

BOROUGH OF FRANKLIN

COUNTY OF SUSSEX

REPORT OF AUDIT

2021

*NISIVOCIA LLP
CERTIFIED PUBLIC ACCOUNTANTS*

BOROUGH OF FRANKLIN
COUNTY OF SUSSEX
REPORT OF AUDIT
2021

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BOROUGH OF FRANKLIN

PART I

REPORT ON AUDIT AND FINANCIAL STATEMENTS

AND SUPPLEMENTARY SCHEDULES

YEAR ENDED DECEMBER 31, 2021

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the financial statements – *regulatory basis* - of the various funds and account group of the Borough of Franklin, in the County of Sussex (the "Borough") as of and for the year ended December 31, 2021, and the related notes to the 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 accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") to demonstrate compliance with the Division's regulatory basis of accounting, and the budget laws of New Jersey; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from 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 Borough'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 Borough'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.

The Honorable Mayor and Members
of the Borough Committee
Borough of Franklin
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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statements are prepared by the Borough on the basis of accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the 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 the 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 and account group of the Borough as of December 31, 2021 and 2020, or the changes in financial position or where applicable, cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of each fund and account group of the Borough as of December 31, 2021, and the results of operations and changes in fund balance, where applicable, of such funds and account group, thereof for the year then ended in accordance with the accounting practices prescribed or permitted, as described in Note 1, by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division").

Other Matters

The financial statements of the Borough as of December 31, 2020 were audited by other auditors whose report dated August 20, 2021 expressed a qualified opinion on those statements.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements of the various funds that collectively comprise the Borough's financial statements. The supplementary data schedules listed in the table of contents and the schedules of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplementary data schedules and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the various fund financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the various fund financial statements or to the various fund financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary data schedules and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the financial statements as a whole.

The Honorable Mayor and Members
of the Borough Committee
Borough of Franklin
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2022 on our consideration of the Borough'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Borough's 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's internal control over financial reporting and compliance.

Mount Arlington, New Jersey
June 8, 2022

NISIVOCCIA LLP

Raymond A. Sarinelli

Raymond A. Sarinelli
Certified Public Accountant

Registered Municipal Accountant No. 563

BOROUGH OF FRANKLIN
COUNTY OF SUSSEX
2021
CURRENT FUND

BOROUGH OF FRANKLIN
CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	<u>Ref.</u>	<u>December 31,</u>	
		<u>2021</u>	<u>2020</u>
<u>ASSETS</u>			
Regular Fund:			
Cash and Cash Equivalents:			
Treasurer	A-4	\$ 4,414,310.65	\$ 4,030,999.61
Change Fund		500.00	500.00
		<u>4,414,810.65</u>	<u>4,031,499.61</u>
Receivables and Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	A-7	372,683.81	422,946.75
Tax Title Liens Recievable	A-8	14,693.26	51,568.77
Property Acquired for Taxes - Assessed Valuation		538,300.00	1,092,500.00
Revenue Accounts Receivable	A-9	3,103.66	2,125.76
Due from:			
Animal Control Fund	B	20.63	1,228.42
General Capital Fund	C	677.79	
Water and Sewer Utility Operating Fund	D		35,108.66
		<u>929,479.15</u>	<u>1,605,478.36</u>
Total Receivables and Other Assets with Full Reserves			
Total Regular Fund		<u>5,344,289.80</u>	<u>5,636,977.97</u>
Federal and State Grant Fund:			
Due from Current Fund	A	74,593.37	113,569.49
Due from Other Trust Fund	B	247,010.12	
Grant Funds Receivable	A-10	142,813.48	49,997.00
		<u>464,416.97</u>	<u>163,566.49</u>
Total Federal and State Grant Fund			
TOTAL ASSETS		<u>\$ 5,808,706.77</u>	<u>\$ 5,800,544.46</u>

BOROUGH OF FRANKLIN
CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
(Continued)

	Ref.	December 31,	
		2021	2020
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Regular Fund:			
Appropriation Reserves:			
Encumbered	A-3;A-11	\$ 271,399.24	\$ 880,812.95
Unencumbered	A-3;A-11	793,528.99	189,783.41
		<u>1,064,928.23</u>	<u>1,070,596.36</u>
Due State of New Jersey:			
Senior Citizens and Veterans Deductions		19,756.99	23,735.76
Marriage License Fees		125.00	125.00
Due to:			
Federal and State Grant Fund	A	74,593.37	113,569.49
Other Trust Fund	B	71,257.17	18,242.01
General Capital Fund	C		113,011.52
Accounts Payable - Vendors		2,291.45	2,174.15
County Taxes Payable		6,881.83	7,930.25
Prepaid Taxes		177,593.91	78,415.39
Tax Overpayments		8,573.71	5,943.00
Prepaid Revenue - Antenna Lease		38,559.69	36,775.97
Reserve for:			
Contingency		225,000.00	
Revision of Master Plan		7,562.86	7,562.86
Revision of Tax Maps		1,375.00	1,375.00
Tax Appeals		260,884.58	135,884.58
Sale of Municipal Assets		69,500.00	189,500.00
		<u>2,028,883.79</u>	<u>1,804,841.34</u>
Reserve for Receivables and Other Assets	A	929,479.15	1,605,478.36
Fund Balance	A-1	2,385,926.86	2,226,658.27
Total Regular Fund		<u>5,344,289.80</u>	<u>5,636,977.97</u>
Federal and State Grant Fund:			
Unappropriated Reserves	A-15	270,522.50	11,390.61
Appropriated Reserves:			
Encumbered		29,536.86	8,239.90
Unencumbered	A-16	164,357.61	143,935.98
Total Federal and State Grant Fund		<u>464,416.97</u>	<u>163,566.49</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		<u>\$ 5,808,706.77</u>	<u>\$ 5,800,544.46</u>

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

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

	Ref.	Year Ended December 31,	
		2021	2020
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized		\$ 650,000.00	\$ 650,000.00
Miscellaneous Revenue Anticipated		1,385,026.65	1,211,813.04
Receipts from:			
Delinquent Taxes		430,607.87	480,132.59
Current Taxes		15,810,408.21	15,272,353.28
Nonbudget Revenue		154,944.73	12,591.36
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		578,682.14	621,339.96
Interfunds and Other Receivables Returned		36,337.08	1,837.94
Cancellation of Prior Year Overpayments		5,919.15	
		<u>19,051,925.83</u>	<u>18,250,068.17</u>
<u>Expenditures</u>			
Budget Appropriations:			
Municipal Purposes		6,953,472.46	6,641,515.22
County Taxes		2,563,903.36	2,473,008.79
Local School District Taxes		6,041,364.00	5,896,042.00
Regional High School Taxes		2,583,219.00	2,507,665.00
Adjustment to School Tax Levy			1.48
Reserve for Tax Appeals		100,000.00	
Interfunds and Other Receivables Advanced		698.42	36,337.08
		<u>18,242,657.24</u>	<u>17,554,569.57</u>
Excess in Revenue		809,268.59	695,498.60
<u>Fund Balance</u>			
Balance January 1		<u>2,226,658.27</u>	<u>2,181,159.67</u>
		3,035,926.86	2,876,658.27
Decreased by:			
Utilized as Anticipated Revenue		<u>650,000.00</u>	<u>650,000.00</u>
Balance December 31	A	<u>\$ 2,385,926.86</u>	<u>\$ 2,226,658.27</u>

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

BOROUGH OF FRANKLIN
CURRENT FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2021

	<u>Budget</u>	<u>Added by NJSA 40A:4-87</u>	<u>Realized</u>	<u>Excess or Deficit *</u>
Fund Balance Anticipated	\$ 650,000.00		\$ 650,000.00	
Miscellaneous Revenue:				
Licenses:				
Alcoholic Beverages	\$ 12,300.00		\$ 12,718.20	\$ 418.20
Other	7,552.00		7,265.00	287.00 *
Fees and Permits	17,000.00		22,788.78	5,788.78
Fines and Costs:				
Municipal Court	65,000.00		52,468.56	12,531.44 *
Interest and Costs on Taxes	90,000.00		105,277.66	15,277.66
Interest on Investments and Deposits	50,000.00		10,182.64	39,817.36 *
Anticipated Utility Operating Surplus	15,000.00		15,000.00	
Energy Receipts Tax	607,671.00		607,671.00	
Watershed Moratorium Offset	4,089.00		4,089.00	
Garden State Trust	7,929.00		12,210.00	4,281.00
NJ Highlands Housing Plan Grant		\$ 65,000.00	65,000.00	
Recycling Tonnage Grant	18,065.31		18,065.31	
Drunk Driving Enforcement Fund	2,688.84		2,688.84	
State Body Armor Grant	1,482.12		1,482.12	
Atlantic Health Care - Narcan Grant	3,490.00		3,490.00	
Distracted Driving Grant	6,000.00		6,000.00	
Body Worn Camera Grant		42,798.00	42,798.00	
Hillside ES - Solid Waste Collection	37,818.00		41,256.00	3,438.00
Borough Ordinance #94-03 Municipal Service Fee				
Assessed to Mobile Home Parks - Fees & Permit:	81,939.00		89,388.00	7,449.00
Rent Senior Center	27,700.00		27,700.00	
Cable T.V. Franchise	15,500.00		15,711.00	211.00
Antenna Lease Contract	64,596.00		70,664.54	6,068.54
Franklin Senior Housing - PILOT	31,104.00		31,112.00	8.00
Reserve for Sale of Assets	120,000.00		120,000.00	
	<u>1,286,924.27</u>	<u>107,798.00</u>	<u>1,385,026.65</u>	<u>9,695.62 *</u>
Receipts from Delinquent Taxes	<u>425,000.00</u>		<u>430,607.87</u>	<u>5,607.87</u>
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes	4,969,836.00		5,108,006.85	138,170.85
Budget Totals	<u>7,331,760.27</u>	<u>107,798.00</u>	<u>7,573,641.37</u>	<u>134,083.10</u>
Nonbudget Revenue			<u>154,944.73</u>	<u>154,944.73</u>
	<u>\$ 7,331,760.27</u>	<u>\$ 107,798.00</u>	<u>\$ 7,728,586.10</u>	<u>\$ 289,027.83</u>

BOROUGH OF FRANKLIN
CURRENT FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2021
(Continued)

Allocation of Current Tax Collections:

Revenue from Collection of Current Taxes	\$ 15,810,408.21
Allocated to County and School Taxes	11,188,486.36
Balance for Support of Municipal Budget	4,621,921.85
Add: Appropriation "Reserve for Uncollected Taxes"	486,085.00
Realized for Support of Municipal Budget	\$ 5,108,006.85

Receipts from Delinquent Taxes:

Delinquent Tax Collections	\$ 403,061.50
Tax Title Liens Receivable	27,546.37
	\$ 430,607.87

Analysis of Fees and Permits:

Other Departments	\$ 22,788.78
	\$ 22,788.78

Analysis of Interest on Investments and Deposits:

Collected/Received by Treasurer	\$ 9,484.22
Due from:	
General Capital Fund	677.79
Animal Control Fund	20.63
	\$ 10,182.64

BOROUGH OF FRANKLIN
CURRENT FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2021
(Continued)

Analysis of Nonbudget Revenue:

Miscellaneous Revenue Not Anticipated:

Treasurer:

Copies	\$	61.71	
Clerk's Receipts		2.00	
Planning Board Application		18,424.50	
Certified Lists		250.00	
Refund		13,112.78	
Recycling		3,412.33	
Auction		28,714.00	
Zoning		6,200.00	
Tax Sale Premiums Escheated		79,300.00	
Other Miscellaneous Revenue		5,167.41	
			\$ 154,644.73

Due from Other Trust Fund - Police Administrative Fees		300.00	
		300.00	
			\$ 154,944.73

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

BOROUGH OF FRANKLIN
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2021

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
GENERAL GOVERNMENT:					
General Administration:					
Salaries and Wages	\$ 185,734.00	\$ 192,934.00	\$ 192,906.62	\$ 27.38	
Other Expenses	60,375.00	72,175.00	69,932.99	2,242.01	
Elections:					
Other Expenses	6,000.00	6,000.00	4,075.88	1,924.12	
Financial Administration:					
Salaries and Wages	102,718.00	114,468.00	114,468.00	5,991.72	
Other Expenses	24,350.00	32,600.00	26,608.28	13,750.00	
Annual Audit	20,000.00	20,000.00	6,250.00		
Tax Collection:					
Salaries and Wages	20,500.00	18,500.00	18,288.46	211.54	
Other Expenses	11,625.00	11,625.00	7,494.25	4,130.75	
Tax Assessment:					
Salaries and Wages	51,009.00	54,009.00	53,044.11	964.89	
Other Expenses	13,330.00	13,330.00	12,979.24	350.76	
Revaluation of Taxes	1.00	1.00		1.00	
Legal Services and Costs:					
Other Expenses	194,001.00	187,001.00	150,762.48	36,238.52	
Municipal Prosecutor:					
Other Expenses	21,000.00	19,000.00	18,374.96	625.04	
Engineering Services and Costs:					
Other Expenses	30,000.00	28,000.00	20,744.18	7,255.82	
Economic Development Committee:					
Other Expenses	1,000.00	1,000.00	250.00	750.00	

BOROUGH OF FRANKLIN
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2021
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
GENERAL GOVERNMENT (Cont'd):					
Historic Preservation:					
Other Expenses	\$ 3,000.00	\$ 3,000.00	\$ 52.33	\$ 2,947.67	
Municipal Land Use Law (NJSA 40:55D-1):					
Planning Board:					
Salaries and Wages	19,182.00	19,182.00	18,700.47	481.53	
Other Expenses	23,067.00	23,067.00	21,282.42	1,784.58	
Revision of Master Plan	1.00	1.00		1.00	
INSURANCE:					
Group Insurance Plans For Employees	536,839.00	534,339.00	385,941.08	148,397.92	
Other Insurance Premiums	90,500.00	90,500.00	90,435.66	64.34	
Health Benefit Waivers	11,385.00	12,885.00	12,500.00	385.00	
Worker's Compensation Insurance	57,000.00	57,000.00	56,872.00	128.00	
PUBLIC SAFETY:					
Police:					
Salaries and Wages	1,885,062.00	1,885,062.00	1,700,592.14	184,469.86	
Other Expenses	148,725.00	148,725.00	124,181.09	24,543.91	
Crossing Guards:					
Salaries and Wages	71,300.00	62,300.00	56,463.43	5,836.57	
Other Expenses	600.00	600.00		600.00	
Emergency Management Services:					
Salaries and Wages	2,295.00	2,295.00	2,250.00	45.00	
Other Expenses	500.00	500.00		500.00	
Fire Department:					
Other Expenses	65,570.00	65,570.00	63,763.74	1,806.26	
First Aid Organization Contribution	15,800.00	15,800.00	9,483.55	6,316.45	
Municipal Court:					
Salaries and Wages	155,619.00	145,619.00	122,549.64	23,069.36	
Other Expenses	11,775.00	11,775.00	7,926.17	3,848.83	

BOROUGH OF FRANKLIN
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2021
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
PUBLIC SAFETY (Cont'd):					
Public Defender:					
Other Expenses	\$ 1.00	\$ 1.00	\$	\$ 1.00	
STREETS AND ROADS:					
Road Repairs and Maintenance:					
Salaries and Wages	288,935.00	288,935.00	\$ 242,018.15	46,916.85	
Other Expenses	153,927.00	153,927.00	117,668.92	36,258.08	
Public Buildings and Grounds:					
Salaries and Wages	15,912.00	15,912.00	10,153.88	5,758.12	
Other Expenses	115,200.00	115,200.00	78,429.92	36,770.08	
Condominium Community Costs:	3,000.00	3,000.00		3,000.00	
HEALTH AND WELFARE:					
Animal Control Officer:					
Other Expenses	13,000.00	13,000.00	13,000.00		
Board of Health:					
Salaries and Wages	1,561.00	1,561.00	1,530.00	31.00	
Other Expenses	500.00	500.00	357.20	142.80	
H.B.V. Vaccination:					
Other Expenses	1,000.00	1,000.00	120.00	880.00	
Contribution to Senior Citizen Center:					
Salaries and Wages	34,650.00	33,650.00	33,577.43	72.57	
Other Expenses	891.00	891.00	369.40	521.60	
RECREATION AND EDUCATION:					
Board of Recreation Commissioners:					
Salaries and Wages	22,819.00	14,819.00	13,944.29	874.71	
Other Expenses	9,000.00	9,000.00	6,825.51	2,174.49	
Celebration of Public Events, Anniversary or Holiday (R.S. 40:48-5.4):					
Other Expenses	1.00	1.00		1.00	

BOROUGH OF FRANKLIN
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2021
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
UNIFORM CONSTRUCTION CODE:					
Zoning Official:					
Salaries and Wages	\$ 28,642.00	\$ 26,642.00	\$ 25,689.52	\$ 952.48	
Other Expenses	6,050.00	6,050.00	1,860.87	4,189.13	
UNCLASSIFIED:					
Fixed Assets Accounting System	1,500.00	1,500.00	1,500.00		
Network Maintenance Agreement	32,895.00	32,895.00	32,844.18	50.82	
Street Lighting	48,000.00	39,450.00	37,305.51	2,144.49	
Telephone	29,700.00	35,750.00	35,731.95	18.05	
Gasoline and Oil	39,000.00	39,500.00	39,288.58	211.42	
Solid Waste Disposal Costs	460,000.00	460,000.00	459,000.00	1,000.00	
Postage	2,200.00	2,200.00	1,694.16	505.84	
Total Operations Within "CAPS"	5,148,247.00	5,144,247.00	4,522,082.64	622,164.36	
Contingent					
Total Operations Including Contingent Within "CAPS"	5,148,247.00	5,144,247.00	4,522,082.64	622,164.36	
Detail:					
Salaries and Wages	2,885,938.00	2,875,888.00	814,013.14	269,711.86	
Other Expenses	2,262,309.00	2,268,359.00	3,708,069.50	352,452.50	
Deferred Charges and Statutory Expenditures - Municipal - Within "CAPS":					
Statutory Expenditures:					
Contribution to:					
Public Employees' Retirement System	122,767.00	122,767.00	122,767.00		
Social Security System (OASI)	236,012.00	236,012.00	191,423.46	44,588.54	
Police and Fireman's Retirement System	418,294.00	418,294.00	418,293.58	0.42	
Unemployment Compensation Insurance	12,700.00	12,700.00	7,445.01	5,254.99	
Defined Contribution Retirement Program	5,000.00	9,000.00	8,789.96	210.04	

BOROUGH OF FRANKLIN
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2021
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	\$ 794,773.00	\$ 798,773.00	\$ 748,719.01	\$ 50,053.99	
Total General Appropriations for Municipal Purposes Within "CAPS"	5,943,020.00	5,943,020.00	5,270,801.65	672,218.35	
Operations Excluded from "CAPS":					
Refund of Tax Appeals	15,000.00	15,000.00		15,000.00	
LOSAP	20,000.00	20,000.00		20,000.00	
Declared State of Emergency Costs for Coronavirus Response:					
Salaries and Wages	1.00	1.00		1.00	
Other Expenses	1.00	1.00		1.00	
Shared Service Agreements:					
Township of Sparta 911 Dispatch					
Fire	31,042.00	31,042.00	31,041.45	0.55	
Police	32,923.00	32,923.00	32,922.75	0.25	
EMS	30,101.00	30,101.00	30,100.80	0.20	
Township of Hardyston					
Municipal Drug Alliance Program	1,600.00	1,600.00		1,600.00	
Construction Office	71,566.00	65,066.00	7,800.00	57,266.00	
Zoning Officer		6,500.00		6,500.00	
Township of Wantage - Tax Collector					
Salaries and Wages	31,212.00	31,212.00	31,212.00		
Public and Private Programs Offset by Revenue:					
Recycling Tonnage Grant	18,065.31	18,065.31	18,065.31		
Drunk Driving Enforcement Fund	2,688.84	2,688.84	2,688.84		
State Body Armor Grant	1,482.12	1,482.12	1,482.12		
Atlantic Health Care - Narcan Grant	3,490.00	3,490.00	3,490.00		
Distracted Driving Grant	6,000.00	6,000.00	6,000.00		
Body Worn Cameras Grant		42,798.00	42,798.00		
NJ Highlands Master Plan		65,000.00	65,000.00		
Total Operations Excluded from "CAPS"	265,172.27	372,970.27	272,601.27	100,369.00	

BOROUGH OF FRANKLIN
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2021
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Detail:					
Salaries and Wages	\$ 1.00	\$ 1.00		\$ 1.00	
Other Expenses	265,171.27	372,969.27	\$ 272,601.27	100,368.00	
Capital Improvements - Excluded from "CAPS":					
Capital Improvement Fund	157,000.00	157,000.00	157,000.00		
Improvements to Streets & Roads	25,000.00	25,000.00	21,536.38	3,463.62	
Municipal Property Improvement	25,000.00	25,000.00	11,450.00	13,550.00	
Office Equipment	15,000.00	15,000.00	11,549.58	3,450.42	
Fire Department Equipment	37,000.00	37,000.00	36,522.40	477.60	
Total Capital Improvements - Excluded from "CAPS"	259,000.00	259,000.00	238,058.36	20,941.64	
Municipal Debt Service - Excluded from "CAPS":					
Payment of Bond Principal	366,810.00	366,810.00	366,810.00		
Payment of Bond Anticipation Notes	11,673.00	11,673.00	11,672.19		0.81
Total Municipal Debt Service - Excluded from "CAPS"	378,483.00	378,483.00	378,482.19		0.81
Total General Appropriations - Excluded from "CAPS"	902,655.27	1,010,453.27	889,141.82	121,310.64	0.81
Subtotal General Appropriations	6,845,675.27	6,953,473.27	6,159,943.47	793,528.99	0.81
Reserve for Uncollected Taxes	486,085.00	486,085.00	486,085.00		
Total General Appropriations	\$ 7,331,760.27	\$ 7,439,558.27	\$ 6,646,028.47	\$ 793,528.99	\$ 0.81

Ref.

A

BOROUGH OF FRANKLIN
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2021
(Continued)

		Analysis of	
	Ref.	Budget After Modification	Paid or Charged
Adopted Budget		\$ 7,331,760.27	
Added by 40A:4-87		107,798.00	
		\$ 7,439,558.27	
Reserve for Uncollected Taxes			\$ 486,085.00
Reserve for Encumbrances	A		271,399.24
Due Federal and State Grant Fund			139,524.27
Cash Disbursed			5,914,828.59
			6,811,837.10
Less: Appropriation Refunds			165,808.63
			\$ 6,646,028.47

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

BOROUGH OF FRANKLIN
COUNTY OF SUSSEX
2021
TRUST FUNDS

BOROUGH OF FRANKLIN
COMPARATIVE BALANCE SHEET - TRUST FUNDS - REGULATORY BASIS

	Ref.	December 31,	
		2021	2020
<u>ASSETS</u>			
Animal Control Fund:			
Cash and Cash Equivalents:			
Treasurer	B-4	\$ 10,573.46	\$ 8,163.05
		<u>10,573.46</u>	<u>8,163.05</u>
Other Trust Funds:			
Cash and Cash Equivalents	B-4	2,099,833.65	1,713,006.94
Due From Current Fund	A	71,257.17	18,242.01
		<u>2,171,090.82</u>	<u>1,731,248.95</u>
TOTAL ASSETS		<u><u>\$ 2,181,664.28</u></u>	<u><u>\$ 1,739,412.00</u></u>
<u>LIABILITIES AND RESERVES</u>			
Animal Control Fund:			
Due Current Fund	A	\$ 20.63	\$ 1,228.42
Due State Board of Health			3.60
Reserve for Animal Control Expenditures	B-6	10,552.83	6,931.03
		<u>10,573.46</u>	<u>8,163.05</u>
Other Trust Funds:			
Due Federal and State Grant Fund		247,070.12	
Reserve for:			
Encumbrances			214,370.35
Land Use Escrow Deposits		136,284.65	132,502.20
Performance Bonds Escrow		48,993.10	17,975.41
Recreation		177,302.85	49,516.15
Senior Citizens		85.01	85.01
Small Cities		371,092.72	337,652.72
Road Opening		4,420.00	3,920.00
Driveway Escrow		10,611.26	10,611.26
Parking Offense Adjudication Fees		115.41	87.41
Public Defender Fees		5,671.98	
BPW Escrow		110,263.22	64,513.22
Police Outside Duty		25,409.26	20,460.83
Outside Liens		50.00	
Tax Sale Premiums		301,100.00	307,000.00
Storm Recovery		199,226.24	113,266.41
Affordable Housing		300,118.64	299,558.86
Forfeited Property		211.71	211.33
Mobile Video Record System		2,724.00	2,624.00
Uniform Fire Safety Code		1,367.38	1,367.38
Renovation of Hungarian Church		1,435.00	1,435.00
Payroll Agency			26,553.14
Open Space		50,000.00	
Accumulated Absences		177,538.27	127,538.27
		<u>2,171,090.82</u>	<u>1,731,248.95</u>
TOTAL LIABILITIES AND RESERVES		<u><u>\$ 2,181,664.28</u></u>	<u><u>\$ 1,739,412.00</u></u>

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

BOROUGH OF FRANKLIN
ASSESSMENT TRUST FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2021

NOT APPLICABLE

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

BOROUGH OF FRANKLIN
ASSESSMENT TRUST FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2021

NOT APPLICABLE

ASSESSMENT TRUST FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2021

NOT APPLICABLE

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

BOROUGH OF FRANKLIN
COUNTY OF SUSSEX
2021
GENERAL CAPITAL FUND

BOROUGH OF FRANKLIN
GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	Ref.	December 31,	
		2021	2020
<u>ASSETS</u>			
Cash and Cash Equivalents	C-2	\$ 1,766,154.44	\$ 543,785.78
New Jersey Department of Transportation Grants Receivable		37,875.00	250,750.00
Due from Current Fund			113,011.52
Deferred Charges to Future Taxation:			
Unfunded	C-4	2,530,145.00	2,002,905.00
TOTAL ASSETS		\$ 4,334,174.44	\$ 2,910,452.30
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Bond Anticipation Notes Payable	C-7	\$ 2,279,581.00	\$ 1,716,499.00
Improvement Authorizations:			
Funded	C-5	20,679.29	138,203.79
Unfunded	C-5	666,252.23	436,355.93
Capital Improvement Fund	C-6	131,391.20	126,466.20
Due To Current Fund	A	677.79	
Due to Water and Sewer Utility Operating Fund			5,026.61
Due to Water and Sewer Utility Capital Fund		89,883.00	
Reserve for:			
Encumbrances		895,983.85	254,346.76
Improvements to Municipal Property		24,748.76	24,748.76
Improvements to Streets and Roads		19,148.98	19,148.98
Office Equipment		3,489.64	3,489.64
Fire Equipment		104.32	104.32
Police Equipment		15,625.34	15,625.34
Payment of Debt Service		111,375.00	111,375.00
Fund Balance	C-1	75,234.04	59,061.97
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		\$ 4,334,174.44	\$ 2,910,452.30

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

BOROUGH OF FRANKLIN
GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS

	<u>Ref.</u>		
Balance December 31, 2020	C	\$	59,061.97
Increased by:			
Premium on Sale of Bond Anticipation Notes			<u>16,172.07</u>
Balance December 31, 2021	C	\$	<u><u>75,234.04</u></u>

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

BOROUGH OF FRANKLIN
COUNTY OF SUSSEX
2021
WATER AND SEWER UTILITY FUND

BOROUGH OF FRANKLIN
WATER AND SEWER UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	Ref.	December 31,	
		2021	2020
<u>ASSETS</u>			
Operating Fund:			
Cash and Cash Equivalents:			
Treasurer	D-4	\$ 2,422,120.39	\$ 2,082,516.51
Change Fund		200.00	200.00
Due from Water and Sewer Utility Capital Fund	D	345.47	
Due from General Capital Fund	C		5,026.61
Receivables and Other Assets with Full Reserves:			
Consumer Accounts Receivable	D-6	292,881.33	218,379.83
Water and Sewer Utility Liens	D-6a	3,052.41	3,438.37
Total Operating Fund		<u>2,718,599.60</u>	<u>2,309,561.32</u>
Capital Fund:			
Cash and Cash Equivalents	D-4	862,884.38	977,451.17
Due from Water and Sewer Utility Operating Fund	D		14,728.20
Due from General Capital Fund	C	89,883.00	
Fixed Capital	D-7	21,375,701.92	21,269,672.78
Fixed Capital Authorized and Uncompleted	D-8	1,073,383.00	983,500.00
Total Capital Fund		<u>23,401,852.30</u>	<u>23,245,352.15</u>
TOTAL ASSETS		<u><u>\$ 26,120,451.90</u></u>	<u><u>\$ 25,554,913.47</u></u>

BOROUGH OF FRANKLIN
WATER AND SEWER UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
(Continued)

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>Ref.</u>	<u>December 31,</u>	
		<u>2021</u>	<u>2020</u>
Operating Fund:			
Appropriation Reserves:			
Unencumbered	D-3;D-9	\$ 480,737.13	\$ 223,249.14
Encumbered	D-3;D-9	70,098.63	67,172.85
		<u>550,835.76</u>	<u>290,421.99</u>
Due to Current Fund	A		35,108.66
Due to Water and Sewer Utility Capital Fund	D		14,728.20
Water and Sewer Overpayments		7,170.15	6,487.43
Accrued Interest on Bond Anticipation Notes		372.21	
Accrued Interest on Bonds		24,693.75	30,410.42
Reserve for Water Hook-Ups		5,193.00	
Reserve for Sewer Hook-Ups		10,605.00	10,605.00
Reserve for Capital Outlay		1,314.80	1,314.80
Reserve for BPW Maps		4,293.83	4,293.83
		<u>604,478.50</u>	<u>393,370.33</u>
Reserve for Receivables	D	295,933.74	221,818.20
Fund Balance	D-1	1,818,187.36	1,694,372.79
		<u>2,718,599.60</u>	<u>2,309,561.32</u>
Total Operating Fund			
Capital Fund:			
Serial Bonds Payable	D-16	1,685,000.00	1,760,000.00
Bond Anticipation Notes Payable	D-15	89,883.00	
Improvement Authorizations:			
Funded	D-10	56,145.71	55,272.00
Unfunded	D-10	77,558.00	55,219.17
Capital Improvement Fund	D-11	200,540.07	185,540.07
Due Water and Sewer Utility Operating Fund	D	345.47	
Reserve for Preliminary Expenses		228.20	228.20
Reserve for I&I Study		257,094.82	257,094.82
Reserve for Water/Sewer Equipment		7,159.35	7,159.35
Reserve for Sewer Stations		166,014.45	166,014.45
Reserve for Water Distribution		99,982.75	99,982.75
Reserve for Capital Outlay		63,732.89	63,732.89
Reserve for Encumbrances			77,970.00
Reserve for Amortization	D-12	20,466,701.92	20,285,672.78
Deferred Reserve for Amortization	D-13	207,500.00	207,500.00
Fund Balance	D-1A	23,965.67	23,965.67
		<u>23,401,852.30</u>	<u>23,245,352.15</u>
Total Capital Fund			
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		<u>\$ 26,120,451.90</u>	<u>\$ 25,554,913.47</u>

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

BOROUGH OF FRANKLIN
WATER AND SEWER UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN
FUND BALANCE - REGULATORY BASIS

	Ref.	Year Ended December 31,	
		2021	2020
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized		\$ 328,450.00	\$ 367,853.00
Water and Sewer Rents		2,155,749.13	2,180,958.59
Reserve for Sewer Hooks-Ups			5,193.00
Miscellaneous		191,928.25	137,181.57
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		259,897.73	194,501.93
Total Income		<u>2,936,025.11</u>	<u>2,885,688.09</u>
<u>Expenditures</u>			
Budget Appropriations:			
Operating		2,080,005.00	2,053,875.00
Capital Improvements		158,000.00	147,500.00
Debt Service		137,755.54	291,833.99
Deferred Charges and Statutory Expenditures		93,000.00	80,110.00
Total Expenditures		<u>2,468,760.54</u>	<u>2,573,318.99</u>
Excess in Revenue		467,264.57	312,369.10
<u>Fund Balance</u>			
Balance January 1		1,694,372.79	1,749,856.69
		<u>2,161,637.36</u>	<u>2,062,225.79</u>
Decreased by:			
Utilization as Anticipated Revenue		328,450.00	367,853.00
Fund Balance Anticipated in Current Fund		15,000.00	
Balance December 31	D	<u>\$ 1,818,187.36</u>	<u>\$ 1,694,372.79</u>

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

BOROUGH OF FRANKLIN
WATER AND SEWER UTILITY CAPITAL FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS

	<u>Ref.</u>	
Balance December 31, 2020	D	\$ 23,965.67
Balance December 31, 2021	D	<u>\$ 23,965.67</u>

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

BOROUGH OF FRANKLIN
WATER AND SEWER UTILITY OPERATING FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2021

	<u>Anticipated</u>	<u>Realized</u>	<u>Excess or Deficit*</u>
Fund Balance Utilized	\$ 328,450.00	\$ 328,450.00	
Water Rents	545,000.00	548,279.38	\$ 3,279.38
Sewer Rents	1,595,500.00	1,607,469.75	11,969.75 *
Budget Totals	<u>2,468,950.00</u>	<u>2,484,199.13</u>	<u>15,249.13</u>
Nonbudget Revenue		191,928.25	191,928.25
	<u><u>\$ 2,468,950.00</u></u>	<u><u>\$ 2,676,127.38</u></u>	<u><u>\$ 207,177.38</u></u>

Analysis of Rents

Water and Sewer Rents Collections	\$ 2,148,935.76
Overpayments Applied	6,427.41
Water and Sewer Liens Collected	385.96
	<u><u>\$ 2,155,749.13</u></u>

Analysis of Nonbudget Revenue

Miscellaneous Revenue Not Anticipated:

Collector:

Interest on Consumer Accounts	\$ 3,999.25
Sprinklers	9,400.00
Final Readings	3,039.99

Treasurer:

Interest on Investments and Deposits:

Collected/Received by Treasurer	8,311.53
Due from Water and Sewer Utility Capital Fund	345.47

Total Interest on Investments and Deposits

Sewer Reservation Fees	727.88
Antenna Lease Agreement	90,904.13
Application Fees	200.00
Miscellaneous Reimbursement	75,000.00

16,439.24

\$ 191,928.25

BOROUGH OF FRANKLIN
WATER AND SEWER UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2021

	Appropriations		Expended by		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operating:					
Salaries and Wages	\$ 445,000.00	\$ 445,000.00	\$ 359,581.91	\$ 85,418.09	
Other Expenses	1,635,878.00	1,635,005.00	1,305,261.81	329,743.19	
Capital Improvements:					
Capital Improvement Fund	15,000.00	15,000.00	15,000.00		
Capital Outlay	25,000.00	25,000.00	22,830.75	2,169.25	
Improvements to Water and Sewer Systems	105,000.00	105,500.00	64,156.13	41,343.87	
Purchase of Water and Sewer Equipment	12,500.00	12,500.00	11,193.26	1,306.74	
Debt Service:					
Payment of Bond Principal	75,000.00	75,000.00	75,000.00		
Payment of Bond Anticipation Notes		373.00	372.21		\$ 0.79
Interest on Bonds	62,572.00	62,572.00	62,383.33		188.67
Statutory Expenditures:					
Contributions to:					
Public Employees' Retirement System	46,000.00	46,000.00	45,515.00	485.00	
Social Security System (O.A.S.I.)	45,000.00	45,000.00	25,715.72	19,284.28	
Unemployment Compensation Insurance	2,000.00	2,000.00	1,013.29	986.71	
	<u>\$ 2,468,950.00</u>	<u>\$ 2,468,950.00</u>	<u>\$ 1,988,023.41</u>	<u>\$ 480,737.13</u>	<u>\$ 189.46</u>

D

	<u>Ref.</u>	
Cash Disbursed		\$ 1,856,425.63
Accrued Interest on Bonds		62,383.33
Accrued Interest on Bond Anticipation Notes		372.21
Encumbrances	D	<u>70,098.63</u>
		<u>1,989,279.80</u>
Less: Appropriation Refunds		<u>1,256.39</u>
		<u>\$ 1,988,023.41</u>

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

BOROUGH OF FRANKLIN
COUNTY OF SUSSEX
2021
PUBLIC ASSISTANCE FUND

BOROUGH OF FRANKLIN
PUBLIC ASSISTANCE FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	<u>Ref.</u>	<u>December 31,</u>	
		<u>2021</u>	<u>2020</u>
<u>ASSETS</u>			
Cash and Cash Equivalents:			
Treasurer	F-1	\$ 5,802.45	\$ 5,791.63
TOTAL ASSETS		<u>\$ 5,802.45</u>	<u>\$ 5,791.63</u>
<u>RESERVES</u>			
Reserve for Public Assistance Expenditures		<u>\$ 5,802.45</u>	<u>\$ 5,791.63</u>
TOTAL RESERVES		<u>\$ 5,802.45</u>	<u>\$ 5,791.63</u>

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

BOROUGH OF FRANKLIN
COUNTY OF SUSSEX
2021
GENERAL FIXED ASSETS ACCOUNT GROUP

BOROUGH OF FRANKLIN
GENERAL FIXED ASSETS ACCOUNT GROUP
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	December 31,	
	2021	2020
<u>ASSETS</u>		
Land	\$ 3,091,600.00	\$ 3,091,600.00
Buildings and Improvements	3,457,100.00	3,457,100.00
Equipment	5,139,230.80	4,839,691.00
 TOTAL ASSETS	 \$ 11,687,930.80	 \$ 11,388,391.00
<u>RESERVES</u>		
Reserve for Fixed Assets	\$ 11,687,930.80	\$ 11,388,391.00
 TOTAL RESERVES	 \$ 11,687,930.80	 \$ 11,388,391.00

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

BOROUGH OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

Note 1 - Summary of Significant Accounting Policies

A. Reporting Entity

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

Governmental Accounting Standards Board ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. (3) The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. As the financial reporting entity was established in accordance with New Jersey statutes, the requirements of GASB Codification Section 2100 were not followed and, accordingly, the reporting entity could be different from accounting principles generally accepted in the United States of America.

B. Description of Funds

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

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

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

BOROUGH OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(Continued)

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

B. Description of Funds (Cont'd)

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

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

Public Assistance Fund - Receipt and disbursement of funds that provide assistance to certain residents of the municipality pursuant to Title 44 of New Jersey Statutes. The operations of the State funded welfare program were transferred to the County in a prior year.

General Fixed Assets Account Group- These accounts were established with estimated values of land, buildings and certain fixed assets of the Borough as discussed in Note 1E.

C. Basis of Accounting

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

The more significant accounting policies in New Jersey follow.

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

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

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

BOROUGH OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(Continued)

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

C. Basis of Accounting (Cont'd)

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

Had the Borough's financial statements been prepared under accounting principles generally accepted in the United States of America, encumbrances would not be considered as expenditures; appropriation reserves would not be recorded; revenue susceptible to accrual would have been reflected without offsetting reserves; Federal and State grants and assistance would be recognized when earned, not when awarded and inventories would not be reflected as expenditures at the time of purchase, investments would generally be stated at fair value and the Borough's net pension liability and related deferred inflows and outflows would be recorded.

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

D. Deferred Charges to Future Taxation

The General Capital Fund balance sheet includes both funded and unfunded deferred charges. Funded means that bonds have been issued and are being paid off on a serial basis. Unfunded means that debt has been authorized but not permanently financed. A municipality can eliminate an unfunded deferred charge by raising it in the budget, or collecting a grant. The unfunded deferred charge may also be funded by selling bonds or by issuing loans or entering into capital lease agreements.

E. Other significant accounting policies include:

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

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

Investments - Investments are stated at cost.

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

BOROUGH OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(Continued)

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

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

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

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

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

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

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

Property and equipment purchased by the Water and Sewer Utility Fund are recorded in the capital account at cost and are not adjusted for dispositions and abandonments. Contributions in aid of construction are not capitalized. The balances in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the utility capital fund represent charges to operations of the cost of acquisitions of property, equipment and improvements. The Water and Sewer Utility does not record depreciation on fixed assets.

F. Budget/Budgetary Control

Annual appropriated budgets are usually prepared in the first quarter for current operating, utility, and open space trust funds. The budgets are submitted to the governing body and the State Division of Local Government Services. Budgets are prepared using the cash basis of accounting. The legal level of budgetary control is established at the line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the flexible chart of accounts referenced in NJSA 40A. All budget amendments/transfers must be approved by the Borough during the year.

BOROUGH OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(Continued)

Note 2 - Long-Term Debt

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

Summary of Municipal Debt

	December 31,		
	2021	2020	2019
Issued			
General:			
Notes	\$2,279,581.00	\$1,716,499.00	\$ 2,077,099.00
Water and Sewer Utility:			
Bonds	1,774,883.00	1,760,000.00	1,978,487.97
Net Debt Issued	<u>4,054,464.00</u>	<u>3,476,499.00</u>	<u>4,055,586.97</u>
Authorized but not Issued:			
General:			
Notes	250,564.00	286,406.00	
Water and Sewer Utility:			
Bonds			
Total Authorized but not Issued	<u>250,564.00</u>	<u>286,406.00</u>	
Less:			
General:			
Reserve to Pay Debt Service	111,375.00	111,375.00	15,000.00
Net Bonds and Notes Issued and Authorized but not Issued	<u>\$ 4,193,653.00</u>	<u>\$ 3,651,530.00</u>	<u>\$ 4,040,586.97</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 statutory net debt of 0.539%.

	Gross Debt	Deductions	Net Debt
Regional High School Debt	\$ 301,242.76	\$ 301,242.76	
Water and Sewer Utility Debt	1,774,883.00	1,774,883.00	
General Debt	2,530,145.00	111,375.00	\$ 2,418,770.00
	<u>\$ 4,606,270.76</u>	<u>\$ 2,187,500.76</u>	<u>\$ 2,418,770.00</u>

Net Debt: \$2,418,770.00 divided by Average Equalized Valuations of \$448,659,230.00 of Real Property = 0.539%.

BOROUGH OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(Continued)

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

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

3-1/2% Average Equalized Valuation of Real Property	\$ 15,703,073.05
Net Debt	<u>2,418,770.00</u>
Remaining Borrowing Power	<u>\$ 13,284,303.05</u>

Calculation of "Self-Liquidating Purpose", Water and Sewer Utility Per N.J.S. 40A:2-45

Cash Receipts from Fees, Rents or Other Charges for Year	\$ 2,676,127.38
Deductions:	
Operating and Maintenance Costs	\$ 2,173,005.00
Debt Service Costs	<u>137,755.54</u>
	<u>2,310,760.54</u>
Excess in Revenue	<u>\$ 365,366.84</u>

Footnote: If there is an "excess in revenue", all such utility debt is deductible. If there is a "deficit", then utility debt is not deductible to the extent of 20 times such deficit amount, or the total amount of debt service for that fund, whichever is less.

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

Summary of Municipal Debt Issued and Outstanding - Prior Year

Fund	Balance 12/31/2019	Additions	Retirements	Balance 12/31/2020
Serial Bonds:				
Water and Sewer Utility Capital Fund	\$ 1,830,000.00		\$ 70,000.00	\$ 1,760,000.00
Bond Anticipation Notes:				
General Capital Fund	2,077,099.00	\$ 1,716,499.00	2,077,099.00	1,716,499.00
Water and Sewer Utility Capital Fund	116,000.00		116,000.00	
Loans Payable:				
Water and Sewer Utility Capital Fund:				
DEP Infrastructure Loan	32,487.97		32,487.97	
	<u>\$ 4,055,586.97</u>	<u>\$ 1,716,499.00</u>	<u>\$ 2,295,586.97</u>	<u>\$ 3,476,499.00</u>

BOROUGH OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(Continued)

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

Summary of Municipal Debt Issued and Outstanding - Current Year

Fund	Balance 12/31/2020	Additions	Retirements	Balance 12/31/2021
Serial Bonds:				
Water and Sewer Utility Capital Fund	\$ 1,760,000.00		\$ 75,000.00	\$ 1,685,000.00
Bond Anticipation Notes:				
General Capital Fund	1,716,499.00	2,279,581.00	1,716,499.00	2,279,581.00
Water and Sewer Utility Capital Fund		89,883.00		89,883.00
	<u>\$ 3,476,499.00</u>	<u>\$ 2,369,464.00</u>	<u>\$ 1,791,499.00</u>	<u>\$ 4,054,464.00</u>

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

Year	Water and Sewer Utility	
	Principal	Interest
2022	\$ 75,000.00	\$ 65,850.00
2023	80,000.00	63,600.00
2024	80,000.00	61,200.00
2025	85,000.00	58,000.00
2026	85,000.00	54,600.00
2027	90,000.00	51,200.00
2028	95,000.00	47,600.00
2029	95,000.00	43,800.00
2030	100,000.00	40,000.00
2031	105,000.00	36,000.00
2032	110,000.00	31,800.00
2033	115,000.00	27,400.00
2034	120,000.00	22,800.00
2035	125,000.00	18,000.00
2036	130,000.00	13,000.00
2037	135,000.00	7,800.00
2038	60,000.00	2,400.00
	<u>\$ 1,685,000.00</u>	<u>\$ 645,050.00</u>

BOROUGH OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(Continued)

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

At December 31, 2021, the Borough had debt issued and outstanding described as follows:

Water and Sewer Utility Capital Serial Bonds

Purpose	Final Maturity	Interest Rate	Balance Dec. 31. 2021
Water Refunding Bonds	8/15/2038	3.00% - 4.00%	\$ 1,685,000.00

Water and Sewer Utility Capital Serial Bonds

Purpose	Final Maturity	Interest Rate	Balance Dec. 31. 2021
Acquisition of Utility Vehicle	7/29/2022	1.00%	\$ 89,883.00

General Capital Bond Anticipation Notes

Purpose	Final Maturity	Interest Rate	Balance Dec. 31. 2021
Improvements to Various Roads	7/29/2022	1.00%	\$ 8,873.00
Various Improvements	7/29/2022	1.00%	441,600.00
Various Improvements	7/29/2022	1.00%	79,735.00
Various Improvements	7/29/2022	1.00%	29,511.00
Various Improvements	7/29/2022	1.00%	222,270.00
Purchase of Fire Truck	7/29/2022	1.00%	332,500.00
Improvements to Various Roads	7/29/2022	1.00%	235,200.00
Various Improvements	7/29/2022	1.00%	254,145.00
Various Improvements	7/29/2022	1.00%	675,747.00
			\$ 2,279,581.00

Total Debt Issued and Outstanding

\$ 4,054,464.00

BOROUGH OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(Continued)

Note 3 - Fund Balances Appropriated

Fund balance at December 31, 2021 which is included in the Current Fund Budget for the year ended December 31, 2022, is \$790,000. Fund balance at December 31, 2021 which is included in the Water and Sewer Utility Operating Fund Budget for the year ended December 31, 2022, is \$455,061.

Note 4 - Pension Plans

Borough employees participate in one of two contributory, defined benefit public employee retirement systems: the State of New Jersey Public Employee's 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 annual financial statements which can be found at www.state.nj.us/treasury/pensions/financial-reports.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.

The following represents the membership tiers for PERS:

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 with 25 or more years of service credit before age 62 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
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(Continued)

Note 4 - Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS)

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members.

The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years, beginning with the payments due in the fiscal year ended June 30, 2012 and are adjusted by the rate of return on the actuarial value of assets.

Borough contributions to PERS amounted to \$168,282 for 2021.

The employee contribution rate was 7.50% effective July 1, 2018.

Pension Liabilities and Pension Expense

At June 30, 2020, the Borough's liability was \$2,508,561 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019 which was rolled forward to June 30, 2020. 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 members, actuarially determined. At June 30, 2020, the Borough's proportion was .0154%, which was an increase of 0.0005% from its proportion measured as of June 30, 2019.

For the year ended December 31, 2021, the Borough recognized actual pension expense in the amount of \$168,282.

BOROUGH OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(Continued)

Note 4 - Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Actuarial Assumptions

The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of July 1, 2019 which was rolled forward to June 30, 2020. This actuarial valuation used the following actuarial assumptions:

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%

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 table with a 91.4% adjustment for males and a 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 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-2020.

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2020) 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' target asset allocation as of June 30, 2020 are summarized in the table on the following page:

BOROUGH OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(Continued)

Note 4 - Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Long Term Expected Rate of Return (Cont'd)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	27.00%	7.71%
Non-U.S. Developed Market Equity	13.50%	8.57%
Emerging Markets Equity	5.50%	10.23%
Private Equity	13.00%	11.42%
Real Assets	3.00%	9.73%
Real Estate	8.00%	9.56%
High Yield	2.00%	5.95%
Private Credit	8.00%	7.59%
Investment Grade Credit	8.00%	2.67%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Risk Management Strategies	3.00%	3.40%

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2020. 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 nonemployer contributing entity will be based upon 78% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

Sensitivity of the Borough's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Borough's proportionate share of the collective net pension liability as of June 30, 2020 calculated using the discount rate as disclosed below, as well as what the Borough's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>June 30, 2020</u>		
	<u>At 1% Decrease (6.00%)</u>	<u>At Current Discount Rate (7.00%)</u>	<u>At 1% Increase (8.00%)</u>
Borough's proportionate share of Net Pension Liability	\$ 3,150,864	\$ 2,508,561	\$ 2,508,561

BOROUGH OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(Continued)

Note 4 - Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Sensitivity of the Borough's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate (Cont'd)

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial statements.

B. Police and Firemen's 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 annual financial statements which can be found at www.state.nj.us/treasury/pensions/annual-reports.shtml.

Benefits Provided

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

The following represents the membership tiers for PFRS:

<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 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.

Contributions

The contribution policy for PFRS is set by N.J.S.A. 43:16A and requires contributions by active members and contributing members.

The Local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers

BOROUGH OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(Continued)

Note 4 - Pension Plans (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (Cont'd)

Contributions (Cont'd)

of PFRS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual amounts over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of the assets.

Special Funding Situation

Under N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State 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 local participating employers under this legislation are considered to be a special funding situation as defined by GASB Statement No. 68 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 (except for employer specified financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers related to this legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the collective net pension liability that is associated with the local participating employer. The June 30, 2019 State special funding situation net pension liability amount is the accumulated difference between the annual actuarially determined State obligation under the special funding situation and the actual State contribution through the valuation date. The State special funding situation pension expense for the fiscal year ended June 30, 2019 is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2019. The pension expense is deemed to be a State administrative expense due to the special funding situation.

Borough contributions to PFRS amounted to \$418,293.58 for the year ended December 31, 2021. During the fiscal year ended June 30, 2020, the State of New Jersey contributed \$82,059 to the PFRS for normal pension benefits on behalf of the Borough, which is less than the contractually required contribution of \$120,856.

The employee contributions for PFRS are 10.00% of employees' annual compensation, as defined.

Pension Liabilities and Pension Expense

At June 30, 2020, the Borough's liability for its proportionate share of the net pension liability was \$4,572,638. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019 which was rolled forward to June 30, 2020. 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 members, actuarially determined.

BOROUGH OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(Continued)

Note 4 - Pension Plans (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (Cont'd)

At June 30, 2020, the Borough's proportion was .0354%, which was an increase of .0046% from its proportion measured as of June 30, 2019. The Borough has rolled forward the net pension liability as of June 30, 2020 with no adjustments. The State of New Jersey Police and Firemen's Retirement System (PFRS)' valuation cycle is July 1 instead of December 31. The roll forward methodology puts them a year in arrears in terms of valuation. The Division of Local Government Services, Department of Community Affairs, State of New Jersey is permitting municipalities and counties to include the June 30, 2020 information in the Notes to the Financial Statements as the June 30, 2021 information has not been released as of the date of this audit.

Additionally, the State's proportionate share of the net pension liability attributable to the Borough is \$709,653 as of June 30, 2020. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019 which was rolled forward to June 30, 2020. The State's proportionate share of the net pension liability associated with the Borough 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 members, actuarially determined. At June 30, 2020, the State's proportion was .0354%, which was an increase of .0046% from its proportion measured as of June 30, 2019 which is the same proportion as the Borough's.

Borough's Proportionate Share of the Net Pension Liability	\$ 4,572,638
State's Proportionate Share of the Net Pension Liability Associated with the Borough	<u>709,653</u>
Total Net Pension Liability	<u>\$ 5,282,291</u>

For the year ended December 31, 2021, the Borough recognized total pension expense of \$418,293.58.

Actuarial Assumptions

The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of July 1, 2019 which was rolled forward to June 30, 2020. 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%

BOROUGH OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(Continued)

Note 4 - Pension Plans (Cont'd)

B. Police and Firemen's Retirement System (PFRS)(Cont'd)

Actuarial Assumptions (Cont'd)

Pre-retirement mortality rates were based on the RP-2010 Safety Employee Mortality Table with a 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 Retiree mortality table with a 96.7% adjustment for males and a 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-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 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-2020.

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2013 to June 30, 2018.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2020) 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' target asset allocation as of June 30, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	27.00%	7.71%
Non-U.S. Developed Market Equity	13.50%	8.57%
Emerging Markets Equity	5.50%	10.23%
Private Equity	13.00%	11.42%
Real Assets	3.00%	9.73%
Real Estate	8.00%	9.56%
High Yield	2.00%	5.95%
Private Credit	8.00%	7.59%
Investment Grade Credit	8.00%	2.67%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Risk Management Strategies	3.00%	3.40%

BOROUGH OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(Continued)

Note 4 - Pension Plans (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (Cont'd)

Discount Rate – PFRS

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2020. 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 nonemployer contributing entity will be based upon 78% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

Sensitivity of the Total Net Pension Liability (including the State's proportionate share of the net pension liability attributable to the Borough) to Changes in the Discount Rate

The following presents the total net pension liability (including the State's proportionate share of the net pension liability attributable to the Borough) as of June 30, 2020 calculated using the discount rate as disclosed above, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2020		
	At 1% Decrease (6.00%)	At Current Discount Rate (7.00%)	At 1% Increase (8.00%)
Borough's proportionate share of the NPL and the State's proportionate share of the Net Pension Liability associated with the Borough	\$ 7,024,359	\$ 5,282,290	\$ 3,835,369

Pension Plan Fiduciary Net Position - PFRS

Detailed information about the PFRS's fiduciary net position is available in the separately issued PFRS financial statements.

C. Defined Contribution Retirement Program (DCRP)

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

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

BOROUGH OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(Continued)

Note 4 - Pension Plans (Cont'd)

C. Defined Contribution Retirement Program (DCRP) (Cont'd)

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 Chapter 103, 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.

For DCRP, the Borough recognized pension expense of \$8,789.96 for the year ended December 31, 2021. Employee contributions to DCRP amounted to \$18,494.19 for the year ended December 31, 2021.

Note 5 - Accrued Sick, Vacation, and Compensatory Time Off

The Borough of Franklin permits employees to accrue a limited amount of unused sick and vacation pay, which may be taken as time off or paid at a later date at an agreed-upon rate. The Borough maintains records for their employees who are allowed to accrue unused sick, and vacation time. The maximum liability for the 62 eligible employees would be \$466,309.85. This is not reported either as an expenditure or liability. Such compensation would be included in the Borough's budget operating expenditures in the year it is paid.

Note 6 - Selected Tax Information

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

BOROUGH OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(Continued)

Note 6 - Selected Tax Information (Cont'd)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Tax Rate	\$ 4.104	\$ 3.975	\$ 3.795
<u>Apportionment of Tax Rate</u>			
Municipal	1.262	1.226	1.177
County	0.652	0.625	0.590
Local School	1.534	1.491	1.440
Regional High School	0.656	0.633	0.588
<u>Assessed Valuations</u>			
2021	<u>\$ 393,685,500.00</u>		
2020		<u>\$ 395,552,814.00</u>	
2019			<u>\$ 397,847,231.00</u>

Comparison of Tax Levies and Collections Currently

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

Year	Tax Levy	Currently	
		Cash Collections	Percentage of Collection
2021	\$ 16,197,490.63	\$ 15,810,384.36	97.61%
2020	15,773,716.75	15,297,353.28	96.98%
2019	15,111,317.65	14,624,017.81	96.77%

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

Note 7 - Cash and Cash Equivalents

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

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

GASB requires disclosure of the level of custodial credit risk assumed by the Borough in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial risk is the risk that in the event of bank failure, the government's deposits may not be returned.

BOROUGH OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(Continued)

Note 7 - Cash and Cash Equivalents (Cont'd)

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

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

Custodial Credit Risk – The Borough's policy with respect to custodial credit risk ensures that Borough funds are only deposited in financial institutions in which New Jersey municipalities are permitted to invest their funds.

Deposits

New Jersey statutes require that municipalities deposit public funds in public depositories located in New Jersey, which are insured by the Federal Deposit Insurance Corporation (FDIC), or by any other agency of the United States that insures deposits made in public depositories. Municipalities also are permitted to deposit public funds in the State of New Jersey Cash Management Fund.

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

The market value of the collateral must equal 5% of the average daily balance of collected public funds on deposit, and in addition

If the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value equal to 100% of the amount exceeding 75%.

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

Investments

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;

BOROUGH OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(Continued)

Note 7 - Cash and Cash Equivalents (Cont'd)

Investments (Cont'd)

- (4) Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located;
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law" P.L. 1983, c. 313 (C.40A:5A-1 et seq.) Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); or
- (8) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a. or are bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties and entities subject to the "Local Authorities Fiscal Control Law", P.L. 1983 c.313 (C.40A:5A-1 et seq.);
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41); and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

BOROUGH OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(Continued)

Note 7 - Cash and Cash Equivalents (Cont'd)

Investments (Cont'd)

As of December 31, 2021, cash and cash equivalents of the Borough of Franklin consisted of the following:

<u>Fund</u>	<u>Cash on Hand</u>	<u>Checking Accounts</u>	<u>Certificate of Deposit</u>	<u>NJ Cash Management Fund</u>	<u>Totals</u>
Current	\$ 500.00	\$ 4,259,604.05		\$ 80,113.23	\$ 4,340,217.28
Federal and State Grant		74,593.37			74,593.37
Animal Control		10,573.46			10,573.46
Other Trust		2,183,423.84	25,000.00	138,479.93	2,346,903.77
General Capital		1,724,484.82		41,669.62	1,766,154.44
Water and Sewer Utility Operating	200.00	2,340,832.27		81,288.12	2,422,320.39
Water and Sewer Utility Capital		821,327.94		41,556.44	862,884.38
Public Assistance		5,802.45			5,802.45
	<u>\$ 700.00</u>	<u>\$ 11,420,642.20</u>	<u>\$ 25,000.00</u>	<u>\$ 383,107.34</u>	<u>\$ 11,829,449.54</u>

The carrying amount of the Borough's cash and cash equivalents at December 31, 2021, was \$11,829,449.54 and the bank balance was \$11,911,817.08. The \$383,107.34 in the NJ Cash Management Fund is uninsured and unregistered. The Borough held no investments during the year.

Note 8 - Risk Management

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

Property and Liability Insurance

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

BOROUGH OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(Continued)

Note 8 - Risk Management (Cont'd)

Property and Liability Insurance (Cont'd)

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

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

The December 31, 2021 audit report of the Statewide Insurance Fund has not been filed as of the date of this audit. Selected, summarized financial information as of December 31, 2020 for the Fund is as follows:

Total Assets	\$ 50,426,242
Net Position	\$ 17,737,333
Total Revenue	\$ 25,411,881
Total Expenses	\$ 22,716,618
Change in Net Position	\$ 2,695,263
Members Dividends	\$ -0-

Financial statements for the Fund are available at the offices of the Fund's Executive Director:

Statewide Insurance Fund
26 Columbia Turnpike
P.O. Box 678
Florham Park, NJ 07932
(862) 260-2050

New Jersey Unemployment Compensation Insurance

The Borough has elected to fund its New Jersey Unemployment Compensation Insurance under the "Contributory Method". Under this plan, the Borough remits employee withholdings and employer's share of New Jersey Unemployment Compensation Insurance taxes to the State each pay period. The State makes all unemployment payments to former employees, and the District has no further liability.

BOROUGH OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(Continued)

Note 9 - Open Space Trust Fund

The Borough is in the process of establishing an Open Space Trust Fund but does not plan to establish an Open Space Tax Levy. The current balance of the Fund consists of a restricted donation.

Note 10 - Fixed Assets

The following is a summarization of the activity of the Borough of Franklin's fixed assets for the year ended December 31, 2021:

	Balance Dec. 31, 2020	Additions	Deletions	Balance Dec. 31, 2021
Land	\$ 3,091,600.00			\$ 3,091,600.00
Buildings and Improvements	3,457,100.00			3,457,100.00
Equipment	4,839,691.00	\$ 299,539.80		5,139,230.80
	<u>\$ 11,388,391.00</u>	<u>\$ 299,539.80</u>	<u>\$ -0-</u>	<u>\$ 11,687,930.80</u>

Note 11 - Interfund Receivables and Payables

The following interfund balances remained on the balance sheet at December 31, 2021:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current	\$ 2,468.14	\$ 145,850.54
Grant Fund	74,593.37	
Other Trust	71,257.17	1,769.72
Animal Control		20.63
General Capital		90,560.79
Water/Sewer Utility Capital	89,883.00	
	<u>\$ 238,201.68</u>	<u>\$ 238,201.68</u>

BOROUGH OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(Continued)

Note 11 - Interfund Receivables and Payables (Cont'd)

The Borough utilizes the Current Fund as a clearing account for receipts and disbursements of the Federal and State Grant Fund. The interfund reflects cash not turned over to the Grant Fund prior to year end as well as cash for Other Trust reserves not turned over prior to year end. Water and Sewer Utility Capital Fund and General Capital Fund interfund is from bond anticipation note cash not turned over prior to year end.

Note 12 - Deferred Compensation

The Board offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. This plan, which is administered by Lincoln Financial, permits participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency.

Note 13 - Contingent Liabilities

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

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

Note 14 - Local School District Taxes

Regulations provide for the deferral of not more than 50% of the annual levy when school taxes are raised for a school year and have not been requisitioned by the school district. The Borough of Franklin has not elected to defer school taxes.

Note 15 - Economic Dependency

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

Note 16 - Tax Abatement

As of December 31, 2021, the Borough provides a tax abatement to a nonprofit housing corporation for its senior citizen housing development in the Borough pursuant to the authority contained in Section 18 of the Limited Dividend Law (N.J.S.A. 55:16-18), Section 30 of the HFA Law (N.J.S.A. 55:14J-30) and a resolution of the Mayor and Borough Council and with the approval of the New Jersey Housing Finance Agency (NJHFA) as provided under Section 30(b) of the NJHFA law. In consideration of the full abatement of taxes, the nonprofit housing corporation is required to pay to the Borough an annual service charge for municipal services in an amount not exceeding the tax on the property on

BOROUGH OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(Continued)

Note 16 - Tax Abatement (Cont'd)

which the abatement is received. The annual service charge made by the nonprofit housing corporation will be in an amount not exceeding 4.00% of the annual gross revenues of the housing development as detailed in the tax abatement agreement. In the event that a breach of the agreement by either the Borough or the nonprofit housing corporation or a dispute arises between the two parties either party may apply to the Superior Court, Chancery Division to settle and resolve said dispute in such fashion to accomplish the purposes of the Limited-Dividend Laws and the HFA Law.

The Borough recognized revenue in the amount of \$31,112 from this annual service charge or payment in lieu of taxes which is recorded as miscellaneous revenue in the Current Fund. The taxes which would have been paid on this property for 2021 without the abatement would have been \$254,173 of which \$78,394 would have been for the local municipal tax.

SUPPLEMENTARY DATA

BOROUGH OF FRANKLIN
OFFICIALS IN OFFICE AND SURETY BONDS
YEAR ENDED DECEMBER 31, 2021

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

Name	Title	Amount of Bond	Name of Corporate or Personal Surety
John M. Snowden IV	Mayor		
Gilbert Snyder	Councilperson		
Stephen Skellenger	Councilperson		
John Postas	Councilperson		
Concetto Formica	Councilperson		
Stephan P. Zydon	Councilperson		
Darlene Tremont	Clerk: Registrar	(A)	
Deborah Bonanno	Chief Financial Officer/Administrator; Qualified Purchasing Agent (through 8/13/2021)	(A)	
Andrew Bernath	Chief Financial Officer/Administrator; Qualified Purchasing Agent (from 12/1/2021)		
Corry Chrobak	Finance Clerk	(A)	
Karen Osellame	Water/Sewer Collector/Assistant Tax Collector (through 5/19/21)	(A)	
Diana Falica	Water/Sewer Collector/Assistant Tax Collector (from 6/28/21)	(A)	
Melissa Caton	Tax Collector (Shared service with Wantage Township)		
John Ursin	Borough Attorney		
Angelo Bolcato	Rent Leveling Attorney		
Glenn T. Gavan	Judge (Term 1/1/2021-12/31/2023)	(A)	
Lorraine Spirito	Court Administrator	(A)	
Lauren Mitchener	Deputy Court Administrator	(A)	
Greg Cugliari	Chief of Police	(A)	
Brian Vandenbroek	Public Works Manager	(A)	
Joseph Butto	Construction Official	(A)	
Scott Holzhauer	Tax Assessor	(A)	
Christine Nostray	Assistant to Tax Assessor & Public Works Supervisor	(A)	
Denis Keenan	Engineer - French & Parrello Associates		
Michael Vreeland	Water/Sewer Engineer - Van Cleed Engineering Associates, LLC		
Michelle Babcock	Planning Board Secretary/Assistant to Administrator; Recreation Board Secretary	(A)	
Joseph Setticease	Zoning Officer	(A)	

(A) - Covered under \$1,000,000 Blanket Bond from Statewide Insurance Fund.

BOROUGH OF FRANKLIN
COUNTY OF SUSSEX
2021
CURRENT FUND

BOROUGH OF FRANKLIN
CURRENT FUND
SCHEDULE OF CASH

	<u>Ref.</u>	
Balance December 31, 2020	A	\$ 4,030,999.61
Increased by Receipts:		
Tax Collector	\$ 16,425,920.50	
Revenue Accounts Receivable	973,266.11	
Miscellaneous Revenue Not Anticipated	154,644.73	
Interest on Investments and Deposits	9,484.22	
Due Animal Control Fund:		
Prior Year Interfund Returned	1,228.42	
Due Other Trust Fund:		
Interfund Returned - Prior Year	8,315.16	
Due Federal and State Grant Fund:		
Federal and State Grants Receivable	46,707.79	
Unappropriated Grant Reserves	12,121.77	
Due Water and Sewer Utility Capital Fund:		
Prior Year Interfund Returned	35,108.66	
Prepaid Revenue	38,559.69	
Due State of New Jersey:		
Senior Citizens' and Veterans' Deductions	31,823.97	
Marriage License Fees	625.00	
Appropriation Refunds	165,808.63	
	<hr/>	17,903,614.65
		<hr/> 21,934,614.26
Decreased by Disbursements:		
2021 Appropriation Expenditures	5,914,828.59	
2020 Appropriation Reserve Expenditures	166,118.66	
Local School District Taxes	6,041,364.00	
Regional High School Taxes	2,583,219.00	
County Taxes	2,564,951.78	
Accounts Payable	678.26	
Due Federal and State Grant Fund:		
Appropriated Reserves	92,435.28	
Prior Year Encumbrances Liquidated	5,370.40	
Due Other Trust Fund:		
Interfund Returned - Prior Year	30,000.00	
Due General Capital Fund:		
Prior Year Interfund	113,011.52	
Due State of New Jersey:		
Marriage License Fees	625.00	
Refund of Tax Overpayments	7,701.12	
	<hr/>	17,520,303.61
Balance December 31, 2021	A	<hr/> <hr/> \$ 4,414,310.65

BOROUGH OF FRANKLIN
CURRENT FUND
SCHEDULE OF CASH - COLLECTOR
YEAR ENDED DECEMBER 31, 2021

Increased by Receipts:

Taxes Receivable	\$ 16,099,227.73	
Interest and Costs on Taxes	105,277.66	
2022 Prepaid Taxes	177,593.91	
Tax Title Liens Redeemed	27,546.37	
Tax Overpayments	16,274.83	
		\$ 16,425,920.50

Decreased by:

Payments to Municipal Treasurer		<u>\$ 16,425,920.50</u>
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FEDERAL AND STATE GRANT FUND
SCHEDULE OF CASH - GRANT FUNDS
YEAR ENDED DECEMBER 31, 2021

NOT APPLICABLE

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

Year	Balance Dec. 31, 2020	2021 Levy	Collections		Overpayments Applied	State of NJ Veterans' and Senior Citizens' Deductions	Transfer to Tax Title Liens	Canceled	Balance Dec. 31, 2021
			2020	2021					
2010	\$ 18,714.59			\$ 3,232.50			\$ 13.93	\$ 18,714.59	
2019	3,232.50			399,829.00			13.93	18,714.59	
2020	400,999.66			403,061.50			21,092.59	353,969.22	
	422,946.75			15,696,166.23	\$ 23.85	\$ 35,802.74	\$ 12,020.61	\$ 353,969.22	
2021	\$ 422,946.75	\$ 16,197,490.63	\$ 78,415.39	\$ 16,099,227.73	\$ 23.85	\$ 35,802.74	\$ 13,177.34	\$ 372,683.81	
			\$ 78,415.39						

Ref. A

Analysis of 2021 Property Tax Levy

Tax Yield:	
General Purpose Taxes	\$ 16,154,123.65
Added and Omitted Taxes	43,366.98
	<u>\$ 16,197,490.63</u>
Tax Levy:	
Local School District Taxes	\$ 6,041,364.00
Regional School District Taxes	2,583,219.00
County Taxes:	
General Tax	2,557,021.53
Due County for Added and Omitted Taxes	6,881.83
	<u>2,563,903.36</u>
	11,188,486.36
Local Tax for Municipal Purposes Levied	4,969,836.00
Add: Additional Tax Levied	39,168.27
	<u>5,009,004.27</u>
	<u>\$ 16,197,490.63</u>

BOROUGH OF FRANKLIN
CURRENT FUND
SCHEDULE OF TAX TITLE LIENS

	<u>Ref.</u>		
Balance December 31, 2020	A		\$ 51,568.77
Increased by:			
Interest and Costs on Tax Sale		\$ 162.99	
Transferred from Taxes Receivable		<u>13,177.34</u>	
			<u>13,340.33</u>
Decreased by:			
Redeemed		27,546.37	
Transferred to Foreclosure		<u>22,669.47</u>	
			<u>50,215.84</u>
Balance December 31, 2021	A		<u><u>\$ 14,693.26</u></u>

BOROUGH OF FRANKLIN
CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	Balance Dec. 31, 2020	Accrued In 2021	Collected by Treasurer	Balance Dec. 31, 2021
Licenses:				
Alcoholic Beverages		\$ 12,718.20	\$ 12,718.20	
Other		7,265.00	7,265.00	
Fees and Permits		22,788.78	22,788.78	
Fines and Costs:				
Municipal Court	\$ 2,125.76	53,446.46	52,468.56	\$ 3,103.66
Energy Receipts Tax		607,671.00	607,671.00	
Garden State Trust		12,210.00	12,210.00	
Hillside Solid Waste		41,256.00	41,256.00	
Hillside Municipal Service Fee		89,388.00	89,388.00	
Senior Housing PILOT		31,112.00	31,112.00	
Rental - Senior Center		27,700.00	27,700.00	
Cable TV Franchise		15,711.00	15,711.00	
Antenna Lease		70,664.54	70,664.54	
Watershed Moratorium Offset		4,089.00	4,089.00	
Water and Sewer Utility Operating Fund Balance		15,000.00	15,000.00	
	<u>\$ 2,125.76</u>	<u>\$1,011,019.98</u>	<u>\$1,010,042.08</u>	<u>\$ 3,103.66</u>

Ref. A

A

Cash Receipts	\$ 973,266.11
Prepaid Revenue Applied	36,775.97
	<u>\$ 1,010,042.08</u>

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

	Balance Dec. 31, 2020	Budget Revenue Realized	Cash Receipts	Balance Dec. 31, 2021
Drive Sober or Get Pulled Over	\$ 6,000.00			\$ 6,000.00
Recycling Tonnage Grant		\$ 18,065.31	\$ 18,065.31	
Drunk Driving Enforcement Fund		2,688.84	2,688.84	
Body Armor Replacement Fund		1,482.12	1,482.12	
Highlands Master Plan	43,997.00	65,000.00	15,651.04	93,345.96
Atlantic Health Care - Narcan Grant		3,490.00	3,490.00	
Distracted Driving Grant		6,000.00	5,330.48	669.52
Body Worn Camera Grant		42,798.00		42,798.00
	<u>\$ 49,997.00</u>	<u>\$ 139,524.27</u>	<u>\$ 46,707.79</u>	<u>\$ 142,813.48</u>

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BOROUGH OF FRANKLIN
CURRENT FUND
SCHEDULE OF 2020 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2021

	Balance Dec. 31, 2020	Balance After Modification	Paid or Charged	Balance Lapsed
GENERAL GOVERNMENT:				
General Administration:				
Salaries and Wages	\$ 7,242.27	\$ 7,242.27		\$ 7,242.27
Other Expenses	33,264.15	33,264.15	\$ 4,835.91	28,428.24
Elections:				
Other Expenses	737.48	737.48		737.48
Financial Administration:				
Salaries and Wages	4,791.51	4,791.51		4,791.51
Other Expenses	5,875.15	5,875.15	862.42	5,012.73
Annual Audit	10,478.00	10,478.00	10,300.00	178.00
Tax Collection:				
Salaries and Wages	346.29	346.29		346.29
Other Expenses	4,085.53	4,085.53	929.70	3,155.83
Tax Assessment:				
Other Expenses	4,216.02	4,216.02	760.00	3,456.02
Revaluation	1.00	1.00		1.00
Legal Services and Costs:				
Other Expenses	40,481.12	35,481.12	18,149.87	17,331.25
Municipal Prosecutor:				
Other Expenses	3,500.00	3,500.00		3,500.00
Engineering Services and Costs:				
Other Expenses	21,207.18	21,207.18	3,494.50	17,712.68
Economic Development:				
Other Expenses	750.00	750.00		750.00
Municipal Land Use Law (NJSA 40:55D-1):				
Planning Board:				
Salaries and Wages	3,242.03	3,242.03		3,242.03
Other Expenses	6,934.92	6,934.92	3,682.49	3,252.43
Revision of Master Plan	1.00	1.00		1.00
PUBLIC SAFETY:				
Police:				
Salaries and Wages	209,949.80	209,949.80	209,425.60	524.20
Other Expenses	62,013.45	62,013.45	50,348.68	11,664.77
Crossing Guard:				
Salaries and Wages	32,283.84	32,283.84		32,283.84
Emergency Management Services:				
Salaries and Wages	45.00	45.00		45.00
Other Expenses	500.00	500.00		500.00
Fire Department:				
Other Expenses	15,561.36	15,561.36	12,854.52	2,706.84
First Aid Organization Contribution	5,478.59	5,478.59	1,933.66	3,544.93

BOROUGH OF FRANKLIN
CURRENT FUND
SCHEDULE OF 2020 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2021
(Continued)

	Balance Dec. 31, 2020	Balance After Modification	Paid or Charged	Balance Lapsed
STREETS AND ROADS:				
Road Repairs and Maintenance:				
Salaries and Wages	\$ 65,952.19	\$ 65,952.19	\$ 50,000.00	\$ 15,952.19
Other Expenses	94,819.67	94,819.67	62,707.77	32,111.90
Public Buildings and Grounds:				
Salaries and Wages	2,087.73	2,087.73		2,087.73
Other Expenses	33,508.72	33,508.72	8,718.59	24,790.13
Condominium Community Costs:				
Other Expenses	3,000.00	3,000.00		3,000.00
HEALTH AND WELFARE:				
Animal Control Officer:				
Other Expenses	5,025.00	5,025.00		5,025.00
Board of Health:				
Salaries and Wages	30.00	30.00		30.00
Other Expenses	261.50	261.50		261.50
H.B.V. Vaccination:				
Other Expenses	1,000.00	1,000.00	456.00	544.00
Contribution to Senior Citizen Center:				
Salaries and Wages	9,060.19	9,060.19		9,060.19
Other Expenses	406.20	406.20	149.17	257.03
RECREATION AND EDUCATION:				
Board of Recreation Commissioners:				
Salaries and Wages	6,046.15	6,046.15		6,046.15
Celebration of Public Events, Anniversary or Holiday (R.S. 40:48-5.4):				
Other Expenses	1.00	1.00		1.00
MUNICIPAL COURT:				
Salaries and Wages	12,549.87	12,549.87		12,549.87
Other Expenses	7,078.55	7,078.55	197.91	6,880.64
PUBLIC DEFENDER:				
Other Expenses	1.00	1.00		1.00
UNIFORM CONSTRUCTION CODE:				
State Uniform Construction Code (NJSA 52:27D-120 et seq):				
Zoning Official:				
Salaries and Wages	9,431.50	9,431.50		9,431.50
Other Expenses	1,407.18	1,407.18		1,407.18
UNCLASSIFIED:				
Fixed Assets Accounting System	1,300.00	1,300.00		1,300.00
Network Maintenance Agreement	10,267.00	10,267.00		10,267.00
Street Lighting	11,417.97	13,917.97	2,979.75	10,938.22
Telephone	1,706.47	856.47	856.47	
Gasoline and Oil	14,922.61	14,922.61	4,311.21	10,611.40
Solid Waste Disposal Costs	1,000.00	1,000.00		1,000.00
Postage	441.84	441.84		441.84

BOROUGH OF FRANKLIN
CURRENT FUND
SCHEDULE OF 2020 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2021

(Continued)

	<u>Balance</u> <u>Dec. 31, 2020</u>	<u>Balance After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
Statutory Expenditures:				
Contributions to:				
Social Security System (OASI)	\$ 56,002.26	\$ 56,002.26		\$ 56,002.26
Defined Contribution Retirement Plan	376.89	376.89		376.89
Unemployment Compensation Insurance	5,795.62	5,795.62	\$ 108.00	5,687.62
Insurance:				
Group Insurance for Employees	118,456.91	111,806.91		111,806.91
Other Insurance Premiums	1,448.00	1,448.00		1,448.00
Health Benefit Waivers	7,000.00	7,000.00		7,000.00
Workers Compensation Insurance	1,153.00	1,153.00		1,153.00
Refund of Tax Appeals	15,000.00	25,000.00	25,000.00	
LOSAP	20,000.00	20,000.00	12,000.00	8,000.00
State of Emergency Costs for Coronavirus Response:				
Salaries and Wages	1.00	1.00		1.00
Other Expenses	1.00	1.00		1.00
Shared Service Agreements:				
Township of Sparta 911 Dispatch				
Fire	7.25	7.25		7.25
Police	13.75	13.75		13.75
EMS	19.00	19.00		19.00
Township of Hardyston				
Municipal Drug Alliance Program	1,298.80	1,298.80		1,298.80
Construction Office	64,973.00	58,473.00		58,473.00
Zoning		6,500.00		6,500.00
Capital Improvements - Excluded from "CAPS":				
Improvements to Streets & Roads	6,093.18	6,093.18		6,093.18
Municipal Property Improvement	7,248.67	7,248.67	6,852.00	396.67
	<u>\$ 1,070,596.36</u>	<u>\$ 1,070,596.36</u>	<u>\$ 491,914.22</u>	<u>\$ 578,682.14</u>

Analysis of Balance December 31, 2020:

	<u>Ref.</u>	
Unencumbered	A	\$ 189,783.41
Encumbered	A	<u>880,812.95</u>
		<u>\$ 1,070,596.36</u>

Cash Disbursed	\$ 166,118.66
Accounts Payable	795.56
Due to Other Trust Fund	75,000.00
Reserve for Tax Appeals	25,000.00
Reserve for Litigation	<u>225,000.00</u>
	<u>\$ 491,914.22</u>

BOROUGH OF FRANKLIN
CURRENT FUND
SCHEDULE OF LOCAL SCHOOL DISTRICT TAXES PAYABLE
YEAR ENDED DECEMBER 31, 2021

Increased by:		
Levy - Calendar Year 2021		\$ 6,041,364.00
Decreased by:		
Payments to Local School District		<u>6,041,364.00</u>

CURRENT FUND
SCHEDULE OF REGIONAL HIGH SCHOOL TAXES PAYABLE
YEAR ENDED DECEMBER 31, 2021

Ref.

Increased by:		
Levy - Calendar Year 2021		\$ 2,583,219.00
Decreased by:		
Payments to Regional High School		<u>2,583,219.00</u>

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

	Balance Dec. 31, 2020	Received	Balance Dec. 31, 2021
Clean Communities Program	\$ 11,390.61	\$ 12,121.77	\$ 23,512.38
American Rescue Plan Grant		247,010.12	247,010.12
	\$ 11,390.61	\$ 259,131.89	\$ 270,522.50

Ref. A

A

Cash Received	\$ 12,121.77
Due from Other Trust Funds	247,010.12
	\$ 259,131.89

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

	Balance Dec. 31, 2020	Transferred from 2021 Budget Appropriations	Expended	Balance Dec. 31, 2021
Bullet Proof Vest Partnership	\$ 1,225.87		\$ 1,225.87	
Drive Sober or Get Pulled Over	83.52			\$ 83.52
Drunk Driving Enforcement Fund	10,513.33	\$ 2,688.84	6,009.20	7,192.97
Distracted Driving Grant		6,000.00	1,758.64	4,241.36
Alcohol Education, Rehabilitation and Enforcement Fund	7,421.34			7,421.34
Clean Communities Program	57,561.89		9,500.00	48,061.89
Donations Environmental Commission				
Recycling Tonnage Grant	65,059.50	18,065.31	4,115.60	79,009.21
Body Armor Replacement Fund	2,070.53	1,482.12	1,954.73	1,597.92
Atlantic Health Care - Narcan Grant		3,490.00	2,286.00	1,204.00
Body Worn Camera Grant		42,798.00	42,798.00	
NJ Highlands Grant: Master Plan		65,000.00	49,454.60	15,545.40
	<u>\$ 143,935.98</u>	<u>\$ 139,524.27</u>	<u>\$ 119,102.64</u>	<u>\$ 164,357.61</u>

Ref.

A

A

Cash Disbursed	\$ 92,435.28
Encumbered	26,667.36
	<u>\$ 119,102.64</u>

BOROUGH OF FRANKLIN
COUNTY OF SUSSEX
2021
TRUST FUNDS

BOROUGH OF FRANKLIN
TRUST FUNDS
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	<u>Animal Control Fund</u>	<u>Other Trust Funds</u>
Balance December 31, 2020	B	\$ 8,163.05	\$1,713,006.94
Increased by Receipts:			
Animal Control Fees Collected:			
Dog Fees		\$ 5,626.80	
Cat Fees		569.00	
Miscellaneous Fees		706.00	
State Registration Fees		805.20	
Interest		20.63	
Developers' Deposits:			
Land Use			\$ 1,000.00
Performance Bonds			62,930.00
Road Openings			500.00
Board of Public Works			2,000.00
Recreation			170,856.26
Due Current Fund:			
Prior Year Interfund Returned			30,000.00
Police Detail Admin Fee			300.00
Due Federal and State Grant Fund:			
Interfund Advanced			247,070.12
Small Cities			33,440.00
Court Parking Offense Adjudication Fees			28.00
Police Outside Duty			39,885.22
Outside Liens			123,555.93
Tax Sale Premiums			264,600.00
Snow Removal/ Storm Recovery			111,930.93
Mobile Video Record System			100.00
Open Space			50,000.00
Public Defender			1,327.07
Forfeited Property			0.38
		<u>7,727.63</u>	<u>1,139,523.91</u>
		15,890.68	2,852,530.85

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

	<u>Ref.</u>	<u>Animal Control Fund</u>	<u>Other Trust Funds</u>
Decreased by Disbursements:			
Animal Control Expenditures		\$ 3,280.00	
State Registration Fees		808.80	
Prior Year Interfund Returned		1,228.42	
Developers' Deposits:			
Land Use Escrow			\$ 4,061.55
Performance Bonds			31,912.31
Tax Sale Premiums			270,500.00
Recreation			195,069.03
Due Current Fund:			
Interfund Advanced			8,315.16
Police Outside Duty			40,593.15
Outside Liens			123,505.93
Snow Removal/ Storm Recovery			49,786.93
Public Defender			2,400.00
Payroll Agency			26,553.14
		<u>5,317.22</u>	<u>752,697.20</u>
Balance December 31, 2021	B	<u>\$ 10,573.46</u>	<u>\$2,099,833.65</u>

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

	<u>Ref.</u>	
Balance December 31, 2020	B	\$ 6,931.03
Increased by:		
Animal Control License Fees Collected		\$ 6,195.80
Miscellaneous Fees		706.00
		6,901.80
		13,832.83
Decreased by:		
Expenditures		3,280.00
		3,280.00
Balance December 31, 2021	B	\$ 10,552.83

License Fees Collected

<u>Year</u>	<u>Amount</u>
2019	\$ 7,076.60
2020	6,191.00
	13,267.60
Maximum Allowable Reserve	\$ 13,267.60

BOROUGH OF FRANKLIN
COUNTY OF SUSSEX
2021
GENERAL CAPITAL FUND

BOROUGH OF FRANKLIN
GENERAL CAPITAL FUND
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	
Balance December 31, 2020	C	\$ 543,785.78
Increased by Receipts:		
Bond Anticipation Notes Issued		\$ 2,279,581.00
Premium on Note Sale		16,172.07
Due Current Fund:		
Interest Earned		677.79
Interfund Returned		113,011.52
Due Water and Sewer Utility Capital Fund:		
Bond Anticipation Notes		89,883.00
NJ Department of Transportation Grant Receivable		337,875.00
2021 Budget Appropriations:		
Bond Anticipation Note Payment		366,810.00
Capital Improvement Fund		157,000.00
		3,361,010.38
		3,904,796.16
Decreased by:		
Bond Anticipation Notes Matured		1,716,499.00
Improvement Authorizations		166,756.86
Reserve for Encumbrances		250,359.25
Due Water and Sewer Utility Operating Fund:		
Interfund Advanced		5,026.61
		2,138,641.72
Balance December 31, 2021	C	\$ 1,766,154.44

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

Ord. Date	Improvement Description	Balance Dec. 31, 2020	Improvement Authorizations	Funded by		Balance Dec. 31, 2021	Bond Anticipation Notes	Analysis of Balance Dec. 31, 2021	
				Budget Appropriation	Notes			Expenditures	Unexpended Improvement Authorizations
11-13	Improvements to Various Roads	\$ 67,083.00		\$ 58,210.00		\$ 8,873.00	\$ 8,873.00		
08-14	Various Capital Improvements	591,600.00		150,000.00		441,600.00	441,600.00		
07-15	Various Capital Improvements	104,735.00		25,000.00		79,735.00	79,735.00		
15-16	Various Capital Improvements	37,511.00		8,000.00		29,511.00	29,511.00		
09-17	Various Capital Improvements	266,770.00		44,500.00		222,270.00	222,270.00		
16-17	Acquisition of New Fire Truck	380,000.00		47,500.00		332,500.00	332,500.00		
10-18	Improvements to Various Roads	268,800.00		33,600.00		235,200.00	235,200.00		
06-20	Various Improvements or Purposes	286,406.00				286,406.00	254,145.00		\$ 32,261.00
08-21	Various Capital Improvements		\$ 894,050.00			894,050.00	675,747.00		218,303.00
		<u>\$ 2,002,905.00</u>	<u>\$ 894,050.00</u>	<u>\$ 366,810.00</u>		<u>\$ 2,550,145.00</u>	<u>\$ 2,279,581.00</u>	<u>\$ -0-</u>	<u>\$ 250,564.00</u>
<u>Ref.</u>	<u>C</u>								
	Improvement Authorizations - Unfunded								\$ 666,252.23
	Less: Unexpended Proceeds of Bond Anticipation Notes Issued:								
	08-14 Various Capital Improvements							\$ 2,891.47	
	15-16 Various Capital Improvements							3,150.77	
	09-17 Various Capital Improvements							64,471.40	
	10-18 Improvements to Various Roads							40,129.29	
	11-19 Various Improvements or Purposes							7,117.91	
	Ordinance Dated 6/17/14 - Purchase of Fire Trucks							49,123.70	
	Ordinance Dated 6/17/14 - Purchase of Fire Trucks							248,803.69	
									<u>415,688.23</u>
									<u>\$ 250,564.00</u>

BOROUGH OF FRANKLIN
GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2020	C	\$ 126,466.20
Increased by:		
2021 Budget Appropriation		157,000.00
		<hr/> 283,466.20
Decreased by:		
Appropriated to Finance:		
Improvement Authorizations		152,075.00
		<hr/>
Balance December 31, 2021	C	<u><u>\$ 131,391.20</u></u>

BOROUGH OF FRANKLIN
GENERAL CAPITAL FUND
SCHEDULE OF SERIAL BONDS PAYABLE
YEAR ENDED DECEMBER 31, 2021

NOT APPLICABLE

BOROUGH OF FRANKLIN
GENERAL CAPITAL FUND
SCHEDULE OF NEW JERSEY GREEN TRUST LOANS PAYABLE
YEAR ENDED DECEMBER 31, 2021

NOT APPLICABLE

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

Ordinance Date	Improvement Description	Balance Dec. 31, 2020	2021		Balance Dec. 31, 2021
			Improvement Authorizations	Bond Anticipation Notes Issued	
08/18/20	Various Improvements or Purposes	\$ 286,406.00		\$ 254,145.00	\$ 32,261.00
06/10/21	Various Improvements		\$ 894,050.00	675,747.00	218,303.00
		\$ 286,406.00	\$ 894,050.00	\$ 929,892.00	\$ 250,564.00

BOROUGH OF FRANKLIN
COUNTY OF SUSSEX
2021
WATER AND SEWER UTILITY FUND

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

	<u>Ref.</u>	<u>Operating</u>	<u>Capital</u>
Balance December 31, 2020	D	\$ 2,082,516.51	\$ 977,451.17
Increased by Receipts:			
Water and Sewer Utility Collector		\$ 2,156,491.87	
Miscellaneous Revenues Not Anticipated		191,582.78	
Due General Capital Fund:			
Interfund Returned		5,026.61	
Reserve for Water Hookups		5,193.00	
Due Water and Sewer Utility Operating Fund:			
Interfund Returned			\$ 14,728.20
Capital Improvement Fund			15,000.00
Interest Earned			345.47
Appropriation Refunds		<u>1,256.39</u>	
		<u>2,359,550.65</u>	<u>30,073.67</u>
		4,442,067.16	1,007,524.84
Decreased by Disbursements:			
2021 Appropriation Expenditures		1,856,425.63	
2020 Appropriation Reserve Expenditures		30,524.26	
Water and Sewer Overpayments Refunded		60.02	
Due to Current Fund:			
Fund Balance Anticipated		15,000.00	
Interfund Returned		35,108.66	
Accrued Interest on:			
Water and Sewer Utility Bonds		68,100.00	
Improvement Authorization Expenditures			144,640.46
Due Water and Sewer Utility Capital Fund:			
Interfund Returned		<u>14,728.20</u>	
		<u>2,019,946.77</u>	<u>144,640.46</u>
Balance December 31, 2021	D	<u>\$ 2,422,120.39</u>	<u>\$ 862,884.38</u>

BOROUGH OF FRANKLIN
WATER AND SEWER UTILITY OPERATING FUND
SCHEDULE OF CASH - COLLECTOR
YEAR ENDED DECEMBER 31, 2021

Increased by Receipts:

Consumer Accounts Receivable:

Water and Sewer Rents	\$ 2,148,935.76
Water and Sewer Liens	385.96
Rent Overpayments	<u>7,170.15</u>

\$ 2,156,491.87

Decreased by Disbursements:

Paid to Treasurer

\$ 2,156,491.87

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

	Balance/(Deficit) Dec. 31, 2020	Receipts		Disbursements		Transfers		Balance/(Deficit) Dec. 31, 2021
		Budget Appropriation	Miscellaneous	Improvement Authorizations		From	To	
Capital Fund Balance	\$ 23,965.67							\$ 23,965.67
Capital Improvement Fund	185,540.07	\$ 15,000.00						200,540.07
Reserve for Preliminary Expenses	228.20							228.20
Reserve for I&I Study	257,094.82							257,094.82
Reserve for Water/Sewer Equipment	7,159.35							7,159.35
Reserve for Sewer Stations	166,014.45							166,014.45
Reserve for Water Distribution	99,982.75							99,982.75
Reserve for Capital Outlay	63,732.89							63,732.89
Reserve for Encumbrances	77,970.00				\$ 77,970.00			
Due Water and Sewer Utility Operating Fund	(14,728.20)		\$ 15,073.67					345.47
Ord No.								
11-09	Various Water/Sewer Capital Improvements							6,482.78
16-09	Improvements to Water/Sewer System			\$ 91,885.78		\$ 77,450.00		40,783.39
04-15	Improvements to Water Distribution System							1,000.00
10-19	Acquisition of New Equipment							950.00
09-20	Rehabilitation of the McCann Street Sewer Line			40,429.68		520.00		6,929.54
08-21	Acquisition of Utility Vehicle			12,325.00				(12,325.00)
		\$ 977,451.17	\$ 15,073.67	\$ 144,640.46	\$ 77,970.00	\$ 77,970.00	\$ 862,884.38	

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

	<u>Ref.</u>	
Balance December 31, 2020	D	\$ 218,379.83
Increased by:		
Water and Sewer Rents Levied		2,229,864.67
		<u>2,448,244.50</u>
Decreased by:		
Collections	\$ 2,148,935.76	
Overpayments Applied	<u>6,427.41</u>	
		<u>2,155,363.17</u>
Balance December 31, 2021	D	<u><u>\$ 292,881.33</u></u>

WATER UTILITY OPERATING FUND
SCHEDULE OF WATER UTILITY LIENS RECEIVABLE
YEAR ENDED DECEMBER 31, 2021

	<u>Ref.</u>	
Balance December 31, 2020	D	\$ 3,438.37
Decreased by:		
Collections		<u>385.96</u>
Balance December 31, 2021	D	<u><u>3,052.41</u></u>

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

Description	Balance Dec. 31, 2020	Additions By Budget	Balance Dec. 31, 2021
General Structures, Electric Power Equipment			
Distribution Mains and General Equipment	\$ 3,580,953.23	\$ 106,029.14	\$ 3,686,982.37
Sanitary Sewer System	10,700,751.11		10,700,751.11
Office Equipment	37,181.01		37,181.01
Vehicles	337,932.88		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
Improvements to Pond/Reservoir	39,039.00		39,039.00
Dam Restoration	19,600.00		19,600.00
Improvements to Water Supply & Distribution System	5,436,450.00		5,436,450.00
Improvements 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>\$ 21,269,672.78</u>	<u>\$ 106,029.14</u>	<u>\$ 21,375,701.92</u>
<u>Ref.</u>	D		D
2021 Appropriations		\$ 98,180.14	
2020 Appropriation Reserves		7,849.00	
		<u>\$ 106,029.14</u>	

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

Improvement Description	Ordinance		Balance Dec. 31, 2020	2021 Authorizations	Balance Dec. 31, 2021
	Date	Amount			
Various Water/Sewer Capital Improvements	07/14/09	\$109,000.00	\$ 109,000.00		\$ 109,000.00
Improvements to Water/Sewer Systems	11/24/09	850,000.00	691,000.00		691,000.00
Improvements to Water Distribution System	04/14/15	85,000.00	85,000.00		85,000.00
Acquisition of New Equipment	06/25/19	48,500.00	48,500.00		48,500.00
Rehabilitation of the McCann Street Sewer Line	09/08/20	50,000.00	50,000.00		50,000.00
Acquisition of Utility Vehicle	06/10/21	89,883.00		\$ 89,883.00	89,883.00
			<u>\$ 983,500.00</u>	<u>\$ 89,883.00</u>	<u>\$ 1,073,383.00</u>

Ref. D D

BOROUGH OF FRANKLIN
WATER AND SEWER UTILITY OPERATING FUND
SCHEDULE OF 2020 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2021

	<u>Balance</u> <u>Dec. 31, 2020</u>	<u>Balance</u> <u>After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
Operating:				
Salaries and Wages	\$ 58,946.78	\$ 58,946.78		\$ 58,946.78
Other Expenses	146,675.73	146,675.73	\$ 22,675.26	124,000.47
Capital Improvements:				
Capital Outlay	24,086.22	24,086.22		24,086.22
Improvements to Water Distribuion System	49,162.48	49,162.48	5,250.00	43,912.48
Purchase of Water and Sewer Equipment	3,877.36	3,877.36	2,599.00	1,278.36
Statutory Expenditures:				
Contributions to:				
Social Security System	7,030.51	7,030.51		7,030.51
Unemployment Compensation Insurance	642.91	642.91		642.91
	<u>\$ 290,421.99</u>	<u>\$ 290,421.99</u>	<u>\$ 30,524.26</u>	<u>\$ 259,897.73</u>

Ref.

Analysis of Balance December 31, 2020:

Unencumbered	D	\$ 223,249.14
Encumbered	D	<u>67,172.85</u>
		<u>\$ 290,421.99</u>

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

Ord. No.	Improvement Description	Date	Ordinance Amount	Balance		2021 Authorizations Deferred Charges to Future Tax	Paid or Charged	Prior Year Encumbrances Returned	Balance	
				Funded	Unfunded				Funded	Unfunded
				Dec. 31, 2020					Dec. 31, 2021	
11-09	Various Water/Sewer Capital Improvements	07/14/09	\$ 109,000.00	\$ 6,482.78					\$ 6,482.78	
16-09	Improvements to Water/Sewer System	11/24/09	850,000.00		\$ 55,219.17	\$ 91,885.78	\$ 77,450.00		40,783.39	
04-15	Improvements to Water Distribution System	04/14/15	85,000.00	1,000.00					1,000.00	
10-19	Acquisition of New Equipment	06/25/19	48,500.00	950.00					950.00	
09-20	Rehabilitation of the McCann Street Sewer Line	09/08/20	50,000.00	46,839.22		40,429.68	520.00		6,929.54	
08-21	Acquisition of Utility Vehicle	06/10/21	89,883.00			\$ 89,883.00				\$ 77,558.00
				\$ 55,272.00	\$ 55,219.17	\$ 89,883.00	\$ 144,640.46	\$ 77,970.00	\$ 56,145.71	\$ 77,558.00

Ref

D

D

D

D

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

	<u>Ref.</u>	
Balance December 31, 2020	D	\$ 185,540.07
Increased by:		
2021 Budget Appropriation		<u>15,000.00</u>
Balance December 31, 2021	D	<u><u>\$ 200,540.07</u></u>

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

	<u>Ref.</u>	
Balance December 31, 2020	D	\$ 20,285,672.78
Increased by:		
Paid by Water and Sewer Utility Operating Budget:		
Serial Bonds Paid	\$ 75,000.00	
Capital Outlay:		
2021 Budget Appropriations	<u>106,029.14</u>	
		<u>181,029.14</u>
Balance December 31, 2021	D	<u>\$ 20,466,701.92</u>

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

<u>Ord. No.</u>	<u>Improvement Description</u>	<u>Ordinance Date</u>	<u>Balance Dec. 31, 2020</u>	<u>Balance Dec. 31, 2021</u>
11-09	Various Water/Sewer Capital Improvements	07/14/09	\$ 109,000.00	\$ 109,000.00
10-19	Acquisition of New Equipment	06/25/19	48,500.00	48,500.00
09-20	Rehabilitation of the McCann Street Sewer Line	09/08/20	<u>50,000.00</u>	<u>50,000.00</u>
			<u>\$ 207,500.00</u>	<u>\$ 207,500.00</u>
		<u>Ref.</u>	D	D

BOROUGH OF FRANKLIN
WATER AND SEWER UTILITY CAPITAL FUND
SCHEDULE OF NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST LOAN PAYABLE
YEAR ENDED DECEMBER 31, 2021

NOT APPLICABLE

BOROUGH OF FRANKLIN
WATER AND SEWER UTILITY CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE

<u>Ord. Date</u>	<u>Improvement Description</u>	<u>Original Note</u>	<u>Date of</u>		<u>Interest Rate</u>	<u>Issued</u>	<u>Balance Dec. 31, 2021</u>
			<u>Issue</u>	<u>Maturity</u>			
08-21	Acquisition of Utility Vehicle	07/29/2021	07/29/2021	07/29/2022	1.00%	\$ 89,883.00	89,883.00
						\$ 89,883.00	\$ 89,883.00
					<u>Ref.</u>		D
				Issued		\$ 89,883.00	
						\$ 89,883.00	

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

Purpose	Date of Issue	Original Issue	Maturities of Bonds				Matured	Balance Dec. 31, 2021
			Outstanding Date	Amount	Interest Rate	Balance Dec. 31, 2020		
Water Refunding Bonds	12/15/15	\$ 2,195,000.00	8/15/22	\$ 75,000.00	3.000%			
			8/15/23	80,000.00	3.000%			
			8/15/24	80,000.00	4.000%			
			8/15/25	85,000.00	4.000%			
			8/15/26	85,000.00	4.000%			
			8/15/27	90,000.00	4.000%			
			8/15/28	95,000.00	4.000%			
			8/15/29	95,000.00	4.000%			
			8/15/30	100,000.00	4.000%			
			8/15/31	105,000.00	4.000%			
			8/15/32	110,000.00	4.000%			
			8/15/33	115,000.00	4.000%			
			8/15/34	120,000.00	4.000%			
			8/15/35	125,000.00	4.000%			
			8/15/36	130,000.00	4.000%			
			8/15/37	135,000.00	4.000%			
			8/15/38	60,000.00	4.000%	\$ 75,000.00	\$ 1,685,000.00	
						\$ 1,760,000.00	\$ 1,760,000.00	
						\$ 75,000.00	\$ 1,685,000.00	

Ref.

D

D

BOROUGH OF FRANKLIN
WATER AND SEWER UTILITY CAPITAL FUND
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

Ord. No.	Improvement Description	2021 Authorizations	Bond Anticipation Notes Issued	Balance Dec. 31, 2021
08-21	Acquisition of Utility Vehicle	\$ 89,883.00	\$ 89,883.00	\$ -0-
		<u>\$ 89,883.00</u>	<u>\$ 89,883.00</u>	<u>\$ -0-</u>

BOROUGH OF FRANKLIN
COUNTY OF SUSSEX
2021
PUBLIC ASSISTANCE FUND

BOROUGH OF FRANKLIN
PUBLIC ASSISTANCE FUND
SCHEDULE OF CASH

	<u>Ref.</u>	<u>Fund Total</u>	<u>P.A.T.F. I</u>
Balance December 31, 2020	F	\$ 5,791.63	\$ 5,791.63
Increased by Receipts:			
Interest Earned		<u>10.82</u>	<u>10.82</u>
Balance December 31, 2021	F	<u>\$ 5,802.45</u>	<u>\$ 5,802.45</u>

BOROUGH OF FRANKLIN

PART II

SINGLE AUDIT

YEAR ENDED DECEMBER 31, 2021

BOROUGH OF FRANKLIN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2021

Name of Federal Agency or Department	Name of Program	C.F.D.A. Number	Pass Through Entity ID	Grant Award	Grant Period		Amount Received	Amount of Expenditures	Cumulative Expenditures	Amounts Provided to Subrecipients
					From	To				
U.S. Division of Criminal Justice	Bullet Proof Vest Partnership	16.607	N/A	\$ 1,349.99	1/1/2019	12/31/2021		\$ 1,225.87	\$ 1,349.99	
U.S. Department of Transportation (Passed through the New Jersey Division of Highway Traffic Safety)	Distracted Driving Grant	20.616	100-066-1160- 158-031030	6,000.00	01/01/21	12/31/22	\$ 5,330.48	1,758.64	1,758.64	
Total Department of Transportation							5,330.48	1,758.64	1,758.64	
U.S. Department of Treasury: (Passed through the New Jersey Department of Community Affairs)	COVID-19 - Corona Virus Relief Fund: Local Government Emergency Fund	21.019	100-022-8030- 686-049690	33,242.00	3/1/20	12/31/20	33,242.00 *	33,242.00 *	33,242.00 *	
Total Department of Treasury	COVID-19 - American Rescue Plan Act: Coronavirus State and Local Fiscal Recovery Funds	21.027	100-022-8030- 687-046010	494,020.24	03/03/21	12/31/24	247,010.12			
							280,252.12	33,242.00	33,242.00	
TOTAL FEDERAL AWARDS							<u>\$ 285,582.60</u>	<u>\$ 36,226.51</u>	<u>\$ 36,350.63</u>	<u>\$ -0-</u>

* Expended in prior period.

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

BOROUGH OF FRANKLIN
SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED DECEMBER 31, 2021

Name of State Agency or Department	State Program	Program Account No.	Grant Period		Grant Award	Amount Received	Amount of Expenditures	Cumulative Expenditures
			From	To				
Department of Environmental Protection	Clean Communities Program	765-042-4900-	01/01/15	12/31/21	\$ 12,073.46		\$ 7,853.35	\$ 12,073.46
		004-178910	01/01/16	12/31/22	13,925.79		1,646.65	1,646.65
			01/01/21	12/31/22	12,121.77	\$ 12,121.77		
							<u>9,500.00</u>	<u>13,720.11</u>
Total Department of Environmental Protection	Recycling Tonnage	752-042-4910-	01/01/14	12/31/22	10,892.36		4,115.60	9,729.36
		224-238490	01/01/21	12/31/22	18,065.31			
						18,065.31		4,115.60
					30,187.08		13,615.60	23,449.47
Department of Law and Public Safety	Drunk Driving Enforcement Fund	100-078-6400-	01/01/17	12/31/22	5,104.92		2,370.11	2,734.81
		260-YYYY	01/01/18	12/31/22	4,405.65		3,639.09	3,639.09
			01/01/21	12/31/22	2,688.84	2,688.84		
					2,688.84		6,009.20	6,373.90
Total Department of Law and Public Safety	Body Armor Replacement Fund	718-066-1020-	01/01/19	12/31/21	1,955.98		227.58	1,955.98
		001-090160	01/01/20	12/31/22	1,842.95		1,727.15	
			01/01/21	12/31/22	1,482.12	1,482.12		
					1,482.12		1,954.73	1,955.98
Total Department of Law and Public Safety	Body Worn Camera Grant	100-066-1020-	01/01/21	12/31/22	42,798.00		42,798.00	
		495-092120						
					4,170.96		50,761.93	8,329.88
Department of Treasury	Highlands Protection Master Plan	100-082-2078-	01/01/21	12/31/22	65,000.00		49,454.60	49,454.60
		032-290220						
					15,651.04		49,454.60	49,454.60
TOTAL STATE AWARDS					\$ 50,009.08		\$ 113,832.13	\$ 81,233.95

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

BOROUGH OF FRANKLIN
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED DECEMBER 31, 2021

A. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards (the “Schedules”) include the federal and state grant activity of the Borough of Franklin under programs of the federal and state governments for the year ended December 31, 2021. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”) and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the Borough, they are not intended to and do not present the financial position, changes in fund balance or cash flows of the Borough.

B. BASIS OF ACCOUNTING

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through identifying numbers are presented where available. The Borough has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

C. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

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*

Independent Auditors' Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements - *regulatory basis* - of the various funds of the Borough of Franklin, in the County of Sussex (the "Borough") as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements and have issued our report thereon dated June 8, 2022. These financial statements have been prepared in conformity with accounting principles prescribed or permitted by the Division, to demonstrate compliance with the Division's regulatory basis of accounting, and the budget laws of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Borough's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Borough's financial statements will not be prevented, or detected and corrected on a timely basis. *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 the 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as Finding 2021-001, that we consider to be a significant deficiency.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

The Borough's Response to the Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Borough's response to the finding identified in our audit and described in the accompanying Schedule of Findings and Responses. The Borough's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 result of that testing, and not to provide an opinion on the effectiveness of the Borough's 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's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mount Arlington, New Jersey
June 8, 2022

NISIVOCCIA LLP

Raymond A Sarinelli

Raymond A. Sarinelli

Certified Public Accountant

Registered Municipal Accountant No. 563

BOROUGH OF FRANKLIN
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2021

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the Borough's financial statements, 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 disclosed during the audit of the financial statements is 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, 2021 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 disclosed the following significant deficiency required to be reported under Generally Accepted Government Auditing Standards:

Finding 2021-001

Segregation of Duties

Criteria

Concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view.

Condition

The Borough does not maintain an adequate segregation of duties with respect to the recording and treasury functions.

The various departments/offices of the Borough are responsible for the issuance of permits and licenses; collections of taxes and permit and license fees; and recording of collections. Also, the reconciliation of bank accounts, the preparation of the general ledger including recording cash receipts and disbursements for the various funds are performed by one person with limited oversight review.

Cause

This is due, in part, to the limited number of personnel of the Borough and the decentralized nature of governmental collection procedures.

BOROUGH OF FRANKLIN
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2021

(Continued)

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

- The audit disclosed the following significant deficiency required to be reported under Generally Accepted Government Auditing Standards: (Cont'd)

Finding 2021-001 (Cont'd)

Segregation of Duties (Cont'd)

Effect of Potential Effect

Segregation of duties refers to separating those functions that place too much control over a transaction or class of transactions that would enable a person to perpetuate errors and prevent detection within a reasonable period of time.

Recommendation

It is recommended that segregation of duties for the various departments/offices of the Borough be reviewed in order to improve internal control.

Management's Response

The finding was evaluated, however due to budgetary constraints no resolution can be made at this time.

Findings and Questioned Costs for Federal Awards:

- Not applicable – Federal award expenditures are less than the single audit threshold.

Findings and Questioned Costs for State Awards:

- Not applicable – State award expenditures are less than the single audit threshold.

BOROUGH OF FRANKLIN
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2021

The Borough's prior year audit finding 2020-001 regarding segregation of duties has not been resolved mostly due to budget constraints and is included as finding 2021-001 on the Schedule of Findings and Responses.

BOROUGH OF FRANKLIN

PART III

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2021

BOROUGH OF FRANKLIN
COMMENTS AND RECOMMENDATIONS

Contracts and Agreements Required Advertisement for Bids

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 (N.J.S.A. 40A:11-9), the governing body of the contracting unit may establish that the bid threshold may be up to \$25,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.

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

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

N.J.S.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 subsections b. and c. of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the governing body finds that it has had prior negative experience with the bidder."

Effective July 1, 2015 through June 30, 2020, the bid thresholds in accordance with N.J.S.A. 40A:11-3 are \$17,500 for a contracting unit without a qualified purchasing agent and \$40,000 for a contracting unit with a qualified purchasing agent. Effective July 1, 2020 and thereafter, the bid thresholds in accordance with N.J.S.A. 40A:11-3 are \$17,500 for a contracting unit without a qualified purchasing agent and \$44,000 for a contracting unit with a qualified purchasing agent.

The governing body of the municipality has the responsibility of determining whether the expenditures in any category will exceed the bid threshold within the fiscal year. Where questions arise as to whether any contract or agreement might result in violation of the statute, the Borough Counsel's opinion should be sought before a commitment is made.

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

BOROUGH OF FRANKLIN
COMMENTS AND RECOMMENDATIONS
(Continued)

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

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

Collection of Interest on Delinquent Taxes and Assessments

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

The following resolutions were adopted in 2021:

BE IT RESOLVED by the Mayor and Council of the Borough of Franklin, Sussex County, New Jersey, that the rate of interest charges on delinquent taxes in this Borough shall be as follows:

On all delinquents to and including December 31, 2021, at the rate or rates heretofore governing, and on all delinquents on and after January 1, 2021 at the rate of 8% per annum for and upon the first \$1,500 of the delinquency and at the rate of 18% per annum for and upon any amount of the delinquency in excess of \$1,500; and that a grace period of 10 days will be allowed on taxes due February 1, May 1, August 1, and November 1. If taxes are not paid by the 10th, interest shall be charged from the due date.

BE IT RESOLVED, that the collector of the Borough be and is hereby directed to collect interest on all taxes accordingly.

BE IT RESOLVED by the Mayor and Council of the Borough of Franklin, Sussex County, New Jersey, that the rate of interest charges on delinquent utility charges in this Borough shall be as follows:

On all delinquents to and including December 31, 2021, at the rate or rates heretofore governing, and on all delinquents on and after January 1, 2021 at the rate of 8% per annum for and upon the first \$1,500 of the delinquency and at the rate of 18% per annum for and upon any amount of the delinquency in excess of \$1,500; and that a grace period of 30 days will be allowed on charges due April 1, July 1, October 1, and December 31. If charges are not paid 30 days after the end of each quarter, interest shall be charged from the due date.

BE IT RESOLVED, that the collector of the Borough be and is hereby directed to collect interest on all utility charges accordingly.

It appears from our testing that interest was charged in accordance with the above resolutions.

Verification of Delinquent Taxes and Other Charges

A test verification of delinquent charges and current payments was made in accordance with regulations of the Division of Local Government Services, consisting of verification notices as follows:

<u>Type</u>	<u>Number Mailed</u>
Payments of 2021 and 2022 Taxes	20
Payments of Water and Sewer Utility Charges	20
Delinquent Taxes	15
Delinquent Water and Sewer Utility Charges	10
Tax Title Liens	3

BOROUGH OF FRANKLIN
COMMENTS AND RECOMMENDATIONS
(Continued)

Delinquent Taxes and Tax Title Liens

The last tax sale was held on September 11, 2021.

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>
2021	2
2020	3
2019	12

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 bank on a taxpaying basis.

Municipal Court

The transactions for the year 2021 were as follows:

RECEIPTS AND DISBURSEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Balance</u> <u>Dec. 31, 2020</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>Dec. 31, 2021</u>
State of New Jersey	\$ 352.01	\$ 22,638.57	\$ 21,706.26	\$ 1,284.32
Municipality:				
Fines and Fees	2,125.76	53,446.46	52,468.56	3,103.66
POAA		20.00	20.00	
Conditional Dismissal		14.00	14.00	
Public Defender		1,177.07	1,177.07	
Conditional Discharge				
Fish and Game	50.00	150.00	200.00	
Forest and Parks				
Restitution				
Weights and Measures		4,350.00	4,350.00	
Restitution		888.51	888.51	
County Fines	458.50	14,882.16	14,405.16	935.50
Miscellaneous				
Cash Bail	1,226.70	2,272.99	2,072.28	1,427.41
	<u>\$ 4,212.97</u>	<u>\$ 99,839.76</u>	<u>\$ 97,301.84</u>	<u>\$ 6,750.89</u>

New Jersey Administrative Code Accounting Requirements

The Division of Local Government Services has established three (3) accounting requirements which are prescribed in the New Jersey Administrative Code. They are as follows:

1. Maintenance of an encumbrance accounting system.
2. Fixed asset accounting and reporting system.
3. General ledger accounting system.

The Borough maintains an encumbrance accounting system, a fixed asset accounting and reporting system and a general ledger accounting system.

BOROUGH OF FRANKLIN
COMMENTS AND RECOMMENDATIONS
(Continued)

Payroll

During our review of payroll, it was noted that the does not maintain a complete and accurate analysis of balance in the payroll account.

It is recommended that the Borough maintain an accurate analysis of balance for the payroll account.

Management's Response

Management will ensure an accurate analysis of balance is maintained for the payroll account.

Outside Offices

During our review of the various outside offices records, it was noted that the Zoning office stopped maintaining a cashbook.

It is recommended that the Zoning office maintain a cashbook.

Management's Response

The zoning office will maintain a cashbook.

Finance

During our review of the bank reconciliations, it was noted that reconciliations contained unsupported reconciling items and the general ledger was not properly supported by the receipts subsidiary ledger.

It is recommended that reconciling items are properly supported and the general ledger is supported by the receipts ledger.

Management's Response

Management will ensure all reconciling items are properly supported and the general ledger is supported by the receipts subsidiary ledger.

Trust Funds

During our review of Other Trust Funds, it was noted that a Dedication by Rider was not obtained for the Open Space Trust.

It is recommended that a Dedication by Rider is obtained for the Open Space Trust Fund.

Management's Response

Management will obtain a Dedication by Rider for the Open Space Trust Fund.

BOROUGH OF FRANKLIN
COMMENTS AND RECOMMENDATIONS
(Continued)

Fixed Assets

During our review of Fixed Assets, it was noted that disposals are not being properly recorded and removed from the Fixed Asset listing.

It is recommended that the Borough maintain records of all Fixed Assets disposed and they be removed from the Fixed Asset accounting system.

Management's Response

Management will ensure that Fixed Asset records are properly maintained and disposed items are removed from the Fixed Asset accounting system.

Management Suggestions

Federal and State Grants

During our review of the Federal and State Grant Fund, it was noted that there are several older outstanding grant balances that have been idle for several years. It is suggested that management review these balances for cancellation.

Governmental Accounting Standards Board (GASB) Statements

GASB Statement No. 87, *Leases*, is effective for the year ended December 31, 2022. Previously leases were either categorized as capital leases or operating leases. This statement will likely affect most leases formerly classified as operating leases. There will be required disclosures for leases for which the Borough is either a lessee or a lessor although there will be no impact on the actual financial statements. It is likely that a lease software or similar spreadsheets will need to be utilized to perform the various calculations necessary to implement this standard.

COVID-19 Federal Funding

It is possible that the Borough will undergo some review of its COVID-19 funding by the federal government. We strongly suggest that the Borough ensures that these funds are utilized in accordance with the applicable federal requirements especially with respect to procurement. Additionally, we strongly suggest that the Borough ensures that these funds are separately accounted for in the Borough's accounting records and that any applicable Borough policies are current with respect to federal grant requirements.

Because of the nature of these funds, being new programs, generally of a significant dollar amount, and some of which may be expended over a period of years, they may be subject to federal or state audit several years from now. It is important that the grant files maintained by local governments be complete, self-explanatory, and fully document the program(s) undertaken as part of the funding.

Status of Prior Year Recommendations

The prior year recommendation regarding segregation of duties for the various departments/offices of the Borough was not resolved and is included as a recommendation in the current year.

BOROUGH OF FRANKLIN
SUMMARY OF RECOMMENDATIONS

It is recommended that:

- 1) Segregation of duties for the various departments/offices of the Borough be reviewed in order to improve internal control.
- 2) The Borough maintain an accurate analysis of balance for the payroll account.
- 3) The Zoning office maintain a cashbook.
- 4) Reconciling items are properly supported and the general ledger is supported by the receipts ledger.
- 5) A Dedication by Rider is obtained for the Open Space Trust Fund.
- 6) The Borough maintain records of all Fixed Assets disposed and they be removed from the Fixed Asset accounting system.

* * * * *