

BOROUGH OF FRANKLIN

COUNTY OF SUSSEX

REPORT OF AUDIT

2022

NISIVOCIA LLP
CERTIFIED PUBLIC ACCOUNTANTS

BOROUGH OF FRANKLIN
COUNTY OF SUSSEX
REPORT OF AUDIT
2022

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BOROUGH OF FRANKLIN

PART I

REPORT ON AUDIT AND FINANCIAL STATEMENTS

AND SUPPLEMENTARY SCHEDULES

YEAR ENDED DECEMBER 31, 2022

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

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 years ended December 31, 2022 and 2021, and the related notes to the financial statements, as listed in the table of contents.

Unmodified Opinions 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, 2022 and 2021, and the results of operations and changes in fund balance, where applicable, of such funds and account group, thereof for the years 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").

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the accompanying 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, 2022 and 2021, or the changes in financial position or where applicable, cash flows thereof for the years then ended.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Borough, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 1 of the financial statements, the financial statements are prepared by the Borough on the basis of the financial reporting provisions prescribed or permitted by the Division, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Division's regulatory basis of accounting and the budget laws of New Jersey.

The Honorable Mayor and Members
of the Borough Council
Borough of Franklin
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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 and pervasive.

Emphasis of Matter

As discussed in Note 18 to the financial statements, the Borough implemented GASB Statement No. 87, *Leases*, during the year ended December 31, 2022. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of 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. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and audit requirements prescribed by the Division will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and audit requirements prescribed by the Division, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Borough's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

The Honorable Mayor and Members
of the Borough Council
Borough of Franklin
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Supplementary Information

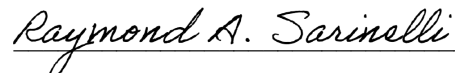
Our audit was conducted for the purpose of forming opinions on the financial statements of the various funds and account group that collectively comprise the Borough's financial statements. The supplementary data schedules listed in the table of contents and the schedules of expenditures of federal and 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the various fund and account group financial statements. The information has been subjected to the auditing procedures applied in the audit of the various fund and account group 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 and account group financial statements or to the various fund and account group 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 various fund and account group financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2023 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 20, 2023

NISIVOCIA LLP



Raymond A. Sarinelli
Certified Public Accountant
Registered Municipal Accountant No. 563

BOROUGH OF FRANKLIN
COUNTY OF SUSSEX
2022
CURRENT FUND

BOROUGH OF FRANKLIN
CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

| | Ref. | December 31, | |
|---|------|------------------------|------------------------|
| | | 2022 | 2021 |
| <u>ASSETS</u> | | | |
| Regular Fund: | | | |
| Cash and Cash Equivalents: | | | |
| Treasurer | A-4 | \$ 4,927,586.07 | \$ 4,414,310.65 |
| Change Fund | | 500.00 | 500.00 |
| | | <u>4,928,086.07</u> | <u>4,414,810.65</u> |
| Receivables and Other Assets With Full Reserves: | | | |
| Delinquent Property Taxes Receivable | A-7 | 554,819.55 | 372,683.81 |
| Tax Title Liens Receivable | A-8 | 11,952.59 | 14,693.26 |
| Property Acquired for Taxes - Assessed Valuation | | 538,300.00 | 538,300.00 |
| Revenue Accounts Receivable | A-9 | 1,886.86 | 3,103.66 |
| Due from: | | | |
| Animal Control Fund | B | 4,964.49 | 20.63 |
| General Capital Fund | C | | 677.79 |
| | | <u>1,111,923.49</u> | <u>929,479.15</u> |
| Total Receivables and Other Assets with Full Reserves | | | |
| Deferred Charges: | | | |
| Overexpenditure of Appropriated Grant Reserves | A-15 | 1,725.90 | |
| | | <u>6,041,735.46</u> | <u>5,344,289.80</u> |
| Total Regular Fund | | | |
| Federal and State Grant Fund: | | | |
| Due from Current Fund | A | 577,127.80 | 74,593.37 |
| Due from Other Trust Fund | B | | 247,070.12 |
| Grant Funds Receivable | A-10 | 142,813.48 | 142,813.48 |
| | | <u>719,941.28</u> | <u>464,476.97</u> |
| Total Federal and State Grant Fund | | | |
| TOTAL ASSETS | | <u>\$ 6,761,676.74</u> | <u>\$ 5,808,766.77</u> |

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

| | Ref. | December 31, | |
|---|----------|------------------------|------------------------|
| | | 2022 | 2021 |
| <u>LIABILITIES, RESERVES AND FUND BALANCE</u> | | | |
| Regular Fund: | | | |
| Appropriation Reserves: | | | |
| Encumbered | A-3;A-11 | 249,531.99 | \$ 271,399.24 |
| Unencumbered | A-3;A-11 | 580,991.13 | 793,528.99 |
| | | <u>830,523.12</u> | <u>1,064,928.23</u> |
| Due State of New Jersey: | | | |
| Senior Citizens and Veterans Deductions | | 21,809.73 | 19,756.99 |
| Marriage License Fees | | | 125.00 |
| Due to: | | | |
| Federal and State Grant Fund | A | 577,127.80 | 74,593.37 |
| Other Trust Fund | B | 139,447.85 | 71,257.17 |
| General Capital Fund | C | 3,959.48 | |
| Accounts Payable - Vendors | | 5,540.52 | 2,291.45 |
| County Taxes Payable | | 22,768.12 | 6,881.83 |
| Prepaid Taxes | | 82,730.04 | 177,593.91 |
| Tax Overpayments | | 20,327.81 | 8,573.71 |
| Prepaid Revenue - Antenna Lease | | 35,821.57 | 38,559.69 |
| Reserve for: | | | |
| Contingency | | 225,000.06 | 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 | | 310,884.58 | 260,884.58 |
| Sale of Municipal Assets | | | 69,500.00 |
| Municipal Relief Aid | | 31,698.47 | |
| | | <u>2,316,577.01</u> | <u>2,028,883.79</u> |
| Reserve for Receivables and Other Assets | A | 1,111,923.49 | 929,479.15 |
| Fund Balance | A-1 | 2,613,234.96 | 2,385,926.86 |
| Total Regular Fund | | <u>6,041,735.46</u> | <u>5,344,289.80</u> |
| Federal and State Grant Fund: | | | |
| Unappropriated Reserves | A-14 | 548,424.41 | 270,582.50 |
| Appropriated Reserves: | | | |
| Encumbered | | 28,246.76 | 29,536.86 |
| Unencumbered | A-15 | 143,270.11 | 164,357.61 |
| Total Federal and State Grant Fund | | <u>719,941.28</u> | <u>464,476.97</u> |
| TOTAL LIABILITIES, RESERVES AND FUND BALANCE | | <u>\$ 6,761,676.74</u> | <u>\$ 5,808,766.77</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, | |
|--|------|-------------------------------|-------------------------------|
| | | 2022 | 2021 |
| <u>Revenue and Other Income Realized</u> | | | |
| Fund Balance Utilized | | \$ 790,000.00 | \$ 650,000.00 |
| Miscellaneous Revenue Anticipated | | 1,323,828.96 | 1,385,026.65 |
| Receipts from: | | | |
| Delinquent Taxes | | 354,607.10 | 430,607.87 |
| Current Taxes | | 16,198,048.96 | 15,810,408.21 |
| Nonbudget Revenue | | 631,598.49 | 154,944.73 |
| Other Credits to Income: | | | |
| Unexpended Balance of Appropriation Reserves | | 449,012.12 | 578,682.14 |
| Interfunds and Other Receivables Returned | | 677.79 | 36,337.08 |
| Cancellation of Prior Year Overpayments | | | 5,919.15 |
| Total Income | | <u>19,747,773.42</u> | <u>19,051,925.83</u> |
| <u>Expenditures</u> | | | |
| Budget and Emergency Appropriations: | | | |
| Municipal Purposes | | 7,006,360.81 | 6,953,472.46 |
| County Taxes | | 2,774,608.65 | 2,563,903.36 |
| Local School District Taxes | | 6,198,899.00 | 6,041,364.00 |
| Regional High School Taxes | | 2,564,930.00 | 2,583,219.00 |
| Reserve for Tax Appeals | | 50,000.00 | 100,000.00 |
| Reserve for Contingency | | 130,723.00 | |
| Overexpenditure of Appropriated Grant Reserves | | 1,725.90 | |
| Interfunds and Other Receivables Advanced | | 4,943.86 | 698.42 |
| Total Expenditures | | <u>18,732,191.22</u> | <u>18,242,657.24</u> |
| Excess in Revenue | | 1,015,582.20 | 809,268.59 |
| Adjustments to Income Before Fund Balance: | | | |
| Expenditures included above which are by Statute | | | |
| Deferred Charges to Budget of Succeeding Year | | | |
| Overexpenditure of Appropriated Grant Reserves | | 1,725.90 | |
| Statutory Excess to Fund Balance | | 1,017,308.10 | 809,268.59 |
| <u>Fund Balance</u> | | | |
| Balance January 1 | | <u>2,385,926.86</u> | <u>2,226,658.27</u> |
| | | 3,403,234.96 | 3,035,926.86 |
| Decreased by: | | | |
| Utilized as Anticipated Revenue | | <u>790,000.00</u> | <u>650,000.00</u> |
| Balance December 31 | A | <u><u>\$ 2,613,234.96</u></u> | <u><u>\$ 2,385,926.86</u></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, 2022

| | <u>Budget</u> | <u>Realized</u> | <u>Excess or Deficit *</u> |
|--|------------------------|------------------------|--------------------------------|
| Fund Balance Anticipated | \$ 790,000.00 | \$ 790,000.00 | |
| Miscellaneous Revenue: | | | |
| Licenses: | | | |
| Alcoholic Beverages | 12,700.00 | 12,467.40 | \$ 232.60 * |
| Other | 7,200.00 | 8,227.00 | 1,027.00 |
| Fees and Permits | 20,000.00 | 21,699.27 | 1,699.27 |
| Fines and Costs: | | | |
| Municipal Court | 50,000.00 | 37,626.09 | 12,373.91 * |
| Interest and Costs on Taxes | 95,500.00 | 84,475.85 | 11,024.15 * |
| Interest on Investments and Deposits | 10,000.00 | 67,621.71 | 57,621.71 |
| 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 | 7,929.00 | |
| Hillside ES - Solid Waste Collection | 40,000.00 | 44,694.00 | 4,694.00 |
| Borough Ordinance #94-03 Municipal Service Fee | | | |
| Assessed to Mobile Home Parks - Fees & Permit | 85,000.00 | 96,837.00 | 11,837.00 |
| Rent Senior Center | 27,700.00 | 25,391.63 | 2,308.37 * |
| Cable T.V. Franchise | 15,500.00 | 14,812.00 | 688.00 * |
| Antenna Lease Contract | 69,000.00 | 80,950.01 | 11,950.01 |
| Franklin Senior Housing - PILOT | 31,112.00 | 31,088.00 | 24.00 * |
| Reserve for Debt Service - General Capital | 25,000.00 | 25,000.00 | |
| Reserve for Sale of Assets | 69,500.00 | 69,500.00 | |
| Interlocal Agreement for Municipal Court | 68,750.00 | 68,750.00 | |
| | <u>1,261,651.00</u> | <u>1,323,828.96</u> | <u>62,177.96</u> |
| Receipts from Delinquent Taxes | <u>369,500.00</u> | <u>354,607.10</u> | <u>14,892.90 *</u> |
| Amount to be Raised by Taxes for Support of Municipal Budget: | | | |
| Local Tax for Municipal Purposes | <u>5,086,451.00</u> | <u>5,159,611.31</u> | <u>73,160.31</u> |
| Budget Totals | | <u>7,628,047.37</u> | <u>120,445.37</u> |
| Nonbudget Revenue | | <u>631,598.49</u> | <u>631,598.49</u> |
| | <u>\$ 7,507,602.00</u> | <u>\$ 8,259,645.86</u> | <u>\$ 752,043.86</u> |

BOROUGH OF FRANKLIN
CURRENT FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Allocation of Current Tax Collections:

| | |
|--|-------------------------------|
| Revenue from Collection of Current Taxes | \$ 16,198,048.96 |
| Allocated to County, School and Special District Taxes | 11,538,437.65 |
| Balance for Support of Municipal Budget | <u>4,659,611.31</u> |
| Add: Appropriation "Reserve for Uncollected Taxes" | <u>500,000.00</u> |
| Realized for Support of Municipal Budget | <u><u>\$ 5,159,611.31</u></u> |

Receipts from Delinquent Taxes:

| | |
|----------------------------|-----------------------------|
| Delinquent Tax Collections | \$ 342,427.62 |
| Tax Title Liens Receivable | <u>12,179.48</u> |
| | <u><u>\$ 354,607.10</u></u> |

Analysis of Fees and Permits:

| | |
|-------------------|----------------------------|
| Other Departments | \$ 21,999.27 |
| Less: Refunds | <u>(300.00)</u> |
| | <u><u>\$ 21,699.27</u></u> |

Analysis of Interest on Investments and Deposits:

| | |
|---------------------------------|----------------------------|
| Collected/Received by Treasurer | \$ 51,004.43 |
| Due from: | |
| General Capital Fund | 627.63 |
| Animal Control Fund | 167.83 |
| Other Trust Funds | <u>15,821.82</u> |
| | <u><u>\$ 67,621.71</u></u> |

BOROUGH OF FRANKLIN
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2022

| | Appropriations | | Expended By | | Unexpended Balance Cancelled |
|---------------------------------|----------------|------------------------------|--------------------|-------------|------------------------------------|
| | Budget | Budget After Modification | Paid or Charged | Reserved | |
| GENERAL GOVERNMENT: | | | | | |
| General Administration: | | | | | |
| Salaries and Wages | \$ 201,251.00 | \$ 201,251.00 | \$ 199,928.34 | \$ 1,322.66 | |
| Other Expenses | 58,000.00 | 58,000.00 | 36,112.91 | 21,887.09 | |
| Elections: | | | | | |
| Other Expenses | 6,000.00 | 6,000.00 | 2,833.34 | 3,166.66 | |
| Financial Administration: | | | | | |
| Salaries and Wages | 105,000.00 | 105,000.00 | 90,892.20 | 14,107.80 | |
| Other Expenses | 24,350.00 | 24,350.00 | 13,036.98 | 11,313.02 | |
| Annual Audit | 20,000.00 | 20,000.00 | 6,250.00 | 13,750.00 | |
| Tax Collection: | | | | | |
| Salaries and Wages | 20,600.00 | 20,600.00 | 20,399.93 | 200.07 | |
| Other Expenses | 11,625.00 | 11,625.00 | 9,207.01 | 2,417.99 | |
| Tax Assessment: | | | | | |
| Salaries and Wages | 53,272.00 | 53,272.00 | 52,116.78 | 1,155.22 | |
| Other Expenses | 13,455.00 | 13,455.00 | 12,646.83 | 808.17 | |
| Revaluation of Taxes | 90,000.00 | 90,000.00 | 90,000.00 | | |
| Legal Services and Costs: | | | | | |
| Other Expenses | 190,000.00 | 190,000.00 | 139,716.85 | 50,283.15 | |
| Municipal Prosecutor: | | | | | |
| Other Expenses | 21,000.00 | 21,000.00 | 21,000.00 | | |
| Engineering Services and Costs: | | | | | |
| Other Expenses | 30,000.00 | 30,000.00 | 24,174.00 | 5,826.00 | |
| 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, 2022
(Continued)

| | Appropriations | | Expended By | | Unexpended Balance Cancelled |
|---|----------------|------------------------------|--------------------|------------|------------------------------------|
| | Budget | Budget After Modification | Paid or Charged | Reserved | |
| GENERAL GOVERNMENT (Cont'd): | | | | | |
| Historic Preservation: | | | | | |
| Other Expenses | \$ 8,000.00 | \$ 8,000.00 | \$ 7,790.30 | \$ 209.70 | |
| LAND USE ADMINISTRATION: | | | | | |
| Municipal Land Use Law (NJSA 40:55D-1): | | | | | |
| Planning Board: | | | | | |
| Salaries and Wages | 20,600.00 | 20,600.00 | 19,479.31 | 1,120.69 | |
| Other Expenses | 24,300.00 | 24,300.00 | 3,904.22 | 20,395.78 | |
| Revision of Master Plan | | | | | |
| INSURANCE: | | | | | |
| Group Insurance Plans For Employees | 535,000.00 | 531,000.00 | 382,713.75 | 148,286.25 | |
| Other Insurance Premiums | 90,500.00 | 90,500.00 | 87,767.50 | 2,732.50 | |
| Health Benefit Waivers | 12,500.00 | 16,500.00 | 16,250.00 | 250.00 | |
| Worker's Compensation Insurance | 65,000.00 | 65,000.00 | 61,137.00 | 3,863.00 | |
| PUBLIC SAFETY: | | | | | |
| Police: | | | | | |
| Salaries and Wages | 2,017,250.00 | 2,028,250.00 | 2,027,536.99 | 713.01 | |
| Other Expenses | 146,125.00 | 143,560.00 | 124,869.69 | 18,690.31 | |
| Crossing Guards: | | | | | |
| Salaries and Wages | 71,300.00 | 60,300.00 | 57,020.20 | 3,279.80 | |
| 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 | 70,170.00 | 70,170.00 | 65,581.06 | 4,588.94 | |
| First Aid Organization Contribution | 15,800.00 | 15,800.00 | 8,377.20 | 7,422.80 | |
| Municipal Court: | | | | | |
| Salaries and Wages | 148,587.00 | 148,587.00 | 130,371.86 | 18,215.14 | |
| Other Expenses | 14,550.00 | 14,550.00 | 6,609.65 | 7,940.35 | |

BOROUGH OF FRANKLIN
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2022
(Continued)

| | Appropriations | | Expended By | | Unexpended Balance Cancelled |
|--|----------------|------------------------------|--------------------|-----------|------------------------------------|
| | Budget | Budget After Modification | Paid or Charged | Reserved | |
| PUBLIC SAFETY (Cont'd): | | | | | |
| Public Defender: | \$ 1.00 | \$ 1.00 | | \$ 1.00 | |
| Other Expenses | | | | | |
| STREETS AND ROADS: | | | | | |
| Road Repairs and Maintenance: | | | | | |
| Salaries and Wages | 303,000.00 | 303,000.00 | \$ 285,984.96 | 17,015.04 | |
| Other Expenses | 152,500.00 | 150,000.00 | 144,564.96 | 5,435.04 | |
| Public Buildings and Grounds: | | | | | |
| Salaries and Wages | 12,000.00 | 12,000.00 | 11,960.80 | 39.20 | |
| Other Expenses | 108,000.00 | 108,000.00 | 97,716.36 | 10,283.64 | |
| 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 | 9,937.50 | 3,062.50 | |
| Board of Health: | | | | | |
| Salaries and Wages | 1,561.00 | 1,561.00 | 1,300.00 | 261.00 | |
| Other Expenses | 500.00 | 500.00 | 307.20 | 192.80 | |
| H.B. V. Vaccination: | | | | | |
| Other Expenses | 1,000.00 | 1,000.00 | 240.00 | 760.00 | |
| Contribution to Senior Citizen Center: | | | | | |
| Salaries and Wages | 34,650.00 | 36,400.00 | 36,333.00 | 67.00 | |
| Other Expenses | 900.00 | 900.00 | 330.41 | 569.59 | |
| RECREATION AND EDUCATION: | | | | | |
| Board of Recreation Commissioners: | | | | | |
| Salaries and Wages | 20,000.00 | 18,250.00 | 9,315.49 | 8,934.51 | |
| Other Expenses | 9,000.00 | 9,000.00 | 7,815.68 | 1,184.32 | |

BOROUGH OF FRANKLIN
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2022
(Continued)

| | Appropriations | | Expended By | | Unexpended Balance Cancelled |
|------------------------------------|----------------|------------------------------|--------------------|-------------|------------------------------------|
| | Budget | Budget After Modification | Paid or Charged | Reserved | |
| RECREATION AND EDUCATION (Cont'd): | | | | | |
| UNIFORM CONSTRUCTION CODE: | | | | | |
| Zoning Official: | | | | | |
| Salaries and Wages | \$ 39,346.00 | \$ 39,346.00 | \$ 32,247.07 | \$ 7,098.93 | |
| Other Expenses | 3,300.00 | 3,300.00 | 725.38 | 2,574.62 | |
| UNCLASSIFIED: | | | | | |
| Network Maintenance Agreement | 33,000.00 | 33,000.00 | 32,474.46 | 525.54 | |
| Street Lighting | 50,000.00 | 40,000.00 | 35,270.40 | 4,729.60 | |
| Telephone | 36,000.00 | 36,000.00 | 34,863.94 | 1,136.06 | |
| Gasoline and Oil | 40,000.00 | 55,000.00 | 53,787.24 | 1,212.76 | |
| 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" | 5,411,588.00 | 5,411,523.00 | 4,976,092.91 | 435,430.09 | |
| Detail: | | | | | |
| Salaries and Wages | 3,050,712.00 | 3,050,712.00 | 2,977,136.93 | 73,575.07 | |
| Other Expenses | 2,360,876.00 | 2,360,811.00 | 1,998,955.98 | 361,855.02 | |

Deferred Charges and Statutory Expenditures - Municipal -
Within "CAPS":

| Statutory Expenditures: | Contribution to: | |
|---|------------------|-----------|
| Public Employees' Retirement System | 118,320.00 | 288.62 |
| Social Security System (OASI) | 230,000.00 | 13,595.10 |
| Police and Fireman's Retirement System | 426,829.00 | 2.90 |
| Unemployment Compensation Insurance | 12,700.00 | 8,247.85 |
| Defined Contribution Retirement Program | 10,000.00 | 6,543.64 |

BOROUGH OF FRANKLIN
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2022
(Continued)

| | Appropriations | | Expended By | | Unexpended Balance Cancelled |
|--|----------------|------------------------------|--------------------|--------------|------------------------------------|
| | Budget | Budget After Modification | Paid or Charged | Reserved | |
| Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS" | \$ 797,849.00 | \$ 797,914.00 | \$ 773,031.59 | \$ 24,882.41 | |
| Total General Appropriations for Municipal Purposes Within "CAPS" | 6,209,437.00 | 6,209,437.00 | 5,749,124.50 | 460,312.50 | |
| 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 | |
| Shared Service Agreements: | | | | | |
| Township of Sparta 911 Dispatch | | | | | |
| Fire | 31,663.00 | 31,663.00 | 31,662.18 | 0.82 | |
| Police | 33,582.00 | 33,582.00 | 33,581.10 | 0.90 | |
| EMS | 30,703.00 | 30,703.00 | 30,702.72 | 0.28 | |
| Township of Hardyston | | | | | |
| Municipal Drug Alliance Program | 1,600.00 | 1,600.00 | | 1,600.00 | |
| Construction Office | 62,566.00 | 62,566.00 | | 62,566.00 | |
| Township of Wantage - Tax Collector | | | | | |
| Salaries and Wages | 31,867.00 | 31,867.00 | 31,837.00 | 30.00 | |
| Total Operations Excluded from "CAPS" | 226,981.00 | 226,981.00 | 127,783.00 | 99,198.00 | |

BOROUGH OF FRANKLIN
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2022
(Continued)

| | Appropriations | | Expended By | | Unexpended Balance Cancelled |
|---|-----------------|------------------------------|--------------------|---------------|------------------------------------|
| | Budget | Budget After Modification | Paid or Charged | Reserved | |
| Detail: | | | | | |
| Salaries and Wages | \$ 31,867.00 | \$ 31,867.00 | \$ 31,837.00 | \$ 30.00 | |
| Other Expenses | 195,114.00 | 195,114.00 | 95,946.00 | 99,168.00 | |
| Capital Improvements - Excluded from "CAPS": | | | | | |
| Capital Improvement Fund | 84,574.00 | 84,574.00 | 84,574.00 | | |
| Improvements to Streets & Roads | 25,000.00 | 25,000.00 | 17,334.00 | 7,666.00 | |
| Municipal Property Improvement | 25,000.00 | 25,000.00 | 19,330.59 | 5,669.41 | |
| Office Equipment | 10,000.00 | 10,000.00 | 1,860.59 | 8,139.41 | |
| Fire Department Equipment | 37,000.00 | 37,000.00 | 36,994.19 | 5.81 | |
| Total Capital Improvements - Excluded from "CAPS" | 181,574.00 | 181,574.00 | 160,093.37 | 21,480.63 | |
| Municipal Debt Service - Excluded from "CAPS": | | | | | |
| Payment of Bond Anticipation Notes | 366,810.00 | 366,810.00 | 365,573.00 | | \$ 1,237.00 |
| Interest on Notes | 22,800.00 | 22,800.00 | 22,795.81 | | 4.19 |
| Total Municipal Debt Service - Excluded from "CAPS" | 389,610.00 | 389,610.00 | 388,368.81 | | 1,241.19 |
| Total General Appropriations - Excluded from "CAPS" | 798,165.00 | 798,165.00 | 676,245.18 | 120,678.63 | 1,241.19 |
| Subtotal General Appropriations | 7,007,602.00 | 7,007,602.00 | 6,425,369.68 | 580,991.13 | 1,241.19 |
| Reserve for Uncollected Taxes | 500,000.00 | 500,000.00 | 500,000.00 | | |
| Total General Appropriations: | \$ 7,507,602.00 | \$ 7,507,602.00 | \$ 6,925,369.68 | \$ 580,991.13 | \$ 1,241.19 |

Ref.

A

BOROUGH OF FRANKLIN
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2022
(Continued)

| | | Analysis of | |
|-------------------------------|------|------------------------------|--------------------|
| | Ref. | Budget After Modification | Paid or Charged |
| Adopted Budget | | \$ 7,507,602.00 | |
| Reserve for Uncollected Taxes | | | \$ 500,000.00 |
| Reserve for Encumbrances | A | | 249,531.99 |
| Cash Disbursed | | | 6,383,260.67 |
| | | | 7,132,792.66 |
| Less: Appropriation Refunds | | | 207,422.98 |
| | | | \$ 6,925,369.68 |

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

BOROUGH OF FRANKLIN
COUNTY OF SUSSEX
2022
TRUST FUNDS

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

| | Ref. | December 31, | |
|---|------|------------------------|------------------------|
| | | 2022 | 2021 |
| <u>ASSETS</u> | | | |
| Animal Control Fund: | | | |
| Cash and Cash Equivalents: | | | |
| Treasurer | B-4 | \$ 17,859.49 | \$ 10,573.46 |
| | | <u>17,859.49</u> | <u>10,573.46</u> |
| Other Trust Funds: | | | |
| Cash and Cash Equivalents | B-4 | 2,177,141.38 | 2,099,833.65 |
| Due From Current Fund | A | 139,447.85 | 71,257.17 |
| | | <u>2,316,589.23</u> | <u>2,171,090.82</u> |
| TOTAL ASSETS | | <u>\$ 2,334,448.72</u> | <u>\$ 2,181,664.28</u> |
| <u>LIABILITIES AND RESERVES</u> | | | |
| Animal Control Fund: | | | |
| Due Current Fund | A | \$ 4,964.49 | \$ 20.63 |
| Due State Board of Health | | 508.20 | |
| Reserve for Animal Control Expenditures | B-5 | 12,386.80 | 10,552.83 |
| | | <u>17,859.49</u> | <u>10,573.46</u> |
| Other Trust Funds: | | | |
| Due Federal and State Grant Fund | A | | 247,070.12 |
| Reserve for: | | | |
| Land Use Escrow Deposits | | 137,550.65 | 136,284.65 |
| Performance Bonds Escrow | | 48,955.61 | 48,993.10 |
| Recreation | | 181,581.48 | 177,302.85 |
| Senior Citizens | | 85.01 | 85.01 |
| Small Cities | | 371,092.72 | 371,092.72 |
| Road Opening | | 21,404.46 | 4,420.00 |
| Driveway Escrow | | 10,611.26 | 10,611.26 |
| Parking Offense Adjudication Fees | | 139.41 | 115.41 |
| Public Defender Fees | | 3,562.98 | 5,671.98 |
| BPW Escrow | | 121,293.92 | 110,263.22 |
| Police Outside Duty | | 26,690.22 | 25,409.26 |
| Outside Liens | | 548.35 | 50.00 |
| Tax Sale Premiums | | 513,500.00 | 301,100.00 |
| Storm Recovery | | 219,711.01 | 199,226.24 |
| Affordable Housing | | 304,543.74 | 300,118.64 |
| Forfeited Property | | 213.76 | 211.71 |
| Mobile Video Record System | | 2,724.00 | 2,724.00 |
| Uniform Fire Safety Code | | 1,367.38 | 1,367.38 |
| Renovation of Hungarian Church | | 1,435.00 | 1,435.00 |
| Police Donations | | 40.00 | |
| Open Space | | 50,000.00 | 50,000.00 |
| Accumulated Absences | | 299,538.27 | 177,538.27 |
| | | <u>2,316,589.23</u> | <u>2,171,090.82</u> |
| TOTAL LIABILITIES AND RESERVES | | <u>\$ 2,334,448.72</u> | <u>\$ 2,181,664.28</u> |

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

BOROUGH OF FRANKLIN
ASSESSMENT TRUST FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2022

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, 2022

NOT APPLICABLE

ASSESSMENT TRUST FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2022

NOT APPLICABLE

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

BOROUGH OF FRANKLIN
COUNTY OF SUSSEX
2022
GENERAL CAPITAL FUND

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

| | Ref. | December 31, | |
|---|------|------------------------|------------------------|
| | | 2022 | 2021 |
| <u>ASSETS</u> | | | |
| Cash and Cash Equivalents | C-2 | \$ 893,529.78 | \$ 1,766,154.44 |
| New Jersey Department of Transportation Grants Receivable | | 78,503.62 | 37,875.00 |
| Due from Current Fund | A | 3,959.48 | |
| Deferred Charges to Future Taxation: | | | |
| Unfunded | C-4 | 2,699,055.00 | 2,530,145.00 |
| TOTAL ASSETS | | \$ 3,675,047.88 | \$ 4,334,174.44 |
| <u>LIABILITIES, RESERVES AND FUND BALANCE</u> | | | |
| Bond Anticipation Notes Payable | C-7 | \$ 1,914,008.00 | \$ 2,279,581.00 |
| Improvement Authorizations: | | | |
| Funded | C-5 | 178,663.70 | 20,679.29 |
| Unfunded | C-5 | 965,147.03 | 666,252.23 |
| Capital Improvement Fund | C-6 | 161,050.20 | 131,391.20 |
| Due to Current Fund | A | | 677.79 |
| Due to Water and Sewer Utility Capital Fund | D | | 89,883.00 |
| Reserve for: | | | |
| Encumbrances | | 231,452.87 | 895,983.85 |
| 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 | | 86,375.00 | 111,375.00 |
| Fund Balance | C-1 | 75,234.04 | 75,234.04 |
| TOTAL LIABILITIES, RESERVES AND FUND BALANCE | | \$ 3,675,047.88 | \$ 4,334,174.44 |

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, 2021 | C | <u>\$ 75,234.04</u> |
| Balance December 31, 2022 | C | <u>\$ 75,234.04</u> |

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

BOROUGH OF FRANKLIN
COUNTY OF SUSSEX
2022
WATER AND SEWER UTILITY FUND

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

| | Ref. | December 31, | |
|--|------|--------------------------------|--------------------------------|
| | | 2022 | 2021 |
| <u>ASSETS</u> | | | |
| Operating Fund: | | | |
| Cash and Cash Equivalents: | | | |
| Treasurer | D-4 | \$ 2,932,130.25 | \$ 2,422,120.39 |
| Change Fund | | 200.00 | 200.00 |
| Due from Water and Sewer Utility Capital Fund | D | | 345.47 |
| Receivables and Other Assets with Full Reserves: | | | |
| Consumer Accounts Receivable | D-6 | 140,223.94 | 292,881.33 |
| Water and Sewer Utility Liens | D-6a | 3,052.41 | 3,052.41 |
| Total Operating Fund | | <u>3,075,606.60</u> | <u>2,718,599.60</u> |
| Capital Fund: | | | |
| Cash and Cash Equivalents | D-4 | 828,909.66 | 862,884.38 |
| Due from Water and Sewer Utility Operating Fund | D | 30,686.60 | |
| Due from General Capital Fund | C | | 89,883.00 |
| Fixed Capital | D-7 | 21,424,913.31 | 21,375,701.92 |
| Fixed Capital Authorized and Uncompleted | D-8 | 1,943,068.00 | 1,073,383.00 |
| Total Capital Fund | | <u>24,227,577.57</u> | <u>23,401,852.30</u> |
| TOTAL ASSETS | | <u><u>\$ 27,303,184.17</u></u> | <u><u>\$ 26,120,451.90</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>2022</u> | <u>2021</u> |
| Operating Fund: | | | |
| Appropriation Reserves: | | | |
| Unencumbered | D-3;D-9 | \$ 372,275.46 | \$ 480,737.13 |
| Encumbered | D-3;D-9 | 71,069.80 | 70,098.63 |
| | | <u>443,345.26</u> | <u>550,835.76</u> |
| Due to Water and Sewer Utility Capital Fund | D | 30,686.60 | |
| Water and Sewer Overpayments | | 7,426.83 | 7,170.15 |
| Accrued Interest on Bond Anticipation Notes | | | 372.21 |
| Accrued Interest on Bonds | | 23,850.00 | 24,693.75 |
| Reserve for Water Hook-Ups | | 5,193.00 | 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>526,715.32</u> | <u>604,478.50</u> |
| Reserve for Receivables | D | 143,276.35 | 295,933.74 |
| Fund Balance | D-1 | 2,405,614.93 | 1,818,187.36 |
| Total Operating Fund | | <u>3,075,606.60</u> | <u>2,718,599.60</u> |
| Capital Fund: | | | |
| Serial Bonds Payable | D-16 | 1,610,000.00 | 1,685,000.00 |
| Bond Anticipation Notes Payable | D-15 | | 89,883.00 |
| Improvement Authorizations: | | | |
| Funded | D-10 | 20,878.06 | 56,145.71 |
| Unfunded | D-10 | 839,685.00 | 77,558.00 |
| Capital Improvement Fund | D-11 | 250,540.07 | 200,540.07 |
| 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 | | 136,014.45 | 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 Amortization | D-12 | 20,680,796.31 | 20,466,701.92 |
| Deferred Reserve for Amortization | D-13 | 237,500.00 | 207,500.00 |
| Fund Balance | D-1A | 23,965.67 | 23,965.67 |
| Total Capital Fund | | <u>24,227,577.57</u> | <u>23,401,852.30</u> |
| TOTAL LIABILITIES, RESERVES AND FUND BALANCE | | <u><u>\$ 27,303,184.17</u></u> | <u><u>\$ 26,120,451.90</u></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. | <u>Year Ended December 31,</u> | |
|--|------|--------------------------------|------------------------|
| | | <u>2022</u> | <u>2021</u> |
| <u>Revenue and Other Income Realized</u> | | | |
| Fund Balance Utilized | | \$ 455,061.00 | \$ 328,450.00 |
| Water and Sewer Rents | | 2,370,877.88 | 2,155,749.13 |
| Miscellaneous | | 357,878.17 | 191,928.25 |
| Other Credits to Income: | | | |
| Unexpended Balance of Appropriation Reserves | | 468,765.39 | 259,897.73 |
| Total Income | | <u>3,652,582.44</u> | <u>2,936,025.11</u> |
| <u>Expenditures</u> | | | |
| Budget Appropriations: | | | |
| Operating | | 2,071,878.00 | 2,080,005.00 |
| Capital Improvements | | 200,000.00 | 158,000.00 |
| Debt Service | | 230,415.87 | 137,755.54 |
| Deferred Charges and Statutory Expenditures | | 92,800.00 | 93,000.00 |
| Total Expenditures | | <u>2,595,093.87</u> | <u>2,468,760.54</u> |
| Excess in Revenue | | 1,057,488.57 | 467,264.57 |
| <u>Fund Balance</u> | | | |
| Balance January 1 | | <u>1,818,187.36</u> | <u>1,694,372.79</u> |
| | | 2,875,675.93 | 2,161,637.36 |
| Decreased by: | | | |
| Utilization as Anticipated Revenue | | 455,061.00 | 328,450.00 |
| Fund Balance Anticipated in Current Fund | | 15,000.00 | 15,000.00 |
| Balance December 31 | D | <u>\$ 2,405,614.93</u> | <u>\$ 1,818,187.36</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, 2021 | D | \$ 23,965.67 |
| Balance December 31, 2022 | 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, 2022

| | <u>Anticipated</u> | <u>Realized</u> | <u>Excess or Deficit*</u> |
|-----------------------|------------------------|------------------------|-------------------------------|
| Fund Balance Utilized | \$ 455,061.00 | \$ 455,061.00 | |
| Water Rents | 545,000.00 | 615,545.90 | \$ 70,545.90 |
| Sewer Rents | 1,595,500.00 | 1,755,331.98 | 159,831.98 |
| Budget Totals | <u>2,595,561.00</u> | <u>2,825,938.88</u> | <u>230,377.88</u> |
| Nonbudget Revenue | | <u>357,878.17</u> | <u>357,878.17</u> |
| | <u>\$ 2,595,561.00</u> | <u>\$ 3,183,817.05</u> | <u>\$ 588,256.05</u> |

Analysis of Rents

| | |
|-----------------------------------|------------------------|
| Water and Sewer Rents Collections | \$ 2,363,709.52 |
| Overpayments Applied | <u>7,168.36</u> |
| | <u>\$ 2,370,877.88</u> |

Analysis of Nonbudget Revenue

Miscellaneous Revenue Not Anticipated:

Collector:

| | |
|-------------------------------|-----------------|
| Interest on Consumer Accounts | \$ 41,930.98 |
| Sprinklers | 9,400.00 |
| Final Readings | <u>2,205.11</u> |

Treasurer:

Interest on Investments and Deposits:

| | |
|----------------------------------|-----------------|
| Collected/Received by Treasurer | 27,076.49 |
| Due from Water and Sewer Utility | |
| Capital Fund | 625.93 |
| Sewer Reservation Fees | 6,259.15 |
| Antenna Lease Agreement | 77,024.80 |
| Application Fees | 400.00 |
| Water Connection Fees | 119,958.30 |
| Sewer Connection Fees | 67,141.50 |
| Other Miscellaneous | <u>5,855.91</u> |

53,536.09

304,342.08

\$ 357,878.17

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

BOROUGH OF FRANKLIN
WATER AND SEWER UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2022

| | <u>Appropriations</u> | | <u>Expended by</u> | | <u>Unexpended Balance Cancelled</u> |
|---|------------------------|--------------------------------------|----------------------------|----------------------|---|
| | <u>Budget</u> | <u>Budget After Modification</u> | <u>Paid or Charged</u> | <u>Reserved</u> | |
| Operating: | | | | | |
| Salaries and Wages | \$ 445,000.00 | \$ 445,000.00 | \$ 400,052.38 | \$ 44,947.62 | |
| Other Expenses | 1,626,878.00 | 1,626,878.00 | 1,403,528.57 | 223,349.43 | |
| Capital Improvements: | | | | | |
| Capital Improvement Fund | 50,000.00 | 50,000.00 | 50,000.00 | | |
| Capital Outlay | 25,000.00 | 25,000.00 | 19,000.00 | 6,000.00 | |
| Improvements to Water and Sewer Systems | 105,000.00 | 105,000.00 | 34,743.89 | 70,256.11 | |
| Purchase of Water and Sewer Equipment | 20,000.00 | 20,000.00 | 16,957.61 | 3,042.39 | |
| Debt Service: | | | | | |
| Payment of Bond Principal | 75,000.00 | 75,000.00 | 75,000.00 | | |
| Payment of Bond Anticipation Notes | 89,883.00 | 89,883.00 | 89,883.00 | | |
| Interest on Bonds | 65,100.00 | 65,100.00 | 65,006.25 | | 93.75 |
| Interest on Notes | 900.00 | 900.00 | 526.62 | | 373.38 |
| Statutory Expenditures: | | | | | |
| Contributions to: | | | | | |
| Public Employees' Retirement System | 46,000.00 | 46,000.00 | 40,000.00 | 6,000.00 | |
| Social Security System (O.A.S.I.) | 45,000.00 | 45,000.00 | 27,022.27 | 17,977.73 | |
| Unemployment Compensation Insurance | 1,800.00 | 1,800.00 | 1,097.82 | 702.18 | |
| | <u>\$ 2,595,561.00</u> | <u>\$ 2,595,561.00</u> | <u>\$ 2,222,818.41</u> | <u>\$ 372,275.46</u> | <u>\$ 467.13</u> |
| | | | | D | |
| Cash Disbursed | | | \$ 2,038,950.89 | | |
| Due Water and Sewer Utility Capital Fund: | | | 50,000.00 | | |
| Accrued Interest on Bonds | | | 65,006.25 | | |
| Accrued Interest on Bond Anticipation Notes | | | 526.62 | | |
| Encumbrances | | | 71,069.80 | | |
| | | | <u>2,225,553.56</u> | | |
| Less: Appropriation Refunds | | | <u>2,735.15</u> | | |
| | | | <u>\$ 2,222,818.41</u> | | |

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

BOROUGH OF FRANKLIN
COUNTY OF SUSSEX
2022
PUBLIC ASSISTANCE FUND

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

| | <u>Ref.</u> | <u>December 31,</u> | |
|--|-------------|---------------------------|---------------------------|
| | | <u>2022</u> | <u>2021</u> |
| <u>ASSETS</u> | | | |
| Cash and Cash Equivalents: | | | |
| Treasurer | F-1 | <u>\$ 5,858.78</u> | <u>\$ 5,802.45</u> |
| TOTAL ASSETS | | <u><u>\$ 5,858.78</u></u> | <u><u>\$ 5,802.45</u></u> |
| <u>RESERVES</u> | | | |
| Reserve for Public Assistance Expenditures | | <u>\$ 5,858.78</u> | <u>\$ 5,802.45</u> |
| TOTAL RESERVES | | <u><u>\$ 5,858.78</u></u> | <u><u>\$ 5,802.45</u></u> |

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

BOROUGH OF FRANKLIN
COUNTY OF SUSSEX
2022
GENERAL FIXED ASSETS ACCOUNT GROUP

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

| | December 31, | |
|----------------------------|-------------------------|-------------------------|
| <u>ASSETS</u> | 2022 | 2021 |
| Land | \$ 3,091,600.00 | \$ 3,091,600.00 |
| Buildings and Improvements | 3,457,100.00 | 3,457,100.00 |
| Equipment | 5,217,748.00 | 5,139,230.80 |
| TOTAL ASSETS | \$ 11,766,448.00 | \$ 11,687,930.80 |
| <u>RESERVES</u> | | |
| Reserve for Fixed Assets | \$ 11,766,448.00 | \$ 11,687,930.80 |
| TOTAL RESERVES | \$ 11,766,448.00 | \$ 11,687,930.80 |

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

BOROUGH OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

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, 2022
 (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, 2022
(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, lease receivables and deferred lease resources as well as the related revenue would be recorded for leases for which the Borough is a lessor 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 and Water and Sewer Utility Capital 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 financed purchases 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, 2022
(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 and utility 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, 2022
(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, | | |
|---|------------------------|------------------------|------------------------|
| | 2022 | 2021 | 2020 |
| Issued | | | |
| General: | | | |
| Notes | \$1,914,008.00 | \$2,279,581.00 | \$1,716,499.00 |
| Water and Sewer Utility: | | | |
| Bonds | <u>1,610,000.00</u> | <u>1,774,883.00</u> | <u>1,760,000.00</u> |
| Net Debt Issued | <u>3,524,008.00</u> | <u>4,054,464.00</u> | <u>3,476,499.00</u> |
| Authorized but not Issued: | | | |
| General: | | | |
| Bonds and Notes | 785,047.00 | 250,564.00 | 286,406.00 |
| Water and Sewer Utility: | | | |
| Bonds | <u>839,685.00</u> | | |
| Total Authorized but not Issued | <u>1,624,732.00</u> | <u>250,564.00</u> | <u>286,406.00</u> |
| Less: | | | |
| General: | | | |
| Reserve to Pay Debt Service | <u>86,375.00</u> | <u>111,375.00</u> | <u>111,375.00</u> |
| Net Bonds and Notes Issued and Authorized but not Issued | <u>\$ 5,062,365.00</u> | <u>\$ 4,193,653.00</u> | <u>\$ 3,651,530.00</u> |

Summary of Statutory Debt Condition – Annual Debt Statement

The summarized statement of debt condition, which follows, is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 0.535%.

| | Gross Debt | Deductions | Net Debt |
|------------------------------|------------------------|------------------------|------------------------|
| Regional High School Debt | \$ 1,441,308.44 | \$ 1,441,308.44 | |
| Water and Sewer Utility Debt | 2,449,685.00 | 2,449,685.00 | |
| General Debt | <u>2,699,055.00</u> | <u>86,375.00</u> | <u>\$ 2,612,680.00</u> |
| | <u>\$ 6,590,048.44</u> | <u>\$ 3,977,368.44</u> | <u>\$ 2,612,680.00</u> |

Net Debt: \$2,612,680.00 divided by Average Equalized Valuations of \$488,237,073.67 of Real Property = 0.535%.

BOROUGH OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(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 | \$ 17,088,297.58 |
| Net Debt | <u>2,612,680.00</u> |
| Remaining Borrowing Power | <u>\$ 14,475,617.58</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 | \$ 3,183,817.05 |
| Deductions: | |
| Operating and Maintenance Costs | \$ 2,164,678.00 |
| Debt Service Costs | <u>230,415.87</u> |
| | <u>2,395,093.87</u> |
| Excess in Revenue | <u>\$ 788,723.18</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 12/31/2020 | 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 | | <u>89,883.00</u> | | <u>89,883.00</u> |
| | <u>\$ 3,476,499.00</u> | <u>\$ 2,369,464.00</u> | <u>\$ 1,791,499.00</u> | <u>\$ 4,054,464.00</u> |

BOROUGH OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

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

Summary of Municipal Debt Issued and Outstanding - Current Year

| Fund | Balance 12/31/2021 | Additions | Retirements | Balance 12/31/2022 |
|--------------------------------------|------------------------|------------------------|------------------------|------------------------|
| Serial Bonds: | | | | |
| Water and Sewer Utility Capital Fund | \$ 1,685,000.00 | | \$ 75,000.00 | \$ 1,610,000.00 |
| Bond Anticipation Notes: | | | | |
| General Capital Fund | 2,279,581.00 | \$ 1,914,008.00 | 2,279,581.00 | 1,914,008.00 |
| Water and Sewer Utility Capital Fund | 89,883.00 | | 89,883.00 | |
| | <u>\$ 4,054,464.00</u> | <u>\$ 1,914,008.00</u> | <u>\$ 2,444,464.00</u> | <u>\$ 3,524,008.00</u> |

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

| Year | Water and Sewer Utility | | |
|-----------|-------------------------|----------------------|------------------------|
| | Principal | Interest | Total |
| 2023 | \$ 80,000.00 | \$ 63,600.00 | \$ 143,600.00 |
| 2024 | 80,000.00 | 61,200.00 | 141,200.00 |
| 2025 | 85,000.00 | 58,000.00 | 143,000.00 |
| 2026 | 85,000.00 | 54,600.00 | 139,600.00 |
| 2027 | 90,000.00 | 51,200.00 | 141,200.00 |
| 2028-2032 | 505,000.00 | 199,200.00 | 704,200.00 |
| 2033-2037 | 625,000.00 | 89,000.00 | 714,000.00 |
| 2038 | 60,000.00 | 2,400.00 | 62,400.00 |
| | <u>\$ 1,610,000.00</u> | <u>\$ 579,200.00</u> | <u>\$ 2,189,200.00</u> |

BOROUGH OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

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

At December 31, 2022, the Borough had debt issued and outstanding described as follows:

Water and Sewer Utility Capital Serial Bonds

| <u>Purpose</u> | <u>Final Maturity</u> | <u>Interest Rate</u> | <u>Balance Dec. 31, 2022</u> |
|-----------------------|-----------------------|----------------------|----------------------------------|
| Water Refunding Bonds | 8/15/2038 | 3.00% - 4.00% | <u>\$ 1,610,000.00</u> |

General Capital Bond Anticipation Notes

| <u>Purpose</u> | <u>Final Maturity</u> | <u>Interest Rate</u> | <u>Balance Dec. 31, 2022</u> |
|---------------------------------------|-----------------------|----------------------|----------------------------------|
| Various Improvements | 7/28/2023 | 2.48% | \$ 291,600.00 |
| Various Improvements | 7/28/2023 | 2.48% | 54,735.00 |
| Various Improvements | 7/28/2023 | 2.48% | 21,511.00 |
| Various Improvements | 7/28/2023 | 2.48% | 177,770.00 |
| Purchase of Fire Truck | 7/28/2023 | 2.48% | 285,000.00 |
| Improvements to Various Roads | 7/28/2023 | 2.48% | 201,600.00 |
| Various Improvements | 7/28/2023 | 2.48% | 228,645.00 |
| Various Improvements | 7/28/2023 | 2.48% | <u>653,147.00</u> |
| | | | <u>\$ 1,914,008.00</u> |
| Total Debt Issued and Outstanding | | | <u>\$ 3,524,008.00</u> |

BOROUGH OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 3 - Fund Balances Appropriated

Fund balance at December 31, 2022 which is included in the Current Fund Budget for the year ended December 31, 2023, is \$745,000. Fund balance at December 31, 2022 which is included in the Water and Sewer Utility Operating Fund Budget for the year ended December 31, 2023, is \$455,100.

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, 2022
(Continued)

Note 4 - Pension Plans (Cont'd)

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

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid.

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 \$158,031.38 for 2022. During the fiscal year ended June 30, 2022, the State of New Jersey contributed \$3,791 to the PERS for normal pension benefits on behalf of the Borough.

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

Special Funding Situation

A special funding situation exists for certain local employers of the PERS. The State of New Jersey, as a nonemployer, is required to pay the additional costs incurred by local employers Chapter 133, P.L. 2001. The special funding situation for Chapter 133, P.L. 2001 is due to the State paying the additional normal cost related to benefit improvements from Chapter 133. Previously, this additional normal cost was paid from the Benefit Enhancement Fund (BEF). As of June 30, 2022, there is no net pension liability associated with this special funding situation and there was no accumulated difference between the annual additional normal cost under the special funding situation and the actual State contribution through the valuation date. The State special funding situation for the fiscal year ending June 30, 2022, is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2022. The pension expense is deemed to be a State administrative expense due to the special funding situation.

Pension Liabilities and Pension Expense

At June 30, 2022, the Borough's liability was \$1,801,813 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021 which was rolled forward to June 30, 2022. 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, 2022, the Borough's proportion was .0119%, which was a decrease of 0.0015% from its proportion measured as of June 30, 2021. The Borough has rolled forward the net pension liability as of June 30, 2021 with no adjustments.

BOROUGH OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 4 - Pension Plans (Cont'd)

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

Pension Liabilities and Pension Expense (Cont'd)

The State of New Jersey Public Employees' Retirement Systems (PERS)' valuation cycle is July 1 instead of December 31. The roll forward methodology puts them a year in arrears in terms of valuation.

There was no state proportionate share of net pension liability attributable to the Borough as of June 30, 2022.

For the year ended December 31, 2022, the Borough recognized actual pension expense in the amount of \$158,031.38.

Actuarial Assumptions

The total pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of July 1, 2021 which was rolled forward to June 30, 2022. This actuarial valuation used the following actuarial assumptions:

| | |
|---------------------------|--|
| Inflation Rate: | |
| Price | 2.75% |
| Wage | 3.25% |
| Salary Increases | 2.75 – 6.55% 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-2021.

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021.

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, 2022) 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, 2022 are summarized in the table on the following page:

BOROUGH OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(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% | 8.12% |
| Non-U.S. Developed Markets Equity | 13.50% | 8.38% |
| Emerging Markets Equity | 5.50% | 10.33% |
| Private Equity | 13.00% | 11.80% |
| Real Estate | 8.00% | 11.19% |
| Real Assets | 3.00% | 7.60% |
| High Yield | 4.00% | 4.95% |
| Private Credit | 8.00% | 8.10% |
| Investment Grade Credit | 7.00% | 3.38% |
| Cash Equivalents | 4.00% | 1.75% |
| U.S. Treasuries | 4.00% | 1.75% |
| Risk Mitigation Strategies | 3.00% | 4.91% |

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. 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 100% 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, 2022 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, 2022</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 | \$ 2,314,802 | \$ 1,801,813 | \$ 1,365,239 |

BOROUGH OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(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. State legislation has modified the amount that is contributed by the State. The State's contribution amount is based on an actuarially determined rate, which includes the normal costs and unfunded accrued liability. For fiscal year 2021, the State contributed an amount less than the actuarially determined amount.

BOROUGH OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 4 - Pension Plans (Cont'd)

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

Contributions (Cont'd)

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 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.

Borough contributions to PFRS amounted to \$426,891.10 for the year ended December 31, 2022. During the fiscal year ended June 30, 2021, the State of New Jersey contributed \$65,400 to the PFRS for normal pension benefits on behalf of the Borough, which is less than the contractually required contribution of \$83,847.

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

Pension Liabilities and Pension Expense

At June 30, 2021, the Borough's liability for its proportionate share of the net pension liability was \$2,676,837. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020 which was rolled forward to June 30, 2021. 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, 2022
(Continued)

Note 4 - Pension Plans (Cont'd)

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

At June 30, 2021, the Borough's proportion was .0366%, which was an increase of .0012% from its proportion measured as of June 30, 2020. The Borough has rolled forward the net pension liability as of June 30, 2021 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, 2021 information in the Notes to the Financial Statements as the June 30, 2022 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 \$752,860 as of June 30, 2021. 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, 2020 which was rolled forward to June 30, 2021. 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, 2021, the State's proportion was .0366%, which was an increase of .0012% from its proportion measured as of June 30, 2020 which is the same proportion as the Borough’s.

| | |
|---|--------------|
| Borough's Proportionate Share of the Net Pension Liability | \$ 2,676,837 |
| State's Proportionate Share of the Net Pension Liability Associated with the Borough | 752,860 |
| Total Net Pension Liability | \$ 3,429,697 |

For the year ended December 31, 2022, the Borough recognized total pension expense of \$426,891.10.

Actuarial Assumptions

The total pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of July 1, 2020 which was rolled forward to June 30, 2021. This actuarial valuation used the following actuarial assumptions:

| | |
|---------------------------|---|
| Inflation Rate: | 2.75% |
| 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, 2022
(Continued)

Note 4 - Pension Plans (Cont'd)

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

Actuarial Assumptions (Cont'd)

Employee mortality rates were based on the PubS-2010 amount-weighted mortality table with a 105.6% adjustment for males and 102.5% adjustment for females. For healthy annuitants, mortality rates were based on the PubS-2010 amount-weighted mortality table with a 96.7% adjustment for males and 96.0% adjustment for females. Disability rates were based on the PubS-2010 amount-weighted mortality table with a 152.0% adjustment for males and 109.3% adjustment for females. Mortality improvement is based on Scale MP-2021.

The actuarial assumptions used in the July 1, 2020 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, 2021) 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, 2021 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% | 8.09% |
| Non-U.S. Developed Market Equity | 13.50% | 8.71% |
| Emerging Markets Equity | 5.50% | 10.96% |
| Private Equity | 13.00% | 11.30% |
| Real Assets | 3.00% | 7.40% |
| Real Estate | 8.00% | 9.15% |
| High Yield | 2.00% | 3.75% |
| Private Credit | 8.00% | 7.60% |
| Investment Grade Credit | 8.00% | 1.68% |
| Cash Equivalents | 4.00% | 0.50% |
| U.S. Treasuries | 5.00% | 0.95% |
| Risk Mitigation Strategies | 3.00% | 3.35% |

BOROUGH OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(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, 2021. 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 100% 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, 2021 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, 2021 | | |
|---|------------------------------|--|------------------------------|
| | 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 | \$ 5,207,888 | \$ 3,429,697 | \$ 1,949,545 |

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, 2022
(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 \$3,456.36 for the year ended December 31, 2022. Employee contributions to DCRP amounted to \$7,550.34 for the year ended December 31, 2022.

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 \$316,934.22. 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. This amount is partially funded in the Reserve for Accumulated Absences of \$299,538.27 on the Trust Funds balance sheet at December 31, 2022.

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, 2022
(Continued)

Note 6 - Selected Tax Information (Cont'd)

| | <u>2022</u> | <u>2021</u> | <u>2020</u> |
|----------------------------------|--------------------------|--------------------------|--------------------------|
| Tax Rate | \$ 4.226 | \$ 4.104 | \$ 3.975 |
| <u>Apportionment of Tax Rate</u> | | | |
| Municipal | 1.294 | 1.262 | 1.226 |
| County | 0.702 | 0.652 | 0.625 |
| Local School | 1.578 | 1.534 | 1.491 |
| Regional High School | 0.652 | 0.656 | 0.633 |
| <u>Assessed Valuations</u> | | | |
| 2022 | <u>\$ 392,894,190.00</u> | | |
| 2021 | | <u>\$ 393,685,500.00</u> | |
| 2020 | | | <u>\$ 395,552,814.00</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.

| <u>Year</u> | <u>Tax Levy</u> | <u>Currently</u> | |
|-------------|------------------|-------------------------|---------------------------------|
| | | <u>Cash Collections</u> | <u>Percentage of Collection</u> |
| 2022 | \$ 16,742,757.63 | \$ 16,198,048.96 | 96.74% |
| 2021 | 16,197,490.63 | 15,810,384.36 | 97.61% |
| 2020 | 15,773,716.75 | 15,297,353.28 | 96.98% |

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, 2022
(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, 2022
(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, 2022
(Continued)

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

Investments (Cont'd)

As of December 31, 2022, 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 | \$ 4,846,266.04 | | \$ 81,320.03 | \$ 4,928,086.07 |
| Animal Control | | 17,859.49 | | | 17,859.49 |
| Other Trust | | 2,011,575.46 | \$25,000.00 | 140,565.92 | 2,177,141.38 |
| General Capital | | 851,232.53 | | 42,297.25 | 893,529.78 |
| Water and Sewer | | | | | |
| Utility Operating | 200.00 | 2,849,617.80 | | 82,512.45 | 2,932,330.25 |
| Water and Sewer | | | | | |
| Utility Capital | | 786,727.29 | | 42,182.37 | 828,909.66 |
| Public Assistance | | 5,858.78 | | | 5,858.78 |
| | <u>\$ 700.00</u> | <u>\$11,369,137.39</u> | <u>\$25,000.00</u> | <u>\$ 388,878.02</u> | <u>\$11,783,715.41</u> |

The carrying amount of the Borough's cash and cash equivalents at December 31, 2022, was \$11,783,715.41 and the bank balance was \$11,803,421.69. The \$388,878.02 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, 2022
 (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, 2022 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, 2021 for the Fund is as follows:

| | |
|------------------------|----------------|
| Total Assets | \$ 50,984,456 |
| Net Position | \$ 15,544,217 |
| Total Revenue | \$ 27,262,008 |
| Total Expenses | \$ 28,592,096 |
| Change in Net Position | \$ (1,330,088) |
| 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, 2022
(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, 2022:

| | Balance Dec. 31, 2021 | Additions | Deletions | Balance Dec. 31, 2022 |
|----------------------------|--------------------------|---------------|---------------|--------------------------|
| 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 | \$ 485,812.20 | \$ 407,295.00 | 5,217,748.00 |
| | \$11,687,930.80 | \$ 485,812.20 | \$ 407,295.00 | \$11,766,448.00 |

Note 11 - Interfund Receivables and Payables

The following interfund balances remained on the balance sheet at December 31, 2022:

| Fund | Interfund Receivable | Interfund Payable |
|------------------------------------|-------------------------|----------------------|
| Current Fund | \$ 4,964.49 | \$ 720,535.13 |
| Federal and State Grant Fund | 577,127.80 | |
| Other Trust Fund | 139,447.85 | |
| Animal Control Fund | | 4,964.49 |
| General Capital Fund | 3,959.48 | |
| Water/Sewer Utility Operating Fund | | 30,686.60 |
| Water/Sewer Utility Capital Fund | 30,686.60 | |
| | \$ 756,186.22 | \$ 756,186.22 |

BOROUGH OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(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 Federal and State 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 Water and Sewer Utility Operating Fund interfund is from overfunding of the bond anticipation note payable.

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 plan 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.

Various tax appeals on assessed valuations have been filed against the Borough and are awaiting tax court decisions. The ultimate outcome and effect of such appeals have not been determined; however, the Borough Tax Assessor will aggressively defend the Borough's assessments. The Borough has established a reserve in the amount of \$310,885 which it feels should be sufficient to cover these tax appeals.

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.

BOROUGH OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 16 - Postemployment Benefits Other Than Pensions (OPEB)

State Health Benefit Local Government Retired Employees Plan

General Information about the OPEB Plan

Plan Description

The State Health Benefit Local Government Retired Employees Plan (the Plan) is a cost sharing multiple employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) annual financial statements, which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

Benefits Provided

The Plan provides medical and prescription drug coverage to retirees and their covered dependents of the participating employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

In accordance with Chapter 330, P.L. 1997, which is codified in N.J.S.A. 52:14-17.32i, the State provides medical and prescription coverage to local police officers and firefighters, who retire with 25 years of service or on a disability from an employer who does not provide postretirement medical coverage. Local employers were required to file a resolution with the Division in order for their employees to qualify for State-paid retiree health benefits coverage under Chapter 330. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989.

Contributions

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

BOROUGH OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 16 - Postemployment Benefits Other Than Pensions (OPEB) (Cont'd)

State Health Benefit Local Government Retired Employees Plan (Cont'd)

Special Funding Situation

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

Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 75 and the State is treated as a nonemployer contributing entity. For New Jersey local governments who report under the regulatory basis of accounting, the net OPEB liability and related deferred inflows are not recorded in the financial statements and there is only note disclosure of this information. Since the local participating employers do not contribute under this legislation directly to the plan, there is no net OPEB liability, deferred outflows of resources, or deferred inflows of resources 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 OPEB liability that is associated with the local participating employer.

Allocation Methodology

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB (benefit)/expense. The special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are based on separately calculated total OPEB liabilities. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB (benefit)/expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2020 through June 30, 2021. Employer and nonemployer allocation percentages were rounded for presentation purposes; therefore, amounts presented in the schedule of OPEB amounts by employer and nonemployer may result in immaterial differences.

OPEB Expense

The Borough has rolled forward the net OPEB liability as of June 30, 2021 with no adjustments. The Division of Local Government Services, Department of Community Affairs, State of New Jersey, is permitting municipalities and counties to include the June 30, 2021 OPEB information in the Notes to the Financial Statements as the June 30, 2022 information has not been released as of the date of this report.

The total OPEB liability as of June 30, 2021 was determined by an actuarial valuation as of June 30, 2020, which was rolled forward to June 30, 2021.

BOROUGH OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

(Continued)

Note 16 - Postemployment Benefits Other Than Pensions (OPEB) (Cont'd)

State Health Benefit Local Government Retired Employees Plan (Cont'd)

OPEB Expense (Cont'd)

The State's proportionate share of the net OPEB liability attributable to the Borough at June 30, 2021 was \$5,703,264. At June 30, 2021, the State's proportion related to the Borough was .147701%. This is the percentage of the total State Share of the net OPEB liability of the Plan.

During the year ended June 30, 2020, the State of New Jersey's OPEB benefit related to the Borough was \$778,232.

Actuarial Assumptions and Other Inputs

The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

| | |
|---|-----------------|
| Inflation Rate | 2.50% |
| Salary Increases*: | |
| Public Employees' Retirement System (PERS) | |
| Initial fiscal year applied | |
| Rate through 2026 | 2.00% - 6.00% |
| Rate thereafter | 3.00% to 7.00% |
| Police and Firemen's Retirement System (PFRS) | |
| Rate for all future years | 3.25% to 15.25% |

* - Salary increases are based on years of service within the respective plan.

Mortality:

PERS Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2021

PFRS Pub-2010 Safety classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2021

Actuarial assumptions used in the June 30, 2020 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2013 to June 30, 2018 and July 1, 2014 – June 30, 2018, respectively.

100% of active members are considered to participate in the Plan upon retirement.

BOROUGH OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 16 - Postemployment Benefits Other Than Pensions (OPEB) (Cont'd)

State Health Benefit Local Government Retired Employees Plan (Cont'd)

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially is 5.65% for fiscal year 2021 and decreases to a 4.5% long term trend rate after seven years. For PPO post 65 medical benefits, the trend rate is initially 13.08% and decreases to a 4.5% long term trend rate starting with fiscal year 2032 and later. For HMO Post 65 medical benefits, the trend rate is initially 13.76% and decreases to a 4.50% long term trend rate starting with fiscal year 2032 and later. For prescription drug benefits, the initial trend rate is 6.75% for fiscal year 2021 and decreases to a 4.5% long term rate after seven years.

Discount Rate

The discount rate for June 30, 2021 was 2.16%. This represents the municipal bond rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Note 17 - Tax Abatement

As of December 31, 2022, 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 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 \$31,088 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 2022 without the abatement would have been \$270,223 of which \$82,742 would have been for the local municipal tax.

BOROUGH OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 18 - Leases

The Borough implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, during the current year.

The Borough entered into three lease agreements for the lease of the Borough’s cell towers with different wireless carriers. The terms of the leases are for 5 to 10 years in length which expire in 2025 and 2026. The lessees can extend the leases for 3 to 4 renewal terms of five years each. The annual lease payments for the remaining years in the existing lease terms will be increased by 3% to 5% each year. The total lease payments in 2022 were \$155,236.69

Note 19 - Deferred Charges to be Raised in Succeeding Years

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2022, the following deferred charge is shown on the balance sheet of the Current Fund:

| | Balance Dec. 31, 2022 | 2023 Budget Appropriation |
|-----------------------------------|--------------------------|------------------------------|
| Federal and State Grant Fund: | | |
| Overexpenditure of Appropriations | \$ 1,725.90 | \$ 1,725.90 |

The appropriation in the 2023 budget is not less than that required by statute.

SUPPLEMENTARY DATA

BOROUGH OF FRANKLIN
OFFICIALS IN OFFICE AND SURETY BONDS
YEAR ENDED DECEMBER 31, 2022

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

| Name | Title | Amount of Bond |
|--------------------|---|-------------------|
| John M. Snowden IV | Mayor | |
| Concetto Formica | Councilperson | |
| Rachel Heath | Councilperson | |
| Joe Limon | Councilperson | |
| John Postas | Councilperson | |
| Stephen Skellenger | Councilperson | |
| Gilbert Snyder | Councilperson | |
| Darlene Tremont | Clerk: Registrar | (A) |
| Andrew Bernath | Chief Financial Officer/Administrator; Qualified Purchasing Agent (through 01/31/2023) | |
| Corry Chrobak | Finance Clerk (through 5/31/2022); Treasurer (from 6/1/2022) | (A) |
| Sandi Cowan | Finance Clerk (from 6/1/2022) | (A) |
| Colleen Little | Deputy Clerk/Deputy Registrar | (A) |
| Diana Falica | Water/Sewer Collector/Assistant Tax Collector | (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) |
| Lauren Mitchener | Court Administrator | (A) |
| Suzann Brush | Violations Clerk (from 2/1/2022 through 11/30/2022)/ Deputy Court Administrator (from 12/1/2022) | (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 Cleef Engineering Associates, LLC | |
| Michelle Babcock | Planning Board Secretary/Zoning Secretary | (A) |
| Joseph Setticas | Zoning Officer | (A) |

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

BOROUGH OF FRANKLIN
COUNTY OF SUSSEX
2022
CURRENT FUND

BOROUGH OF FRANKLIN
CURRENT FUND
SCHEDULE OF CASH

| | <u>Ref.</u> | |
|---|-------------------|------------------------|
| Balance December 31, 2021 | A | \$ 4,414,310.65 |
| Increased by Receipts: | | |
| Tax Collector | \$ 16,529,717.37 | |
| Revenue Accounts Receivable | 1,063,971.71 | |
| Miscellaneous Revenue Not Anticipated | 613,834.96 | |
| Interest on Investments and Deposits | 51,004.43 | |
| Due Other Trust Fund: | | |
| Interfund Returned - Prior Year | | |
| Due Federal and State Grant Fund | 247,070.12 | |
| Due General Capital Fund: | | |
| Improvement Authorization Refund | 5,264.90 | |
| Due Federal and State Grant Fund: | | |
| Unappropriated Grant Reserves | 277,841.91 | |
| Prepaid Revenue | 35,821.57 | |
| Reserve for Municipal Relief Aid | 31,698.47 | |
| Due State of New Jersey: | | |
| Senior Citizens' and Veterans' Deductions | 36,052.74 | |
| Marriage License Fees | 475.00 | |
| Appropriation Refunds | <u>207,422.98</u> | |
| | | <u>19,100,176.16</u> |
| | | <u>23,514,486.81</u> |
| Decreased by Disbursements: | | |
| 2022 Appropriation Expenditures | 6,383,260.67 | |
| 2021 Appropriation Reserve Expenditures | 439,976.11 | |
| Local School District Taxes | 6,198,899.00 | |
| Regional High School Taxes | 2,564,930.00 | |
| County Taxes | 2,758,722.36 | |
| Accounts Payable | 690.93 | |
| Due Federal and State Grant Fund: | | |
| Appropriated Reserves | 10,890.15 | |
| Prior Year Encumbrances Liquidated | 13,213.35 | |
| Due Other Trust Fund: | | |
| Interfund Returned - Prior Year | 75,000.00 | |
| Due State of New Jersey: | | |
| Marriage License Fees | 600.00 | |
| Reserve for: | | |
| Contingency | 130,722.94 | |
| Refund of Revenue | 300.00 | |
| Refund of Tax Overpayments | <u>9,695.23</u> | |
| | | <u>18,586,900.74</u> |
| Balance December 31, 2022 | A | <u>\$ 4,927,586.07</u> |

BOROUGH OF FRANKLIN
CURRENT FUND
SCHEDULE OF CASH - COLLECTOR
YEAR ENDED DECEMBER 31, 2022

| | |
|---------------------------------|-------------------------|
| Increased by Receipts: | |
| Taxes Receivable | \$ 16,318,423.39 |
| Interest and Costs on Taxes | 84,475.85 |
| 2023 Prepaid Taxes | 82,730.04 |
| Tax Title Liens Redeemed | 12,179.48 |
| Tax Overpayments | <u>31,908.61</u> |
| | \$ 16,529,717.37 |
| Decreased by: | |
| Payments to Municipal Treasurer | <u>\$ 16,529,717.37</u> |

FEDERAL AND STATE GRANT FUND
SCHEDULE OF CASH - GRANT FUNDS
YEAR ENDED DECEMBER 31, 2022

NOT APPLICABLE

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

| Year | Balance Dec. 31, 2021 | 2022 Levy | 2021 | Collections 2022 | Overpayments Applied | State of NJ Veterans' and Senior Citizens' Deductions | Transfer to Tax Title Liens | Canceled | Balance Dec. 31, 2022 |
|------|--------------------------|------------------|---------------|---------------------|-------------------------|--|-----------------------------------|--------------|--------------------------|
| 2010 | \$ 18,714.59 | | | \$ 342,427.62 | | | \$ 3,837.23 | | \$ 18,714.59 |
| 2021 | 353,969.22 | | \$ 177,593.91 | 342,427.62 | | | 3,837.23 | | 7,704.37 |
| | 372,683.81 | \$ 16,742,757.63 | \$ 177,593.91 | 15,975,995.77 | \$ 10,459.28 | \$ 34,000.00 | 5,181.09 | \$ 11,126.99 | 26,418.96 |
| 2022 | \$ 372,683.81 | \$ 16,742,757.63 | \$ 177,593.91 | \$ 16,318,423.39 | \$ 10,459.28 | \$ 34,000.00 | \$ 9,018.32 | \$ 11,126.99 | \$ 554,819.55 |

Ref. A

Analysis of 2022 Property Tax Levy

| | |
|---|-------------------------|
| Tax Yield: | |
| General Purpose Taxes | \$ 16,603,708.57 |
| Added and Omitted Taxes | 139,049.06 |
| | <u>\$ 16,742,757.63</u> |
| Tax Levy: | |
| Local School District Taxes | \$ 6,198,899.00 |
| Regional High School District Taxes | 2,564,930.00 |
| County Taxes: | |
| General Tax | 2,751,840.53 |
| Due County for Added and Omitted Taxes | 22,768.12 |
| | <u>2,774,608.65</u> |
| | <u>11,538,437.65</u> |
| Local Tax for Municipal Purposes Levied | 5,086,451.00 |
| Add: Additional Tax Levied | 117,868.98 |
| | <u>5,204,319.98</u> |
| | <u>\$ 16,742,757.63</u> |

A

BOROUGH OF FRANKLIN
CURRENT FUND
SCHEDULE OF TAX TITLE LIENS

| | <u>Ref.</u> | |
|-----------------------------------|-------------|---------------------|
| Balance December 31, 2021 | A | \$ 14,693.26 |
| Increased by: | | |
| Interest and Costs on Tax Sale | | \$ 420.49 |
| Transferred from Taxes Receivable | | <u>9,018.32</u> |
| | | <u>9,438.81</u> |
| Decreased by: | | |
| Redeemed | | <u>12,179.48</u> |
| Balance December 31, 2022 | A | <u>\$ 11,952.59</u> |

BOROUGH OF FRANKLIN
CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

| | <u>Balance</u> <u>Dec. 31, 2021</u> | <u>Accrued In</u> <u>2022</u> | <u>Collected by</u> <u>Treasurer</u> | <u>Balance</u> <u>Dec. 31, 2022</u> |
|--|--|----------------------------------|---|--|
| Licenses: | | | | |
| Alcoholic Beverages | | \$ 12,467.40 | \$ 12,467.40 | |
| Other | | 8,227.00 | 8,227.00 | |
| Fees and Permits | | 21,999.27 | 21,999.27 | |
| Fines and Costs: | | | | |
| Municipal Court | \$ 3,103.66 | 36,409.29 | 37,626.09 | \$ 1,886.86 |
| Energy Receipts Tax | | 607,671.00 | 607,671.00 | |
| Watershed Moratorium Offset | | 4,089.00 | 4,089.00 | |
| Garden State Trust | | 7,929.00 | 7,929.00 | |
| Hillside ES - Solid Waste Collection | | 44,694.00 | 44,694.00 | |
| Borough Ordinance #94-03 Municipal Service Fee | | | | |
| Assessed to Mobile Home Parks - Fees & Permits | | 96,837.00 | 96,837.00 | |
| Rent Senior Center | | 25,391.63 | 25,391.63 | |
| Cable T.V. Franchise | | 14,812.00 | 14,812.00 | |
| Antenna Lease Contract | | 80,950.01 | 80,950.01 | |
| Franklin Senior Housing - PILOT | | 31,088.00 | 31,088.00 | |
| Reserve for Debt Service - General Capital | | 25,000.00 | 25,000.00 | |
| Interlocal Agreement for Municipal Court | | 68,750.00 | 68,750.00 | |
| Water and Sewer Utility Operating Fund Balance | | 15,000.00 | 15,000.00 | |
| | <u>\$ 3,103.66</u> | <u>\$1,101,314.60</u> | <u>\$1,102,531.40</u> | <u>\$ 1,886.86</u> |

Ref.

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A

| | |
|-------------------------|-----------------------|
| Cash Receipts | \$1,063,971.71 |
| Prepaid Revenue Applied | <u>38,559.69</u> |
| | <u>\$1,102,531.40</u> |

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

| <u>Grant</u> | <u>Balance</u> <u>Dec. 31, 2021</u> | <u>Balance</u> <u>Dec. 31, 2022</u> |
|--------------------------------|--|--|
| Drive Sober or Get Pulled Over | \$ 6,000.00 | \$ 6,000.00 |
| Highlands Master Plan | 93,345.96 | 93,345.96 |
| Distracted Driving Grant | 669.52 | 669.52 |
| Body Worn Camera Grant | 42,798.00 | 42,798.00 |
| | <u>\$ 142,813.48</u> | <u>\$ 142,813.48</u> |
| | A | A |

BOROUGH OF FRANKLIN
CURRENT FUND
SCHEDULE OF 2021 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2022

| | <u>Balance</u> <u>Dec. 31, 2021</u> | <u>Balance After</u> <u>Modification</u> | <u>Paid or</u> <u>Charged</u> | <u>Balance</u> <u>Lapsed</u> |
|---|--|---|----------------------------------|---------------------------------|
| GENERAL GOVERNMENT: | | | | |
| General Administration: | | | | |
| Salaries and Wages | \$ 27.38 | \$ 27.38 | | \$ 27.38 |
| Other Expenses | 29,871.02 | 30,871.02 | \$ 29,163.24 | 1,707.78 |
| Elections: | | | | |
| Other Expenses | 1,924.12 | 1,924.12 | | 1,924.12 |
| Financial Administration: | | | | |
| Salaries and Wages | | 500.00 | 400.00 | 100.00 |
| Other Expenses | 22,223.61 | 21,723.61 | 21,688.14 | 35.47 |
| Annual Audit | 20,000.00 | 20,000.00 | 20,000.00 | |
| Tax Collection: | | | | |
| Salaries and Wages | 211.54 | 211.54 | 200.00 | 11.54 |
| Other Expenses | 5,608.95 | 4,608.95 | 1,875.48 | 2,733.47 |
| Tax Assessment: | | | | |
| Salaries and Wages | 964.89 | 964.89 | 950.00 | 14.89 |
| Other Expenses | 1,569.51 | 1,569.51 | 103.75 | 1,465.76 |
| Revaluation | 1.00 | 1.00 | | 1.00 |
| Legal Services and Costs: | | | | |
| Other Expenses | 75,172.21 | 75,172.21 | 4,387.95 | 70,784.26 |
| Municipal Prosecutor: | | | | |
| Other Expenses | 1,500.04 | 1,500.04 | | 1,500.04 |
| Engineering Services and Costs: | | | | |
| Other Expenses | 12,254.69 | 12,254.69 | 2,236.30 | 10,018.39 |
| Economic Development: | | | | |
| Other Expenses | 750.00 | 750.00 | | 750.00 |
| Historic Preservation: | | | | |
| Other Expenses | 2,947.67 | 2,947.67 | | 2,947.67 |
| LAND USE ADMINISTRATION: | | | | |
| Municipal Land Use Law (NJSA 40:55D-1): | | | | |
| Planning Board: | | | | |
| Salaries and Wages | 481.53 | 481.53 | 450.00 | 31.53 |
| Other Expenses | 13,844.68 | 13,844.68 | 1,172.50 | 12,672.18 |
| Revision of Master Plan | 1.00 | 1.00 | | 1.00 |
| PUBLIC SAFETY: | | | | |
| Police: | | | | |
| Salaries and Wages | 184,469.86 | 184,469.86 | 184,469.86 | |
| Other Expenses | 62,532.81 | 62,532.81 | 25,801.18 | 36,731.63 |
| Crossing Guard: | | | | |
| Salaries and Wages | 5,836.57 | 5,836.57 | 5,800.00 | 36.57 |
| Other Expenses | 600.00 | 600.00 | | 600.00 |
| Emergency Management Services: | | | | |
| Salaries and Wages | 45.00 | 45.00 | | 45.00 |
| Other Expenses | 500.00 | 500.00 | | 500.00 |
| Fire Department: | | | | |
| Other Expenses | 27,219.16 | 27,219.16 | 25,502.13 | 1,717.03 |
| First Aid Organization Contribution | 6,352.53 | 6,352.53 | 1,300.40 | 5,052.13 |

BOROUGH OF FRANKLIN
CURRENT FUND
SCHEDULE OF 2021 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2022

| | <u>Balance</u> <u>Dec. 31, 2021</u> | <u>Balance After</u> <u>Modification</u> | <u>Paid or</u> <u>Charged</u> | <u>Balance</u> <u>Lapsed</u> |
|---|--|---|----------------------------------|---------------------------------|
| STREETS AND ROADS: | | | | |
| Road Repairs and Maintenance: | | | | |
| Salaries and Wages | \$ 46,916.85 | \$ 46,916.85 | \$ 46,789.99 | \$ 126.86 |
| Other Expenses | 50,013.07 | 45,013.07 | 43,182.72 | 1,830.35 |
| Public Buildings and Grounds: | | | | |
| Salaries and Wages | 6,114.30 | 6,114.30 | 6,114.17 | 0.13 |
| Other Expenses | 48,127.93 | 48,127.93 | 47,495.62 | 632.31 |
| Condominium Community Costs: | | | | |
| Other Expenses | 3,000.00 | 3,000.00 | | 3,000.00 |
| HEALTH AND WELFARE: | | | | |
| Animal Control Officer: | | | | |
| Other Expenses | 3,250.00 | 3,250.00 | 3,250.00 | |
| Board of Health: | | | | |
| Salaries and Wages | 31.00 | 31.00 | | 31.00 |
| Other Expenses | 142.80 | 142.80 | | 142.80 |
| H.B.V. Vaccination: | | | | |
| Other Expenses | 880.00 | 880.00 | | 880.00 |
| Contribution to Senior Citizen Center: | | | | |
| Salaries and Wages | 72.57 | 672.57 | 600.00 | 72.57 |
| Other Expenses | 538.37 | 538.37 | 16.77 | 521.60 |
| RECREATION AND EDUCATION: | | | | |
| Board of Recreation Commissioners: | | | | |
| Salaries and Wages | 874.71 | 274.71 | 250.00 | 24.71 |
| Other Expenses | 2,174.49 | 2,174.49 | | 2,174.49 |
| 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 | 23,069.36 | 23,069.36 | 23,000.00 | 69.36 |
| Other Expenses | 6,570.51 | 6,570.51 | 2,789.79 | 3,780.72 |
| 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 | 952.48 | 952.48 | 950.00 | 2.48 |
| Other Expenses | 4,454.26 | 4,454.26 | 582.13 | 3,872.13 |
| UNCLASSIFIED: | | | | |
| Network Maintenance Agreement | 50.82 | 50.82 | | 50.82 |
| Street Lighting | 2,144.49 | 3,644.49 | 3,155.25 | 489.24 |
| Telephone | 869.07 | 869.07 | 851.02 | 18.05 |
| Gasoline and Oil | 4,127.09 | 7,627.09 | 7,329.54 | 297.55 |
| Solid Waste Disposal Costs | 1,000.00 | 1,000.00 | | 1,000.00 |
| Postage | 505.84 | 505.84 | | 505.84 |

BOROUGH OF FRANKLIN
CURRENT FUND
SCHEDULE OF 2021 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2022

| | Balance Dec. 31, 2021 | Balance After Modification | Paid or Charged | Balance Lapsed |
|--|--------------------------|-------------------------------|----------------------|----------------------|
| Statutory Expenditures: | | | | |
| Contributions to: | | | | |
| Police and Fireman's Retirement System | \$ 0.42 | \$ 0.42 | | \$ 0.42 |
| Social Security System (OASI) | 44,588.54 | 44,588.54 | \$ 43,871.24 | 717.30 |
| Defined Contribution Retirement Plan | 210.04 | 210.04 | | 210.04 |
| Unemployment Compensation Insurance | 5,254.99 | 5,254.99 | 257.34 | 4,997.65 |
| Insurance: | | | | |
| Group Insurance for Employees | 148,766.92 | 148,766.92 | 369.00 | 148,397.92 |
| Other Insurance Premiums | 64.34 | 64.34 | | 64.34 |
| Health Benefit Waivers | 385.00 | 385.00 | | 385.00 |
| Workers Compensation Insurance | 128.00 | 128.00 | | 128.00 |
| Refund of Tax Appeals | 15,000.00 | 15,000.00 | | 15,000.00 |
| LOSAP | 20,000.00 | 20,000.00 | 9,500.00 | 10,500.00 |
| 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 | 0.55 | 0.55 | | 0.55 |
| Police | 0.25 | 0.25 | | 0.25 |
| EMS | 0.20 | 0.20 | | 0.20 |
| Township of Hardyston: | | | | |
| Municipal Drug Alliance Program | 1,600.00 | 1,600.00 | | 1,600.00 |
| Construction Office | 65,066.00 | 65,066.00 | 7,800.00 | 57,266.00 |
| Zoning Officer | 6,500.00 | 6,500.00 | | 6,500.00 |
| Capital Improvements - Excluded from "CAPS": | | | | |
| Office Equipment | 7,476.00 | 7,476.00 | 4,251.60 | 3,224.40 |
| Fire Department Equipment | 32,071.60 | 32,071.60 | 31,659.00 | 412.60 |
| Improvements to Streets & Roads | 14,622.60 | 14,622.60 | | 14,622.60 |
| Municipal Property Improvement | 20,399.00 | 20,399.00 | 6,350.00 | 14,049.00 |
| | <u>\$ 1,064,928.23</u> | <u>\$ 1,064,928.23</u> | <u>\$ 615,916.11</u> | <u>\$ 449,012.12</u> |

Analysis of Balance December 31, 2021:

| | <u>Ref.</u> | | |
|--------------|-------------|----|------------------------|
| Unencumbered | A | \$ | 793,528.99 |
| Encumbered | A | | 271,399.24 |
| | | | <u>\$ 1,064,928.23</u> |

| | |
|--------------------------|----------------------|
| Cash Disbursed | \$ 439,976.11 |
| Accounts Payable | 3,940.00 |
| Due to Other Trust Fund: | |
| Storm Recovery | 50,000.00 |
| Accumulated Absences | 122,000.00 |
| | <u>\$ 615,916.11</u> |

BOROUGH OF FRANKLIN
CURRENT FUND
SCHEDULE OF LOCAL SCHOOL DISTRICT TAXES PAYABLE
YEAR ENDED DECEMBER 31, 2022

| | |
|-----------------------------------|------------------------|
| Increased by: | |
| Levy - Calendar Year 2022 | \$ 6,198,899.00 |
| Decreased by: | |
| Payments to Local School District | <u>\$ 6,198,899.00</u> |

CURRENT FUND
SCHEDULE OF REGIONAL HIGH SCHOOL TAXES PAYABLE
YEAR ENDED DECEMBER 31, 2022

| | |
|----------------------------------|------------------------|
| Increased by: | |
| Levy - Calendar Year 2022 | \$ 2,564,930.00 |
| Decreased by: | |
| Payments to Regional High School | <u>\$ 2,564,930.00</u> |

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

| <u>Grant</u> | <u>Balance Dec. 31, 2021</u> | <u>Cash Received</u> | <u>Balance Dec. 31, 2022</u> |
|-------------------------------------|----------------------------------|--------------------------|----------------------------------|
| Body Armor Replacement Fund | | \$ 2,494.20 | \$ 2,494.20 |
| Recycling Tonnage Grant | | 12,490.08 | 12,490.08 |
| Clean Communities Program | \$ 23,512.38 | 12,297.50 | 35,809.88 |
| Atlantic Health Care - Narcan Grant | | 3,490.00 | 3,490.00 |
| American Rescue Plan Grant | 247,070.12 | 247,070.13 | 494,140.25 |
| | <u>\$ 270,582.50</u> | <u>\$ 277,841.91</u> | <u>\$ 548,424.41</u> |
| <u>Ref.</u> | A | | A |

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

| Grant | Balance Dec. 31, 2021 | Expended | Balance Dec. 31, 2022 | Over - Expenditure |
|---|--------------------------|---------------------|--------------------------|-----------------------|
| Drive Sober or Get Pulled Over | \$ 83.52 | | \$ 83.52 | |
| Drunk Driving Enforcement Fund | 7,192.97 | \$ 408.00 | 6,784.97 | |
| Distracted Driving Grant | 4,241.36 | | 4,241.36 | |
| Alcohol Education, Rehabilitation and Enforcement Fund | 7,421.34 | | 7,421.34 | |
| Clean Communities Program | 48,061.89 | 6,858.33 | 41,203.56 | |
| Recycling Tonnage Grant | 79,009.21 | 6,940.00 | 72,069.21 | |
| Body Armor Replacement Fund | 1,597.92 | 3,323.82 | | \$ 1,725.90 |
| Atlantic Health Care - Narcan Grant | 1,204.00 | | 1,204.00 | |
| NJ Highlands Grant: Master Plan | 15,545.40 | 5,283.25 | 10,262.15 | |
| | <u>\$ 164,357.61</u> | <u>\$ 22,813.40</u> | <u>\$ 143,270.11</u> | <u>\$ 1,725.90</u> |
| <u>Ref.</u> | A | | A | A |
| | Cash Disbursed | \$ 10,890.15 | | |
| | Encumbered | <u>11,923.25</u> | | |
| | | <u>\$ 22,813.40</u> | | |

BOROUGH OF FRANKLIN
COUNTY OF SUSSEX
2022
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, 2021 | B | \$ 10,573.46 | \$2,099,833.65 |
| Increased by Receipts: | | | |
| Animal Control Fees Collected: | | | |
| Dog Fees | | \$ 5,184.00 | |
| Cat Fees | | 526.00 | |
| Miscellaneous Fees | | 900.00 | |
| State Registration Fees | | 759.00 | |
| Interest | | 167.83 | |
| Developers' Deposits: | | | |
| Land Use | | | \$ 3,800.00 |
| Performance Bonds | | | 79,779.60 |
| Road Openings | | | 29,203.50 |
| Board of Public Works | | | 22,272.00 |
| Police Donations | | | 9,240.00 |
| Recreation | | | 18,044.05 |
| Due Current Fund: | | | |
| Prior Year Interfund Returned | | | 75,000.00 |
| Police Administrative Fees | | | 12,987.50 |
| Interest | | | 15,821.82 |
| Parking Offense Adjudication Fees | | | 24.00 |
| Police Outside Duty | | | 53,129.47 |
| Outside Liens | | | 115,672.05 |
| Tax Sale Premiums | | | 279,327.87 |
| Affordable Housing | | | 4,425.10 |
| Public Defender | | | 141.00 |
| Forfeited Property | | | 2.05 |
| | | 7,536.83 | 718,870.01 |
| | | 18,110.29 | 2,818,703.66 |

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: | | | |
| State Registration Fees | | \$ 250.80 | |
| Developers' Deposits: | | | |
| Land Use | | | \$ 2,534.00 |
| Performance Bonds | | | 79,817.09 |
| Road Openings | | | 12,219.04 |
| Board of Public Works | | | 11,241.30 |
| Tax Sale Premiums | | | 66,927.87 |
| Recreation | | | 13,765.42 |
| Due Current Fund: | | | |
| Prior Year Interfund Returned | | | |
| Due Federal and State Grant Fund | | | 247,070.12 |
| Police Donations | | | 9,200.00 |
| Police Outside Duty | | | 51,848.51 |
| Outside Liens | | | 115,173.70 |
| Storm Recovery | | | 29,515.23 |
| Public Defender | | | 2,250.00 |
| | | <u>\$ 250.80</u> | <u>\$ 641,562.28</u> |
| Balance December 31, 2022 | B | <u><u>\$ 17,859.49</u></u> | <u><u>\$2,177,141.38</u></u> |

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

| | <u>Ref.</u> | |
|---------------------------------------|-------------|--------------|
| Balance December 31, 2021 | B | \$ 10,552.83 |
| Increased by: | | |
| Animal Control License Fees Collected | | \$ 5,710.00 |
| Miscellaneous Fees | | 900.00 |
| | | 6,610.00 |
| | | 17,162.83 |
| Decreased by: | | |
| Statutory Excess Due to Current Fund | | 4,776.03 |
| | | 4,776.03 |
| Balance December 31, 2022 | B | \$ 12,386.80 |

License Fees Collected

| <u>Year</u> | <u>Amount</u> |
|---------------------------|---------------|
| 2020 | \$ 6,191.00 |
| 2021 | 6,195.80 |
| | 6,195.80 |
| Maximum Allowable Reserve | \$ 12,386.80 |

BOROUGH OF FRANKLIN
COUNTY OF SUSSEX
2022
GENERAL CAPITAL FUND

BOROUGH OF FRANKLIN
GENERAL CAPITAL FUND
SCHEDULE OF CASH - TREASURER

| | <u>Ref.</u> | |
|--|-------------|----------------------|
| Balance December 31, 2021 | C | \$ 1,766,154.44 |
| Increased by Receipts: | | |
| Bond Anticipation Notes Issued | \$ | 1,914,008.00 |
| Due Current Fund: | | |
| Interest Earned | | 627.63 |
| NJ Department of Transportation Grant Receivable | | 100,371.38 |
| 2022 Budget Appropriations: | | |
| Bond Anticipation Note Payment | | 365,573.00 |
| Capital Improvement Fund | | 84,574.00 |
| | | <u>2,465,154.01</u> |
| | | 4,231,308.45 |
| Decreased by: | | |
| Bond Anticipation Notes Matured | | 2,279,581.00 |
| Improvement Authorizations | | 117,861.14 |
| Reserve for Encumbrances | | 825,453.53 |
| Due Water and Sewer Utility Operating Fund: | | |
| Interfund Advanced | | 89,883.00 |
| Reserve for Debt Service | | 25,000.00 |
| | | <u>3,337,778.67</u> |
| Balance December 31, 2022 | C | <u>\$ 893,529.78</u> |

BOROUGH OF FRANKLIN
GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

| Ord. No. | Improvement Description | Date | Ordinance Amount | Balance Dec. 31, 2021 | | NJ Department of Transportation Grant | 2022 Authorizations | | Prior Year Encumbrance Cancelled | Paid or Charged | Balance Dec. 31, 2022 | |
|----------|---|----------|------------------|-----------------------|---------------|---------------------------------------|--|--------------------------|----------------------------------|-----------------|-----------------------|----------|
| | | | | Funded | Unfunded | | Deferred Charges to Future Taxation - Unfunded | Capital Improvement Fund | | | Funded | Unfunded |
| 15-04 | Improvement to Recreation | 09/28/04 | \$ 38,000.00 | \$ 12,403.94 | | | | | | \$ 12,403.94 | | |
| 18-10 | Imp. for Economic Development | 11/23/10 | 33,900.00 | 2,970.60 | | | | | | 2,970.60 | | |
| 08-14 | Various Capital Improvements | 06/24/14 | 1,796,000.00 | \$ 2,891.47 | | | | | | | \$ 2,891.47 | |
| 15-16 | Various Capital Improvements | 07/12/16 | 475,665.00 | 3,150.77 | | | | | | | 3,150.77 | |
| 09-17 | Various Capital Improvements | 07/11/17 | 623,846.00 | 64,471.40 | | | | | | | 45,146.40 | |
| 10-18 | Improvements to Various Roads | 07/10/18 | 493,140.00 | 40,129.29 | | | | \$ 2,658.99 | 5,106.00 | | 37,682.28 | |
| 09-19 | Various Improvements or Purposes | 06/25/19 | 45,300.00 | 5,000.00 | | | | | | 5,000.00 | | |
| 11-19 | Various Improvements or Purposes | 06/25/19 | 57,837.91 | 7,117.91 | | | | | | 7,117.91 | | |
| 06-20 | Various Improvements or Purposes | 08/18/20 | 476,480.00 | 81,384.70 | | | | | 1,131.70 | | 80,253.00 | |
| 08-20 | Purchase of Equipment for Fire Department | 09/08/20 | 13,500.00 | 304.75 | | | | 101.50 | | 406.25 | | |
| 08-21 | Various Capital Improvements | 06/10/21 | 1,261,008.00 | 467,106.69 | | | | | 11,274.02 | | 455,832.67 | |
| 10-22 | Various Capital Improvements | 08/16/22 | 505,398.00 | | \$ 141,000.00 | \$ 320,198.00 | \$ 44,200.00 | | 34,435.00 | 150,765.00 | 320,198.00 | |
| 16-22 | Purchase of Police Vehicles | 11/09/22 | 225,000.00 | | | 214,285.00 | 10,715.00 | | 205,007.56 | | 19,992.44 | |
| | | | | \$ 20,679.29 | \$ 666,252.23 | \$ 141,000.00 | \$ 54,915.00 | \$ 2,760.49 | \$ 276,279.28 | \$ 178,663.70 | \$ 963,147.03 | |

Ref.

C C

C C

Cash Disbursed \$ 117,861.14
Encumbrances Payable 163,683.04
Less: (5,264.90)
Due from Current Fund - Refund \$ 276,279.28

BOROUGH OF FRANKLIN
GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

| | <u>Ref.</u> | |
|----------------------------|-------------|-----------------------------|
| Balance December 31, 2021 | C | \$ 131,391.20 |
| Increased by: | | |
| 2022 Budget Appropriation | | <u>84,574.00</u> |
| | | 215,965.20 |
| Decreased by: | | |
| Appropriated to Finance: | | |
| Improvement Authorizations | | <u>54,915.00</u> |
| Balance December 31, 2022 | C | <u><u>\$ 161,050.20</u></u> |

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

| Ord. Number | Improvement Description | Original Note | Date of | | Interest Rate | Balance Dec. 31, 2021 | Issued | Matured | Balance Dec. 31, 2022 |
|--|-------------------------------|---------------|--------------------------|--------------------------|------------------|------------------------|------------------------|------------------------|------------------------|
| | | | Issue | Maturity | | | | | |
| 11-13 | Improvements to Various Roads | 10/25/2013 | 07/29/2021 | 07/29/2022 | 1.000% | \$ 8,873.00 | \$ 8,873.00 | \$ 8,873.00 | |
| 08-14 | Various Improvements | 08/21/2014 | 07/29/2021 07/28/2022 | 07/29/2022 07/28/2023 | 1.000% 2.480% | 441,600.00 | \$ 291,600.00 | 441,600.00 | \$ 291,600.00 |
| 07-15 | Various Improvements | 08/20/2015 | 07/29/2021 07/28/2022 | 07/29/2022 07/28/2023 | 1.000% 2.480% | 79,735.00 | 54,735.00 | 79,735.00 | 54,735.00 |
| 15-16 | Various Improvements | 08/19/2016 | 07/29/2021 07/28/2022 | 07/29/2022 07/28/2023 | 1.000% 2.480% | 29,511.00 | 21,511.00 | 29,511.00 | 21,511.00 |
| 09-17 | Various Improvements | 08/18/2017 | 07/29/2021 07/28/2022 | 07/29/2022 07/28/2023 | 1.000% 2.480% | 222,270.00 | 177,770.00 | 222,270.00 | 177,770.00 |
| 16-17 | Purchase of Fire Truck | 08/16/2018 | 07/29/2021 07/28/2022 | 07/29/2022 07/28/2023 | 1.000% 2.480% | 332,500.00 | 285,000.00 | 332,500.00 | 285,000.00 |
| 10-18 | Improvements to Various Roads | 08/16/2018 | 07/29/2021 07/28/2022 | 07/29/2022 07/28/2023 | 1.000% 2.480% | 235,200.00 | 201,600.00 | 235,200.00 | 201,600.00 |
| 06-20 | Various Improvements | 07/29/2021 | 07/29/2021 07/28/2022 | 07/29/2022 07/28/2023 | 1.000% 2.480% | 254,145.00 | 228,645.00 | 254,145.00 | 228,645.00 |
| 08-21 | Various Improvements | 07/29/2021 | 07/29/2021 07/28/2022 | 07/29/2022 07/28/2023 | 1.000% 2.480% | 675,747.00 | 653,147.00 | 675,747.00 | 653,147.00 |
| | | | | | | <u>\$ 2,279,581.00</u> | <u>\$ 1,914,008.00</u> | <u>\$ 2,279,581.00</u> | <u>\$ 1,914,008.00</u> |
| Renewals Funded by Budget Appropriation | | | | | | | | | |
| | | | | | | \$ 1,914,008.00 | \$ 1,914,008.00 | \$ 1,914,008.00 | \$ 1,914,008.00 |
| | | | | | | | 365,573.00 | | |
| | | | | | | <u>\$ 1,914,008.00</u> | <u>\$ 2,279,581.00</u> | <u>\$ 2,279,581.00</u> | <u>\$ 1,914,008.00</u> |

BOROUGH OF FRANKLIN
GENERAL CAPITAL FUND
SCHEDULE OF SERIAL BONDS PAYABLE
YEAR ENDED DECEMBER 31, 2022

NOT APPLICABLE

BOROUGH OF FRANKLIN
GENERAL CAPITAL FUND
SCHEDULE OF NEW JERSEY GREEN TRUST LOANS PAYABLE
YEAR ENDED DECEMBER 31, 2022

NOT APPLICABLE

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

| <u>Ordinance Date</u> | <u>Improvement Description</u> | <u>Balance Dec. 31, 2021</u> | <u>2022 Improvement Authorizations</u> | <u>Balance Dec. 31, 2022</u> |
|---------------------------|----------------------------------|----------------------------------|--|----------------------------------|
| 08/18/20 | Various Improvements or Purposes | \$ 32,261.00 | | \$ 32,261.00 |
| 06/10/21 | Various Capital Improvements | 218,303.00 | | 218,303.00 |
| 08/16/22 | Various Capital Improvements | | \$ 320,198.00 | 320,198.00 |
| 11/09/22 | Purchase of Police Vehicles | | 214,285.00 | 214,285.00 |
| | | <u>\$ 250,564.00</u> | <u>\$ 534,483.00</u> | <u>\$ 785,047.00</u> |

BOROUGH OF FRANKLIN
COUNTY OF SUSSEX
2022
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, 2021 | D | \$ 2,422,120.39 | \$ 862,884.38 |
| Increased by Receipts: | | | |
| Water and Sewer Utility Collector | | \$ 2,371,134.56 | |
| Miscellaneous Revenues Not Anticipated | | 357,252.24 | |
| Due General Capital Fund: | | | |
| Interfund Advanced/Returned | | | \$ 89,883.00 |
| Due Water and Sewer Utility Operating Fund: | | | |
| Interfund Advanced/Returned | | | 18,342.00 |
| Paydown of Bond Anticipation Notes | | | 89,883.00 |
| Interest Earned | | | 625.93 |
| Appropriation Refunds | | <u>2,735.15</u> | |
| | | <u>2,731,121.95</u> | <u>198,733.93</u> |
| | | <u>5,153,242.34</u> | <u>1,061,618.31</u> |
| Decreased by Disbursements: | | | |
| 2022 Appropriation Expenditures | | 2,038,950.89 | |
| 2021 Appropriation Reserve Expenditures | | 82,070.37 | |
| Accrued Interest on: | | | |
| Water and Sewer Utility Bond Anticipation Notes | | 898.83 | |
| Water and Sewer Utility Bonds | | 65,850.00 | |
| Bond Anticipation Notes Matured | | | 89,883.00 |
| Improvement Authorization Expenditures | | | 142,825.65 |
| Due Water and Sewer Utility Capital Fund: | | | |
| Interfund Advanced/Returned | | <u>18,342.00</u> | |
| | | <u>2,221,112.09</u> | <u>232,708.65</u> |
| Balance December 31, 2022 | D | <u>\$ 2,932,130.25</u> | <u>\$ 828,909.66</u> |

BOROUGH OF FRANKLIN
WATER AND SEWER UTILITY OPERATING FUND
SCHEDULE OF CASH - COLLECTOR
YEAR ENDED DECEMBER 31, 2022

Increased by Receipts:

Consumer Accounts Receivable:

| | |
|-----------------------|-----------------|
| Water and Sewer Rents | \$ 2,363,709.52 |
| Rent Overpayments | <u>7,425.04</u> |

\$ 2,371,134.56

Decreased by Disbursements:

Paid to Treasurer

\$ 2,371,134.56

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

| | Balance/(Deficit) Dec. 31, 2021 | Receipts | | Disbursements | | | Transfers | Balance/(Deficit) Dec. 31, 2022 |
|--|--|-------------------------|---------------|-------------------------------|-------------------------------|--------------|--------------|------------------------------------|
| | | Budget Appropriation | Miscellaneous | Improvement Authorizations | Bond Anticipation Notes | From | | |
| Capital Fund Balance | \$ 23,965.67 | | | | | | | \$ 23,965.67 |
| Capital Improvement Fund | 200,540.07 | | | | | | \$ 50,000.00 | 250,540.07 |
| 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 | | | | | \$ 30,000.00 | | 136,014.45 |
| Reserve for Water Distribution | 99,982.75 | | | | | | | 99,982.75 |
| Reserve for Capital Outlay | 63,732.89 | | | | | | | 63,732.89 |
| Due General Capital Fund | (89,883.00) | \$ 89,883.00 | | | | | | |
| Due Water and Sewer Utility Operating Fund | 345.47 | | 18,967.93 | | | 50,000.00 | | (30,686.60) |
| Ord No. | | | | | | | | |
| | | | | | | | | |
| 11-09 | Various Water/Sewer Capital Improvements | 6,482.78 | | | | | | 6,482.78 |
| 16-09 | Improvements to Water/Sewer System | 40,783.39 | | \$ 40,611.80 | | | | 171.59 |
| 04-15 | Improvements to Water Distribution System | 1,000.00 | | | | | | 1,000.00 |
| 10-19 | Acquisition of New Equipment | 950.00 | | | | | | 950.00 |
| 09-20 | Rehabilitation of the McCann Street Sewer Line | 6,929.54 | | 70.00 | | | | 6,859.54 |
| 08-21 | Acquisition of Utility Vehicle | 77,558.00 | \$ 89,883.00 | 75,941.85 | \$ 89,883.00 | | | 1,616.15 |
| 03-22 | Cutter Assemblies | | | 26,202.00 | | | 30,000.00 | 3,798.00 |
| | | \$ 862,884.38 | \$ 89,883.00 | \$ 108,850.93 | \$ 89,883.00 | \$ 80,000.00 | \$ 80,000.00 | \$ 828,909.66 |

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

| | <u>Ref.</u> | |
|------------------------------|-----------------|-----------------------------|
| Balance December 31, 2021 | D | \$ 292,881.33 |
| Increased by: | | |
| Water and Sewer Rents Levied | | 2,218,220.49 |
| | | <u>2,511,101.82</u> |
| Decreased by: | | |
| Collections | \$ 2,363,709.52 | |
| Overpayments Applied | <u>7,168.36</u> | |
| | | <u>2,370,877.88</u> |
| Balance December 31, 2022 | D | <u><u>\$ 140,223.94</u></u> |

WATER UTILITY OPERATING FUND
SCHEDULE OF WATER UTILITY LIENS RECEIVABLE
YEAR ENDED DECEMBER 31, 2022

| | <u>Ref.</u> | |
|---------------------------|-------------|---------------------------|
| Balance December 31, 2021 | D | \$ 3,052.41 |
| Balance December 31, 2022 | 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, 2021 | Additions By Budget | Balance Dec. 31, 2022 |
|---|--------------------------|------------------------|--------------------------|
| General Structures, Electric Power Equipment | | | |
| Distribution Mains and General Equipment | \$ 3,686,982.37 | \$ 49,211.39 | \$ 3,736,193.76 |
| 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>\$ 21,375,701.92</u> | <u>\$ 49,211.39</u> | <u>\$ 21,424,913.31</u> |

Ref.

D

D

2022 Appropriations

\$ 31,366.39

2021 Appropriation Reserves

17,845.00

\$ 49,211.39

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

| Improvement Description | Ordinance | | Balance Dec. 31, 2021 | 2022 Authorizations | Balance Dec. 31, 2022 |
|--|-----------|---------------|--------------------------|------------------------|--------------------------|
| | 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 |
| Cutter Assemblies | 03/08/22 | 30,000.00 | | \$ 30,000.00 | 30,000.00 |
| Improvements to Water Storage Tank | 08/16/22 | 839,685.00 | | 839,685.00 | 839,685.00 |
| | | | <u>\$ 1,073,383.00</u> | <u>\$ 869,685.00</u> | <u>\$ 1,943,068.00</u> |

Ref.

D

D

BOROUGH OF FRANKLIN
WATER AND SEWER UTILITY OPERATING FUND
SCHEDULE OF 2021 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2022

| | <u>Balance</u> <u>Dec. 31, 2021</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 | \$ 85,418.09 | \$ 85,418.09 | \$ 7,387.28 | \$ 78,030.81 |
| Other Expenses | 376,035.08 | 376,035.08 | 56,351.66 | 319,683.42 |
| Capital Improvements: | | | | |
| Capital Outlay | 5,765.99 | 5,765.99 | | 5,765.99 |
| Improvements to Water Distribuion System | 60,753.87 | 60,753.87 | 17,160.00 | 43,593.87 |
| Purchase of Water and Sewer Equipment | 2,106.74 | 2,106.74 | 685.00 | 1,421.74 |
| Statutory Expenditures: | | | | |
| Contributions to: | | | | |
| Public Employees Retirement System | 485.00 | 485.00 | | 485.00 |
| Social Security System | 19,284.28 | 19,284.28 | 486.43 | 18,797.85 |
| Unemployment Compensation Insurance | 986.71 | 986.71 | | 986.71 |
| | <u>\$ 550,835.76</u> | <u>\$ 550,835.76</u> | <u>\$ 82,070.37</u> | <u>\$ 468,765.39</u> |

Ref.

Analysis of Balance December 31, 2021:

| | | |
|--------------|---|----------------------|
| Unencumbered | D | \$ 480,737.13 |
| Encumbered | D | <u>70,098.63</u> |
| | | <u>\$ 550,835.76</u> |

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

| Ord. No. | Improvement Descriptor | Ordinance Date | Ordinance Amount | Balance Dec. 31, 2021 | | 2022 Authorizations | | | Balance Dec. 31, 2022 | |
|----------|--|----------------|------------------|-----------------------|--------------|----------------------------|------------------------------------|-----------------|-----------------------|---------------|
| | | | | Funded | Unfunded | Reserve for Sewer Stations | Deferred Charges to Future Revenue | Paid or Charged | Funded | Unfunded |
| | | | | | | | | | | |
| 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 | 40,783.39 | | | \$ 40,611.80 | | 171.59 | |
| 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 | 6,929.54 | | | 70.00 | | 6,859.54 | |
| 08-21 | Acquisition of Utility Vehicle | 06/10/21 | 89,883.00 | | \$ 77,558.00 | | 75,941.85 | | 1,616.15 | |
| 03-22 | Cutter Assemblies | 03/08/22 | 30,000.00 | | | \$ 30,000.00 | 26,202.00 | | 3,798.00 | |
| 10-22 | Improvements to Water Storage Tank | 08/16/22 | 839,685.00 | | | | | \$ 839,685.00 | | \$ 839,685.00 |
| | | | | \$ 56,145.71 | \$ 77,558.00 | \$ 30,000.00 | \$ 142,825.65 | \$ 839,685.00 | \$ 20,878.06 | \$ 839,685.00 |
| | | | | Ref. | D | D | D | D | D | D |

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

| | <u>Ref.</u> | |
|---------------------------|-------------|----------------------|
| Balance December 31, 2021 | D | \$ 200,540.07 |
| Increased by: | | |
| 2022 Budget Appropriation | | <u>50,000.00</u> |
| Balance December 31, 2022 | D | <u>\$ 250,540.07</u> |

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

| | <u>Ref.</u> | |
|---|-------------|-------------------------|
| Balance December 31, 2021 | D | \$ 20,466,701.92 |
| Increased by: | | |
| Paid by Water and Sewer Utility Operating Budget: | | |
| Paydown on Bond Anticipation Notes | \$ | 89,883.00 |
| Serial Bonds Paid | | 75,000.00 |
| Capital Outlay: | | |
| 2022 Budget Appropriations | | 31,366.39 |
| 2021 Budget Appropriation Reserves | | 17,845.00 |
| | | <u>214,094.39</u> |
| Balance December 31, 2022 | D | <u>\$ 20,680,796.31</u> |

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

| Ord. No. | Improvement Description | Ordinance Date | Balance Dec. 31, 2021 | 2022 Authorizations | Balance Dec. 31, 2022 |
|-------------|--|-------------------|--------------------------|------------------------|--------------------------|
| 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 | 50,000.00 | | 50,000.00 |
| 03-22 | Cutter Assemblies | 03/08/22 | | \$ 30,000.00 | 30,000.00 |
| | | | <u>\$ 207,500.00</u> | <u>\$ 30,000.00</u> | <u>\$ 237,500.00</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, 2022

NOT APPLICABLE

BOROUGH OF FRANKLIN
WATER AND SEWER UTILITY CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE
YEAR ENDED DECEMBER 31, 2022

| Ord. Date | Improvement Description | Date of | | | Interest Rate | Balance Dec. 31, 2021 | Matured |
|--------------|--------------------------------|------------------|------------|------------|------------------|--------------------------|--------------|
| | | Original Note | Issue | Maturity | | | |
| 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 |

Ref. D

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

| Purpose | Date of Issue | Original Issue | Maturities of Bonds | | | Interest Rate | Balance Dec. 31, 2021 | Matured | Balance Dec. 31, 2022 |
|-----------------------|---------------|-----------------|---------------------|--------------|---------------|---------------|------------------------|------------------------|-----------------------|
| | | | Outstanding Date | Amount | Dec. 31, 2022 | | | | |
| Water Refunding Bonds | 12/15/15 | \$ 2,195,000.00 | 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% | | | |
| | | | | | | | \$ 1,685,000.00 | \$ 1,610,000.00 | |
| | | | | | | | <u>\$ 1,685,000.00</u> | <u>\$ 1,610,000.00</u> | |

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 | 2022 Authorizations | Balance Dec. 31, 2022 |
|-------------|------------------------------------|------------------------|--------------------------|
| 10-22 | Improvements to Water Storage Tank | \$ 839,685.00 | \$ 839,685.00 |
| | | <u>\$ 839,685.00</u> | <u>\$ 839,685.00</u> |

BOROUGH OF FRANKLIN
COUNTY OF SUSSEX
2022
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, 2021 | F | \$ 5,802.45 | \$ 5,802.45 |
| Increased by Receipts: | | | |
| Interest Earned | | <u>56.33</u> | <u>56.33</u> |
| Balance December 31, 2022 | F | <u>\$ 5,858.78</u> | <u>\$ 5,858.78</u> |

BOROUGH OF FRANKLIN

PART II

SINGLE AUDIT

YEAR ENDED DECEMBER 31, 2022

BOROUGH OF FRANKLIN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2022

| Name of Federal Agency or Department | Name of Program | Assistance Listing Number | Pass Through Entity ID | Grant Award | Grant Period | | Amount Received | Amount of Expenditures | Cumulative Expenditures | Amounts Provided to Subrecipients |
|--|--|---------------------------|-------------------------|---------------|--------------|----------|----------------------|------------------------|-------------------------|-----------------------------------|
| | | | | | From | To | | | | |
| U.S. Department of Transportation: (Passed through New Jersey Department of Transportation) | Municipal Aid - Maple Road | 20.205 | 480-078-6320-AO1-6010 | \$ 141,000.00 | 01/01/22 | 12/31/23 | \$ 100,371.38 | \$ 11,957.00 | \$ 11,957.00 | |
| Total Department of Transportation | | | | | | | 100,371.38 | 11,957.00 | 11,957.00 | |
| U.S. Department of Homeland Security: (Passed through New Jersey Department of Law and Public Safety) | Disaster Grants - Public Assistance - F.E.M.A.: Winter Storm Orlena | 97.036 | N/A | 45,196.57 | 01/01/21 | 12/31/21 | 45,196.57 | 45,196.57 * | 45,196.57 | |
| Total Department of Homeland Security | | | | | | | 45,196.57 | 45,196.57 | 45,196.57 | |
| U.S. Department of Treasury: (Passed through the New Jersey Department of Community Affairs) | COVID-19 - American Rescue Plan Act: Coronavirus State and Local Fiscal Recovery Funds | 21.027 | 100-022-8030-687-046010 | 494,140.24 | 03/03/21 | 12/31/24 | 247,070.13 | | | |
| Total Department of Treasury | | | | | | | 247,070.13 | | | |
| TOTAL FEDERAL AWARDS | | | | | | | <u>\$ 392,638.08</u> | <u>\$ 57,153.57</u> | <u>\$ 57,153.57</u> | <u>\$ -0-</u> |

* Expended in prior period.
N/A - Not Applicable

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, 2022

| 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- 004-178910 | 01/01/16 | 12/31/23 | \$ 13,925.79 | \$ 12,297.50 | \$ 6,858.33 | \$ 8,504.98 |
| | | | 01/01/22 | 12/31/23 | 12,297.50 | 12,297.50 | 6,858.33 | 8,504.98 |
| Total Department of Environmental Protection | Recycling Tonnage | 752-042-4910- 224-238490 | 01/01/14 | 12/31/22 | 10,892.36 | | 1,163.00 | 10,892.36 |
| | | | 01/01/15 | 12/31/23 | 12,117.89 | | 2,952.60 | 5,777.00 |
| | | | 01/01/22 | 12/31/23 | 12,490.08 | | 12,490.08 | |
| | | | | | 12,490.08 | 4,115.60 | 16,669.36 | |
| | | | | | 24,787.58 | 10,973.93 | | 25,174.34 |
| Department of Law and Public Safety | Drunk Driving Enforcement Fund | 100-078-6400- 260-YYYY | 01/01/18 | 12/31/23 | 4,405.65 | | 508.00 | 4,047.09 |
| | | | | | | | 508.00 | 4,047.09 |
| Total Department of Law and Public Safety | Body Armor Replacement Fund | 718-066-1020- 001-090160 | 01/01/20 | 12/31/22 | 1,842.95 | | 115.80 | 1,842.95 |
| | | | 01/01/21 | 12/31/22 | 1,482.12 | | 1,482.12 | 1,482.12 |
| | | | 01/01/22 | 12/31/23 | 2,494.20 | | 2,494.20 | 1,725.90 |
| | | | | | 2,494.20 | 3,323.82 | 5,050.97 | |
| | | | | | 2,494.20 | 3,831.82 | | 9,098.06 |
| New Jersey Highlands Council | Highlands Protection Master Plan | 100-082-2078- 032-290220 | 01/01/21 | 12/31/23 | 65,000.00 | | 9,297.75 | 54,737.85 |
| | | | | | | | | |
| TOTAL STATE AWARDS | | | | | \$ 27,281.78 | \$ 24,103.50 | \$ 89,010.25 | |

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, 2022

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, 2022. 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 (*Government Auditing Standards*), 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, 2022 and 2021, and the related notes to the financial statements and have issued our report thereon dated June 20, 2023. These financial statements have been prepared in accordance with 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.

Report on 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 were not 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 2022-001, that we consider to be a significant deficiency.

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 20, 2023

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, 2022

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, 2022 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 2022-001

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
YEAR ENDED DECEMBER 31, 2022
(Continued)

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

Finding 2022-001 (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, 2022

The Borough's prior year audit finding 2021-001 regarding segregation of duties has not been resolved mostly due to budget constraints and is included as finding 2022-001 on the Schedule of Findings and Responses.

BOROUGH OF FRANKLIN

PART III

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2022

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, 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 2022:

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, 2022, at the rate or rates heretofore governing, and on all delinquents on and after January 1, 2022 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, 2022, at the rate or rates heretofore governing, and on all delinquents on and after January 1, 2022 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 2022 and 2023 Taxes | 20 |
| Payments of Water and Sewer Utility Charges | 20 |
| Delinquent Taxes | 15 |
| Delinquent Water and Sewer Utility Charges | 10 |
| Tax Title Liens | 2 |

BOROUGH OF FRANKLIN
COMMENTS AND RECOMMENDATIONS
(Continued)

Delinquent Taxes and Tax Title Liens

The last tax sale was held on December 6, 2022.

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> |
|-------------|------------------------|
| 2022 | 4 |
| 2021 | 2 |
| 2020 | 3 |

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 2022 were as follows:

RECEIPTS AND DISBURSEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

| | <u>Balance</u> <u>Dec. 31, 2021</u> | <u>Receipts</u> | <u>Disbursements</u> | <u>Balance</u> <u>Dec. 31, 2022</u> |
|-----------------------|--|---------------------|----------------------|--|
| State of New Jersey | \$ 1,284.32 | \$ 15,037.78 | \$ 15,639.52 | \$ 682.58 |
| Municipality: | | | | |
| Fines and Fees | 3,103.66 | 36,409.29 | 37,626.09 | 1,886.86 |
| POAA | | 24.00 | 24.00 | |
| Conditional Dismissal | | 150.00 | 150.00 | |
| Public Defender | | 141.00 | 141.00 | |
| Conditional Discharge | | 175.00 | 75.00 | 100.00 |
| Fish and Game | | 175.00 | 175.00 | |
| Weights and Measures | | 8,350.00 | 7,250.00 | 1,100.00 |
| Restitution | | 2,265.94 | 2,265.94 | |
| County Fines | 935.50 | 11,753.77 | 11,973.77 | 715.50 |
| Cash Bail | 1,427.41 | 3,300.00 | 4,327.41 | 400.00 |
| | <u>\$ 6,750.89</u> | <u>\$ 77,781.78</u> | <u>\$ 79,647.73</u> | <u>\$ 4,884.94</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)

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 ledger.

It is recommended that reconciling items be 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 ledger.

Federal and State Grant Fund Overexpenditures

The Federal and State Grant Fund appropriated reserves had an overexpenditure of \$1,725.90. Overexpenditures are violations of State statute and result in a restriction of the utilization of fund balance.

It is recommended that Federal and State Grant Fund appropriated reserves be monitored to prevent overexpenditures.

Management's Response

Management will review appropriated reserves to ensure that grant funds are available for expenses generated and to avoid overexpenditures.

Animal Control Account

During our review of the Animal Control Account, it was noted that dog license fees collected were not remitted to the State Treasurer in a timely manner.

It is recommended that dog license fees be remitted to the State Treasurer on a monthly basis.

Management's Response

Management will ensure all dog license fees are remitted to the State Treasurer on a monthly basis.

Trust Funds

During our review of Other Trust Funds, it was noted that a Dedication by Rider was not obtained for police donations, however since a resolution has subsequently been passed and submitted, no formal recommendation is deemed necessary.

BOROUGH OF FRANKLIN
COMMENTS AND RECOMMENDATIONS
(Continued)

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. 94, *Public-Private and Public-Public Partnerships and Availability Arrangements*, is effective for the year ended December 31, 2023. This statement addresses issues related to public-private and public-public partnership agreements (PPP's). A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time. This statement also provides guidance for accounting and financial reporting for availability payment arrangements (APA's). An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset or a period of time.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA's)*, is effective for the year ended December 31, 2023. A SBITA is a contract that conveys control of the right to use another party's (a SBITA vendor) information technology software, alone or in combination with tangible capital assets as specified in the related contract for a period of time. It is likely that a SBITA 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 recommendations regarding maintaining an accurate analysis of balance for the payroll account, the Zoning office maintaining a cashbook, obtaining a Dedication by Rider for the Open Space Trust Fund and maintaining records of all Fixed Assets disposed and removal from the Fixed Asset accounting system were resolved during the current year. The prior year recommendations regarding segregation of duties for the various departments/offices of the Borough and reconciling items be properly supported and the general ledger be supported by the receipts ledger were not resolved and are included as recommendations 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) Reconciling items be properly supported and the general ledger is supported by the receipts ledger.
- 3) Federal and State Grant Fund appropriated reserves be monitored to prevent overexpenditures.
- 4) Dog license fees be remitted to the State Treasurer on a monthly basis.

* * * * *