11)
Receipts from Delinquent Taxes	A-1;A-2	417,046.00	-	350,252.67	(66,793.33)
Subtotal General Revenues		2,375,934.05	5,500.00	2,274,899.61	(101,034.44)
Amount to be Raised by Taxes for Support of Municipal Budget-Local Tax Including Reserve for Uncollected Taxes	A-2	4,684,174.00	-	4,659,388.40	(24,785.60)
Budget Totals		7,060,108.05	5,500.00	6,934,288.01	(125,820.04)
Non-Budget Revenue	A-1;A-2	-	-	26,904.68	26,904.68
		<u>7,060,108.05</u>	<u>5,500.00</u>	<u>6,961,192.69</u>	<u>(98,915.36)</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, 2019

<u>Analysis of Realized Revenues</u>	<u>Ref.</u>	
Revenue from Collections	A-1;A-6	14,624,017.81
Less:		
Allocated to School and County Taxes	A-6	<u>10,413,322.41</u>
Balance for Support of Municipal Budget Appropriations		4,210,695.40
Add : Appropriation - Reserve for Uncollected Taxes	A-3	<u>448,693.00</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u><u>4,659,388.40</u></u>
Receipts from Delinquent Taxes:		
Delinquent Taxes		
Taxes Receivable	A-6	294,446.21
Tax Title Lien Receivable	A-7	<u>55,806.46</u>
	A-2	<u><u>350,252.67</u></u>
<u>Analysis of Non-budget Revenues</u>	<u>Ref.</u>	
Miscellaneous Revenues Not Anticipated:		
Revenues Accounts Receivable:		
Planning/Zoning	A-10	4,025.00
Veterans & Senior Citizens Administration Fee		782.59
O/S Police - Use of Car/Admin Fees		42.52
State Motor Vehicle Inspection Fees		1,178.88
Various Refunds and Miscellaneous		<u>20,875.69</u>
	A-4	<u>22,879.68</u>
	A-2	<u><u>26,904.68</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, 2019

	<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			201,560.00	185,560.00	179,084.48	6,475.52	-
Other Expenses			51,900.00	54,900.00	29,803.73	25,096.27	-
Elections							
Other Expenses			3,500.00	3,500.00	3,348.13	151.87	-
Financial Administration							
Salaries and Wages			137,805.00	134,205.00	131,725.58	2,479.42	-
Other Expenses			11,050.00	23,050.00	8,759.13	14,290.87	-
Audit Services			18,400.00	18,900.00	1,345.00	17,555.00	-
Collection of Taxes							
Salaries and Wages			23,490.00	23,490.00	19,609.99	3,880.01	-
Other Expenses			11,160.00	11,160.00	10,117.52	1,042.48	-
Assessment of Taxes							
Salaries and Wages			49,885.00	48,885.00	47,465.68	1,419.32	-
Other Expenses			13,130.00	13,130.00	8,308.55	4,821.45	-
Revaluation			1.00	1.00	-	1.00	-
Legal Services and Costs:							
Other Expenses			195,001.00	195,001.00	171,546.86	23,454.14	-
Engineering Services and Costs							
Other Expenses			20,000.00	20,000.00	7,672.26	12,327.74	-

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, 2019

	<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			1,000.00	1,000.00	250.00	750.00	-
Planning Board							
Salaries and Wages			50,020.00	50,020.00	48,390.46	1,629.54	-
Other Expenses			18,050.00	18,050.00	16,393.84	1,656.16	-
Revision of Master Plan			1.00	1.00	-	1.00	-
Insurance							
Other Insurance Premiums			77,110.00	77,110.00	77,110.00	-	-
Workers Compensation			143,968.00	143,968.00	143,968.00	-	-
Group Insurance Plan			504,491.00	496,491.00	408,435.82	88,055.18	-
Health Benefit Waiver			11,500.00	11,500.00	7,750.00	3,750.00	-
Public Safety:							
Police							
Salaries and Wages			1,811,148.00	1,811,148.00	1,512,143.11	299,004.89	-
Other Expenses			115,225.00	123,225.00	82,849.12	40,375.88	-
Crossing Guard							
Salaries and Wages			69,850.00	69,850.00	63,131.24	6,718.76	-
Other Expenses			600.00	600.00	-	600.00	-
Emergency Management							
Salaries and Wages			2,250.00	2,250.00	2,250.00	-	-
Other Expenses			500.00	500.00	-	500.00	-
Fire							
Other Expenses			61,485.00	61,485.00	47,905.05	13,579.95	-
First Aid Organization - Contribution			17,300.00	17,300.00	8,293.04	9,006.96	-

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, 2019

	<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>
Prosecutor							
Other Expenses			21,000.00	21,000.00	17,500.00	3,500.00	-
Streets and Roads:							
Road Repairs and Maintenance							
Salaries and Wages			299,707.00	277,707.00	213,919.60	63,787.40	-
Other Expenses			138,750.00	145,750.00	92,039.62	53,710.38	-
Public Buildings and Grounds							
Salaries and Wages			14,600.00	14,600.00	9,148.00	5,452.00	-
Other Expenses			106,200.00	111,200.00	77,915.40	33,284.60	-
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	389.68	110.32	-
H.B.V. Vaccination							
Other Expenses			1,000.00	1,000.00	576.00	424.00	-
Animal Regulation							
Other Expenses			3,060.00	3,060.00	3,056.25	3.75	-
Contribution to Senior Citizen Ctr.							
Salaries and Wages			34,000.00	35,000.00	33,348.50	1,651.50	-
Other Expenses			900.00	900.00	465.61	434.39	-

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, 2019

	<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>
Recreation and Education							
Salaries and Wages			13,750.00	13,750.00	11,478.20	2,271.80	-
Other Expenses			34,000.00	34,000.00	34,000.00	-	-
Celebration of Public Events			1.00	1.00	-	1.00	-
Municipal Court							
Salaries and Wages			147,450.00	147,450.00	137,809.57	9,640.43	-
Other Expenses			11,380.00	11,380.00	7,304.66	4,075.34	-
Municipal Public Defender			1.00	1.00	-	1.00	-
Zoning Official							
Salaries and Wages			35,850.00	35,850.00	22,972.34	12,877.66	-
Other Expenses			2,800.00	2,800.00	2,076.44	723.56	-
Fixed Assets Accounting System			1,300.00	1,300.00	1,300.00	-	-
Network Maintenance Agreement			15,200.00	16,400.00	13,997.00	2,403.00	-
Utility Expense:							
Street Lighting			48,000.00	48,000.00	35,436.99	12,563.01	-
Utility Bulk - Telephone			30,000.00	30,000.00	28,822.09	1,177.91	-
Gasoline and Oil			35,000.00	39,000.00	35,198.31	3,801.69	-
Solid Waste Contract			410,000.00	410,000.00	399,999.96	10,000.04	-
Postage			2,200.00	2,200.00	1,760.16	439.84	-
Total Operations Including Contingent-Within "CAPS"			<u>5,032,529.00</u>	<u>5,023,629.00</u>	<u>4,219,670.97</u>	<u>803,958.03</u>	<u>-</u>
Detail:							
Salaries and Wages		A-1	<u>2,892,865.00</u>	<u>2,851,265.00</u>	<u>2,433,976.75</u>	<u>417,288.25</u>	<u>-</u>
Other Expenses (Including Contingent)		A-1	<u>2,139,664.00</u>	<u>2,172,364.00</u>	<u>1,785,694.22</u>	<u>386,669.78</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, 2019

	<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>						
Deferred Charges and Statutory Expenditures-Within "CAPS"						
Municipal Within "CAPS"						
Statutory Expenditures						
Contribution to:						
Public Employees' Retirement System		117,469.00	117,469.00	117,469.00	-	-
Social Security System (O.A.S.I.)		220,000.00	220,000.00	178,415.97	41,584.03	-
Defined Contribution Retirement Program		4,100.00	4,500.00	4,117.30	382.70	-
Police and Firemans Retirement System		366,683.00	366,683.00	366,683.00	-	-
Unemployment Compensation Insurance		10,000.00	10,000.00	8,465.13	1,534.87	-
Total Deferred Charged and Statutory Expenditures - Municipal within "CAPS"	A-1	<u>718,252.00</u>	<u>718,652.00</u>	<u>675,150.40</u>	<u>43,501.60</u>	<u>-</u>
Total General Appropriations for Municipal Purposes within "CAPS"		<u>5,750,781.00</u>	<u>5,742,281.00</u>	<u>4,894,821.37</u>	<u>847,459.63</u>	<u>-</u>
Operations - Excluded From "CAPS"						
Refund of Tax Appeals		15,000.00	15,000.00	15,000.00	-	-
Length of Service Award Program		<u>20,000.00</u>	<u>20,000.00</u>	<u>-</u>	<u>20,000.00</u>	<u>-</u>
Total Other Operations - Excluded From Caps		<u>35,000.00</u>	<u>35,000.00</u>	<u>15,000.00</u>	<u>20,000.00</u>	<u>-</u>
Shared Service Agreements						
Township of Sparta "911" Emergency Dispatching						
Other Expenses - Fire		30,280.00	30,280.00	30,280.00	-	-
Other Expenses - Police		32,115.00	32,115.00	32,115.00	-	-
Other Expenses - EMS		29,362.00	29,362.00	29,362.00	-	-

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, 2019

	<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	1,559.00	41.00	-
Construction Office		65,723.00	65,723.00	6,850.00	58,873.00	-
Joint Community Center		26,000.00	26,000.00	26,000.00	-	-
Borough of Hamburg - Zoning Officer						
Salaries and Wages		2,700.00	2,700.00	2,700.00	-	-
Township of Wantage						
Tax Collector						
Salaries and Wages		27,500.00	27,500.00	27,500.00	-	-
Total Shared Service Agreements		<u>215,280.00</u>	<u>215,280.00</u>	<u>156,366.00</u>	<u>58,914.00</u>	<u>-</u>
Public and Private Programs Offset By Revenues						
Drunk Driving Enforcement Fund						
Other Expenses		4,405.65	4,405.65	4,405.65	-	-
Alcohol Rehab Fund						
Other Expenses		2,416.67	2,416.67	2,416.67	-	-
Clean Communities Grant						
Other Expenses		11,318.73	11,318.73	11,318.73	-	-
Drive Sober or Get Pulled Over Grant						
Other Expenses		-	5,500.00	5,500.00	-	-
Highlands Master Plan						
Other Expenses		65,000.00	65,000.00	65,000.00	-	-
Total Public and Private Programs Offset By Revenues		<u>83,141.05</u>	<u>88,641.05</u>	<u>88,641.05</u>	<u>-</u>	<u>-</u>

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, 2019

		Budget	Budget	Paid or	Reserved	Unexpended
	<u>Ref.</u>	<u>Budget</u>	<u>After Modification</u>	<u>Charged</u>	<u>Cancelled</u>	<u>Balance</u>
<u>General Appropriations</u>						
Total Operations - Excluded from "CAPS"		333,421.05	338,921.05	260,007.05	78,914.00	-
Detail:						
Salaries and Wages	A-1	30,200.00	30,200.00	30,200.00	-	-
Other Expenses	A-1	303,221.05	308,721.05	229,807.05	78,914.00	-
<u>Capital Improvements - Excluded From "CAPS"</u>						
Purchase of Police Equipment		12,000.00	12,000.00	12,000.00	-	-
Purchase of Office Equipment		7,200.00	15,700.00	15,477.75	222.25	-
Purchase of Fire Equipment		35,000.00	35,000.00	34,936.70	63.30	-
Improvements to Streets and Roads		25,000.00	25,000.00	16,378.62	8,621.38	-
Improvement to Municipal Property		25,000.00	25,000.00	2,649.80	22,350.20	-
Total Capital Improvements Excluded from "CAPS"	A-1	104,200.00	112,700.00	81,442.87	31,257.13	-
<u>Municipal Debt Service -Excluded From "CAPS"</u>						
Payment of Bond Anticipation Notes and Capital Notes		356,100.00	356,100.00	356,100.00	-	-
Interest on Notes		66,913.00	66,913.00	66,913.00	-	-
Total Municipal Debt Service-Excluded from "CAPS"	A-1	423,013.00	423,013.00	423,013.00	-	-
Total General Appropriations for Municipal Purposes Excluded from "CAPS"		860,634.05	874,634.05	764,462.92	110,171.13	-
Subtotal General Appropriations		6,611,415.05	6,616,915.05	5,659,284.29	957,630.76	-
Reserve for Uncollected Taxes		448,693.00	448,693.00	448,693.00	-	-

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, 2019

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Total General Appropriations		<u>7,060,108.05</u>	<u>7,065,608.05</u>	<u>6,107,977.29</u>	<u>957,630.76</u>	<u>-</u>
 <u>Analysis of Budget After Modification</u>						
Adopted Budget	A-2		7,060,108.05			
Added by N.J.S.A 40A:4-87	A-2		<u>5,500.00</u>			
			<u>7,065,608.05</u>			
 <u>Analysis of Paid or Charged</u>						
Reserve for Uncollected Taxes	A-2			448,693.00		
Cash Disbursements	A-4			5,570,643.24		
Reserve for Federal & State Grants	A-24			<u>88,641.05</u>		
				<u>6,107,977.29</u>		
 <u>Analysis of Appropriation Reserves</u>						
Unencumbered	A				775,305.15	
Encumbered	A				<u>182,325.61</u>	
					<u>957,630.76</u>	

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

Borough of Franklin, N.J.

Comparative Balance Sheet - Regulatory Basis

Trust Funds

December 31,

<u>Assets</u>	<u>Ref.</u>	<u>2019</u>	<u>2018</u>
Animal Control Trust Fund			
Cash	B-1	313.20	466.95
Other Trust Funds:			
Cash	B-1	1,546,933.94	1,496,528.07
Emergency Services Volunteer Length of Service Award Program (Unaudited)			
Cash	B-1	13,298.63	-
Contribution Receivable	B-7	13,650.00	13,000.00
		<u>26,948.63</u>	<u>13,000.00</u>
		<u>1,560,897.14</u>	<u>1,509,995.02</u>
<u>Liabilities, Reserves & Fund Balance</u>			
Animal Control Trust Fund			
Reserve for Animal Control			
Trust Expenditures	B-2	313.20	463.35
Due State Board of Health	B-3	-	3.60
		<u>313.20</u>	<u>466.95</u>
Other Trust Fund:			
Reserve for Encumbrances	B-4	80,049.34	45,330.03
Interfund Current	B-6	1,837.94	-
Reserve for Various Reserves and Other Trusts	B-5	1,465,046.66	1,451,198.04
		<u>1,546,933.94</u>	<u>1,496,528.07</u>
Emergency Services Volunteer Length of Service Award Program (Unaudited)			
Net Assets Available for Benefits	B-8	26,948.63	13,000.00
		<u>1,574,195.77</u>	<u>1,509,995.02</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>Ref.</u>	<u>2019</u>	<u>2018</u>
<u>Assets</u>			
Cash	C-2,C-3	670,235.58	1,584,316.73
Deferred Charges to Future Taxation:			
Unfunded	C-4	2,077,099.00	2,433,199.00
Grants Receivable	C-5	75,750.00	303,000.00
		<u>2,823,084.58</u>	<u>4,320,515.73</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Bond Anticipation Notes	C-6	2,077,099.00	2,433,199.00
Improvement Authorizations:			
Funded	C-7	20,339.54	166,505.70
Unfunded	C-7	416,138.44	833,381.89
Capital Improvement Fund	C-8	139,966.20	164,966.20
Reserve for Encumbrances	C-9	32,362.39	575,493.67
Various Reserves	C-10	78,117.04	96,576.05
Fund Balance	C-1	59,061.97	50,393.22
		<u>2,823,084.58</u>	<u>4,320,515.73</u>

Footnote C: There were no Bonds and Notes Authorized But Not Issued on December 31, 2018 and December 31, 2019.

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>2019</u>	<u>2018</u>
Balance - January 1,	C	50,393.22	33,800.22
Increased by:			
Premium on Sale of Bond Anticipation Notes	C-2	<u>8,668.75</u>	<u>16,593.00</u>
Balance - December 31,	C	<u><u>59,061.97</u></u>	<u><u>50,393.22</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>2019</u>	<u>2018</u>
<u>Assets</u>			
Operating Fund:			
Cash-Treasurer	D-5	2,064,022.94	2,158,587.27
Change Fund	D-6	200.00	200.00
		<u>2,064,222.94</u>	<u>2,158,787.27</u>
Receivables with Full Reserves:			
Consumers Account Receivable	D-9	186,527.85	164,815.96
Water/Sewer Utility Liens	D-10	10,776.32	25,279.24
		<u>197,304.17</u>	<u>190,095.20</u>
Total Operating Fund		<u>2,261,527.11</u>	<u>2,348,882.47</u>
Capital Fund:			
Cash	D-5;D-8	1,039,793.65	1,104,602.67
Fixed Capital*	D-11	21,269,672.78	21,164,128.13
Fixed Capital Authorized and Uncompleted	D-12	933,500.00	1,095,000.00
Total Capital Fund		<u>23,242,966.43</u>	<u>23,363,730.80</u>
Total Assets		<u>25,504,493.54</u>	<u>25,712,613.27</u>

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

Comparative Balance Sheet - Regulatory Basis

Water / Sewer Utility Fund

December 31,

	<u>Ref</u>	<u>2019</u>	<u>2018</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Operating Fund:			
Appropriation Reserve:			
Unencumbered	D-4;D-13	208,757.85	319,486.00
Encumbered	D-4;D-13	48,371.00	24,488.48
Total Appropriation Reserve		<u>257,128.85</u>	<u>343,974.48</u>
Accounts Payable - Vendors	D-14	-	7,075.00
Accrued Interest on Bonds, Loans, and Notes	D-15	30,174.44	34,930.27
Reserve for Water Hook- Ups	D-17	-	8,532.75
Reserve for Sewer Hook- Ups	D-18	15,798.00	5,193.76
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	5,656.33	7,589.02
		<u>314,366.25</u>	<u>412,903.91</u>
Reserve for Receivables	Contra	197,304.17	190,095.20
Fund Balance	D-1	<u>1,749,856.69</u>	<u>1,745,883.36</u>
Total Operating Fund		<u>2,261,527.11</u>	<u>2,348,882.47</u>
Capital Fund:			
Various Reserves	D-21	644,212.46	558,988.05
Serial Bonds Payable	D-22	1,830,000.00	1,900,000.00
Loan Payable - DEP Infrastructure Loan	D-23	32,487.97	65,598.20
Improvement Authorizations:			
Funded	D-24	8,432.78	10,598.53
Unfunded	D-24	176,522.67	393,029.95
Bond Anticipation Notes	D-25	116,000.00	207,000.00
Capital Improvement Fund	D-26	170,540.07	203,774.72
Reserve for Amortization	D-27	20,026,184.81	19,641,529.93
Reserve for Encumbrances	D-28	16,120.00	73,702.00
Reserve for Deferred Amortization	D-29	198,500.00	286,000.00
Fund Balance	D-2	<u>23,965.67</u>	<u>23,509.42</u>
Total Capital Fund		<u>23,242,966.43</u>	<u>23,363,730.80</u>
Total Liabilities, Reserves and Fund Balances		<u>25,504,493.54</u>	<u>25,712,613.27</u>

Footnote D: There were Bonds and Notes Authorized But Not Issued in the Amount of \$-0- and \$159,000.00 on December 31, 2019 and 2018 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>2019</u>	<u>2018</u>
Revenue and Other Income Realized:			
Operating Surplus Anticipated	D-3	367,853.00	229,000.00
Water/Sewer Rents	D-3	2,197,236.67	2,131,411.08
Reserve for:			
Sewer Hook-Ups	D-3	5,193.76	-
Water Hook-Ups	D-3	8,532.75	-
Miscellaneous	D-3	163,035.13	140,064.78
Other Credits to Income:			
Unexpended Balance of			
Appropriation Reserves	D-13	136,925.64	232,787.64
Cancelled Accounts Payable	D-14	5,250.00	-
Total Income		<u>2,884,026.95</u>	<u>2,733,263.50</u>
Expenditures:			
Operating	D-4	2,047,873.00	1,888,309.00
Capital Improvements	D-4	115,560.00	181,336.00
Debt Service	D-4	268,720.43	271,453.11
Deferred Charges and			
Statutory Expenditures	D-4	79,325.00	76,040.00
Refund of Prior Years' Revenues	D-5	722.19	-
Total Expenditures		<u>2,512,200.62</u>	<u>2,417,138.11</u>
Statutory Excess to Surplus		371,826.33	316,125.39
Fund Balance - January 1,	D	<u>1,745,883.36</u>	<u>1,658,757.97</u>
		2,117,709.69	1,974,883.36
Decreased by:			
Utilized as Anticipated Revenue		367,853.00	229,000.00
Fund Balance - December 31,	D	<u><u>1,749,856.69</u></u>	<u><u>1,745,883.36</u></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>2019</u>	<u>2018</u>
Balance - January 1,	D	23,509.42	22,066.42
Increased by:			
Premium on Sale of Bond Anticipation Notes	D-5	<u>456.25</u>	<u>1,443.00</u>
Balance - December 31,	D	<u><u>23,965.67</u></u>	<u><u>23,509.42</u></u>

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Statement of Revenues - Regulatory Basis

Water / Sewer Utility Operating Fund

Year Ended December 31, 2019

	<u>Ref.</u>	<u>Anticipated</u>	<u>Realized</u>	<u>Excess (Deficit)</u>
Operating Surplus Anticipated	D-1	367,853.00	367,853.00	-
Water/Sewer Rents	D-1;D-3	2,129,940.00	2,197,236.67	67,296.67
Reserve for Sewer Hook-Ups	D-1;D-18	5,193.00	5,193.76	0.76
Reserve for Water Hook-Ups	D-1;D-17	8,532.00	8,532.75	0.75
Miscellaneous	D-1	-	163,035.13	163,035.13
Budget Totals	D-4	<u><u>2,511,518.00</u></u>	<u><u>2,741,851.31</u></u>	<u><u>230,333.31</u></u>

Analysis of Realized Revenues

Water Rents

Consumer Accounts Receivable

D-9

2,190,244.25

Water Utility Liens

D-10

6,992.42

D-3

2,197,236.67

Miscellaneous:

Interest on Deposits:

Water / Sewer Operating Fund

43,736.20

Water / Sewer Capital Fund

5,492.19

D-5

49,228.39

Miscellaneous:

Antenna Lease Agreement

77,772.01

Interest on Delinquent Payments

24,320.15

Other Miscellaneous

11,714.58

D-5

113,806.74163,035.13

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, 2019

	Ref.	Appropriated		Expended		Unexpended Balance Cancelled
		Budget	Budget After Modification	Paid or Charged	Reserved	
Operating:						
Salaries and Wages		444,725.00	444,725.00	362,969.39	81,755.61	-
Other Expenses		1,603,148.00	1,603,148.00	1,494,975.58	108,172.42	-
Total Operating	D-1	<u>2,047,873.00</u>	<u>2,047,873.00</u>	<u>1,857,944.97</u>	<u>189,928.03</u>	<u>-</u>
Capital Improvements						
Capital Improvement Fund		15,000.00	15,000.00	15,000.00	-	-
Capital Outlay		25,000.00	25,000.00	13,721.57	11,278.43	-
Improvements to Water Distribution System		15,060.00	15,060.00	3,828.00	11,232.00	-
Improvements to Sewers & Sewer Stations		35,000.00	35,000.00	11,207.00	23,793.00	-
Purchase of Water/Sewer Equipment		10,500.00	10,500.00	4,691.16	5,808.84	-
Inflow and Infiltration Improvements		15,000.00	15,000.00	8,110.00	6,890.00	-
Total Capital Improvements	D-1	<u>115,560.00</u>	<u>115,560.00</u>	<u>56,557.73</u>	<u>59,002.27</u>	<u>-</u>
Debt Service:						
Payment of Bond Principal		70,000.00	70,000.00	70,000.00	-	-
Payment of Bond Anticipation Notes and Capital Notes		91,000.00	91,000.00	91,000.00	-	-
Interest on Bonds		64,280.00	64,280.00	64,280.00	-	-
Interest on Notes		7,820.00	7,820.00	7,820.00	-	-
DEP Loan Principal		33,115.00	33,115.00	33,075.43	-	39.57
DEP Loan Interest		2,545.00	2,545.00	2,545.00	-	-
Total Debt Service	D-1	<u>268,760.00</u>	<u>268,760.00</u>	<u>268,720.43</u>	<u>-</u>	<u>39.57</u>
Deferred Charges and Statutory Expenditures:						
Statutory Expenditures:						
Contribution to:						
Public Employees' Retirement System		43,450.00	43,450.00	43,450.00	-	-
Social Security System (O.A.S.I.)		34,175.00	34,175.00	26,359.20	7,815.80	-
Unemployment Compensation Insurance		1,700.00	1,700.00	1,317.25	382.75	-
Total Deferred Charges and Statutory Expenditures	D-1	<u>79,325.00</u>	<u>79,325.00</u>	<u>71,126.45</u>	<u>8,198.55</u>	<u>-</u>
		<u>2,511,518.00</u>	<u>2,511,518.00</u>	<u>2,254,349.58</u>	<u>257,128.85</u>	<u>39.57</u>
			D-3			
<u>Analysis of Paid or Charged</u>						
Cash Disbursed	D-5			2,179,704.58		
Accrued Interest on Bonds, Loans, and Notes	D-15			74,645.00		
				<u>2,254,349.58</u>		
<u>Analysis of Reserved</u>						
Unencumbered	D				208,757.85	
Encumbered	D				48,371.00	
					<u>257,128.85</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>2019</u>	<u>2018</u>
<u>Assets</u>			
Cash	E-1	<u>5,762.38</u>	<u>5,669.13</u>
<u>Liabilities</u>			
Reserve for Public Assistance	E-4	<u>5,762.38</u>	<u>5,669.13</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,

	Balance <u>Dec. 31, 2019</u>	Balance <u>Dec. 31, 2018</u>
<u>ASSETS</u>		
Land, Building and Building Improvements	6,548,700.00	6,548,700.00
Machinery and Equipment	<u>4,677,234.00</u>	<u>4,677,234.00</u>
	<u>11,225,934.00</u>	<u>11,225,934.00</u>
<u>RESERVES</u>		
Investment in Fixed Assets	<u>11,225,934.00</u>	<u>11,225,934.00</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, 2019 AND 2018**

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, 2019 AND 2018
(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, 2019 AND 2018
(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 11th day of the 11th month of the fiscal year levied, the collector in the municipality shall subject to the provisions of the New Jersey Statutes enforce the lien by placing the property on a tax sale. Annual in rem tax foreclosure proceedings are instituted to enforce the tax collection or acquisition of title to the property by the Borough. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the taxes receivable and tax title liens that are uncollectible. GAAP requires tax revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

Miscellaneous Revenues - Miscellaneous revenues are recognized on a cash basis. Receivables for the miscellaneous items that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund 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, 2019 AND 2018
(CONTINUED)**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting (continued)

Budgets and Budgetary Accounting

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

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

Animal Control Trust Fund
General Capital Fund

Public Assistance Trust Fund
Water/Sewer Capital Fund

The governing body shall introduce and approve the annual budget not later than February 10, of the fiscal year. The budget shall be adopted not later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. Emergency appropriations, those made after the adoption of the budget and determination of the tax rate, may be authorized by the governing body of the municipality. During the last two months of the fiscal year, the governing body may, by a 2/3 vote, amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the Governing Body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2019, 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, 2019 AND 2018
(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, 2019 AND 2018
(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, 2019 AND 2018
(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.

For the year ended December 31, 2019, the Borough adopted the following GASB Statement:

GASB Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placement. The objective of this Statement is to improve consistency in the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, and to provide financial statement users with additional essential information about debt.

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 2019 statutory budget included a reserve for uncollected taxes in the amount of \$448,693.00 To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2019 statutory budget was \$650,000.00

BOROUGH OF FRANKLIN, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(CONTINUED)**

NOTE 2: BUDGETARY INFORMATION (CONTINUED)

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 2019; \$5,500.00, Drive Sober or Get Pulled Over.

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 2019, 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, 2019.

	Balance as of <u>12/31/2018</u>	Balance as of <u>12/31/2019</u> (1)
Land, Building and Improvements	\$6,548,000.00	\$6,548,000.00
Equipment (Including Vehicles)	<u>4,677,234.00</u>	<u>4,677,234.00</u>
	<u>\$11,225,234.00</u>	<u>\$11,225,234.00</u>

- (1) A fixed asset inventory could not be completed because of the impact of the Coronavirus (COVID19) outbreak.

BOROUGH OF FRANKLIN, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(CONTINUED)**

NOTE 4: MUNICIPAL DEBT

Long-term debt as of December 31, 2019 consisted of the following:

	Balance <u>Dec. 31, 2018</u>	Decreased	Balance <u>Dec. 31, 2019</u>	Amount Due Within <u>One Year</u>
Water/Sewer Capital Fund:				
Bonds Payable	\$1,900,000.00	\$ 70,000.00	\$1,830,000.00	\$ 70,000.00
NJEIT Loan	<u>65,598.20</u>	<u>33,110.23</u>	<u>32,487.97</u>	<u>32,487.97</u>
	<u>1,965,598.20</u>	<u>103,110.23</u>	<u>1,862,487.97</u>	<u>102,487.97</u>
Compensated Absences Payable	<u>332,156.72</u>	<u>12,695.90 (1)</u>	<u>319,460.82</u>	<u>-</u>
	<u>\$2,297,754.92</u>	<u>\$115,806.13</u>	<u>\$2,181,948.79</u>	<u>\$102,487.97</u>

(1) Net of days allowed and days used.

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 2019</u>	<u>Year 2018</u>	<u>Year 2017</u>
General:			
Bonds, Notes & Loans	\$2,077,099.00	\$2,433,199.00	\$2,222,440.00
Water/Sewer Utility:			
Bonds, Notes & Loans	<u>1,978,487.97</u>	<u>2,172,598.20</u>	<u>2,362,331.31</u>
	<u>4,055,586.97</u>	<u>4,605,797.20</u>	<u>4,584,771.31</u>
<u>Authorized But Not Issued</u>			
General:			
Bonds and Notes	-	-	475,000.00
Water/Sewer Utility:			
Bonds and Notes	<u>-</u>	<u>159,000.00</u>	<u>159,000.00</u>
Total Authorized But Not Issued	<u>-</u>	<u>159,000.00</u>	<u>634,000.00</u>

BOROUGH OF FRANKLIN, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(CONTINUED)**

NOTE 4: MUNICIPAL DEBT (CONTINUED)

	<u>Year 2019</u>	<u>Year 2018</u>	<u>Year 2017</u>
Net Bonds, Notes and Loans Issued and Authorized but not Issued	<u>4,055,586.97</u>	<u>4,764,797.20</u>	<u>5,218,771.31</u>
Less:			
Reserve for Debt Service	15,000.00	-	-
Self-Liquidating Debt	<u>1,978,487.97</u>	<u>2,331,598.20</u>	<u>2,521,331.31</u>
	<u>1,993,487.97</u>	<u>2,331,598.20</u>	<u>2,521,331.31</u>
Net Debt	<u>\$2,062,099.00</u>	<u>\$2,433,199.00</u>	<u>\$2,697,440.00</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 0.502%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Regional High School District Debt	\$ 436,450.48	\$ 436,450.48	\$ -
Water/Sewer Utility Debt	1,978,487.97	1,978,487.97	-
General Debt	<u>2,077,099.00</u>	<u>15,000.00</u>	<u>2,062,099.00</u>
	<u>\$4,492,037.45</u>	<u>\$2,429,938.45</u>	<u>\$2,062,099.00</u>

Net Debt \$2,062,099.00 divided by equalized valuation basis per N.J.S.A. 40A:2-2 as amended, 410,770,284.33 = 0.502%.

SUMMARY OF AVERAGE EQUALIZED VALUATION

2019	410,770,284.33	
2018		408,979,831.67
2017		410,837,758.33

BOROUGH OF FRANKLIN, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(CONTINUED)**

NOTE 4: MUNICIPAL DEBT (CONTINUED)

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

3 1/2% of Equalized Valuation Basis (Municipal)	\$14,376,959.95
Net Debt	<u>2,062,099.00</u>
Remaining Borrowing Power	<u>\$12,314,860.95</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	\$2,741,851.31
Operating And Maintenance Costs	\$2,127,198.00
Debt Service	<u>268,720.43</u>
	<u>2,395,918.43</u>
Excess in Revenue	<u>\$ 345,932.88</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.

Long-term debt as of December 31, 2019 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, 2019 was \$20,000.00.

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, 2019 was 12,487.97.

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, 2019, the balance remaining was \$1,830,000.00.

BOROUGH OF FRANKLIN, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(CONTINUED)**

NOTE 4: MUNICIPAL DEBT (CONTINUED)

The Borough's long term debt consisted of the following at December 31, 2019:

Water Utility Capital Account \$1,862,487.97

**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
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	80,000.00	61,200.00	141,200.00
2025-2029	450,000.00	255,200.00	705,200.00
2030-2034	550,000.00	158,000.00	708,000.00
2035-2038	<u>450,000.00</u>	<u>41,200.00</u>	<u>491,200.00</u>
Total	<u>1,862,487.97</u>	<u>784,400.00</u>	<u>2,646,887.97</u>

NOTE 5: BOND ANTICIPATION NOTES

The Borough issues bond anticipation notes to temporarily fund various capital projects prior to the issuance of serial bonds. The term of the notes cannot exceed one year but the notes may be renewed from time to time for a period not exceeding one year. Generally, such notes must be paid no later than the first day of the fifth month following the close of the tenth fiscal year following the date of the original notes. The State of New Jersey also prescribes that on or before the third anniversary date of the original note, a payment of an amount at least equal to the first legally payable installment of the bonds in anticipation of such notes were issued 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, 2019, a bond anticipation note in the amount of \$2,077,099.00 payable to Jeffries, LLC. This note will mature on 7/1/20 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 2.00%. Principal and interest on this note is paid from the Current Fund Budget of the Borough.

The Borough has outstanding at December 31, 2019, a bond anticipation note in the amount of \$116,000.00 payable to Jeffries, LLC. This note will mature on 7/1/20 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 2.00%. Principal and interest on this note is paid from the Water/Sewer Operating Fund Budget of the Borough.

BOROUGH OF FRANKLIN, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(CONTINUED)**

NOTE 5: BOND ANTICIPATION NOTES (CONTINUED)

The following activity related to bond anticipation notes occurred during the calendar year ended December 31, 2019.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Notes Payable:				
General Capital:				
Oppenheimer	\$2,433,199.00	\$ -	\$2,433,199.00	\$ -
Jeffries, LLC	-	2,077,099.00	-	2,077,099.00
Water/Sewer Capital:				
Oppenheimer	207,000.00	-	207,000.00	-
Jeffries, LLC	<u>-</u>	<u>116,000.00</u>	<u>-</u>	<u>116,000.00</u>
	<u>\$2,640,199.00</u>	<u>\$2,193,099.00</u>	<u>\$2,640,199.00</u>	<u>\$2,193,099.00</u>

NOTE 6: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2019 and 2018 which were appropriated and included as anticipated revenue in their own respective funds for the years ending December 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Current Fund	<u>\$650,000.00</u>	<u>\$650,000.00</u>
Water/Sewer Utility Operating	<u>\$367,853.00</u>	<u>\$367,853.00</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.

BOROUGH OF FRANKLIN, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(CONTINUED)**

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.

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:

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 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 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.

BOROUGH OF FRANKLIN, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(CONTINUED)**

NOTE 8: PENSION PLANS (CONTINUED)

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.

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:

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.

BOROUGH OF FRANKLIN, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(CONTINUED)**

NOTE 8: PENSION PLANS (CONTINUED)

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

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

Contribution Requirements

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

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

<u>Year</u>	<u>PERS</u>	<u>PFRS</u>	<u>DCRP</u>
2019	\$160,044.00	\$366,683.00	\$4,117.30
2018	151,229.00	320,529.00	1,511.27
2017	122,885.00	260,691.00	1,011.00

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.

BOROUGH OF FRANKLIN, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(CONTINUED)**

NOTE 8: PENSION PLANS (CONTINUED)

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, 2019, the Borough had a liability of \$2,672,822.00 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2019, 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 0.0148337816 percent, which was an increase/(decrease) of (0.0012904509) percent from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the Borough recognized pension expense of \$160,044.00. At December 31, 2019, 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	\$47,974.00	\$11,807.00
Changes of assumptions	266,891.00	927,728.00
Net difference between projected and actual earnings on pension plan investments	-	42,192.00
Changes in proportion and differences between the Borough's contributions and proportionate share of contributions	<u>246,963.00</u>	<u>297,574.00</u>
Total	<u>\$561,828.00</u>	<u>\$1,279,301.00</u>

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (June 30, 2019) 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:

BOROUGH OF FRANKLIN, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(CONTINUED)**

NOTE 8: PENSION PLANS (CONTINUED)

Public Employees Retirement System (PERS), (continued)

Year ended June 30:	
2020	(\$77,179.00)
2021	(250,367.00)
2022	(223,563.00)
2023	(104,974.00)
2024	(10,779.00)

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 5.21, 5.63, 5.48, 5.57, 5.72 and 6.44 years for 2019, 2018, 2017, 2016, 2015 and 2014 amounts respectively.

Additional Information

Local Group Collective balances net of non-employer (State of New Jersey) balances at June 30, 2019 and June 30, 2018 are as follows:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Collective deferred outflows of resources	\$3,149,522,616	\$4,684,852,302
Collective deferred inflows of resources	7,645,087,574	7,646,736,226
Collective net pension liability	18,018,482,972	19,689,501,539
Borough's Proportion	0.0148337816%	0.0161242325%

Actuarial Assumptions

The collective total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which rolled forward to June 30, 2019. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	2.00-6.00% (based on years of service)
Thereafter	3.00-7.00% (based on years of service)
Investment Rate of Return	7.00%

BOROUGH OF FRANKLIN, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(CONTINUED)**

NOTE 8: PENSION PLANS (CONTINUED)

Public Employees Retirement System (PERS), (continued)

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018. 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 Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and a 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

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, 2019) 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, 2019 are summarized in the following table:

BOROUGH OF FRANKLIN, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(CONTINUED)**

NOTE 8: PENSION PLANS (CONTINUED)

Public Employees Retirement System (PERS), (continued)

Long-Term Rate of Return (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk mitigation strategies	3.00%	4.67%
Cash equivalents	5.00%	2.00%
U. S. Treasuries	5.00%	2.68%
Investment grade credit	10.00%	4.25%
High yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
U. S. Equity	28.00%	8.26%
Non-U.S. developed markets equity	12.50%	9.00%
Emerging markets equity	6.50%	11.37%
Private Equity	12.00%	10.85%

Discount Rate

The discount rate used to measure the total pension liability was 6.28% as of June 30, 2019. 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 3.50% as of June 30, 2019 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 70% 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 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057 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, 2019 AND 2018
(CONTINUED)**

NOTE 8: PENSION PLANS (CONTINUED)

Public Employees Retirement System (PERS), (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, 2019, 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:

	June 30, 2019		
	1% Decrease <u>5.28%</u>	At Current Discount Rate <u>6.28%</u>	1% Increase <u>7.28%</u>
Borough's proportionate share of the pension liability	\$3,399,696	\$2,672,822	\$2,094,590

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.

Police and Firemen's Retirement System (PFRS)

At December 31, 2018, the Borough had a liability of \$4,888,279.00 for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2019, the Borough's proportion was 0.0399440419 percent, which was an increase/(decrease) of 0.0024373677 percent from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the Borough recognized pension expense of \$366,683.00. At December 31, 2019, deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

BOROUGH OF FRANKLIN, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(CONTINUED)**

NOTE 8: PENSION PLANS (CONTINUED)

Police and Firemen's Retirement System, (continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference in actual and expected experience	\$41,263.00	\$30,949.00
Changes of assumptions	167,499.00	1,579,847.00
Net difference between projected and actual earnings on pension plan investments	-	66,235.00
Changes in proportion and differences between Borough contributions and proportionate share of contributions	<u>764,001.00</u>	<u>80,289.00</u>
Total	<u>\$972,763.00</u>	<u>\$1,757,320.00</u>

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (June 30, 2019) 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:	
2020	(\$256,271.00)
2021	(537,954.00)
2022	(380,984.00)
2023	(187,799.00)
2024	(105,260.00)

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 5.92, 5.73, 5.59, 5.58, 5.53 and 6.17 years for 2019, 2018, 2017, 2016, 2015 and 2014 amounts respectively.

BOROUGH OF FRANKLIN, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(CONTINUED)**

NOTE 8: PENSION PLANS (CONTINUED)

Police and Firemen's Retirement System, (continued)

Additional Information

Local Group Collective balances net of non-employer (State of New Jersey) balances at June 30, 2019 and June 30, 2018 are as follows:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Collective deferred outflows of resources	\$1,198,936,294	\$1,988,215,695
Collective deferred inflows of resources	4,874,748,912	4,286,994,294
Collective net pension liability	12,237,818,793	13,531,648,591
Borough's Proportion	0.0399440419%	0.0375066742%

Actuarial Assumptions

The collective total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions.

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through all future years	3.25-15.25% (based on years of service)
Investment Rate of Return	7.00%

Mortality Rates

Pre-retirement mortality rates were based on the Pub-2010 Safety Employee mortality table with an 105.6% adjustment for males and 102.5% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Safety Retiree Below-Median Income Weighted mortality table with a 96.7% adjustment for males and 96.0% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. For beneficiaries (contingent annuitants), the Pub-2010 General Retiree Below-

BOROUGH OF FRANKLIN, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(CONTINUED)**

NOTE 8: PENSION PLANS (CONTINUED)

Police and Firemen's Retirement System, (continued)

Mortality Rates (continued)

Median Income Weighted mortality table was used, unadjusted, and with future improvement from the base year of 2010 on a generational basis. Disability rates were based on the Pub-2010 Safety Disabled Retiree mortality table with a 152.0% adjustment for males and a 109.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2013 to June 30, 2018.

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, 2019) 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, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk mitigation strategies	3.00%	4.67%
Cash equivalents	5.00%	2.00%
U. S. Treasuries	5.00%	2.68%
Investment grade credit	10.00%	4.25%
High yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
U. S. Equity	28.00%	8.26%
Non-U.S. developed markets equity	12.50%	9.00%
Emerging markets equity	6.50%	11.37%
Private Equity	12.00%	10.85%

BOROUGH OF FRANKLIN, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(CONTINUED)**

NOTE 8: PENSION PLANS (CONTINUED)

Police and Firemen's Retirement System, (continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.85% as of June 30, 2019. 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 3.50% as of June 30, 2019 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 70% 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 2076. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2076, 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, 2019, 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, 2019</u>		
	<u>1%</u> <u>Decrease</u> <u>5.85%</u>	<u>At Current</u> <u>Discount Rate</u> <u>6.85%</u>	<u>1%</u> <u>Increase</u> <u>7.85%</u>
Borough's proportionate share of the pension liability	\$7,650,458	\$4,888,279	\$4,012,880

BOROUGH OF FRANKLIN, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(CONTINUED)**

NOTE 8: PENSION PLANS (CONTINUED)

Police and Firemen's Retirement System, (continued)

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.

At December 31, 2019 and 2018, the State proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$771,869.00 and \$689,392.00, respectively. For the years ended December 31, 2019 and 2018, the pension system has determined the State proportionate share of the pension expense attributable to the Borough for the PFRS special funding situation is \$84,689.00 and \$81,657.00, respectively, which is more than the actual contributions the State made on behalf of the Borough of \$52,008.00 and \$40,829.00, 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.

BOROUGH OF FRANKLIN, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(CONTINUED)**

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 \$319,460.82. 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, 2019, the Borough had \$141,680,64 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 of upon death to their beneficiaries.

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, 2019, \$13,298.68 of the Borough's bank balance of \$9,184,931.78 was exposed to custodial credit risk.

Investments

Investment Rate Risk

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

BOROUGH OF FRANKLIN, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(CONTINUED)**

NOTE 11: CASH AND CASH EQUIVALENTS (CONTINUED)

Credit Risk

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

Concentration of Credit Risk

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

NOTE 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 2019 calendar year, the Borough did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

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

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

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

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

BOROUGH OF FRANKLIN, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(CONTINUED)**

NOTE 13: DUE TO/FROM OTHER FUNDS

Balances due to/from other funds at December 31, 2019 consist of the following:

\$98,897.13	Due to Federal and State Grant Fund from Current Fund for receipts and disbursements made in Current Fund.
<u>\$1,837.94</u>	Due to Current Fund from Other Trust Fund for interest received on Other Trust Fund.
<u>\$100,735.07</u>	

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

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, 2019 and expires on June 30, 2023. Monthly payments are \$141.18. Total Operational lease payments made during the year were \$5,929.56. Future operating lease payments are as follows:

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

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, 2019:

Total minimum lease payments	\$13,616.00
Less: Amount representing interest	<u>1,200.81</u>
Present value of net minimum lease payments	<u>\$12,415.81</u>

Payment Dates	<u>Principal</u>	<u>Interest</u>	<u>Total Lease payments</u>
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>\$12,415.81</u>	<u>\$1,200.81</u>	<u>\$13,616.00</u>

BOROUGH OF FRANKLIN, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(CONTINUED)**

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.

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:

	Balance <u>Dec 31, 2019</u>	Balance <u>Dec 31, 2018</u>
Prepaid Taxes	<u>\$130,539.79</u>	<u>\$80,243.10</u>
Cash Liability for Taxes Collected in Advance	<u>\$130,539.79</u>	<u>\$80,243.10</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 Walkkill 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.

BOROUGH OF FRANKLIN, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(CONTINUED)**

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

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, 2019 is set at \$1,717.00.

The Borough of Franklin has elected to contribute \$500 for 2019 per eligible volunteer into the Plan. In addition, the programs does not provide contributions for prior years service.

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

BOROUGH OF FRANKLIN, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(CONTINUED)**

NOTE 19: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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, 2019, the State's proportionate share of the net OPEB liability attributable to the Borough for the PFRS special funding situation is \$4,633,812.00 and the State's proportionate share of the OPEB expense for the PFRS special funding situation is \$61,422.00.

NOTE 20: CONTINGENT LIABILITIES

The Borough's 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. They also informed us there were a number of tort lawsuits being defended by the Borough's insurance carrier.

NOTE 21: SUBSEQUENT EVENT

The Borough has evaluated subsequent events through July 16, 2020, the date which the financial statements were available to be issued and the following item was noted for disclosure:

On March 9, 2020 Governor Phil Murphy signed Executive Order No. 103 that declared a State of Emergency and Public Health Emergency across all 21 counties in New Jersey in response to address the novel coronavirus (COVID-19) outbreak. At the time of this report, the overall effects of the COVID-19 pandemic are unknown. In efforts to reduce the spread of the virus, many companies and organizations have either reduced staff or closed down, thus creating a potential financial dilemma among many of the taxpayers of the Borough of Franklin. The Borough has identified several risks as a result of this pandemic, including a possible delay in collection of real estate taxes, water/sewer utility rents and cash flow shortages as the result of these delayed collection. The Borough will continue to monitor the situation closely.

SUPPLEMENTARY DATA

BOROUGH OF FRANKLIN, N.J.

OFFICIALS IN OFFICE AND SURETY BONDS
YEAR ENDED DECEMBER 31, 2019

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

<u>Name</u>	<u>Title</u>
Nicholas Giordano	Mayor
Stephen Skellenger	Council President
John Postas	Councilperson
Joe Limon	Councilperson
Stephan Zydon	Councilperson
Glenn Soules	Councilperson from 1/22/2019
Gilbert Snyder	Councilperson
Alison Littell McHose	Administrator; Municipal Housing Liaison
Darlene Tremont	Clerk: Registrar
Monica Miebach	Chief Finance Officer/Qualified Purchasing Agent to 10/30/2019
Pam Crum	Finance Clerk to 6/30/2019
Corry Chrobak	Finance Clerk from 6/17/2019
Karen Osellame	Water/Sewer Collector/ Asst. Tax Collector
Judith O'Brien	Tax Collector; Water/Sewer Collector to 1/31/2019
Melissa Caton	Tax Collector from 2/1/2019 (Shared service with Wantage Twp.)
John Ursin	Borough Attorney
Angelo Bolcato	BPW and Rent Leveling Attorney
James G. Devine	Judge
Lorraine Spirito	Court Administrator
Lauren Mitchener	Deputy Court Administrator
Greg Cugliari	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
Michael Vreeland	Water/Sewer Engineer - Van Cleef Engineering Associates, LLC
Michelle Babcock	Planning Board Secretary/Assistant to Administrator; Recreation Board Secretary
Joseph Drossel	Zoning Officer to 4/16/2019
Debra Card	Zoning Officer from 8/1/2019
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, 2019

Federal Department	Federal Program	Federal C.F.D.A Number	State Account No.	Program or Award Amount	Grant Period From/To	12/31/2018		Receipts	Expended	12/31/2019		MEMO Cumulative Total Expenditures
						(Receivable)	Reserve Balance			(Receivable)	Reserve Balance	
<u>FEDERAL AND STATE GRANT FUND</u>												
U.S. Department of Transportation (Passed through NJ Division of Highway Traffic Safety)												
	Drive Sober or Get Pulled Over	20.616	066-1160-100-165	5,500.00	1/1/19-12/31/19	-	-	5,500.00	(5,500.00)	-	-	5,500.00
						-	-	5,500.00	(5,500.00)	-	-	5,500.00
U.S. Department of Justice												
	Body Armor Grant	16.607	N/A	2,087.50	1/1/16-12/31/16	-	145.70	-	(145.70)	-	-	2,087.50
	Body Armor Grant	16.607	N/A	3,308.57	1/1/17 - 12/31/17	-	3,308.57	-	(1,704.29)	-	1,604.28	
	Body Armor Grant	16.607	N/A	1,349.99	1/1/19-12/31/19	-	-	1,349.99	-	-	1,349.99	
						-	3,454.27	1,349.99	(1,849.99)	-	2,954.27	2,087.50
TOTAL FEDERAL AWARDS						-	3,454.27	6,849.99	(7,349.99)	-	2,954.27	7,587.50

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, 2019

Name of State Agency or Department	Name of Program	Grant or State Project Number	Program or Award Amount	Grant Period From/To	12/31/2018				12/31/2019		MEMO Cumulative Total Expenditures
					Receivable	Reserve Balance	Receipts	Expended	Receivable	Reserve Balance	
FEDERAL AND STATE GRANT FUND											
<u>Department of Environmental Protection</u>											
	Clean Communities Grant	4900-765-042-4900-004-V42Y-6020	12,073.46	1/1/15-12/31/15	-	9,448.66	-	(1,595.31)	-	7,853.35	4,220.11
	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	-
	Clean Communities Grant	4900-765-042-4900-004-V42Y-6020	12,633.19	1/1/19-12/31/19	-	-	12,633.19	-	-	12,633.19	-
					-	46,524.01	12,633.19	(1,595.31)	-	57,561.89	4,220.11
	Recycling Tonnage	4900-752-042-4900-001-V42Y-6020	10,941.54	1/1/13-12/31/13	-	8,115.68	-	(8,115.68)	-	-	10,941.54
	Recycling Tonnage	4900-752-042-4900-001-V42Y-6020	10,892.36	1/1/14-12/31/14	-	10,892.36	-	(1,254.72)	-	9,637.64	1,254.72
	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	-
	Recycling Tonnage	4900-752-042-4900-001-V42Y-6020	11,270.96	1/1/18-12/31/18	-	-	11,270.96	-	-	11,270.96	-
					-	53,556.86	11,270.96	(9,370.40)	-	55,457.42	12,196.26
Total NJ Department of Environmental Protection					-	100,080.87	23,904.15	(10,965.71)	-	113,019.31	16,416.37
<u>NJ Highlands Water Protection and Planning Council</u>											
	Highlands Regional Master Plann	09-033-011-1906	65,000.00	1/1/19-12/31/19	-	-	-	(46,559.25)	(65,000.00)	18,440.75	46,559.25
					-	-	-	(46,559.25)	(65,000.00)	18,440.75	46,559.25
<u>New Jersey Judiciary</u>											
	Municipal Courts										
	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)	-	-	2,840.28
	Municipal Courts										
	Alcohol Education and Rehabilitation	9735-760-098-Y900-001-X100-6020	3,860.39	1/1/17-12/31/17	-	3,860.39	-	(722.21)	-	3,138.18	722.21
	Municipal Courts										
	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	-
	Municipal Courts										
	Alcohol Education and Rehabilitation	9735-760-098-Y900-001-X100-6020	1,366.37	1/1/19-12/31/19	-	-	1,366.37	-	-	1,366.37	-
Total New Jersey Judiciary					-	7,462.84	1,366.37	(1,907.99)	-	6,921.22	3,562.49
<u>Department of Law and Public Safety</u>											
	Drunk Driving Enforcement Fund	6400-100-078-6400-YYYY	4,563.19	1/1/15-12/31/15	-	2,004.87	-	(2,004.87)	-	-	4,563.19
	Drunk Driving Enforcement Fund	6400-100-078-6400-YYYY	4,802.13	1/1/16-12/31/16	-	4,802.13	-	(314.17)	-	4,487.96	314.17
	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	-
	Drunk Driving Enforcement Fund	6400-100-078-6400-YYYY	3,737.57	1/1/19-12/31/19	-	-	3,737.57	-	-	3,737.57	-
					-	16,317.57	3,737.57	(2,319.04)	-	17,736.10	4,877.36
	Body Armor Replacement	718-066-1020-001-YCJS-6120	1,955.98	1/1/19-12/31/19	-	-	1,955.98	-	-	1,955.98	-
Total Department of Law and Public Safety					-	16,317.57	5,693.55	(2,319.04)	-	19,692.08	4,877.36
TOTAL FEDERAL AND STATE GRANT FUND					-	123,861.28	30,964.07	(61,751.99)	(65,000.00)	158,073.36	71,415.47
GENERAL CAPITAL FUND											
NJ Department of Transportation	Municipal Local Aid - Buckwheat Rd	480-078-6320-AMQ	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-AM2	140,000.00	1/1/18-12/31/18	(140,000.00)	133,869.00	64,250.00	(133,869.00)	(75,750.00)	-	140,000.00
TOTAL GENERAL CAPITAL FUND					(303,000.00)	133,869.00	227,250.00	(133,869.00)	(75,750.00)	-	303,000.00
TOTAL STATE AID					(303,000.00)	257,730.28	258,214.07	(195,620.99)	(140,750.00)	158,073.36	374,415.47

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

COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE

CURRENT FUND

	<u>Year 2019</u>		<u>Year 2018</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<u>Revenue and Other Income Realized</u>				
Fund Balance Utilized	650,000.00	3.764%	535,700.00	3.126%
Miscellaneous - From Other Than				
Local Property Tax Levies	1,274,646.94	7.380%	1,214,879.50	7.088%
Collection of Delinquent Taxes				
and Tax Title Liens	350,252.67	2.028%	344,538.01	2.010%
Collection of Current				
Tax Levy	14,624,017.81	84.674%	14,412,429.84	84.089%
Other Credits to Income	372,125.33	2.155%	631,942.77	3.687%
	<u>17,271,042.75</u>	<u>100.00%</u>	<u>17,139,490.12</u>	<u>100.00%</u>
<u>Expenditures</u>				
Budget Expenditures:				
Municipal Purposes	6,616,915.05	38.850%	6,363,441.79	38.491%
Local and Regional School Taxes	8,071,595.00	47.391%	7,779,947.00	47.059%
County Taxes	2,341,727.41	13.749%	2,388,788.27	14.449%
Other Expenditures	1,837.94	0.011%	-	0.000%
	<u>17,032,075.40</u>	<u>100.00%</u>	<u>16,532,177.06</u>	<u>100.00%</u>
Statutory Excess to Fund Balance	238,967.35		607,313.06	
Fund Balance, January 1,	<u>2,592,192.32</u>		<u>2,520,579.26</u>	
	2,831,159.67		3,127,892.32	
Less:				
Utilized as Anticipated Revenue	<u>650,000.00</u>		<u>535,700.00</u>	
Fund Balance, December 31,	<u>2,181,159.67</u>		<u>2,592,192.32</u>	

COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE

WATER / SEWER UTILITY OPERATING FUND

	<u>Year 2019</u>		<u>Year 2018</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<u>Revenue and Other Income Realized</u>				
Operating Surplus Anticipated	367,853.00	12.755%	229,000.00	8.378%
Water/Sewer Rents	2,197,236.67	76.186%	2,131,411.08	77.980%
Miscellaneous	176,761.64	6.129%	140,064.78	5.124%
Other Credits to Income	<u>142,175.64</u>	<u>4.930%</u>	<u>232,787.64</u>	<u>8.517%</u>
<u>Total Revenue and Other Income Realized</u>	<u>2,884,026.95</u>	<u>100.00%</u>	<u>2,733,263.50</u>	<u>100.00%</u>
<u>Expenditures</u>				
Budget Expenditures:				
Operating	2,047,873.00	81.517%	1,888,309.00	78.122%
Capital Improvements	115,560.00	4.600%	181,336.00	7.502%
Debt Service	268,720.43	10.697%	271,453.11	11.230%
Deferred Charges and Statutory Expenditures	79,325.00	3.158%	76,040.00	3.146%
Other Expenses	<u>722.19</u>	<u>0.029%</u>	<u>-</u>	<u>0.000%</u>
<u>Total Expenditures</u>	<u>2,512,200.62</u>	<u>100.00%</u>	<u>2,417,138.11</u>	<u>100.00%</u>
Statutory Excess to Fund Balance	371,826.33		316,125.39	
Fund Balance, January 1,	<u>1,745,883.36</u>		<u>1,658,757.97</u>	
	2,117,709.69		1,974,883.36	
Less:				
Utilized as Anticipated Revenue	<u>367,853.00</u>		<u>229,000.00</u>	
Fund Balance, December 31,	<u>1,749,856.69</u>		<u>1,745,883.36</u>	

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>Tax Rate:</u>	<u>3.795</u>	<u>3.731</u>	<u>3.640</u>

Apportionment of Tax Rate:

Municipal	1.177	1.173	1.171
County	.590	.601	.598
Local School	1.440	1.382	1.317
Regional High School	.588	.575	.554

Assessed Valuation

2019	397,847,231		
2018		395,793,500	
2017			399,364,584

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>Currently</u>	
<u>Year</u>	<u>Tax Levy</u>	<u>Collections</u>	<u>Collection</u>
2019	15,111,317.65	14,624,017.81	96.77%
2018	14,853,769.45	14,412,429.84	97.02%
2017	14,539,943.29	14,079,636.27	96.83%

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>
2019	425,871.02	303,786.39	729,657.41	4.82%
2018	344,503.36	340,076.79	684,580.15	4.60%
2017	406,832.92	143,921.75	550,754.67	3.79%

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>
2019	347,100.00
2018	347,100.00
2017	347,100.00
2016	347,100.00
2015	347,100.00

COMPARISON OF WATER/SEWER UTILITY LEVIES

<u>Year</u>	<u>Levy</u>	<u>Cash Collections</u>
2019	2,215,028.14	2,190,244.25
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

COMPARATIVE SCHEDULE OF FUND BALANCES

<u>Current Fund:</u>		<u>Utilized</u>
<u>Year</u>	<u>Balance</u>	<u>In Budget of</u>
	<u>Dec. 31,</u>	<u>Succeeding Year</u>
2019	2,181,159.67	650,000.00
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

Water/Sewer Utility Operating Fund:

2019	1,749,856.69	367,853.00
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

Borough of Franklin, N.J.

Schedule of Cash - Treasurer

Current Fund

Year Ended December 31, 2019

	<u>Ref.</u>		
Balance - December 31, 2018	A		3,519,220.09
Increased by Receipts:			
Miscellaneous Revenue Not Anticipated	A-2	22,879.68	
Taxes Receivable	A-6	14,798,970.92	
Tax Title Liens Receivable	A-7	55,806.46	
Revenue Accounts Receivable	A-10	1,156,365.95	
Due From State - Senior Citizen and Veteran Deductions	A-11	39,629.45	
Interfunds	A-12	37,814.06	
Various Cash Liabilities and Reserves	A-14	19,062.21	
Prepaid Taxes	A-16	130,539.79	
Prepaid Revenue	A-20	<u>32,781.81</u>	
			<u>16,293,850.33</u>
			19,813,070.42
Decreased by Disbursements:			
Current Year Budget Appropriations	A-3	5,570,643.24	
Interfunds	A-12	66,232.48	
Appropriation Reserves	A-13	201,715.20	
Various Cash Liabilities and Reserves	A-14	13,979.19	
County Taxes Payable	A-17	2,343,029.19	
District School Taxes Payable	A-18	5,731,000.00	
High School Taxes Payable	A-19	<u>2,340,594.00</u>	
			<u>16,267,193.30</u>
Balance - December 31, 2019	A		<u><u>3,545,877.12</u></u>

Borough of Franklin, N.J.

Schedule of Cash - Change Fund

Current Fund

Year Ended December 31, 2019

Balance - December 31, 2018	<u>Ref.</u> A	<u>500.00</u>
Balance - December 31, 2019	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, 2019

Year	Balance, Dec. 31,	Levy	Added Taxes	Collected		Senior Citizen and Veteran Deductions	Transferred to Tax Title Liens	Canceled	Balance, Dec. 31,
	2018			2018	2019				2019
2010	18,714.59	-	-	-	-	-	-	-	18,714.59
2018	325,788.77	-	10,334.62	-	294,946.21	(500.00)	839.48	40,837.70	-
	344,503.36	-	10,334.62	-	294,946.21	(500.00)	839.48	40,837.70	18,714.59
2019	-	15,098,306.46	13,011.19	80,243.10	14,504,024.71	39,750.00	56,063.57	24,079.84	407,156.43
	344,503.36	15,098,306.46	23,345.81	80,243.10	14,798,970.92	39,250.00	56,903.05	64,917.54	425,871.02
	A			A-2;A-16	A-2;A-4	A-2;A-11	A-7		A

Analysis of Tax Levy

	Ref.	
Tax yield:		
General Purpose Tax		15,098,306.46
Added Tax (R.S. 54:4-63.1 et seq.)		13,011.19
		<u>15,111,317.65</u>
Tax Levy:		
County Tax	A-17	2,339,703.51
Added County Taxes	A-17	<u>2,023.90</u>
		2,341,727.41
Local District School Tax	A-18	5,731,001.00
Regional High School District Tax	A-19	2,340,594.00
	A-2	<u>10,413,322.41</u>
Local Tax for Municipal Purposes		4,684,174.00
Additional Taxes		<u>13,821.24</u>
		<u>4,697,995.24</u>
		<u>15,111,317.65</u>

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

Current Fund

Year Ended December 31, 2019

	<u>Ref.</u>		
Balance - December 31, 2018	A		340,076.79
Increased by:			
Transferred from 2019 Taxes Receivable	A-6	56,903.05	
Adjustment		8,871.17	
			65,774.22
			405,851.01
Decreased by:			
Cash Receipts	A-2; A-4	55,806.46	
Transfers to Legal Liens	A-8	42,340.77	
			98,147.23
Balance - December 31, 2019	A		307,703.78

A-8

Schedule of Labor Lien Receivable

Current Fund

Year Ended December 31, 2019

	<u>Ref.</u>		
Increased by:			
Transfers from Tax Title Liens	A-7	42,340.77	
Additions		14,639.84	
			56,980.61
			56,980.61
Balance - December 31, 2019	A		56,980.61

Borough of Franklin, N.J.

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

Current Fund

Year Ended December 31, 2019

Balance - December 31, 2018	<u>Ref.</u> A	<u>347,100.00</u>
Balance - December 31, 2019	A	<u>347,100.00</u>

Borough of Franklin, N.J.

Schedule of Revenue Accounts Receivable

Current Fund

Year Ended December 31, 2019

	<u>Ref.</u>	<u>Accrued</u>	<u>Collected</u>	<u>Balance Dec. 31, 2019</u>
Clerk				
Licenses:				
Alcoholic Beverages	A-2	12,342.00	12,342.00	-
Other Licenses	A-2	8,533.00	8,533.00	-
Fees and Permits	A-2	16,544.65	16,544.65	-
Municipal Court				
Fines and Costs	A-2	94,014.43	88,392.61	5,621.82
Tax Collector				
Interest and Costs on Taxes	A-2	78,435.52	78,435.52	-
Interest on Investments and Deposits	A-2	84,224.51	84,224.51	-
Hillside Estates - Solid Waste Collection	A-2	37,818.00	37,818.00	-
Rent - Senior Center	A-2	27,700.00	27,700.00	-
Municipal Service Fees - Mobile Home Parks	A-2	81,939.00	81,939.00	-
Antenna Lease Contract	A-2	64,596.60	64,596.60	-
Planning/Zoning:				
Miscellaneous Revenue not Anticipated	A-2	4,025.00	4,025.00	-
Shared Services:				
Tax Office	A-2	2,700.00	2,700.00	-
Energy Receipts Tax	A-2	607,671.00	607,671.00	-
Cable TV Franchise Fee	A-2	14,721.00	14,721.00	-
Franklin Senior Housing PILOT	A-2	23,370.00	23,370.00	-
Reserve for Improvement to Streets and Roads	A-2	10,000.00	10,000.00	-
Reserve for Improvements to Municipal Property	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>1,195,652.71</u>	<u>1,190,030.89</u>	<u>5,621.82</u>
				A
	<u>Ref.</u>			
Cash Receipts	A-4		1,156,365.95	
Interfund - Other Trust Fund	A-12		1,837.94	
Prepaid Revenues Applied	A-20		31,827.00	
			<u>1,190,030.89</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, 2019

	<u>Ref.</u>		
Balance - December 31, 2018	A		19,430.28
Increased by:			
State Share of Senior Citizens and Veteran Deductions Received in Cash	A-4		<u>39,629.45</u>
			59,059.73
Decreased by:			
Senior Citizens' Deductions Per Tax Billing		7,500.00	
Veterans' Deductions Per Tax Billing		31,750.00	
Senior Citizens' and Veterans' Allowed By Tax Collector		<u>500.00</u>	
		39,750.00	
Less:			
Deductions Disallowed - Prior Years	A-6	<u>500.00</u>	<u>39,250.00</u>
Balance - December 31, 2019	A		<u><u>19,809.73</u></u>

Borough of Franklin, N.J.

Schedule of Interfunds Receivables/(Payables)

Current Fund

Year Ended December 31, 2019

<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, 2018</u>			<u>Dec. 31, 2019</u>
Federal and State Grants	A	(127,315.55)	37,814.06	66,232.48	(98,897.13)
Other Trust	A	-	1,837.94	-	1,837.94
		<u>(127,315.55)</u>	<u>39,652.00</u>	<u>66,232.48</u>	<u>(97,059.19)</u>
<u>Analysis</u>					
Due To Current Fund	A-1	-			1,837.94
Due From Current Fund		<u>(127,315.55)</u>			<u>(98,897.13)</u>
		<u>(127,315.55)</u>			<u>(97,059.19)</u>
Received	A-4		37,814.06	-	
Disbursed	A-4		-	66,232.48	
Revenue Accounts Receivable	A-10		<u>1,837.94</u>	-	
			<u>39,652.00</u>	<u>66,232.48</u>	

Borough of Franklin, N.J.

Schedule of Appropriation Reserves

Current Fund

Year Ended December 31, 2019

	Balance, Dec. 31, 2018	Balance after Transfers	Paid or Charged	Balance Lapsed
Salaries and Wages Within "CAPS":				
Administrative and Executive	14,427.59	14,427.59	-	14,427.59
Financial Administration	301.52	301.52	-	301.52
Collection of Taxes	222.97	222.97	-	222.97
Assessment of Taxes	1,115.34	1,115.34	-	1,115.34
Planning Board	5,983.39	5,983.39	412.50	5,570.89
Police	29,549.69	29,549.69	23,560.35	5,989.34
Crossing Guard	2,637.20	2,637.20	-	2,637.20
Road Repairs and Maintenance	47,184.11	47,184.11	6,629.00	40,555.11
Municipal Court	17,020.44	17,020.44	528.00	16,492.44
Zoning Official	2.52	2.52	-	2.52
Total Salaries and Wages Within "CAPS"	118,444.77	118,444.77	31,129.85	87,314.92
Other Expenses Within "CAPS":				
Administrative and Executive	26,541.49	26,541.49	7,382.34	19,159.15
Elections	596.47	596.47	-	596.47
Financial Administration	1,273.04	1,273.04	-	1,273.04
Audit Services	5,175.00	5,175.00	5,175.00	-
Collection of Taxes	1,056.25	1,056.25	-	1,056.25
Assessment of Taxes	2,508.47	2,508.47	760.00	1,748.47
Revaluation	1.00	1.00	-	1.00
Legal Services and Costs	17,150.24	17,150.24	12,506.88	4,643.36
Engineering Services and Costs	1,875.70	1,875.70	666.23	1,209.47
Economic Development	1,425.00	1,425.00	-	1,425.00
Planning Board	4,937.31	4,937.31	4,937.31	-
Revision of Master Plan	1.00	1.00	-	1.00
Group Insurance Plan	34,762.32	34,762.32	-	34,762.32
Unemployment Compensation Insurance	1,190.40	1,190.40	280.55	909.85
Police	17,515.48	17,515.48	16,855.01	660.47
Crossing Guard	0.10	0.10	-	0.10
Emergency Management	500.00	500.00	-	500.00
Fire	21,378.75	21,378.75	13,320.09	8,058.66
First Aid Org. Contribution	8,922.59	8,922.59	30.00	8,892.59
Prosecutor	2,527.80	2,527.80	-	2,527.80
Road Repairs and Maintenance	46,639.14	46,639.14	31,222.98	15,416.16
Public Buildings and Grounds	27,461.86	27,461.86	12,482.37	14,979.49
Municipal Services Act - Condo Cost	3,000.00	3,000.00	-	3,000.00
Board of Health	284.58	284.58	-	284.58
H.B.V. Vaccination	652.00	652.00	60.00	592.00
Animal Regulation	3.75	3.75	-	3.75
Contribution to Senior Citizen Center	274.40	274.40	-	274.40
Recreation and Education	639.56	639.56	639.56	-
Celebration of Public Events	1.00	1.00	-	1.00
Municipal Court	4,195.73	4,195.73	-	4,195.73
Public Defender	1.00	1.00	-	1.00
Zoning Official	356.82	356.82	-	356.82
Network Maintenance Agreement	151.00	151.00	-	151.00
Street Lighting	5,177.24	5,177.24	-	5,177.24
Telephone	2,071.18	2,071.18	240.00	1,831.18

Borough of Franklin, N.J.

Schedule of Appropriation Reserves

Current Fund

Year Ended December 31, 2019

	Balance, Dec. 31, 2018	Balance after Transfers	Paid or Charged	Balance Lapsed
Postage	503.50	503.50	-	503.50
Gasoline and Oil	3,941.39	3,941.39	2,294.23	1,647.16
Solid Waste Contract	15,000.04	15,000.04	-	15,000.04
Total Other Expenses Within "CAPS"	<u>259,692.60</u>	<u>259,692.60</u>	<u>108,852.55</u>	<u>150,840.05</u>
Total Operations Within "CAPS"	<u>378,137.37</u>	<u>378,137.37</u>	<u>139,982.40</u>	<u>238,154.97</u>
Deferred Charges and Statutory Expenditures Within "CAPS":				
Statutory Expenditures:				
Contribution To:				
Social Security (O.A.S.I.)	12,946.34	12,946.34	1,536.42	11,409.92
Defined Contribution Retirement Program	323.73	323.73	44.25	279.48
Total Deferred Charges and Statutory Expenditures Within "CAPS"	<u>13,270.07</u>	<u>13,270.07</u>	<u>1,580.67</u>	<u>11,689.40</u>
Total General Appropriations within "CAPS"	<u>391,407.44</u>	<u>391,407.44</u>	<u>141,563.07</u>	<u>249,844.37</u>
Operations Excluded from CAPS				
Other Operations Excluded from "CAPS"				
Length of Service Awards Program	50,000.00	50,000.00	13,000.00	37,000.00
Total Other Operations Excluded from "CAPS"	<u>50,000.00</u>	<u>50,000.00</u>	<u>13,000.00</u>	<u>37,000.00</u>
Interlocal Municipal Service Agreements				
Township of Hardyston				
Municipal Drug Alliance	1.00	1.00	-	1.00
Construction Office	56,433.00	56,433.00	-	56,433.00
Total Interlocal Municipal Service Agreements	<u>56,434.00</u>	<u>56,434.00</u>	<u>-</u>	<u>56,434.00</u>
Total Operations Excluded From "CAPS"	<u>106,434.00</u>	<u>106,434.00</u>	<u>13,000.00</u>	<u>93,434.00</u>
Capital Improvements				
Reserve For:				
Purchase of Police Equipment	5,088.96	5,088.96	5,088.96	-
Purchase of Fire Equipment	23,726.50	23,726.50	23,726.50	-
Improvements to Streets and Roads	11,523.11	11,523.11	10,270.17	1,252.94
Improvement to Municipal Property	8,316.50	8,316.50	8,066.50	250.00
Total Capital Improvements Excluded from "CAPS"	<u>48,655.07</u>	<u>48,655.07</u>	<u>47,152.13</u>	<u>1,502.94</u>
Total General Appropriations Excluded from "CAPS"	<u>155,089.07</u>	<u>155,089.07</u>	<u>60,152.13</u>	<u>94,936.94</u>
Total Reserves	<u>546,496.51</u>	<u>546,496.51</u>	<u>201,715.20</u>	<u>344,781.31</u>

A-4

A-1

Ref.

Analysis of Reserve Balance

Unencumbered	A	418,806.03
Encumbered	A	127,690.48
		<u>546,496.51</u>

Borough of Franklin, N.J.

Schedule of Various Cash Liabilities and Reserves

Current Fund

Year Ended December 31, 2019

<u>Liabilities and Reserves</u>	<u>Balance Dec. 31, 2018</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance Dec. 31, 2019</u>
<u>Liabilities:</u>				
Due State of NJ Marriage License Fees	175.00	575.00	625.00	125.00
Tax Overpayments	153.19	3,487.21	54.50	3,585.90
<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	109,184.27	15,000.00	13,299.69	110,884.58
	<u>118,450.32</u>	<u>19,062.21</u>	<u>13,979.19</u>	<u>123,533.34</u>
	A	A-4	A-4	A

Borough of Franklin, N.J.
Schedule of Accounts Payable
Current Fund
Year Ended December 31, 2019

Balance - December 31, 2018	<u>Ref.</u> A	439.34
		439.34
Decreased by:		
Cancelled	A-1	439.34
		439.34

Schedule of Prepaid Taxes
Current Fund
Year Ended December 31, 2019

Balance - December 31, 2018	<u>Ref.</u> A	80,243.10
		80,243.10
Increased by:		
Receipts - Prepaid 2020 Taxes	A-4	130,539.79
		210,782.89
Decreased by:		
Applied to 2019 Taxes	A-6	80,243.10
		80,243.10
Balance - December 31, 2019	A	130,539.79
		130,539.79

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

Current Fund

Year Ended December 31, 2019

	<u>Ref.</u>	
Balance - December 31, 2018	A	3,325.67
Increased by:		
Levy- 2019	A-1;A-6	2,339,703.51
Added and Omitted Taxes	A-1;A-6	<u>2,023.90</u>
		<u>2,341,727.41</u>
		2,345,053.08
Decreased by:		
Payments	A-4	<u>2,343,029.19</u>
Balance - December 31, 2019	A	<u><u>2,023.89</u></u>

Schedule of Local School District Taxes Payable

Current Fund

Year Ended December 31, 2019

	<u>Ref.</u>	
Increased by:		
Levy - 2019	A-1;A-6	5,731,001.00
Decreased by:		
Payments	A-4	<u>5,731,000.00</u>
Balance - December 31, 2019	A	<u><u>1.00</u></u>

Borough of Franklin, N.J.
Schedule of Regional High School Taxes Payable

Current Fund

Year Ended December 31, 2019

	<u>Ref.</u>	
Increased by:		
Levy- 2019	A-6;A-1	<u>2,340,594.00</u>
Decreased by:		
Payments	A-4	<u>2,340,594.00</u>

Schedule of Prepaid Revenue

Current Fund

Year Ended December 31, 2019

	<u>Ref.</u>	
Balance - December 31, 2018	A	31,827.00
Increased by:		
Cash Receipts	A-4	<u>32,781.81</u>
		64,608.81
Decreased by:		
Applied to 2019 Revenue	A-10	<u>31,827.00</u>
Balance - December 31, 2019	A	<u>32,781.81</u>
<hr style="border: 0.5px solid black;"/>		
	Description	
Verizon Antenna Lease		<u>32,781.81</u>

Borough of Franklin, N.J.
Schedule of Interfunds
Federal and State Grant Fund
Year Ended December 31, 2019

<u>Fund</u>	<u>Ref.</u>	Due From/(To)			Due From/(To)
		Balance	Increased	Decreased	
		<u>Dec. 31, 2018</u>			<u>Dec. 31, 2019</u>
Current Fund	A	<u>127,315.55</u>	<u>37,814.06</u>	<u>66,232.48</u>	<u>98,897.13</u>
Grants Receivable	A-23		5,500.00	-	
Appropriated Grants	A-24		-	66,232.48	
Unappropriated Grants	A-25		<u>32,314.06</u>	-	
			<u>37,814.06</u>	<u>66,232.48</u>	

Schedule of Encumbrances Payable
Federal and State Grant Fund
Year Ended December 31, 2019

	<u>Ref.</u>	
Increased by:		
Appropriated Reserves for Grants	A-24	<u>2,869.50</u>
Balance - December 31, 2019	A	<u>2,869.50</u>

Borough of Franklin, N.J.

Schedule of Grants Receivable

Federal and State Grant Fund

Year Ended December 31, 2019

<u>Grant</u>	<u>Budget Revenue</u>	<u>Receipts</u>	<u>Transfer from Unappropriated Reserves</u>	<u>Balance Dec. 31, 2019</u>
<u>Federal:</u>				
Drive Sober or Get Pulled Over	5,500.00	5,500.00	-	-
	<u>5,500.00</u>	<u>5,500.00</u>	<u>-</u>	<u>-</u>
<u>State:</u>				
Clean Communities Program	11,318.73	-	11,318.73	-
Alcohol Education and Rehabilitation Fund	2,416.67	-	2,416.67	-
Drunk Driving Enforcement Fund	4,405.65	-	4,405.65	-
Highlands Master Plan	65,000.00	-	-	65,000.00
	<u>83,141.05</u>	<u>-</u>	<u>18,141.05</u>	<u>65,000.00</u>
	<u>88,641.05</u>	<u>5,500.00</u>	<u>18,141.05</u>	<u>65,000.00</u>
	A-2	A-21	A-25	A

Borough of Franklin, N.J.

Schedule of Appropriated Reserves for Grants

Federal and State Grant Fund

Year Ended December 31, 2019

<u>Grant</u>	Balance <u>Dec. 31, 2018</u>	Transfer From 2019 <u>Budget</u>	<u>Ch. 159</u>	<u>Disbursed</u>	Balance <u>Dec. 31, 2019</u>
<u>Federal:</u>					
Federal Body Armor Grant	3,454.27	-	-	1,849.99	1,604.28
Drive Sober or Get Pulled Over	-	-	5,500.00	5,500.00	-
	<u>3,454.27</u>	<u>-</u>	<u>5,500.00</u>	<u>7,349.99</u>	<u>1,604.28</u>
<u>State:</u>					
Drunk Driving Enforcement	11,911.92	4,405.65	-	2,319.04	13,998.53
Clean Communities Program	35,205.28	11,318.73	-	1,595.31	44,928.70
Alcohol Education and Rehabilitation	5,046.17	2,416.67	-	1,907.99	5,554.85
Recycling Tonnage Grant	53,556.86	-	-	9,370.40	44,186.46
Highlands Master Plan	-	65,000.00	-	46,559.25	18,440.75
	<u>105,720.23</u>	<u>83,141.05</u>	<u>-</u>	<u>61,751.99</u>	<u>127,109.29</u>
	<u>109,174.50</u>	<u>83,141.05</u>	<u>5,500.00</u>	<u>69,101.98</u>	<u>128,713.57</u>
	A	A-3	A-3		A
	<u>Ref.</u>				
Interfund - Current Fund	A-21			66,232.48	
Encumbrances Payable	A-22			2,869.50	
				<u>69,101.98</u>	

Borough of Franklin, N.J.

Schedule of Unappropriated Reserves for Grants

Federal and State Grant Fund

Year Ended December 31, 2019

<u>Grant</u>	<u>Balance Dec. 31, 2018</u>	<u>Transfer To Appropriated Reserves</u>	<u>Received</u>	<u>Balance Dec. 31, 2019</u>
<u>Federal:</u>				
Federal Body Armor	-	-	1,349.99	1,349.99
<u>State:</u>				
Clean Communities Program	11,318.73	11,318.73	12,633.19	12,633.19
State Recycling Grant	-	-	11,270.96	11,270.96
Drunk Driving Enforcement	4,405.65	4,405.65	3,737.57	3,737.57
Body Armor Grant	-	-	1,955.98	1,955.98
Alcohol Education and Rehabilitation Fund	2,416.67	2,416.67	1,366.37	1,366.37
	<u>18,141.05</u>	<u>18,141.05</u>	<u>30,964.07</u>	<u>30,964.07</u>
	<u>18,141.05</u>	<u>18,141.05</u>	<u>32,314.06</u>	<u>32,314.06</u>
	A	A-23	A-21	A

Borough of Franklin, N.J.

Schedule of Cash

Trust Funds

Year Ended December 31, 2019

	<u>Ref.</u>	<u>Animal Control Trust Fund</u>	<u>Other Trust Funds</u>	<u>Length of Service Awards Program</u>
Balance - December 31, 2018	B	<u>466.95</u>	<u>1,496,528.07</u>	<u>-</u>
Increase by Receipts:				
Dog License Fees	B-2	6,501.60	-	-
Cat License Fees	B-2	575.00	-	-
Late Fees / Pick-up's/Rabies Clinic	B-2	1,486.00	-	-
Due to State Board of Health	B-3	965.40	-	-
Other Trust Funds	B-5	-	4,270,283.06	-
Interfund - Current Fund	B-6	-	1,837.94	-
Borough Contributions Receivable	B-7	-	-	13,000.00
Increase in Investment Value	B-8	-	-	898.63
Total Receipts		<u>9,528.00</u>	<u>4,272,121.00</u>	<u>13,898.63</u>
		<u>9,994.95</u>	<u>5,768,649.07</u>	<u>13,898.63</u>
Decreased by Disbursements:				
Reserve for Animal Control Trust				
Fund Expenditures	B-2	8,712.75	-	-
Due to State Board of Health	B-3	969.00	-	-
Reserve from Encumbrances	B-4	-	961.03	-
Other Trust Funds	B-5	-	4,220,754.10	-
Accounting Charges	B-8	-	-	600.00
Total Disbursements		<u>9,681.75</u>	<u>4,221,715.13</u>	<u>600.00</u>
Balance - December 31, 2019	B	<u><u>313.20</u></u>	<u><u>1,546,933.94</u></u>	<u><u>13,298.63</u></u>

Borough of Franklin, N.J.

Reserve for Animal Control Trust Fund Expenditures

Animal Control Trust Fund

Year Ended December 31, 2019

	<u>Ref.</u>	
Balance - December 31, 2018	B	463.35
Increased by:		
Dog License Fees		6,501.60
Cat License Fees		575.00
Late Fees / Pick-up's/Rabies Clinic		<u>1,486.00</u>
	B-1	<u>8,562.60</u>
		<u>9,025.95</u>
Decreased by:		
Disbursements	B-1	<u>8,712.75</u>
Balance - December 31, 2019	B	<u><u>313.20</u></u>

License Fees Collected

<u>Year</u>	
2018	7,453.40
2017	<u>7,932.40</u>
	<u><u>15,385.80</u></u>

Schedule of Due to State Department of Health

Animal Control Trust Fund

Year Ended December 31, 2019

	<u>Ref.</u>	
Balance - December 31, 2018	B	3.60
Increased by:		
State Fees Collected	B-1	<u>965.40</u>
Decreased by:		
Paid to State	B-1	<u><u>969.00</u></u>

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

Other Trust Fund

Year Ended December 31, 2019

	<u>Ref.</u>	
Balance - December 31, 2018	B	45,330.03
Increased by:		
Various Reserves	B-5	<u>35,680.34</u> 81,010.37
Decreased by:		
Cash Disbursements	B-1	<u>961.03</u>
Balance - December 31, 2019	B	<u><u>80,049.34</u></u>

Borough of Franklin, N.J.

Schedule of Various Other Trust Funds

Trust Funds

Year Ended December 31, 2019

	Balance <u>Dec. 31, 2018</u>	<u>Increased</u>	<u>Decreased</u>	Balance <u>Dec. 31, 2019</u>
Reserve for Land Use Escrow Deposits	151,089.32	64,348.35	74,724.84	140,712.83
Reserve for Performance Bonds Escrow	21,695.31	3,000.00	2,417.50	22,277.81
Reserve for Recreation	138,395.87	179,256.13	141,756.19	175,895.81
Reserve for Senior Citizens	85.01	-	-	85.01
Reserve for Small Cities	320,702.72	16,950.00	-	337,652.72
Reserve for Road Opening	3,000.00	500.00	-	3,500.00
Reserve for Driveway Escrow	10,611.26	-	-	10,611.26
Reserve for Court POAA	169.24	42.00	-	211.24
Reserve for Public Defender	7,256.92	1,637.99	3,000.00	5,894.91
Reserve for BPW Escrow	63,513.22	-	-	63,513.22
Reserve for Outside Police Work	859.07	103,832.12	78,281.50	26,409.69
Reserve for Outside Liens	18,294.84	154,101.86	172,396.70	-
Reserve for Accumulated Leave	152,450.44	10,349.61	21,119.41	141,680.64
Reserve for Tax Sale Premium	181,300.00	26,569.03	104,769.03	103,100.00
Reserve for Snow Removal/Storm Recovery	92,525.06	28,485.26	16,134.43	104,875.89
Reserve for Affordable Housing	282,474.29	18,072.47	2,500.00	298,046.76
Reserve for Forfeited Property	42.01	168.27	-	210.28
Reserve for Mobile Video Record System	1,885.50	487.50	-	2,373.00
Reserve for Uniform Fire Safety Penalty	1,367.38	-	-	1,367.38
Reserve for Renovation of Hungarian Church	-	1,435.00	-	1,435.00
Reserve for Net Payroll	-	1,812,580.39	1,812,278.27	302.12
Reserve for Payroll Agency	3,480.58	1,848,467.08	1,827,056.57	24,891.09
	<u>1,451,198.04</u>	<u>4,270,283.06</u>	<u>4,256,434.44</u>	<u>1,465,046.66</u>
	B			B
	<u>Ref.</u>			
Reserve for Encumbrances	B-4	-	35,680.34	
Cash Receipts	B-1	4,270,283.06	-	
Cash Disbursements	B-1	-	4,220,754.10	
		<u>4,270,283.06</u>	<u>4,256,434.44</u>	

Borough of Franklin, N.J.

Schedule of Due (To)/From - Current Fund

Trust Fund

Year Ended December 31, 2019

	<u>Ref.</u>	
Decreased by:		
Cash Receipt	B-1	<u>1,837.94</u>
Balance - December 31, 2019	B	<u>(1,837.94)</u>

Borough of Franklin, N.J.

Schedule of Contributions Receivable

Emergency Services Volunteer Length of Services Award Program

Year Ended December 31, 2019

	<u>Ref.</u>	
Balance - December 31, 2018	B	13,000.00
Increased by:		
Borough Contributions	B-8	13,650.00
For the Year 2019		<u>26,650.00</u>
Decreased by:		
Receipts	B-1	<u>13,000.00</u>
Balance - December 31, 2019	B	<u><u>13,650.00</u></u>

B-8

Schedule of Net Assets Available for Benefits

Emergency Services Volunteer Length of Services Award Program

Year Ended December 31, 2019

	<u>Ref.</u>		
Balance - December 31, 2018	B		13,000.00
Increased by:			
Borough Contributions	B-7	13,650.00	
Increase (Decrease) in Investment Value	B-1	<u>898.63</u>	
			<u>14,548.63</u>
			27,548.63
Decreased by:			
Accounting Charge	B-1		<u>600.00</u>
Balance - December 31, 2019	B		<u><u>26,948.63</u></u>

Borough of Franklin, N.J.

Schedule of Cash

General Capital Fund

Year Ended December 31, 2019

	<u>Ref.</u>		
Balance - December 31, 2018	C		1,584,316.73
Increased by Receipts:			
Fund Balance	C-1	8,668.75	
Grants Receivable	C-5	227,250.00	
Various Reserves	C-10	<u>11,840.99</u>	
			<u>247,759.74</u>
			1,832,076.47
Decreased by Disbursements:			
Improvement Authorizations	C-7	561,647.17	
Reserve for Encumbrances	C-9	575,193.72	
Various Reserves	C-10	<u>25,000.00</u>	
			<u>1,161,840.89</u>
Balance - December 31, 2019	C		<u><u>670,235.58</u></u>

Borough of Franklin, N.J.

Schedule of General Capital Cash

General Capital Fund

Year Ended December 31, 2019

	Balance Dec. 31, 2018	Bond Antic.		Improvement		Transfers		Balance Dec. 31, 2019
		Notes	Miscellaneous	Authorization	Miscellaneous	(From)	To	
Fund Balance	50,393.22	8,668.75	-	-	-	-	-	59,061.97
Capital Improvement Fund	164,966.20	-	-	-	-	(82,837.91)	57,837.91	139,966.20
Reserve for Encumbrances	575,493.67	-	-	575,193.72	-	-	32,062.44	32,362.39
Grants Receivable	(303,000.00)	-	227,250.00	-	-	-	-	(75,750.00)
Various Reserves	96,576.05	-	11,840.99	-	25,000.00	(20,300.00)	15,000.00	78,117.04
Improvement Authorizations								
Ordinance								
Number								
15-04 Improvement to Recreation	12,526.10	-	-	157.16	-	-	-	12,368.94
18-10 Imp. For Economic Development	2,970.60	-	-	-	-	-	-	2,970.60
08-14 Various Capital Improvements	175,683.42	-	-	131,431.22	-	(41,360.73)	-	2,891.47
15-16 Various Capital Improvements	17,984.77	-	1,354.00	818.00	-	(16,188.00)	-	2,332.77
09-17 Various Capital Improvements	282,997.33	-	-	218,525.93	-	-	-	64,471.40
16-17 Acquisition of New Fire Truck	20,716.37	-	-	4,239.19	-	(16,477.18)	-	-
10-18 Improvements to Various Roads	487,009.00	-	-	130,529.67	-	(30,874.44)	-	325,604.89
09-19 Various Improvements or Purposes	-	-	-	40,300.00	-	-	45,300.00	5,000.00
11-19 Various Improvements or Purposes	-	-	-	37,000.00	-	-	57,837.91	20,837.91
	<u>1,584,316.73</u>	<u>8,668.75</u>	<u>240,444.99</u>	<u>1,138,194.89</u>	<u>25,000.00</u>	<u>(208,038.26)</u>	<u>208,038.26</u>	<u>670,235.58</u>
	C							C

Borough of Franklin, N.J.

Schedule of Deferred Charges to Future Taxation - Unfunded

General Capital Fund

Year Ended December 31, 2019

Analysis of Balance
Dec. 31, 2019

Ordinance Number	Improvement Description	Balance Dec. 31, 2018	Notes Paid by			Canceled	Transfer	Balance Dec. 31, 2019	Financed by Bond Anticipation Notes
			Budget Appropriation	Reserved for Debt Service					
19-09	Various Capital Improvements	41,667.00	20,900.00	-	-	-	20,767.00	20,767.00	
11-13	Improvement to Various Roads	117,083.00	25,000.00	-	-	-	92,083.00	92,083.00	
12-13	Improvement to the Fire House	7,833.00	1,600.00	-	-	-	6,233.00	6,233.00	
08-14	Various Capital Improvements	891,600.00	150,000.00	-	-	(41,360.73)	700,239.27	700,239.27	
07-15	Various Capital Improvements	154,735.00	25,000.00	-	-	-	129,735.00	129,735.00	
15-16	Various Capital Improvements	53,511.00	8,000.00	15,000.00	15,000.00	-	45,511.00	45,511.00	
09-17	Various Capital Improvements	355,770.00	44,500.00	-	-	-	311,270.00	311,270.00	
16-17	Acquisition of New Fire Truck	475,000.00	47,500.00	-	-	(16,477.18)	411,022.82	411,022.82	
10-18	Improvements to Various Roads	336,000.00	33,600.00	-	-	-	302,400.00	302,400.00	
11-19	Various Improvements or Purposes	-	-	-	-	57,837.91	57,837.91	57,837.91	
		<u>2,433,199.00</u>	<u>356,100.00</u>	<u>15,000.00</u>	<u>15,000.00</u>	<u>-</u>	<u>2,077,099.00</u>	<u>2,077,099.00</u>	
		C	C-6	C-10	C-7	C-6	C	C-6	

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Borough of Franklin, N.J.

Schedule of Grants Receivable

General Capital Fund

Year Ended December 31, 2019

Balance - December 31, 2018	<u>Ref.</u> C	303,000.00
Decreased by:		
Cash Receipts	C-2	<u>227,250.00</u>
Balance - December 31, 2019	C	<u><u>75,750.00</u></u>

 ANALYSIS

Washington Ave & School Plaza (Ord. # 10-18)	<u><u>75,750.00</u></u>
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Borough of Franklin, N.J.
Schedule of Bond Anticipation Notes Payable
General Capital Fund
Year Ended December 31, 2019

Ordinance Number	Improvement Description	Original Amount Issued	Date of Original Issue	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2018	Increased	Decreased	Adjustment	Balance Dec. 31, 2019	
19-09	Various Capital Improvements	225,000.00	4/29/2010	8/16/2018 8/1/2019	8/15/2019 7/31/2020	2.750% 2.000%	41,667.00 -	- 20,767.00	41,667.00 -	- -	- 20,767.00	
11-13	Improvements to Various Roads	242,500.00	10/25/2013	8/16/2018 8/1/2019	8/15/2019 7/31/2020	2.750% 2.000%	117,083.00 -	- 92,083.00	117,083.00 -	- -	- 92,083.00	
12-13	Improvement to the Fire House	19,000.00	10/25/2013	8/16/2018 8/1/2019	8/15/2019 7/31/2020	2.750% 2.000%	7,833.00 -	- 6,233.00	7,833.00 -	- -	- 6,233.00	
08-14	Various Improvements	1,536,000.00	8/21/2014	8/16/2018 8/1/2019	8/15/2019 7/31/2020	2.750% 2.000%	891,600.00 -	- 741,600.00	891,600.00 -	- (41,360.73)	- 700,239.27	
07-15	Various Improvements	227,300.00	8/20/2015	8/16/2018 8/1/2019	8/15/2019 7/31/2020	2.750% 2.000%	154,735.00 -	- 129,735.00	154,735.00 -	- -	- 129,735.00	
15-16	Various Improvements	453,000.00	8/19/2016	8/16/2018 8/1/2019	8/15/2019 7/31/2020	2.750% 2.000%	53,511.00 -	- 45,511.00	53,511.00 -	- -	- 45,511.00	
09-17	Various Improvements	395,300.00	8/18/2017	8/16/2018 8/1/2019	8/15/2019 7/31/2020	2.750% 2.000%	355,770.00 -	- 311,270.00	355,770.00 -	- -	- 311,270.00	
16-17	Purchase of Fire Truck	475,000.00	8/16/2018	8/16/2018 8/1/2019	8/15/2019 7/31/2020	2.750% 2.000%	475,000.00 -	- 427,500.00	475,000.00 -	- (16,477.18)	- 411,022.82	
10-18	Improvements to Various Roads	336,000.00	8/16/2018	8/16/2018 8/1/2019	8/15/2019 7/31/2020	2.750% 2.000%	336,000.00 -	- 302,400.00	336,000.00 -	- -	- 302,400.00	
11-19	Various Improvements or Purposes	57,837.91	8/1/2019	8/1/2019	7/31/2020	2.000%	-	-	-	57,837.91	57,837.91	
							<u>2,433,199.00</u>	<u>2,077,099.00</u>	<u>2,433,199.00</u>	<u>-</u>	<u>2,077,099.00</u>	
							C			C-4	C	
								2,077,099.00	2,077,099.00			
								-	356,100.00			
								<u>2,077,099.00</u>	<u>2,433,199.00</u>			
							Ref.					
							Renewals					
							Paid by Budget Appropriation	C-4				

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Borough of Franklin, N.J.
Schedule of Improvement Authorizations
General Capital Fund
Year Ended December 31, 2019

Ordinance Number	Improvement Description	Ordinance Date	Amount	Balance Dec. 31, 2018		2019 Authorizations	Paid or Charged	Transfer	Canceled	Balance Dec. 31, 2019	
				Funded	Unfunded					Funded	Unfunded
<u>General Improvements:</u>											
15-04	Improvement to Recreation	9/28/2004	38,000.00	12,526.10	-	-	157.16	-	-	12,368.94	-
18-10	Imp. For Economic Development	11/23/2010	33,900.00	2,970.60	-	-	-	-	-	2,970.60	-
08-14	Various Capital Improvements	6/24/2014	1,796,000.00	-	175,683.42	-	131,431.22	(41,360.73)	-	-	2,891.47
15-16	Various Capital Improvements	7/12/2016	475,665.00	-	17,984.77	-	652.00	-	15,000.00	-	2,332.77
09-17	Various Capital Improvements	7/11/2017	623,846.00	-	282,997.33	-	218,525.93	-	-	-	64,471.40
16-17	Acquisition of New Fire Truck	11/14/2017	600,000.00	-	20,716.37	-	4,239.19	(16,477.18)	-	-	-
10-18	Improvements to Various Roads	7/10/2018	493,140.00	151,009.00	336,000.00	-	161,404.11	-	-	-	325,604.89
09-19	Various Improvements or Purposes	6/25/2019	45,300.00	-	-	45,300.00	40,300.00	-	-	5,000.00	-
11-19	Various Improvements or Purposes	6/25/2019	57,837.91	-	-	-	37,000.00	57,837.91	-	-	20,837.91
				<u>166,505.70</u>	<u>833,381.89</u>	<u>45,300.00</u>	<u>593,709.61</u>	<u>-</u>	<u>15,000.00</u>	<u>20,339.54</u>	<u>416,138.44</u>
				C	C				C-4	C	C
					<u>Ref.</u>						
				Capital Improvement Fund	C-8	25,000.00					
				Various Reserves	C-10	20,300.00					
						<u>45,300.00</u>					
				Cash Disbursements	C-2		561,647.17				
				Reserve for Encumbrances	C-9		32,062.44				
							<u>593,709.61</u>				

Borough of Franklin, N.J.
Schedule of Capital Improvement Fund
General Capital Fund
Year Ended December 31, 2019

	<u>Ref.</u>	
Balance - December 31, 2018	C	164,966.20
Decreased by:		
Appropriated to Finance		
Improvement Authorizations	C-7	<u>25,000.00</u>
Balance - December 31, 2019	C	<u><u>139,966.20</u></u>

Schedule of Reserve for Encumbrances
General Capital Fund
Year Ended December 31, 2019

	<u>Ref.</u>	
Balance - December 31, 2018	C	575,493.67
Increased by:		
2019 Charges	C-7	<u>32,062.44</u>
		607,556.11
Decreased by:		
Cash Disbursed	C-2	<u>575,193.72</u>
Balance - December 31, 2019	C	<u><u>32,362.39</u></u>

Borough of Franklin, N.J.

Schedule of Various Reserves

General Capital Fund

Year Ended December 31, 2019

<u>Description</u>	<u>Balance Dec. 31, 2018</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance Dec. 31, 2019</u>
Reserve for Improvements to Municipal Property	45,578.59	10,270.17	31,100.00	24,748.76
Reserve for Purchase of Office Equipment	3,489.64	-	-	3,489.64
Reserve for Improvements to Streets and Roads	31,882.48	1,466.50	14,200.00	19,148.98
Reserve for Police Equipment	15,625.34	-	-	15,625.34
Reserve for Fire Equipment	-	104.32	-	104.32
Reserve for Debt Service	-	15,000.00	-	15,000.00
	<u>96,576.05</u>	<u>26,840.99</u>	<u>45,300.00</u>	<u>78,117.04</u>
	C			C
	<u>Ref.</u>			
Cash Receipts	C-2	11,840.99	-	
Cash Disbursements	C-2	-	25,000.00	
Deferred Charges to Future Taxation - Unfunded	C-4	15,000.00	-	
Improvement Authorizations	C-7	-	20,300.00	
		<u>26,840.99</u>	<u>45,300.00</u>	

Borough of Franklin, N.J.

Schedule of Cash

Water / Sewer Utility Fund

Year Ended December 31, 2019

	<u>Ref.</u>	<u>Operating</u>	<u>Capital</u>
Balance - December 31, 2018	D	<u>2,158,587.27</u>	<u>1,104,602.67</u>
Increased by Receipts:			
Fund Balance	D-2	-	456.25
Interest on Deposits	D-3	49,228.39	-
Miscellaneous Revenue	D-3	113,806.74	-
Collector Cash Receipts	D-7	2,189,647.65	-
Reserve for Sewer Hook-Up Fees	D-18	15,798.00	-
Prepaid Water / Sewer Rents	D-20	5,656.33	-
Various Capital Reserves	D-21	-	140,034.41
Capital Improvement Fund	D-26	-	15,000.00
		<u>2,374,137.11</u>	<u>155,490.66</u>
		4,532,724.38	1,260,093.33
Decreased by Disbursements:			
Refund of Prior Years' Revenues	D-1	722.19	-
Budget Appropriations	D-4	2,179,704.58	-
Appropriation Reserves	D-13	207,048.84	-
Reserve for Encumbrances	D-28	-	72,702.00
Accounts Payable - Vendors	D-14	1,825.00	-
Interest on Bonds, Loans, and Notes	D-15	79,400.83	-
Improvement Authorizations	D-24	-	147,597.68
		<u>2,468,701.44</u>	<u>220,299.68</u>
Balance - December 31, 2019	D	<u><u>2,064,022.94</u></u>	<u><u>1,039,793.65</u></u>

Borough of Franklin, N.J.
Schedule of Change Funds
Water / Sewer Utility Fund
Year Ended December 31, 2019

<u>Office</u>	<u>Balance</u> <u>Dec. 31, 2018</u>	<u>Balance</u> <u>Dec. 31, 2019</u>
Water / Sewer Utility Collector	<u>200.00</u> D	<u>200.00</u> D

Schedule of Water / Sewer Utility Collector Cash
Water / Sewer Utility Fund
Year Ended December 31, 2019

	<u>Ref.</u>		
Increased by Receipts:			
Water/Sewer Rents Receivable	D-9	2,182,655.23	
Water/Sewer Liens Collections	D-10	<u>6,992.42</u>	
			<u><u>2,189,647.65</u></u>
Decreased by Disbursements:			
Payment to Treasurer	D-5		<u><u>2,189,647.65</u></u>

Borough of Franklin, N.J.

Schedule of Water / Sewer Utility Capital Cash

Water / Sewer Utility Fund

Year Ended December 31, 2019

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	Balance Dec. 31, 2018	Receipts			Disbursements		Transfers		Balance Dec. 31, 2019
		Budget Appropriation	Miscellaneous	Bond Anticipation Note Issued	Improvement Authorizations	(From)	To		
Fund Balance	23,509.42	-	-	456.25	-	-	-	23,965.67	
Capital Improvement Fund	203,774.72	15,000.00	-	-	-	(48,500.00)	265.35	170,540.07	
Reserve for Preliminary Expenses	228.20	-	-	-	-	-	-	228.20	
Reserve for Encumbrances	73,702.00	-	-	-	72,702.00	(1,000.00)	16,120.00	16,120.00	
Reserve for I&I Study	259,696.32	-	47,398.50	-	-	-	-	307,094.82	
Reserve for Water/Sewer Equipment	2,679.04	4,480.31	-	-	-	-	-	7,159.35	
Reserve for Sewer Stations	170,824.45	-	50,000.00	-	-	2,190.00	(57,000.00)	166,014.45	
Reserve for Water Distribution	74,982.75	-	25,000.00	-	-	-	-	99,982.75	
Reserve for Capital Outlay	50,577.29	-	13,155.60	-	-	-	-	63,732.89	
<u>Improvement Authorizations</u>									
<u>Ordinance</u>									
<u>Number</u>									
11-09	Various Water/Sewer Capital Improvements	6,982.78	-	-	-	500.00	-	-	6,482.78
16-09	Improvements to Water / Sewer System	234,029.95	-	-	-	57,507.28	-	-	176,522.67
04-15	Improvements to Water Distribution System	-	-	-	-	-	-	1,000.00	1,000.00
03-18	Replacement of Sewer Pump Maple Rd Station	2,190.00	-	-	-	-	(2,190.00)	-	-
11-18	Acquisition of New Vehicular Equipment	1,425.75	-	-	-	1,160.40	(265.35)	-	-
05-19	Acquisition of New Sewer Jet	-	-	-	-	57,000.00	-	57,000.00	-
10-19	Acquisition of New Equipment	-	-	-	-	47,550.00	-	48,500.00	950.00
		<u>1,104,602.67</u>	<u>19,480.31</u>	<u>135,554.10</u>	<u>456.25</u>	<u>236,419.68</u>	<u>(49,765.35)</u>	<u>65,885.35</u>	<u>1,039,793.65</u>
		D							D

Borough of Franklin, N.J.

Schedule of Consumer Accounts Receivable

Water / Sewer Utility Fund

Year Ended December 31, 2019

	<u>Ref.</u>	
Balance - December 31, 2018	D	164,815.96
Increased by:		
Water/Sewer Rents Levy		<u>2,215,028.14</u>
		2,379,844.10
Decreased by:		
Water/Sewer Rents Collected	D-7	2,182,655.23
Pre-Paid Water Rents Applied	D-20	<u>7,589.02</u>
	D-3	2,190,244.25
Transferred to Water/Sewer Liens	D-10	<u>3,072.00</u>
		<u>2,193,316.25</u>
Balance - December 31, 2019	D	<u><u>186,527.85</u></u>

D-10

Schedule of Water/Sewer Tax Title Lien

Water / Sewer Utility Fund

Year Ended December 31, 2019

	<u>Ref.</u>	
Balance - December 31, 2018	D	25,279.24
Increased by:		
Transferred From Water/Sewer Consumer Accounts Receivable	D-9	<u>3,072.00</u>
		28,351.24
Decreased by:		
Adjustment		10,582.50
Redemption	D-3;D-7	<u>6,992.42</u>
		<u>17,574.92</u>
Balance - December 31, 2019	D	<u><u>10,776.32</u></u>

Borough of Franklin, N.J.

Schedule of Fixed Capital

Water / Sewer Utility Capital Fund

Year Ended December 31, 2019

<u>Description</u>	<u>Balance Dec. 31, 2018</u>	<u>Ordinance</u>	<u>Balance Dec. 31, 2019</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	74,810.00	10,700,751.11
Office Equipment	37,181.01	-	37,181.01
Vehicles	222,198.23	115,734.65	337,932.88
Backhoe	73,614.90	-	73,614.90
Plow Assembly	5,295.00	-	5,295.00
Sewer Jet Cleaner	719.43	-	719.43
Water Meters	27,433.35	-	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	(85,000.00)	5,436,450.00
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	475,272.70	-	475,272.70
	<u>21,164,128.13</u>	<u>105,544.65</u>	<u>21,269,672.78</u>
	D	D-12	D

Borough of Franklin, N.J.

Schedule of Fixed Capital Authorized and Uncompleted

Water / Sewer Utility Capital Fund

Year Ended December 31, 2019

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<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Ordinance Date</u>	<u>Amount</u>	<u>Balance, Dec. 31, 2018</u>	<u>2019 Authorizations</u>	<u>Costs to Fixed Capital</u>	<u>Cancelled</u>	<u>Balance, Dec. 31, 2019</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	-	-	159,000.00	691,000.00
04-15	Improvements to Water Distribution System	4/14/2015	85,000.00	-	-	(85,000.00)	-	85,000.00
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	-	115,734.65	265.35	-
05-19	Acquisiton of New Sewer Jet	4/23/2019	57,000.00	-	57,000.00	57,000.00	-	-
10-19	Acquisition of New Equipment	6/25/2019	48,500.00	-	48,500.00	-	-	48,500.00
				<u>1,095,000.00</u>	<u>105,500.00</u>	<u>105,544.65</u>	<u>161,455.35</u>	<u>933,500.00</u>
				D	D-24	D-11	D-24	D

Borough of Franklin, N.J.

Schedule of Appropriation Reserves

Water /Sewer Utility Operating Fund

Year Ended December 31, 2019

	<u>Balance, Dec. 31, 2018</u>	<u>Balance After Transfers</u>	<u>Paid or Charged</u>	<u>Balance Lapsed</u>
Operating:				
Salaries and Wages	71,203.48	71,203.48	4,457.76	66,745.72
Other Expenses	125,281.90	125,281.90	62,196.64	63,085.26
	<u>196,485.38</u>	<u>196,485.38</u>	<u>66,654.40</u>	<u>129,830.98</u>
Capital Improvements:				
Capital Outlay	13,155.60	13,155.60	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	-
Inflow and Infiltration Improvements	47,398.50	47,398.50	47,398.50	-
Purchase of Water / Sewer Equipment	4,912.32	4,912.32	4,480.31	432.01
	<u>140,466.42</u>	<u>140,466.42</u>	<u>140,034.41</u>	<u>432.01</u>
Statutory Expenditures:				
Public Employees' Retirement System	0.61	0.61	-	0.61
Social Security System (O.A.S.I.)	6,788.85	6,788.85	328.82	6,460.03
Unemployment Compensation Fund	233.22	233.22	31.21	202.01
	<u>7,022.68</u>	<u>7,022.68</u>	<u>360.03</u>	<u>6,662.65</u>
	<u>343,974.48</u>	<u>343,974.48</u>	<u>207,048.84</u>	<u>136,925.64</u>
	<u>Ref.</u>		D-5	D-1
<u>Analysis of Reserve Balance</u>				
Unencumbered	D 319,486.00			
Encumbered	D 24,488.48			
	<u>343,974.48</u>			

Borough of Franklin, N.J.
Schedule of Accounts Payable - Vendors
Water / Sewer Utility Operating Fund
Year Ended December 31, 2019

	<u>Ref.</u>		
Balance - December 31, 2018	D		<u>7,075.00</u>
Decreased by:			
Cancelled	D-1	5,250.00	
Disbursements	D-5	<u>1,825.00</u>	
			<u>7,075.00</u>

Borough of Franklin, N.J.

Schedule of Accrued Interest on Bonds, Loans and Notes

Water / Sewer Utility Operating Fund

Year Ended December 31, 2019

	<u>Ref.</u>	
Balance - December 31, 2018	D	34,930.27
Increased by:		
Budget Appropriations	D-4	74,645.00
		<u>109,575.27</u>
Decreased by:		
Interest Paid	D-5	79,400.83
		<u>79,400.83</u>
Balance - December 31, 2019	D	<u><u>30,174.44</u></u>

Principal Outstanding <u>Dec. 31, 2019</u>	Interest Rate	<u>From</u>	<u>To</u>	<u>Period</u> (Days)	Required <u>Amount</u>	Actual <u>Amount</u>
Serial Bonds and Loans						
1,830,000.00	Various	8/15/2019	12/31/2019	138	27,715.00	28,357.28
32,487.97	Various	8/1/2019	12/31/2019	152	886.67	907.21
Bond Anticipation Notes						
116,000.00	2.000%	8/15/2019	12/31/2019	138	889.33	909.94
					<u>29,491.00</u>	<u>30,174.44</u>

Borough of Franklin, N.J.

Schedule of Reserve for Capital Outlay

Water / Sewer Utility Operating Fund

Year Ended December 31, 2019

	<u>Ref.</u>	
Balance - December 31, 2018	D	<u><u>1,314.80</u></u>
Balance - December 31, 2019	D	<u><u>1,314.80</u></u>

D-17

Schedule of Reserve for Water Hook-Up Fees

Water / Sewer Utility Operating Fund

Year Ended December 31, 2019

	<u>Ref.</u>	
Balance - December 31, 2018	D	<u><u>8,532.75</u></u>
Decreased by:		
Anticipated as Item of Revenue	D-3	<u><u>8,532.75</u></u>

Borough of Franklin, N.J.

Schedule of Reserve for Sewer Hook-Up Fees

Water / Sewer Utility Operating Fund

Year Ended December 31, 2019

	<u>Ref.</u>	
Balance - December 31, 2018	D	5,193.76
Increased by:		
Cash Receipts	D-5	<u>15,798.00</u>
		20,991.76
Decreased by:		
Anticipated as Item of Revenue	D-3	<u>5,193.76</u>
Balance - December 31, 2019	D	<u><u>15,798.00</u></u>

Borough of Franklin, N.J.
Schedule of Reserve for BPW Maps
Water / Sewer Utility Operating Fund
Year Ended December 31, 2019

Balance - December 31, 2018	<u>Ref.</u> D	<u>4,293.83</u>
Balance - December 31, 2019	D	<u>4,293.83</u>

Schedule of Prepaid Water / Sewer Rents
Water / Sewer Utility Operating Fund
Year Ended December 31, 2019

Balance - December 31, 2018	<u>Ref.</u> D	7,589.02
Increased by:		
Cash Receipts	D-5	<u>5,656.33</u>
		13,245.35
Decreased by:		
Prepaid Rents Applied	D-9	<u>7,589.02</u>
Balance - December 31, 2019	D	<u>5,656.33</u>

Borough of Franklin, N.J.

Schedule of Various Reserves

Water / Sewer Utility Capital Fund

Year Ended December 31, 2019

<u>Description</u>	Balance <u>Dec. 31, 2018</u>	<u>Increased</u>	<u>Decreased</u>	Balance <u>Dec. 31, 2019</u>
Reserve for Preliminary Expenses	228.20	-	-	228.20
Reserve for I & I Study	259,696.32	47,398.50	-	307,094.82
Reserve for Water/Sewer Equipment	2,679.04	4,480.31	-	7,159.35
Reserve for Sewer Stations	170,824.45	52,190.00	57,000.00	166,014.45
Reserve for Water Distribution	74,982.75	25,000.00	-	99,982.75
Reserve for Capital Outlay	50,577.29	13,155.60	-	63,732.89
	<u>558,988.05</u>	<u>142,224.41</u>	<u>57,000.00</u>	<u>644,212.46</u>
	D			D
	<u>Ref.</u>			
Cash Receipts	D-5	140,034.41	-	
Improvement Authorizations	D-24	-	57,000.00	
Improvement Authorizations Cancelled	D-29	2,190.00	-	
		<u>142,224.41</u>	<u>57,000.00</u>	

Borough of Franklin, N.J.

Schedule of Water / Sewer Serial Bonds Payable

Water / Sewer Utility Capital Fund

Year Ended December 31, 2019

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds Outstanding Dec. 31, 2019</u>		<u>Interest Rate</u>	<u>Balance, Dec. 31, 2018</u>	<u>Decreased</u>	<u>Balance, Dec. 31, 2019</u>
			<u>Date</u>	<u>Amount</u>				
Water Refunding Bonds of 2015	2/15/2015	2,195,000.00	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>1,900,000.00</u>	<u>70,000.00</u>	<u>1,830,000.00</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, 2019

Improvement Description	Date of Issue	Amount Issued	Maturities		Interest Rate	Balance, Dec. 31, 2018	Decreased	Balance, Dec. 31, 2019
			Date	Amount				
Removal and Construction of a New Water Tank:								
Trust Loan Portion	11/1/2000	280,000.00	8/1/2020	20,000.00	5.25%	40,000.00	20,000.00	20,000.00
Fund Loan Portion	11/1/2000	270,000.00	2/1/2020 8/1/2020	311.44 12,176.53	0.00% 0.00%	<u>25,598.20</u>	<u>13,110.23</u>	<u>12,487.97</u>
Sub-total						<u><u>65,598.20</u></u>	<u><u>33,110.23</u></u>	<u><u>32,487.97</u></u>
						D	D-27	D

Borough of Franklin, N.J.
Schedule of Improvement Authorizations
Water / Sewer Utility Capital Fund
Year Ended December 31, 2019

114

Ordinance Number	Improvement Description	Ordinance Date	Ordinance Amount	Balance Dec. 31, 2018		2019 Authorizations	Purchase Order Adjustment	Paid or Charged	Cancelled	Balance Dec. 31, 2019	
				Funded	Unfunded					Funded	Unfunded
11-09	Various Water/Sewer Capital Improvements	7/14/2009	109,000.00	6,982.78	-	-	-	500.00	-	6,482.78	-
16-09	Improvements to Water/ Sewer Systems	11/24/2009	850,000.00		393,029.95	-	-	57,507.28	159,000.00	-	176,522.67
04-15	Improvements to Water Distribution System	4/14/2015	85,000.00	-	-	-	1,000.00	-	-	1,000.00	-
03-18	Replacement of Sewer Pump Maple Rd Station	4/10/2018	20,000.00	2,190.00	-	-	-	-	2,190.00	-	-
11-18	Acquisition of New Vehicular Equipment	7/24/2018	116,000.00	1,425.75	-	-	-	1,160.40	265.35	-	-
05-19	Acquisiton of New Sewer Jet	4/23/2019	57,000.00	-	-	57,000.00	-	57,000.00	-	-	-
10-19	Acquisition of New Equipment	6/25/2019	48,500.00	-	-	48,500.00	-	47,550.00	-	950.00	-
				<u>10,598.53</u>	<u>393,029.95</u>	<u>105,500.00</u>	<u>1,000.00</u>	<u>163,717.68</u>	<u>161,455.35</u>	<u>8,432.78</u>	<u>176,522.67</u>
				D	D		D-28		D-12	D	D
			Ref.								
	Various Reserves		D-21			57,000.00					
	Capital Improvement Fund		D-26			48,500.00					
			D-12; D-29			<u>105,500.00</u>					
	Cash Disbursements		D-5					147,597.68			
	Reserve for Encumbrances		D-28					<u>16,120.00</u>			
								<u>163,717.68</u>			

Borough of Franklin, N.J.

Schedule of Water / Sewer Capital Bond Anticipation Notes

Water / Sewer Utility Capital Fund

Year Ended December 31, 2019

<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, 2018</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance, Dec. 31, 2019</u>
16-09	Improvements to Water/ Sewer System	04/29/2010	08/16/2018 08/01/2019	08/15/2019 07/31/2020	2.750% 2.000%	142,000.00 -	- 65,500.00	142,000.00 -	- 65,500.00
16-16	Improvements to Water/ Sewer System	8/18/2016	08/16/2018 08/01/2019	08/15/2019 07/31/2020	2.750% 2.000%	65,000.00 -	- 50,500.00	65,000.00 -	- 50,500.00
						<u>207,000.00</u>	<u>116,000.00</u>	<u>207,000.00</u>	<u>116,000.00</u>
						D			D
					<u>Ref.</u>				
				Renewals			116,000.00	116,000.00	
				Paid by Budget Appropriations	D-27		-	91,000.00	
							<u>116,000.00</u>	<u>207,000.00</u>	

Borough of Franklin, N.J.

Schedule of Capital Improvement Fund

Water / Sewer Utility Capital Fund

Year Ended December 31, 2019

	<u>Ref.</u>	
Balance - December 31, 2018	D	203,774.72
Increased by:		
Improvement Authorizations		
Cancelled	D-29	265.35
Budget Appropriation	D-5	<u>15,000.00</u>
		<u>15,265.35</u>
		219,040.07
Decreased by:		
Appropriation to Finance		
Improvement Authorizations	D-24	<u>48,500.00</u>
Balance - December 31, 2019	D	<u><u>170,540.07</u></u>

D-27

Schedule of Reserve for Amortization

Water / Sewer Utility Capital Fund

Year Ended December 31, 2019

	<u>Ref.</u>	
Balance - December 31, 2018	D	19,641,529.93
Increased by:		
Serial Bonds Paid by Budget	D-22	70,000.00
New Jersey Environmental		
Infrastructure Loan	D-23	33,110.23
Bond Anticipation Notes		
Paid by Budget	D-25	91,000.00
Transfer from Deferred Reserve		
for Amortization	D-29	<u>190,544.65</u>
		<u>384,654.88</u>
Balance - December 31, 2019	D	<u><u>20,026,184.81</u></u>

Borough of Franklin, N.J.
Schedule of Reserve for Encumbrances
Water / Sewer Utility Capital Fund
Year Ended December 31, 2019

	<u>Ref.</u>		
Balance - December 31, 2018	D		73,702.00
Increased by:			
Charges to Improvement Authorizations	D-24		16,120.00
			<u>89,822.00</u>
Decreased by:			
Canceled	D-24	1,000.00	
Disbursements	D-5	<u>72,702.00</u>	
			<u>73,702.00</u>
Balance - December 31, 2019	D		<u><u>16,120.00</u></u>

Borough of Franklin, N.J.

Schedule of Deferred Reserve for Amortization

Water / Sewer Utility Capital Fund

Year Ended December 31, 2019

Ordinance Number	Improvement Description	Date of Ordinance	Balance, Dec. 31, 2018	Fixed Capital Authorized	To Reserve for Amortization	Authorizations Cancelled To		Balance, Dec. 31, 2019
						Various Reserves	Capital Improvement Fund	
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	-	17,810.00	2,190.00	-	-
11-18	Acquisition of New Vehicular Equipment	7/24/2018	116,000.00	-	115,734.65	-	265.35	-
05-19	Acquisiton of New Sewer Jet	4/23/2019	-	57,000.00	57,000.00	-	-	-
10-19	Acquisition of New Equipment	6/25/2019	-	48,500.00	-	-	-	48,500.00
			<u>286,000.00</u>	<u>105,500.00</u>	<u>190,544.65</u>	<u>2,190.00</u>	<u>265.35</u>	<u>198,500.00</u>
			D	D-24	D-27	D-21	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, 2019

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

Borough of Franklin, N.J.
Schedule of Cash-Treasurer
Public Assistance Fund
Year Ended December 31, 2019

	<u>Ref.</u>	<u>P.A.T.F.</u> <u>Account #1</u>
Balance - December 31, 2018	E	5,669.13
Increased by Receipts:		
Interest on Investment	E-3;E-4	<u>93.25</u>
Balance - December 31, 2019	E	<u><u>5,762.38</u></u>

Borough of Franklin, N.J.
Schedule of Cash and Reconciliation
Public Assistance Fund
Year Ended December 31, 2019

	<u>Ref.</u>	
Balance - December 31, 2018	E	5,669.13
Increased by Receipts:		
Cash Receipts Record	E-1	<u>93.25</u>
Balance - December 31, 2019	E	<u><u>5,762.38</u></u>
		P.A.T.F.
<u>Reconciliation - December 31, 2019</u>		<u>Account #1</u>
Balance on Deposit per Statement of:		
Lakeland Bank		
Checking		<u>5,762.38</u>
Balance - December 31, 2019		<u><u>5,762.38</u></u>

Borough of Franklin, N.J.

Schedule of Revenues

Public Assistance Fund

Year Ended December 31, 2019

	P.A.T.F. <u>Account #1</u>
Interest on Investments	<u>93.25</u>
Total Revenues (P.A.T.F.)	<u><u>93.25</u></u> E-1

Borough of Franklin, N.J.**Schedule of Reserve for Public Assistance****Public Assistance Fund****Year Ended December 31, 2019**

	<u>Ref.</u>	
Balance - December 31, 2018	E	5,669.13
Increased by:		
Receipts	E-1	<u>93.25</u>
Balance - December 31, 2019	E	<u><u>5,762.38</u></u>

BOROUGH OF FRANKLIN

PART II

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

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2019



WIELKOTZ & COMPANY LLC

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2019 and the related notes to the financial statements, and have issued our report thereon dated July 16, 2020, 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 2019-01, 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

Wielkottz & Company, LLC
Wielkottz & Company, LLC
Certified Public Accountants

Newton, New Jersey

July 16, 2020

BOROUGH OF FRANKLIN

SUMMARY OF FINDINGS AND RESPONSES **YEAR ENDED DECEMBER 31, 2019**

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, 2019 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 2019-01: 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, 2019

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, 2019.

Finding 2018-01:

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, 2019, and at July 16, 2020, 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, 2019 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 29, 2019 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>
2019	12
2018	23
2017	9

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, 2019 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.

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.

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

Wielkotz & Company, LLC
Wielkotz & Company, LLC
Certified Public Accountants