

REPORT OF AUDIT
BOROUGH OF FRANKLIN
COUNTY OF SUSSEX
DECEMBER 31, 2016

BOROUGH OF FRANKLIN, N.J.
YEAR ENDED DECEMBER 31, 2016
TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
	<u>PART I</u>	
	Independent Auditor's Report	1 - 4
	<u>CURRENT FUND</u>	
A	Comparative Balance Sheet	5 - 6
A-1	Comparative Statement of Operations and Changes in Fund Balance	7
A-2	Statement of Revenues	8 - 9
A-3	Statement of Expenditures	10 - 18
	<u>TRUST FUND</u>	
B	Comparative Balance Sheet	19
	<u>GENERAL CAPITAL FUND</u>	
C	Comparative Balance Sheet	20
C-1	Comparative Statement of Changes in Fund Balance	21
	<u>WATER/SEWER UTILITY FUND</u>	
D	Comparative Balance Sheet	22 - 23
D-1	Comparative Statement of Operations and Changes in Fund Balance	24
D-2	Comparative Statement of Fund Balance	25
D-3	Statement of Revenues	25
D-4	Statement of Expenditures	26
	<u>PUBLIC ASSISTANCE FUND</u>	
E	Comparative Balance Sheet - Public Assistance Fund	27
	<u>GENERAL FIXED ASSETS</u>	
F	Schedule of General Fixed Assets	28

<u>Exhibit</u>		<u>Page</u>
	NOTES TO FINANCIAL STATEMENTS	29 - 59
	SUPPLEMENTARY DATA	
	OFFICIALS IN OFFICE AND SURETY BONDS	60
	SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	61
	SCHEDULE OF EXPENDITURES OF STATE AWARDS	62
	COMPARATIVE DATA	63 - 64
	<u>CURRENT FUND</u>	
A-4	Schedule of Current Cash - Treasurer	65
A-5	Schedule of Cash - Change Fund	66
A-6	Schedule of Taxes Receivable and Analysis of Property Tax Levy	67
A-7	Schedule of Tax Title Liens Receivable	68
A-8	Schedule of Property Acquired for Taxes Assessed Valuation	69
A-9	Schedule of Revenue Accounts Receivable	70
A-10	Schedule of Amount Due to State of New Jersey for Senior Citizens' and Veterans' Deductions - CH. 73 P.L.1976	71
A-11	Schedule of Interfunds Accounts Receivable/(Payable)	72
A-12	Schedule of Appropriations Reserves	73 - 74
A-13	Schedule of Deferred Charges N.J.S.A. 40A:4-55 Special Emergency	75
A-14	Schedule of Various Cash Liabilities and Reserves	76
A-15	Schedule of Encumbrances Payable - Current Fund	77
A-16	Schedule of Prepaid Taxes	77
A-17	Schedule of County Taxes Payable	78
A-18	Schedule of Local District School Tax	78
A-19	Schedule of Regional High School Taxes Payable	79
A-20	Schedule of Interfunds - Federal and State Grant Fund	80
A-21	Schedule of Encumbrances Payable - Federal and State Grant Fund	80
A-22	Schedule of Grants Receivable	81
A-23	Schedule of Appropriated Reserves for Grants	82
A-24	Schedule of Unappropriated Reserves for Grants	83
	<u>TRUST FUND</u>	
B-1	Schedule of Cash	84
B-2	Schedule of Animal Control Trust Fund Expenditures	85
B-3	Schedule of Due to State Department of Health	85
B-4	Schedule of Reserve for Encumbrances	86
B-5	Schedule of Various Other Trust Funds	87
B-6	Schedule of Net Payroll and Payroll Deductions	88

GENERAL CAPITAL FUND

C-2	Schedule of Cash	89
C-3	Schedule of General Capital Cash	90
C-4	Schedule of Deferred Charges to Future Taxation - Unfunded	91
C-5	Schedule of Grants Receivable	92
C-6	Schedule of Bond Anticipation Notes Payable	93
C-7	Schedule of Improvement Authorizations	94
C-8	Schedule of Capital Improvement Fund	95
C-9	Schedule of Reserve for Encumbrances	95
C-10	Schedule of Interfund - Current Fund	96
C-11	Schedule of Various Reserves	97
C-12	Schedule of Bonds and Notes Authorized but not Issued	98

WATER/SEWER UTILITY FUND

D-5	Schedule of Cash	99
D-6	Schedule of Change Funds	100
D-7	Schedule of Water/Sewer Utility Collector Cash	100
D-8	Schedule of Water/Sewer Utility Capital Cash	101
D-9	Schedule of Consumer Accounts Receivable	102
D-10	Schedule of Water/Sewer Tax Title Lien	102
D-11	Schedule of Interfund Water/Sewer Capital	103
D-12	Schedule of Fixed Capital	104
D-13	Schedule of Fixed Capital Authorized and Uncompleted	105
D-14	Schedule of Appropriation Reserves	106
D-15	Schedule of Accrued Interest on Bonds, Loans and Notes	107
D-16	Schedule of Reserve for Capital Outlay	108
D-17	Schedule of Reserve for Water Hook-up Fees	108
D-18	Schedule of Reserve for Sewer Hook-up Fees	109
D-19	Schedule of Reserve for BPW Maps	110
D-20	Schedule of Prepaid Water/Sewer Rents	110
D-21	Schedule of Various Reserves	111
D-22	Schedule of Water/Sewer Serial Bonds Payable	112
D-23	Schedule of New Jersey Infrastructure Trust Loan	113
D-24	Schedule of Improvement Authorizations	114
D-25	Schedule of Water/Sewer Capital Bond Anticipation Notes	115
D-26	Schedule of Capital Improvement Fund	116
D-27	Schedule of Reserve for Amortization	116
D-28	Schedule of Reserve for Encumbrances	117
D-29	Schedule of Accounts Payable	117
D-30	Schedule of Deferred Reserve for Amortization	118
D-31	Schedule of Bonds and Notes Authorized but Not Issued	119

PUBLIC ASSISTANCE FUND

E-1	Schedule of Cash - Treasurer	120
E-2	Schedule of Cash and Reconciliation per N.J.S.A. 40A:5-5	121
E-3	Schedule of Cash and Reconciliation	122
E-4	Schedule of Revenues	123
E-5	Schedule of Reserve for Public Assistance	124

PART II

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	125 - 127
--	-----------

SUMMARY OF FINDINGS AND RESPONSES	128
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	129

GENERAL COMMENTS:

Cash Balances	130
Contracts and Agreements	130
Collection of Interest on Delinquent Taxes and Assessments	131
Delinquent Taxes and Tax Title Liens	132
Verification of Delinquent Taxes and Other Charges	132
Segregation of Duties	133

OTHER COMMENTS:

Municipal Court	133
Finance	133

RECOMMENDATIONS	134
-----------------	-----

STATUS OF PRIOR YEAR'S AUDIT FINDINGS/RECOMMENDATIONS	134
---	-----

BOROUGH OF FRANKLIN

PART I

REPORT OF AUDIT ON FINANCIAL STATEMENTS

AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2016

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

Charles J. Ferraioli, Jr., MBA, CPA, RMA
Steven D. Wielkotz, CPA, RMA
James J. Cerullo, CPA, RMA
Paul J. Cuva, CPA, RMA
Thomas M. Ferry, CPA, RMA

Certified Public Accountants
401 Wanaque Avenue
Pompton Lakes, New Jersey 07442
973-835-7900
Fax 973-835-6631

Newton Office
100B Main Street
Newton, N.J. 07860
973-579-3212
Fax 973-579-7128

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Borough of Franklin in the County of Sussex, as of December 31, 2016 and 2015, the related statement of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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



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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Borough of Franklin as of December 31, 2016 and 2015, or changes in financial position for the years then ended.

Basis for Qualified Opinion on Regulatory Basis Accounting Principles

We are unable to obtain sufficient evidence to support the cost of fixed assets. As more fully describe in Note 1, due to the length of time over which these fixed assets were acquired, it is not practical to determine their actual costs. We are, therefore, unable to express an opinion as to the general fixed assets account group at December 31, 2016 and 2015, stated as \$10,512,570.00 and \$10,330,559.00, respectively.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of the matters described in "Basis for Qualified Opinion on Regulatory Basis Accounting Principles" paragraph, the financial statements referred to above present fairly, in all material respects, the regulatory basis balances sheets as of December 31, 2016 and 2015, the regulatory basis statements of operations for the years then ended and the regulatory basis statements of revenues and expenditures for the year ended December 31, 2016 in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Other Information


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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2017 on our consideration of the Borough of Franklin's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of Franklin's internal control over financial reporting and compliance.



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

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

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

Newton, New Jersey

May 2, 2017

Borough of Franklin, N.J.

Comparative Balance Sheet - Regulatory Basis

Current Fund

December 31,

Ref.20162015Assets

Current Fund:

Cash	A-4	3,479,774.20	3,227,438.59
Change Fund	A-5	500.00	500.00
		<u>3,480,274.20</u>	<u>3,227,938.59</u>

Receivables and Other Assets with Full Reserves:

Delinquent Taxes Receivable	A-6	435,339.99	375,852.40
Tax Title Liens Receivable	A-7	83,286.81	25,241.03
Property Acquired for Taxes - Assessed Valuation	A-8	347,100.00	347,100.00
		<u>865,726.80</u>	<u>748,193.43</u>

Deferred Charges:

Special Emergency Authorizations	A-13	10,000.00	15,000.00
		<u>4,356,001.00</u>	<u>3,991,132.02</u>

Federal and State Grant Fund:

Interfund Receivables - Current Fund	A-20	105,183.30	97,083.55
Grants Receivable	A-22	5,000.00	5,000.00
		<u>110,183.30</u>	<u>102,083.55</u>
		<u>4,466,184.30</u>	<u>4,093,215.57</u>

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

Borough of Franklin, N.J.

Comparative Balance Sheet - Regulatory Basis

Current Fund

December 31,
Ref.20162015Liabilities, Reserves and Fund Balance

Current Fund:

Appropriation Reserves:

Unencumbered	A-3;A-12	522,265.38	651,874.70
Encumbered	A-3;A-12	131,669.95	56,618.07

Total Appropriation Reserves		653,935.33	708,492.77
------------------------------	--	------------	------------

Due To State of New Jersey:

Senior Citizen and Veteran Deductions	A-10	19,696.72	18,946.72
---------------------------------------	------	-----------	-----------

Interfunds Payable:

Federal and State Grant Fund	A-11	105,183.30	97,083.55
------------------------------	------	------------	-----------

Tax Overpayments	A-14		750.00
------------------	------	--	--------

Reserve for:

Revision of Master Plan	A-14	7,562.86	17,329.62
-------------------------	------	----------	-----------

Sale of Municipal Assets	A-14		545.60
--------------------------	------	--	--------

Revision of Tax Maps	A-14	1,375.00	1,375.00
----------------------	------	----------	----------

Tax Appeals	A-14	130,398.49	128,361.77
-------------	------	------------	------------

Due to State of New Jersey:

Marriage Surcharge	A-14	175.00	
--------------------	------	--------	--

Encumbrances Payable - Various Reserves	A-15		4,584.32
---	------	--	----------

Prepaid Taxes	A-16	97,247.94	96,130.03
---------------	------	-----------	-----------

County Taxes Payable	A-17	4,389.05	18,807.25
----------------------	------	----------	-----------

		1,019,963.69	1,092,406.63
--	--	--------------	--------------

Reserve for Receivables	Contra	865,726.80	748,193.43
-------------------------	--------	------------	------------

Fund Balance	A-1	2,470,310.51	2,150,531.96
--------------	-----	--------------	--------------

		4,356,001.00	3,991,132.02
--	--	--------------	--------------

Federal and State Grant Fund:

Encumbrances Payable	A-21	3,526.61	3,426.06
----------------------	------	----------	----------

Appropriated Reserve for Grants	A-23	70,236.98	67,011.90
---------------------------------	------	-----------	-----------

Unappropriated Reserve for Grants	A-24	36,419.71	31,645.59
-----------------------------------	------	-----------	-----------

		110,183.30	102,083.55
--	--	------------	------------

		4,466,184.30	4,093,215.57
--	--	--------------	--------------

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

Borough of Franklin, N.J.

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

Current Fund

Years Ended December 31,

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
Revenues and Other Income:			
Fund Balance Utilized	A-2	300,000.00	151,360.00
Miscellaneous Revenue Anticipated	A-2	1,119,818.79	1,112,913.84
Receipts from Delinquent Taxes	A-2	329,014.54	307,019.21
Receipts from Current Taxes	A-2	13,879,899.38	13,792,410.76
Non-Budget Revenue	A-2	76,994.25	68,716.34
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-12	560,280.21	488,362.15
Cancellation of Tax Overpayments	A-14	545.60	
Total Revenues and Other Income		<u>16,266,552.77</u>	<u>15,920,782.30</u>
Expenditures:			
Budget and Emergency Appropriations:			
Operations - Within Caps:			
Salaries and Wages	A-3	2,761,655.00	2,505,170.00
Other Expenses	A-3	1,999,894.00	2,007,637.00
Deferred Charges and Statutory Expenditures -			
Municipal - Within Caps	A-3	559,122.00	552,757.00
Operations - Excluded From CAPS:			
Salaries and Wages			132,689.00
Other Expenses	A-3	239,184.35	237,794.29
Capital Improvements - Excluded from Caps	A-3	159,100.00	182,100.00
Municipal Debt Service - Excluded from Caps	A-3	347,150.48	329,040.84
Deferred Charges and Statutory Expenditures -			
Municipal - Excluded from Caps	A-3	5,000.00	18,309.00
County Taxes including Added Taxes	A-17	2,309,336.39	2,177,254.70
Local District School Tax	A-18	5,087,691.00	4,900,435.00
Regional High School Tax	A-19	2,178,641.00	2,189,214.00
Total Expenditures		<u>15,646,774.22</u>	<u>15,232,400.83</u>
Statutory Excess to Fund Balance		619,778.55	688,381.47
Fund Balance, January 1,	A	<u>2,150,531.96</u>	<u>1,613,510.49</u>
		2,770,310.51	2,301,891.96
Fund Balance Utilized as Budget Revenue	A-1	<u>300,000.00</u>	<u>151,360.00</u>
Fund Balance, December 31,	A	<u><u>2,470,310.51</u></u>	<u><u>2,150,531.96</u></u>

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

Borough of Franklin, N.J.

Statement of Revenues - Regulatory Basis

Current Fund

Year Ended December 31, 2016

	<u>Ref.</u>	<u>Budget</u>	Special N.J.S. <u>40A:4-87</u>	<u>Realized</u>	Excess or <u>(Deficit)</u>
Fund Balance Anticipated	A-1	300,000.00		300,000.00	
Miscellaneous Revenues:					
Licenses:					
Alcoholic Beverages	A-9	10,609.00		10,609.50	0.50
Other	A-9	10,502.00		7,805.00	(2,697.00)
Fees and Permits	A-9	16,586.00		19,300.54	2,714.54
Fines and Costs:					
Municipal Court	A-9	137,858.00		134,804.58	(3,053.42)
Interest and Costs on Taxes	A-9	72,013.00		70,459.01	(1,553.99)
Interest on Investments and Deposits	A-9	10,102.00		24,525.02	14,423.02
Energy Receipts Tax	A-9	607,671.00		607,671.00	
Watershed Moratorium Offset Aid	A-9	4,089.00		4,089.00	
Garden State Trust	A-9	7,929.00		7,929.00	
Special Items of General Revenue Anticipated With Prior Written Consent of Director of Local Government Services					
Public and Private Revenues:					
Recycling Tonnage Grant	A-22	12,117.89		12,117.89	
Drunk Driving Enforcement	A-22	4,563.19		4,563.19	
Alcohol Education and Rehabilitation	A-22	1,296.53		1,296.53	
Body Armor Grant	A-22	1,594.52		1,594.52	
Clean Communities Program	A-22	12,179.22		12,179.22	
Drive Sober or Get Pulled Over	A-22		10,000.00	10,000.00	
Pedestrian Safety	A-22	5,000.00		5,000.00	
Other Special Items:					
Concetta Towers - In Lieu of Taxes	A-9	15,000.00		15,000.00	
Beverly Hills - Solid Waste Collection	A-9	40,824.00		40,824.00	
Ord #94-03 - Mobile Home Park Fees	A-9	58,968.00		58,968.00	
Rent Senior Center	A-9	28,068.00		25,927.32	(2,140.68)
Cable TV Franchise Fee	A-9	16,730.00		16,730.00	
Antenna Lease Contract	A-9	28,425.00		28,425.47	0.47
Total Miscellaneous Revenues	A-1	1,102,125.35	10,000.00	1,119,818.79	7,693.44
Receipts from Delinquent Taxes	A-1;A-2	331,864.00		329,014.54	(2,849.46)
Subtotal General Revenues		1,733,989.35	10,000.00	1,748,833.33	4,843.98
Amount to be Raised by Taxes for Support of Municipal Budget-Local Tax Including Reserve for Uncollected Taxes	A-2	4,694,103.00		4,671,152.99	(22,950.01)
Budget Totals		6,428,092.35	10,000.00	6,419,986.32	(18,106.03)
Non-Budget Revenue	A-1;A-2			76,994.25	76,994.25
		<u>6,428,092.35</u>	<u>10,000.00</u>	<u>6,496,980.57</u>	<u>58,888.22</u>
		A-3	A-3		

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

Borough of Franklin, N.J.

Statement of Revenues - Regulatory Basis

Current Fund

Year Ended December 31, 2016

<u>Analysis of Realized Revenues</u>	<u>Ref.</u>	
Revenue from Collections	A-1;A-6	13,879,899.38
Less:		
Allocated to School and County Taxes	A-6	<u>9,575,668.39</u>
Balance for Support of Municipal Budget Appropriations		4,304,230.99
Add : Appropriation - Reserve for Uncollected Taxes	A-3	<u>366,922.00</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u><u>4,671,152.99</u></u>
Receipts from Delinquent Taxes:		
Delinquent Taxes		
Taxes Receivable	A-6	<u>329,014.54</u>
	A-2	<u><u>329,014.54</u></u>
<u>Analysis of Non-budget Revenues</u>	<u>Ref.</u>	
Miscellaneous Revenues Not Anticipated:		
Revenues Accounts Receivable:		
Tax Collector	A-9	1,085.20
Planning/Zoning	A-9	<u>5,988.50</u>
		7,073.70
Sale of Municipal Property		
Veterans & Senior Citizens Administration Fee		915.00
Senior Housing PILOT		41,277.18
Rent - Senior Center		2,044.20
O/S Police - Use of Car/Admin Fees		186.88
State Motor Vehicle Inspection Fees		450.00
Various Refunds and Miscellaneous		<u>25,047.29</u>
	A-4	<u>69,920.55</u>
	A-2	<u><u>76,994.25</u></u>

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

Borough of Franklin, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2016

	<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Operations - within "CAPS"							
General Government:							
Administrative and Executive							
Salaries and Wages			177,303.00	177,303.00	158,974.34	18,328.66	
Other Expenses			62,800.00	62,800.00	35,143.06	27,656.94	
Municipal Clerk							
Elections			3,500.00	4,100.00	3,003.57	1,096.43	
Financial Administration							
Salaries and Wages			119,000.00	119,000.00	117,406.56	1,593.44	
Other Expenses			12,150.00	12,150.00	10,210.94	1,939.06	
Audit Services			15,900.00	15,900.00	5,200.00	10,700.00	
Collection of Taxes							
Salaries and Wages			30,100.00	30,100.00	29,717.50	382.50	
Other Expenses			9,960.00	9,960.00	8,573.47	1,386.53	
Assessment of Taxes							
Salaries and Wages			49,350.00	49,350.00	47,374.66	1,975.34	
Other Expenses			14,225.00	14,225.00	7,566.71	6,658.29	
Revaluation			1.00	1.00		1.00	
Legal Services and Costs:							
Other Expenses			114,200.00	124,200.00	86,356.89	37,843.11	
Engineering Services and Costs							
Other Expenses			17,500.00	27,500.00	22,801.97	4,698.03	

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

Borough of Franklin, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2016

	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
<u>General Appropriations</u>						
Economic Development						
Other Expenses		2,000.00	2,000.00	1,577.50	422.50	
Planning Board						
Salaries and Wages		51,900.00	51,900.00	49,084.79	2,815.21	
Other Expenses		11,000.00	11,000.00	9,065.31	1,934.69	
Revision of Master Plan		1.00	1.00		1.00	
Zoning Board						
Other Expenses		6,350.00	6,350.00	4,298.04	2,051.96	
Insurance						
Other Insurance Premiums		75,268.00	75,268.00	75,268.00		
Workers Compensation		136,821.00	136,821.00	136,821.00		
Group Insurance Plan		471,120.00	454,407.00	438,888.10	15,518.90	
Unemployment Compensation		10,000.00	10,000.00	7,915.85	2,084.15	
Health Benefit Waiver		9,000.00	9,000.00	9,000.00		
Public Safety:						
Police						
Salaries and Wages		1,674,407.00	1,669,257.00	1,470,862.89	198,394.11	
Other Expenses		91,800.00	91,800.00	73,322.82	18,477.18	
Crossing Guard						
Salaries and Wages		62,400.00	65,400.00	63,778.06	1,621.94	
Other Expenses		600.00	600.00		600.00	

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

Borough of Franklin, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2016

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Emergency Management						
Salaries and Wages		2,250.00	2,250.00	2,250.00		
Other Expenses		500.00	500.00		500.00	
Fire						
Other Expenses		62,100.00	62,100.00	48,726.15	13,373.85	
First Aid Organization - Contribution		17,508.00	17,508.00	9,106.11	8,401.89	
Prosecutor		19,000.00	19,000.00	18,471.80	528.20	
Streets and Roads:						
Road Repairs and Maintenance						
Salaries and Wages		396,845.00	396,845.00	341,861.95	54,983.05	
Other Expenses		136,500.00	136,500.00	97,379.55	39,120.45	
Public Buildings and Grounds						
Other Expenses		106,000.00	111,000.00	58,783.18	52,216.82	
Health and Welfare:						
Board of Health						
Salaries and Wages		1,350.00	1,500.00	1,500.00		
Other Expenses		500.00	500.00	250.39	249.61	
H.B. V. Vaccination						
Other Expenses		1,250.00	1,250.00	380.00	870.00	
Animal Regulation						
Other Expenses		1.00	1.00		1.00	
Contribution to Senior Citizen Ctr.		650.00	650.00	462.47	187.53	

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

Borough of Franklin, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2016

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Recreation and Education						
Salaries and Wages		1,500.00	1,500.00	1,500.00		
Other Expenses		9,000.00	9,000.00	4,697.59	4,302.41	
Celebration of Public Events		1.00	1.00		1.00	
Municipal Court						
Salaries and Wages		127,600.00	127,600.00	121,608.17	5,991.83	
Other Expenses		9,400.00	9,400.00	6,715.03	2,684.97	
Municipal Public Defender		1.00	1.00		1.00	
Zoning Official						
Salaries and Wages		69,650.00	69,650.00	69,615.12	34.88	
Other Expenses		1,700.00	1,700.00	1,682.89	17.11	
Fixed Assets Accounting System		1,600.00	1,600.00	1,600.00		
Reserve for Accrued Sick Time		10,000.00	10,000.00	10,000.00		
Network Maintenance Agreement		16,300.00	16,300.00	12,581.34	3,718.66	
Utility Expense:						
Street Lighting		47,000.00	47,000.00	38,280.04	8,719.96	
Utility Bulk - Telephone		30,000.00	30,000.00	26,446.52	3,553.48	
Gasoline and Oil		45,000.00	35,000.00	24,190.82	10,809.18	
Solid Waste Contract		420,800.00	420,800.00	420,103.64	696.36	
Postage		2,000.00	2,000.00	1,774.84	225.16	
Total Operations Including Contingent-Within "CAPS"		<u>4,764,662.00</u>	<u>4,761,549.00</u>	<u>4,192,179.63</u>	<u>569,369.37</u>	

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

Borough of Franklin, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2016

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Detail:						
Salaries and Wages	A-1	2,763,655.00	2,761,655.00	2,475,534.04	286,120.96	
Other Expenses (Including Contingent)	A-1	2,001,007.00	1,999,894.00	1,716,645.59	283,248.41	
Deferred Charges and Statutory Expenditures-Within "CAPS"						
Municipal Within "CAPS"						
Statutory Expenditures						
Contribution to:						
Public Employees' Retirement System		85,219.00	87,719.00	87,685.53	33.47	
Social Security System (O.A.S.I.)		196,000.00	196,000.00	182,113.78	13,886.22	
Defined Contribution Retirement Program		900.00	1,050.00	1,003.75	46.25	
Police and Firemans Retirement System		270,810.00	274,353.00	274,352.20	0.80	
Total Deferred Charged and Statutory						
Expenditures - Municipal within "CAPS"	A-1	552,929.00	559,122.00	545,155.26	13,966.74	
Total General Appropriations for Municipal						
Purposes within "CAPS"		5,317,591.00	5,320,671.00	4,737,334.89	583,336.11	
Operations - Excluded From "CAPS"						
Refund of Tax Appeals		15,000.00	15,000.00	15,000.00		
Insurance:						
Group Insurance for Employees		3,080.00				
Total Other Operations - Excluded From Caps		18,080.00	15,000.00	15,000.00		

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

Borough of Franklin, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2016

	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
<u>General Appropriations</u>						
Shared Service Agreements						
Township of Sparta "911" Emergency Dispatching						
Other Expenses - Fire		29,102.00	29,102.00	29,101.04	0.96	
Other Expenses - Police		30,865.00	30,865.00	30,864.76	0.24	
Other Expenses - EMS		28,220.00	28,220.00	28,219.20	0.80	
Township of Hardyston						
Municipal Drug Alliance		1,750.00	1,750.00	1,746.50	3.50	
Construction Office		62,222.00	62,222.00		62,222.00	
Joint Community Center		25,274.00	25,274.00	24,292.00	982.00	
Total Shared Service Agreements		<u>177,433.00</u>	<u>177,433.00</u>	<u>114,223.50</u>	<u>63,209.50</u>	
Public and Private Programs Offset By Revenues						
Drunk Driving Enforcement Fund						
Other Expenses		4,563.19	4,563.19	4,563.19		
Body Armor Grant						
Other Expenses		1,594.52	1,594.52	1,594.52		
Recycling State Grant						
Other Expenses		12,117.89	12,117.89	12,117.89		
Alcohol Rehab Fund						
Other Expenses		1,296.53	1,296.53	1,296.53		
Clean Communities Grant						
Other Expenses		12,179.22	12,179.22	12,179.22		
Pedestrian Safety						
Other Expenses		5,000.00	5,000.00	5,000.00		

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

Borough of Franklin, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2016

	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
<u>General Appropriations</u>						
Drive Sober or Get Pulled Over Grant		10,000.00	10,000.00	10,000.00		
Other Expenses		46,751.35	46,751.35	46,751.35		
Total Public and Private Programs Offset By Revenues		242,264.35	239,184.35	175,974.85	63,209.50	
Total Operations - Excluded from "CAPS"	A-1	242,264.35	239,184.35	175,974.85	63,209.50	
Detail:						
Other Expenses						
Capital Improvements - Excluded From "CAPS"						
Capital Improvement Fund		45,000.00	45,000.00	45,000.00		
Purchase of Police Equipment		48,900.00	48,900.00	47,058.03	1,841.97	
Purchase of Office Equipment		7,200.00	7,200.00	6,929.35	270.65	
Purchase of Fire Equipment		8,000.00	8,000.00	8,000.00		
Improvements to Streets and Roads		25,000.00	25,000.00	19,722.90	5,277.10	
Improvement to Municipal Property		25,000.00	25,000.00	25,000.00		
Total Capital Improvements Excluded from "CAPS"	A-1	159,100.00	159,100.00	151,710.28	7,389.72	
Municipal Debt Service -Excluded From "CAPS"						
Payment of Bond Anticipation Notes and Capital Notes		332,115.00	332,115.00	332,115.00		64.52
Interest on Notes		15,100.00	15,100.00	15,035.48		64.52
Total Municipal Debt Service-Excluded from "CAPS"	A-1	347,215.00	347,215.00	347,150.48		64.52

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

Borough of Franklin, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2016

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Deferred Charges - Municipal - Excluded From "CAPS"						
(1) Deferred Charges:						
Special Emergency Authorizations - 5 Years (N.J.S. 40A:4-55)		5,000.00	5,000.00	5,000.00		
Total Deferred Charges - Municipal - Excluded From "CAPS"	A-1	5,000.00	5,000.00	5,000.00		
Total General Appropriations for Municipal Purposes Excluded from "CAPS"		753,579.35	750,499.35	679,835.61	70,599.22	64.52
Subtotal General Appropriations		6,071,170.35	6,071,170.35	5,417,170.50	653,935.33	64.52
Reserve for Uncollected Taxes		366,922.00	366,922.00	366,922.00		
Total General Appropriations		6,438,092.35	6,438,092.35	5,784,092.50	653,935.33	64.52

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

Borough of Franklin, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2016

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
<u>Analysis of Budget After Modification</u>						
Adopted Budget	A-2		6,428,092.35			
Added by N.J.S.A 40A:4-87	A-2		10,000.00			
			<u>6,438,092.35</u>			
<u>Analysis of Paid or Charged</u>						
Reserve for Uncollected Taxes	A-2			366,922.00		
Cash Disbursements	A-4			5,350,419.15		
Deferred Charges	A-13			5,000.00		
Various Reserves	A-14			15,000.00		
Reserve for Federal & State Grants	A-23			46,751.35		
				<u>5,784,092.50</u>		
<u>Analysis of Appropriation Reserves</u>						
Unencumbered	A				522,265.38	
Encumbered	A				131,669.95	
					<u>653,935.33</u>	

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

Borough of Franklin, N.J.

Comparative Balance Sheet - Regulatory Basis

Trust Funds

December 31,

<u>Assets</u>	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
Animal Control Trust Fund			
Cash	B-1	<u>84.80</u>	<u>15.00</u>
Other Trust Funds:			
Cash	B-1	<u>1,571,625.56</u>	<u>1,423,773.96</u>
		<u>1,571,710.36</u>	<u>1,423,788.96</u>
<u>Liabilities, Reserves & Fund Balance</u>			
Animal Control Trust Fund			
Reserve for Animal Control			
Trust Expenditures	B-2	84.80	10.80
Reserve for Encumbrances	B-4	<u>4.20</u>	<u>4.20</u>
		<u>84.80</u>	<u>15.00</u>
Other Trust Fund:			
Reserve for Encumbrances	B-4	44,749.25	54,743.94
Reserve for Various Reserves and			
Other Trusts	B-5	1,523,915.49	1,365,961.81
Payroll Deductions Payable	B-6	<u>2,960.82</u>	<u>3,068.21</u>
		<u>1,571,625.56</u>	<u>1,423,773.96</u>
		<u>1,571,710.36</u>	<u>1,423,788.96</u>

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

Borough of Franklin, N.J.

Comparative Balance Sheet - Regulatory Basis

General Capital Fund

December 31,

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
<u>Assets</u>			
Cash	C-2,C-3	1,075,035.12	1,491,972.18
Deferred Charges to Future Taxation:			
Unfunded	C-4	2,159,420.00	2,038,535.00
Grants Receivable	C-5	350,750.00	185,750.00
		<u>3,585,205.12</u>	<u>3,716,257.18</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Bond Anticipation Notes	C-6	2,159,420.00	2,038,535.00
Improvement Authorizations:			
Funded	C-7	49,058.55	53,553.96
Unfunded	C-7	582,640.37	890,580.07
Capital Improvement Fund	C-8	225,106.20	202,771.20
Reserve for Encumbrances	C-9	472,402.04	409,918.94
Various Reserves	C-11	82,030.38	106,350.43
Fund Balance	C-1	14,547.58	14,547.58
		<u>3,585,205.12</u>	<u>3,716,257.18</u>

Footnote C: There were No Bonds and Notes Authorized But Not Issued
on December 31, 2015 and 2016 as per Schedule C-12.

Borough of Franklin, N.J.

Comparative Statement of Changes in Fund Balance - Regulatory Basis

General Capital Fund

Year Ended December 31,

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
Balance - January 1,	C	14,547.58	14,547.06
Increased by:			
Miscellaneous Receipt		<u> </u>	<u>0.52</u>
Balance - December 31,	C	<u><u>14,547.58</u></u>	<u><u>14,547.58</u></u>

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

Comparative Balance Sheet - Regulatory Basis

Water / Sewer Utility Fund

December 31,

	<u>Ref</u>	<u>2016</u>	<u>2015</u>
<u>Assets</u>			
Operating Fund:			
Cash-Treasurer	D-5	1,837,070.35	1,735,449.30
Change Fund	D-6	200.00	200.00
		<u>1,837,270.35</u>	<u>1,735,649.30</u>
Receivables with Full Reserves:			
Consumers Account Receivable	D-9	130,092.01	123,032.55
Water/Sewer Utility Liens	D-10	15,151.96	
		<u>145,243.97</u>	<u>123,032.55</u>
Total Operating Fund		<u>1,982,514.32</u>	<u>1,858,681.85</u>
Capital Fund:			
Cash	D-5;D-8	1,091,553.17	860,307.20
Fixed Capital*	D-12	21,099,960.51	20,908,814.40
Fixed Capital Authorized and Uncompleted	D-13	959,000.00	959,000.00
Total Capital Fund		<u>23,150,513.68</u>	<u>22,728,121.60</u>
Total Assets		<u>25,133,028.00</u>	<u>24,586,803.45</u>

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

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

Comparative Balance Sheet - Regulatory Basis

Water / Sewer Utility Fund

December 31,

	<u>Ref</u>	<u>2016</u>	<u>2015</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Operating Fund:			
Appropriation Reserve:			
Unencumbered	D-4;D-14	265,050.31	106,210.84
Encumbered	D-4;D-14	10,368.59	248,452.37
Total Appropriation Reserve		275,418.90	354,663.21
Accrued Interest on Bonds and Notes	D-15	40,069.41	36,144.51
Reserve for Water Hook- Ups	D-17	5,193.00	7,790.00
Reserve for Sewer Hook- Ups	D-18	0.76	10,545.76
Reserve for Capital Outlay	D-16	927.45	458.25
Reserve for BPW Maps	D-19	4,293.83	4,293.83
Reserve for Prepaid Water / Sewer Rents	D-20	4,902.05	36,867.20
		330,805.40	450,762.76
Reserve for Receivables	Contra	145,243.97	123,032.55
Fund Balance	D-1	1,506,464.95	1,284,886.54
Total Operating Fund		1,982,514.32	1,858,681.85
Capital Fund:			
Serial Bonds Payable	D-22	2,030,000.00	2,095,000.00
Bond Anticipation Notes	D-25	389,000.00	388,000.00
Various Reserves	D-21	426,998.86	290,612.64
Loan Payable - DEP Infrastructure Loan	D-23	133,687.30	168,651.35
Improvement Authorizations:			
Funded	D-24	6,982.78	6,982.78
Unfunded	D-24	412,612.75	412,735.25
Capital Improvement Fund	D-26	289,774.72	279,474.72
Reserve for Amortization	D-27	19,197,273.21	18,907,163.05
Reserve for Encumbrances	D-28	94,743.50	1,061.25
Accounts Payable	D-29		9,000.00
Reserve for Deferred Amortization	D-30	150,000.00	150,000.00
Fund Balance	D-2	19,440.56	19,440.56
Total Capital Fund		23,150,513.68	22,728,121.60
Total Liabilities, Reserves and Fund Balances		25,133,028.00	24,586,803.45

Footnote D: There were Bonds and Notes Authorized But Not Issued in the Amount of \$159,000.00 and \$159,000.00 on December 31, 2016 and 2015 Per Exhibit D-31.

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

Borough of Franklin, N.J.

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

Water / Sewer Utility Operating Fund

Years Ending December 31,

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
Revenue and Other Income Realized:			
Operating Surplus Anticipated	D-3	94,496.00	34,768.00
Water/Sewer Rents	D-3	2,209,394.72	2,254,793.16
Reserve for:			
Sewer Hook-Ups	D-3	10,545.00	55,293.00
Water Hook-Ups	D-3	7,790.00	28,561.00
Miscellaneous	D-3	122,000.72	131,237.78
Other Credits to Income:			
Unexpended Balance of			
Appropriation Reserves	D-14	239,471.02	188,943.31
Total Income		<u>2,683,697.46</u>	<u>2,693,596.25</u>
Expenditures:			
Operating	D-4	1,800,838.00	1,815,510.00
Capital Improvements	D-4	218,148.00	199,100.00
Debt Service	D-4	278,237.05	277,908.98
Deferred Charges and			
Statutory Expenditures	D-4	70,400.00	75,100.00
Total Expenditures		<u>2,367,623.05</u>	<u>2,367,618.98</u>
Statutory Excess to Surplus		316,074.41	325,977.27
Fund Balance - January 1,	D	<u>1,284,886.54</u>	<u>993,677.27</u>
		1,600,960.95	1,319,654.54
Decreased by:			
Utilized as Anticipated Revenue		94,496.00	34,768.00
Fund Balance - December 31,	D	<u><u>1,506,464.95</u></u>	<u><u>1,284,886.54</u></u>

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

Borough of Franklin, N.J.

Comparative Statement of Fund Balance - Regulatory Basis

Water / Sewer Utility Capital Fund

Year Ended December 31,

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
Balance - January 1,	D	19,440.56	15,535.32
Increased by:			
Miscellaneous Bond Receipts			3,905.24
Premium on Sale of Bond Anticipation Notes			
Balance - December 31,	D	<u>19,440.56</u>	<u>19,440.56</u>

Statement of Revenues - Regulatory Basis

Water / Sewer Utility Operating Fund

Year Ended December 31, 2016

	<u>Ref.</u>	<u>Anticipated</u>	<u>Realized</u>	<u>Excess (Deficit)</u>
Operating Surplus Anticipated	D-1	94,496.00	94,496.00	
Water/Sewer Rents	D-1;D-9	2,254,793.00	2,209,394.72	(45,398.28)
Reserve for Sewer Hook-Ups	D-1;D-18	10,545.00	10,545.00	
Reserve for Water Hook-Ups	D-1;D-17	7,790.00	7,790.00	
Miscellaneous	D-1		122,000.72	122,000.72
Budget Totals	D-4	<u>2,367,624.00</u>	<u>2,444,226.44</u>	<u>76,602.44</u>

Analysis of Realized Revenues

Miscellaneous:

Interest on Deposits:

Water / Sewer Operating Fund	D-5	10,387.13	
Water / Sewer Capital Fund	D-11	<u>807.39</u>	
			11,194.52

Miscellaneous:

Antenna Lease Agreement		74,129.78	
Interest on Delinquent Payments		24,563.83	
Other Miscellaneous		<u>12,112.59</u>	
	D-5		110,806.20
			<u>122,000.72</u>

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

Borough of Franklin, N.J.

Statement of Expenditures - Regulatory Basis

Water / Sewer Utility Operating Fund

Year Ended December 31, 2016

	Ref.	Appropriated		Expended		Unexpended Balance Cancelled
		Budget	Budget After Modification	Paid or Charged	Reserved	
Operating:						
Salaries and Wages		415,070.00	415,070.00	360,668.22	54,401.78	
Other Expenses		<u>1,385,768.00</u>	<u>1,385,768.00</u>	<u>1,223,327.77</u>	<u>162,440.23</u>	
Total Operating	D-1	<u>1,800,838.00</u>	<u>1,800,838.00</u>	<u>1,583,995.99</u>	<u>216,842.01</u>	
Capital Improvements						
Capital Improvement Fund		15,000.00	15,000.00	15,000.00		
Capital Outlay		30,000.00	30,000.00	4,348.31	25,651.69	
Improvements to Water Distribution System		25,000.00	25,000.00	21,463.70	3,536.30	
Improvements to Sewers & Sewer Stations		50,000.00	50,000.00	28,599.89	21,400.11	
Purchase of Water/Sewer Equipment		10,500.00	10,500.00	5,824.78	4,675.22	
Inflow and Infiltration Improvements		<u>87,648.00</u>	<u>87,648.00</u>	<u>87,648.00</u>		
	D-1	<u>218,148.00</u>	<u>218,148.00</u>	<u>162,884.68</u>	<u>55,263.32</u>	
Debt Service:						
Payment of Bond Principal		65,000.00	65,000.00	65,000.00		
Payment of Bond Anticipation Notes and Capital Notes		90,000.00	90,000.00	90,000.00		
Interest on Bonds		76,850.00	76,850.00	76,850.00		
Interest on Notes		3,408.00	3,408.00	3,408.00		
DEP Loan Principal		34,965.00	34,965.00	34,964.05		0.95
DEP Loan Interest		<u>8,015.00</u>	<u>8,015.00</u>	<u>8,015.00</u>		
Total Debt Service	D-1	<u>278,238.00</u>	<u>278,238.00</u>	<u>278,237.05</u>		<u>0.95</u>
Deferred Charges and Statutory Expenditures:						
Statutory Expenditures:						
Contribution to:						
Public Employees' Retirement System		40,000.00	40,000.00	40,000.00		
Social Security System (O.A.S.I.)		28,800.00	28,800.00	25,946.16	2,853.84	
Unemployment Compensation Insurance		<u>1,600.00</u>	<u>1,600.00</u>	<u>1,140.27</u>	<u>459.73</u>	
Total Deferred Charges and Statutory Expenditures	D-1	<u>70,400.00</u>	<u>70,400.00</u>	<u>67,086.43</u>	<u>3,313.57</u>	
		<u>2,367,624.00</u>	<u>2,367,624.00</u>	<u>2,092,204.15</u>	<u>275,418.90</u>	<u>0.95</u>
			D-3			
Unencumbered	D				265,050.31	
Encumbered	D				<u>10,368.59</u>	
					<u>275,418.90</u>	
Cash Disbursed	D-5			2,003,931.15		
Accrued Interest on Bonds and Notes	D-15			<u>88,273.00</u>		
				<u>2,092,204.15</u>		

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

Borough of Franklin, N.J.

Comparative Balance Sheet - Regulatory Basis

Public Assistance Fund

December 31,

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
<u>Assets</u>			
Cash	E-1	<u>5,553.18</u>	<u>5,531.03</u>
<u>Liabilities</u>			
Reserve for Public Assistance	E-5	<u>5,553.18</u>	<u>5,531.03</u>

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

Borough of Franklin, N.J.

Comparative Statement of General Fixed Assets - Regulatory Basis

December 31,

(Unaudited)

	Balance <u>Dec. 31, 2016</u>	Balance <u>Dec. 31, 2015</u>
<u>ASSETS</u>		
Land, Building and Building Improvements	6,548,700.00	6,548,700.00
Machinery and Equipment	<u>3,963,870.00</u>	<u>3,781,859.00</u>
	<u>10,512,570.00</u>	<u>10,330,559.00</u>
<u>RESERVES</u>		
Investment in Fixed Assets	<u>10,512,570.00</u>	<u>10,330,559.00</u>

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

BOROUGH OF FRANKLIN, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

BOROUGH OF FRANKLIN, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting

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

The Borough has the following funds and account groups:

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

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

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

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

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

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

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

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

BOROUGH OF FRANKLIN, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting (continued)

Basis of Accounting

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

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

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

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

BOROUGH OF FRANKLIN, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting (continued)

Budgets and Budgetary Accounting

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

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

Animal Control Trust Fund
General Capital Fund

Public Assistance Trust Fund
Water/Sewer Capital Fund

The governing body shall introduce and approve the annual budget not later than February 10, of the fiscal year. The budget shall be adopted not later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. Emergency appropriations, those made after the adoption of the budget and determination of the tax rate, may be authorized by the governing body of the municipality. During the last two months of the fiscal year, the governing body may, by a 2/3 vote, amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the Governing Body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2016, there was one special item of revenue inserted into the budget. In addition, several budget transfers were approved by the Governing Body.

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

BOROUGH OF FRANKLIN, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting (continued)

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

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

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

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

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

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

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

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

BOROUGH OF FRANKLIN, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting (continued)

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

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

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

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

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

No depreciation has been provided for in the financial statements.

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

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

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

BOROUGH OF FRANKLIN, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting (continued)

Recent Accounting Pronouncements

In February 2015, the Government Accounting Standards Board issued GASB Statement No. 72, Fair Value Measurement and Application. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement also provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement is effective for periods beginning after June 15, 2015. The Borough is currently reviewing what effect, if any, this Statement might have on future financial statements.

In June 2015, the Government Accounting Standards Board issued GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68. This Statement is effective for periods beginning after June 15, 2015 – except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for financial statements for periods beginning after June 15, 2016. The Borough is currently reviewing what effect, if any, this Statement might have on future financial statements.

In June 2015, the Government Accounting Standards Board issued GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. This Statement applies to OPEB plans and basically parallels GASB Statement 67 and replaces GASB Statement 43 and is effective for periods beginning after June 15, 2016. The Borough is currently reviewing what effect, if any, this Statement might have on future financial statements.

In June 2015, the Government Accounting Standards Board issued GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This Statement applies to government employers who provided OPEB plans to their employees and basically parallels GASB Statement 68 and replaces GASB Statement 45. The Statement is effective for periods beginning after June 15, 2017. The Borough is currently reviewing what effect, if any, this Statement might have on future financial statements.

In June 2015, the Government Accounting Standards Board issued GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, which reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and*

BOROUGH OF FRANKLIN, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting (continued)

Recent Accounting Pronouncements (continued)

Local Governments. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the American Institute of Certified Public Accountants that is cleared by the GASB. This Statement is effective for periods beginning after June 15, 2015. The Borough is currently reviewing what effect, if any, this Statement might have on future financial statements.

In August 2015, the Government Accounting Standards Board issued GASB Statement No. 77, Tax Abatement Disclosures, which improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. The Borough is currently reviewing what effect, if any, this Statement might have on future financial statements.

In December 2015, the Government Accounting Standards Board issued GASB Statement No. 78, Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement is effective for reporting periods beginning after December 15, 2015. The Borough is currently reviewing what effects, if any, this Statement might have on future financial statements.

In December 2015, the Government Accounting Standards Board issued GASB Statement No. 79, Certain External Investment Pools and Pool Participants. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it established criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement is effective for periods beginning after June 15, 2015, and for certain provisions, periods beginning after December 15, 2015. The Borough is currently reviewing what effects, if any, this Statement might have on future financial statements.

BOROUGH OF FRANKLIN, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting (continued)

Recent Accounting Pronouncements (continued)

In January 2016, the Government Accounting Standards Board issued GASB Statement No. 80, *Blending Requirements for Certain Component Units*, which provides clarity about how certain component units incorporated as not-for-profit corporations should be presented in the financial statements of the primary state or local government. The Borough does not believe this Statement will have any effect on future financial statements.

In March 2016, the Government Accounting Standards Board issued GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The Borough does not believe this Statement will have any effect on future financial statements.

In March 2016, the Government Accounting Standards Board issued GASB Statement No. 82, *Pension Issues - an Amendment of GASB Statements No. 67, No. 68 and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statement No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement is effective for reporting periods beginning after June 15, 2016. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice.

C. Basic Financial Statements

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

BOROUGH OF FRANKLIN, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

NOTE 2: BUDGETARY INFORMATION

Under New Jersey State Statutes, the annual budget is required to be a balanced cash basis document. To accomplish this, the municipality is required to establish a reserve for uncollected taxes. The 2016 statutory budget included a reserve for uncollected taxes in the amount of \$366,922.00. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2016 statutory budget was \$300,000.00.

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

N.J.S.A. 40A:4-87 permits special items of revenue and appropriations to be inserted into the annual budget when the item has been made available by any public or private funding source and the item was not determined at the time of budget adoption. There was one item of revenue and appropriation inserted into the annual budget for 2016; \$10,000.00, Drive Sober or Get Pulled Over.

The municipality may make emergency appropriations, after the adoption of the budget, for a purpose which was not foreseen at the time the budget was adopted or for which adequate provision was not made therein. This type of appropriation shall be made to meet a pressing need or public expenditure to protect or promote the public health, safety, morals or welfare or to provide temporary housing or public assistance prior to the next succeeding fiscal year. Emergency appropriations, except those classified as a special emergency, must be raised in the budgets of the succeeding year. Special emergency appropriations are permitted to be raised in the budgets of the succeeding three or five years. During 2016, there were no special emergency appropriations inserted into the budget.

NOTE 3: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2016 the following deferred charges are shown on the balance sheets of the various funds.

	<u>Balance Dec. 31, 2016</u>	<u>2017 Budget Appropriation</u>	<u>Balance to Succeeding Budgets</u>
Current Fund:			
Special Emergency Authorization (NJSA 40A:4-55)	<u>\$10,000.00</u>	<u>\$5,000.00</u>	<u>\$5,000.00</u>

BOROUGH OF FRANKLIN, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

NOTE 4: FIXED ASSETS (UNAUDITED)

The following schedule is a summarization of the changes in general fixed assets for the calendar year ended December 31, 2016.

	Balance as of <u>12/31/15</u>	<u>Additions</u>	<u>Disposals</u>	Balance as of <u>12/31/16</u>
Land, Building and Improvements	\$ 6,548,700.00	\$ -	\$ -	\$ 6,548,700.00
Equipment (Including Vehicles)	<u>3,781,859.00</u>	<u>506,037.00</u>	<u>324,026.00</u>	<u>3,963,870.00</u>
	<u>\$10,330,559.00</u>	<u>\$506,037.00</u>	<u>\$324,026.00</u>	<u>\$10,512,570.00</u>

NOTE 5: MUNICIPAL DEBT

Long-term debt as of December 31, 2016 consisted of the following:

	Balance <u>Dec. 31, 2015</u>	<u>Increased</u>	<u>Decreased</u>	Balance <u>Dec. 31, 2016</u>	Amount Due Within <u>One Year</u>
Water/Sewer Capital Fund:					
Bonds Payable	\$2,095,000.00	\$ -	\$65,000.00	\$2,030,000.00	\$65,000.00
NJEIT Loan	<u>168,651.35</u>	<u>-</u>	<u>34,964.05</u>	<u>133,687.50</u>	<u>34,355.99</u>
	<u>2,263,651.35</u>	<u>-</u>	<u>99,964.05</u>	<u>2,163,687.50</u>	<u>99,355.99</u>
Compensated Absences Payable	<u>286,553.03</u>	<u>22,998.82(1)</u>	<u>-</u>	<u>309,551.05</u>	<u>-</u>
	<u>\$2,550,204.38</u>	<u>\$22,998.82</u>	<u>\$99,964.05</u>	<u>\$2,473,238.55</u>	<u>\$99,355.99</u>

(1) Net of days allowed and days used.

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

BOROUGH OF FRANKLIN, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

NOTE 5: MUNICIPAL DEBT (CONTINUED)

The Borough's debt is summarized as follows:

<u>Issued</u>	<u>Year 2016</u>	<u>Year 2015</u>	<u>Year 2014</u>
General:			
Bonds, Notes & Loans	\$2,159,420.00	\$2,038,535.00	\$2,119,085.00
Water/Sewer Utility:			
Bonds, Notes & Loans	<u>2,552,687.30</u>	<u>2,651,651.35</u>	<u>2,961,177.93</u>
	<u>4,712,107.30</u>	<u>4,690,186.35</u>	<u>5,080,262.93</u>
<u>Authorized But Not Issued</u>			
General:			
Bonds and Notes	-	-	9,308.48
Water/Sewer Utility:			
Bonds and Notes	<u>159,000.00</u>	<u>159,000.00</u>	<u>159,000.00</u>
Total Authorized But Not Issued	<u>159,000.00</u>	<u>159,000.00</u>	<u>168,308.48</u>
Net Bonds, Notes and Loans Issued and Authorized but not Issued	<u>4,871,107.30</u>	<u>4,849,186.35</u>	<u>5,248,571.41</u>
Less:			
Self-Liquidating Debt	<u>2,711,687.30</u>	<u>2,810,651.35</u>	<u>3,120,177.93</u>
Net Debt	<u>\$2,159,420.00</u>	<u>\$2,038,535.00</u>	<u>\$2,128,393.48</u>

SUMMARY OF STATUTORY DEBT CONDITION - ANNUAL DEBT STATEMENT

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statement net debt of .523%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Regional High School District Debt	\$ 645,045.12	\$ 645,045.12	\$ -
Water/Sewer Utility Debt	2,711,687.30	2,711,687.30	-
General Debt	<u>2,159,420.00</u>	<u>-</u>	<u>2,159,420.00</u>
	<u>\$5,516,152.42</u>	<u>\$3,356,732.42</u>	<u>\$2,159,420.00</u>

Net Debt \$2,159,420.00 divided by equalized valuation basis per N.J.S.A. 40A:2-2 as amended, 412,788,225.00 = .523%.

BOROUGH OF FRANKLIN, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

NOTE 5: MUNICIPAL DEBT (CONTINUED)

SUMMARY OF AVERAGE EQUALIZED VALUATION

2016	412,788,225.00	
2015		410,331,162.33
2014		423,460,788.30

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

3 1/2% of Equalized Valuation Basis (Municipal)	\$14,447,587.87
Net Debt	<u>2,159,420.00</u>
Remaining Borrowing Power	<u>\$12,288,167.87</u>

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

Cash Receipts from Fees, Rents or Other Charges for Year		\$2,425,891.44
Operating And Maintenance Costs	\$1,871,238.00	
Debt Service	<u>278,237.05</u>	<u>2,149,475.05</u>
Excess in Revenue		<u>\$ 276,416.39</u>

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

Long-term debt as of December 31, 2016 consisted of the following:

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

On November 1, 2000, the Borough issued a New Jersey Infrastructure Trust Loan, Trust Loan portion in the amount of \$280,000.00, at various rates from 5.00% to 5.25% for the Removal and Construction of a New Water Tank. This will mature on August 1, in each of the years, 2001-2020. The balance remaining as of December 31, 2016 was \$80,000.00.

BOROUGH OF FRANKLIN, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

NOTE 5: MUNICIPAL DEBT (CONTINUED)

On November 1, 2000, the Borough issued a New Jersey Infrastructure Trust Loan, Fund Loan portion in the amount of \$270,000.00, at a rate of 0.00% for the Removal and Construction of a New Water Tank. This will mature on August 1, in each of the years, 2001-2020. The balance remaining as of December 31, 2016 was \$53,687.30.

On February 15, 2015, The Borough issued \$2,195,000.00 of Water Refunding Bonds of 2015 at interest rates of 2.00% to 4.00% per annum. At December 31, 2016, the balance remaining was \$2,030,000.00.

The Borough's long term debt consisted of the following at December 31, 2016:

Water Utility Capital Account	<u>\$2,163,687.30</u>
-------------------------------	-----------------------

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

Calendar Year	Water/Sewer Utility		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	99,355.99	79,750.00	179,105.99
2018	98,733.11	77,400.00	176,133.11
2019	103,110.23	74,400.00	177,510.23
2020	102,487.97	71,250.00	173,737.97
2021	75,000.00	68,100.00	143,100.00
2022-2026	405,000.00	303,250.00	708,250.00
2027-2031	485,000.00	218,600.00	703,600.00
2032-2036	600,000.00	113,000.00	713,000.00
2037-2038	<u>195,000.00</u>	<u>10,200.00</u>	<u>205,200.00</u>
Total	<u>2,163,687.30</u>	<u>1,015,950.00</u>	<u>3,179,637.30</u>

BOROUGH OF FRANKLIN, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

NOTE 6: BOND ANTICIPATION NOTES

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

The Borough has outstanding at December 31, 2016, a bond anticipation note in the amount of \$2,159,420.00 payable to Lakeland Bank. This note will mature on 8/18/17 and it is the intent of the Borough council to renew this note for another one year period. The current interest rate on this note is .94%. Principal and interest on this note is paid from the Current Fund Budget of the Borough.

The Borough has outstanding at December 31, 2016, a bond anticipation note in the amount of \$389,000.00 payable to Lakeland Bank. This note will mature on 8/18/17 and it is the intent of the Borough council to renew this note for another one year period. The current interest rate on this note is .94%. Principal and interest on this note is paid from the Water/Sewer Operating Fund Budget of the Borough.

The following activity related to bond anticipation notes occurred during the calendar year ended December 31, 2016.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Notes Payable:				
General Capital:				
Lakeland Bank	\$ -	\$2,159,420.00	\$ -	\$2,159,420.00
TD Bank NA	2,038,535.00	-	2,038,535.00	-
Water/Sewer Capital:				
Lakeland Bank	-	389,000.00	-	389,000.00
TD Bank NA	<u>388,000.00</u>	<u>-</u>	<u>388,000.00</u>	<u>-</u>
	<u>\$2,426,535.00</u>	<u>\$2,548,420.00</u>	<u>\$2,426,535.00</u>	<u>\$2,548,420.00</u>

BOROUGH OF FRANKLIN, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

NOTE 7: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2016 and 2015 which were appropriated and included as anticipated revenue in their own respective funds for the years ending December 31, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Current Fund	<u>\$448,100.00</u>	<u>\$300,000.00</u>
Water/Sewer Utility Operating	<u>\$155,313.00</u>	<u>\$ 94,496.00</u>

NOTE 8: LOCAL DISTRICT SCHOOL TAXES

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

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

NOTE 9: PENSION PLANS

Description of Plans:

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

Public Employees' Retirement System (PERS)

Plan Description

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

Benefits Provided

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

BOROUGH OF FRANKLIN, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

NOTE 9: PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (continued)

Benefits Provided (continued)

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

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

Police and Firemens' Retirement System (PFRS)

Plan Description

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

Benefits Provided

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

BOROUGH OF FRANKLIN, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

NOTE 9: PENSION PLANS (CONTINUED)

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

Benefits Provided (continued)

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

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

Defined Contribution Retirement Program

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

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

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

BOROUGH OF FRANKLIN, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

NOTE 9: PENSION PLANS (CONTINUED)

Contribution Requirements

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

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

<u>Year</u>	<u>PERS</u>	<u>PFRS</u>	<u>DCRP</u>
2016	\$127,685.53	\$270,810.00	\$1,003.75
2015	123,805.00	272,052.00	776.43
2014	105,890.00	235,867.00	525.51

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

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

Public Employees Retirement System (PERS)

At December 31, 2015, the Borough had a liability of \$3,269,526.00 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2015, the Borough's proportion was 0.0145648910 percent, which was a (decrease) of 0.0004529603 percent from its proportion measured as of June 30, 2014.

BOROUGH OF FRANKLIN, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

NOTE 9: PENSION PLANS (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Public Employees Retirement System (PERS) (continued)

For the year ended December 31, 2016, the Borough recognized pension expense of \$127,685.53. At December 31, 2016, deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$77,999.00	\$ -
Changes of assumptions	351,121.00	-
Net difference between projected and actual earnings on pension plan investments	-	52,568.00
Changes in proportion and differences between the Borough's contributions and proportionate share of contributions	127,073.00	71,950.00
Borough contributions subsequent to the measurement date	<u>122,885.00</u>	<u>-</u>
Total	<u>\$679,078.00</u>	<u>\$124,518.00</u>

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (June 30, 2015) will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions (excluding changes in proportion) will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$68,552.00
2018	68,552.00
2019	109,179.00
2020	61,719.00

BOROUGH OF FRANKLIN, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

NOTE 9: PENSION PLANS (CONTINUED)

Public Employees Retirement System (PERS) (continued)

Additional Information

Local Group Collective balances at June 30, 2015 and June 30, 2014 are as follows:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Collective deferred outflows of resources	\$ 3,578,755,666	\$ 952,194,675
Collective deferred inflows of resources	993,410,455	1,479,224,662
Collective net pension liability	22,447,996,119	18,722,735,003
Borough's Proportion	0.0145648910%	0.0150178513%

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which rolled forward to June 30, 2015. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation	3.04 Percent
Salary Increases:	
2012-2021	2.15-4.40 Percent (based on age)
Thereafter	3.15-5.40 Percent (based on age)
Investment Rate of Return	7.90 Percent

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

Mortality Rates

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback three years for males and setback 1 year for females) are used to value disable retirees.

BOROUGH OF FRANKLIN, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

NOTE 9: PENSION PLANS (CONTINUED)

Public Employees Retirement System (PERS) (continued)

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad U.S. Equities	27.25%	8.52%
Developed Foreign Markets	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Returns	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%

Discount Rate

The discount rate used to measure the total pension liability was 4.90% and 5.39% as of June 30, 2015 and 2014, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.80% and 4.29% as of June 30, 2015 and 2014, respectively, based on the Bond Buyer GO 20-Bond Municipal Bond Index which

BOROUGH OF FRANKLIN, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

NOTE 9: PENSION PLANS (CONTINUED)

Public Employees Retirement System (PERS) (continued)

Discount Rate (continued)

includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the collective net pension liability of the participating employers as of June 30, 2015 respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1- percentage point lower or 1- percentage-point higher than the current rate:

	<u>June 30, 2015</u>		
	<u>1% Decrease 3.90%</u>	<u>At Current Discount Rate 4.90%</u>	<u>1% Increase 5.90%</u>
Borough's proportionate share of the pension liability	\$4,063,621	\$3,269,526	\$2,603,763

Pension Plan Fiduciary Net Position

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

BOROUGH OF FRANKLIN, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

NOTE 9: PENSION PLANS (CONTINUED)

Police and Firemen's Retirement System (PFRS)

At December 31, 2015, the Borough had a liability of \$5,549,297.00 for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2014, the Borough's proportion was 0.0333160754 percent, which was a (decrease) of 0.0021041767 percent from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the Borough recognized pension expense of \$270,810.00. At December 31, 2016, deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference in actual and expected experience	\$ -	\$ 47,864.00
Changes of assumptions	1,024,538.00	-
Net difference between projected and actual earnings on pension plan investments	-	96,581.00
Changes in proportion and differences between Borough contributions and proportionate share of contributions	277,722.00	230,808.00
Borough contributions subsequent to the measurement date	<u>260,691.00</u>	<u>-</u>
Total	<u>\$1,562,951.00</u>	<u>\$375,253.00</u>

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (June 30, 2015) will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

BOROUGH OF FRANKLIN, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

NOTE 9: PENSION PLANS (CONTINUED)

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

Year ended June 30:

2017	\$167,146.00
2018	167,146.00
2019	274,061.00
2020	104,595.00

Additional Information

Local Group Collective balances at June 30, 2015 and June 30, 2014 are as follows:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Collective deferred outflows of resources	\$3,512,729,953	\$ 750,532,959
Collective deferred inflows of resources	871,083,367	1,561,923,934
Collective net pension liability	16,656,514,197	13,933,627,178
Borough's Proportion	0.0333160754%	0.0354202521%

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which rolled forward to June 30, 2015. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation	3.04 Percent
Salary Increases:	
2012-2021	2.60-9.48 Percent (based on age)
Thereafter	3.60-10.48 Percent (based on age)
Investment Rate of Return	7.90 Percent

BOROUGH OF FRANKLIN, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

NOTE 9: PENSION PLANS (CONTINUED)

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

Mortality Rates

Mortality rates were based on the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and one year using Projection Scale BB for male service retirements with adjustments for mortality improvements from the base year based on Projection Scale BB. Mortality rates were based on the RP-2000 Combined Healthy Mortality Tables projected fourteen years using Projection Scale BB for female service retirements and beneficiaries with adjustments for mortality improvements from the base year of 2014 based on Projection Scale BB.

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad U.S. Equities	27.25%	8.52%
Developed Foreign Markets	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Returns	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%

BOROUGH OF FRANKLIN, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

NOTE 9: PENSION PLANS (CONTINUED)

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

Discount Rate

The discount rate used to measure the total pension liability was 5.79% and 6.32% as of June 30, 2015 and 2014, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.80% and 4.29% as of June 30, 2015 and 2014, respectively, based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2045. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2045, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the collective net pension liability of the participating employers as of June 30, 2015, respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 - percentage point lower or 1 - percentage-point higher than the current rate:

	<u>June 30, 2015</u>		
	<u>1% Decrease 4.79%</u>	<u>At Current Discount Rate 5.79%</u>	<u>1% Increase 6.79%</u>
Borough's proportionate share of the pension liability	\$7,957,300	\$5,549,297	\$4,469,263

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Police and Firemen's Retirement System (PFRS). The financial report may be accessed at www.state.nj.us/treasury/pensions.

BOROUGH OF FRANKLIN, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

NOTE 10: ACCRUED SICK AND VACATION BENEFITS

The Borough permits employees to accrue unused sick time pay, which may be taken as time off or paid upon retirement or separation at an agreed-upon rate. It is estimated that the current cost of such unpaid compensation would approximate \$309,551.05. This amount is not reported either as an expenditure or liability. However, it is expected that the cost of such unpaid compensation would be included in the Borough's budget operating expenditures in the year in which it is used. At December 31, 2016, the Borough had \$98,918.93 reserved in the Other Trust Fund for accrued leave.

The Borough does not permit employees to accrue vacation time.

NOTE 11: DEFERRED COMPENSATION PLAN

The Borough offers its employees a deferred compensation plan (the "plan") created in accordance with Section 457 of the Internal revenue Code. The plan, which is administered by Lincoln Financial, is available to all Borough employees and permit participants to defer a portion of their salary. The deferred compensation is not available to employees until termination, retirement, unforeseeable emergency of upon death to their beneficiaries.

NOTE 12: CASH AND CASH EQUIVALENTS

Cash

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Borough's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. As of December 31, 2016, \$-0- of the Borough's bank balance of \$9,254,108.78 was exposed to custodial credit risk.

Investments

Investment Rate Risk

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

BOROUGH OF FRANKLIN, NJ

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2016 AND 2015 (CONTINUED)

NOTE 12: CASH AND CASH EQUIVALENTS (CONTINUED)

Credit Risk

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

Concentration of Credit Risk

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

NOTE 13: RISK MANAGEMENT

The Borough is exposed to various risks of loss related to general liability, automobile coverage, damage and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Borough has obtained insurance coverage to guard against these events which will provide minimum exposure to the Borough should they occur. During the 2016 calendar year, the Borough did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

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

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

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

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

BOROUGH OF FRANKLIN, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

NOTE 14: DUE TO/FROM OTHER FUNDS

Balances due to/from other funds at December 31, 2016 consist of the following:

<u>\$105,183.30</u>	Due to Federal and State Grant Fund from Current Fund for receipts and disbursements made in Current Fund.
---------------------	--

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

NOTE 15: LEASES

The Borough has a commitment to lease a postal meter under an operational lease for sixty months that starts on July 1, 2015 and expires on June 30, 2018. Monthly payments are \$142.57. Total Operational lease payments made during the year were \$1,698.84. Future operating lease payments are as follows:

2017	\$1,698.84
2018	<u>849.42</u>
	<u>\$2,548.26</u>

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

The following is a schedule of future minimum lease payments as of December 31, 2016:

Total minimum lease payments	\$7,182.00
Less: Amount representing interest	<u>388.98</u>
Present value of net minimum lease payments	<u>\$6,793.02</u>

Payment Dates	Principal	Interest	Total Lease payments
2017	\$4,205.63	\$330.37	\$ 4,536.00
2018	<u>2,587.39</u>	<u>58.61</u>	<u>2,646.00</u>
	<u>\$6,793.02</u>	<u>\$388.98</u>	<u>\$7,182.00</u>

NOTE 16: PUBLIC ASSISTANCE

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

BOROUGH OF FRANKLIN, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(CONTINUED)**

NOTE 17: HEALTH INSPECTIONS

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

NOTE 18: TAXES COLLECTED IN ADVANCE

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

	<u>Balance Dec 31, 2016</u>	<u>Balance Dec 31, 2015</u>
Prepaid Taxes	<u>\$97,247.94</u>	<u>\$93,130.03</u>
Cash Liability for Taxes Collected in Advance	<u>\$97,247.94</u>	<u>\$93,130.03</u>

NOTE 19: CONTINGENT LIABILITIES

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

NOTE 20: SUBSEQUENT EVENT

The Borough has evaluated subsequent events through May 2, 2017, the date which the financial statements were available to be issued and no other items were noted for disclosure.

SUPPLEMENTARY DATA

BOROUGH OF FRANKLIN, N.J.

OFFICIALS IN OFFICE AND SURETY BONDS
YEAR ENDED DECEMBER 31, 2016

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

<u>Name</u>	<u>Title</u>
Nicholas Giordano	Mayor
Gilbert Snyder	Council President
Robert Dabinett	Councilperson
Dawn Fantasia	Councilperson
Joe Limon	Councilperson
Michael Rathbun	Councilperson
Joe Martinez	Councilperson to 7/26/2016
Stephen Skellenger	Councilperson from 8/9/2016
Alison Littell McHose	Administrator; Municipal Housing Liaison
Darlene Tremont	Confidential Secretary; Administrative Assistant; Deputy Registrar
Robin Hough, RMC, CMR	Borough Clerk; Registrar
Monica Miebach	Chief Finance Officer/Qualified Purchasing Agent
Pam Crum	Finance Clerk
Theresa Schlosser	Tax Collector; Water/Sewer Collector
Thomas Prol	Borough Attorney
Angelo Bolcato	BPW and Rent Leveling Attorney
James G. Devine	Judge
Lorraine Spirito	Court Administrator
Maggie Rodriguez	Deputy Court Administrator
Eugene McInerney	Chief of Police
Brian Vandenbroek	Public Works Manager
Joseph Butto	Construction Official (Shared service - Hardyston Township)
Scott Holzhauer	Tax Assessor
Thomas Knutelsky	Engineer - Harold E. Pellow & Associates
Robert Guerin	Water/Sewer Engineer - Guerin & Vreelend
Karen Osellame	Secretary Planning and Zoning Board
Joseph Drossel	Zoning Officer
Thomas M. Ferry, C.P.A., R.M.A.	Auditor

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

Borough of Franklin
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2016

Federal Department	Federal Program	Federal C.F.D.A. Number	State Account No.	Program or Award Amount	Grant Period From/To	12/31/15		12/31/16		MEMO Cumulative Total Expenditures
						(Receivable)	Reserve Balance	(Receivable)	Reserve Balance	
CURRENT FUND										
United States Department of Homeland Security (Passed through NJ Office of Emergency Management) Disaster Grants	Federal Emergency Management	97.036	1200-100-066-1200-A70	4,873.13	1/1/16 - 12/31/16					4,873.13
FEDERAL AND STATE GRANT FUND										
(Passed through NJ Division of Highway Traffic Safety)	Drive Sober or Get Pulled Over Drive Sober or Get Pulled Over	20.616 20.616	1160-100-066-1160-157 1160-100-066-1160-157	10,000.00 10,000.00	1/1/15 - 12/31/15 1/1/16 - 12/31/16	(5,000.00)	3,400.00	(5,000.00)	3,000.00	10,000.00
						(5,000.00)	3,400.00	(5,000.00)	3,000.00	7,000.00 17,000.00
U.S. Department of Justice	Body Armor Grant			2,087.50	1/1/16-12/31/16				2,087.50	
TOTAL FEDERAL AWARDS						(5,000.00)	3,400.00	(5,000.00)	5,087.50	21,873.13

Borough of Franklin

Schedule of Expenditures of State Awards
For the Year Ended December 31, 2014

MEMO	Name of State Agency or Department	Name of Program	Grant or State Project Number	Program or Award Amount	Grant Period From/To	12/31/15		12/31/16		MEMO Cumulative Total Expenditures	
						Receivable	Reserve Balance	Receivable	Reserve Balance		
FEDERAL AND STATE GRANT FUND											
Department of Environmental Protection	Clean Communities Grant	Clean Communities Grant	4900-765-042-4900-004-V42Y-6020	10,685.60	1/1/13-12/31/13		2,704.81		(2,704.81)	10,685.60	
			4900-765-042-4900-004	10,021.68	1/1/14-12/31/14		10,021.68		3,944.11		
			4900-765-042-4900-004	12,073.46	1/1/15-12/31/15		12,073.46		12,073.46		
			4900-765-042-4900-004	13,925.79	1/1/16-12/31/16		13,925.79		13,925.79		
	Recycling Tonnage	Recycling Tonnage	4900-752-042-4900-001-V42Y-6020	11,384.00	1/1/11-12/31/11			5,409.93		(5,409.93)	11,384.00
			4900-752-042-4900-001-V42Y-6020	11,398.95	1/1/12-12/31/12		11,398.95		9,211.06		2,187.89
			4900-752-042-4900-001-V42Y-6020	10,941.54	1/1/13-12/31/13		10,941.54		10,941.54		
			4900-752-042-4900-001-V42Y-6020	10,892.36	1/1/14-12/31/14		10,892.36		10,892.36		
			4900-752-042-4900-001-V42Y-6020	12,117.89	1/1/15-12/31/15		12,117.89		12,117.89		
			4900-752-042-4900-001-V42Y-6020	11,061.03	1/1/16-12/31/16		11,061.03		11,061.03		
Total NJ Department of Environmental Protection											
Department of Health and Senior Services	Rehabilitation and Enforcement	Alcohol Education and Rehabilitation and Enforcement	9735-760-098-Y900-001-X100-6020	1,108.27	1/1/13-12/31/13		888.39		(888.39)	1,108.27	
			9735-760-098-Y900-001-X100-6020	1,831.48	1/1/14-12/31/14		1,831.48		(1,831.48)	1,831.48	
			9735-760-098-Y900-001-X100-6020	1,296.53	1/1/15-12/31/15		1,296.53		(1,216.09)	1,216.09	
			9735-760-098-Y900-001-X100-6020	2,840.28	1/1/16-12/31/16		2,840.28		2,840.28		
							4,016.40		2,920.72	4,155.84	
Total Department of Health and Senior Services											
Department of Law and Public Safety	Drunk Driving Enforcement Fund	Drunk Driving Enforcement Fund	6400-100-078-6400-YYYY	10,301.80	1/1/12-12/31/12		3,157.98		(3,157.98)	10,301.80	
			6400-100-078-6400-YYYY	4,287.55	1/1/14-12/31/14		4,287.55		(874.62)	874.62	
			6400-100-078-6400-YYYY	4,563.19	1/1/15-12/31/15		4,563.19		4,563.19		
			6400-100-078-6400-YYYY	4,802.13	1/1/16-12/31/16		4,802.13		4,802.13		
							12,008.72		12,778.25	11,176.42	
Total Drunk Driving Enforcement Fund											
Total Body Armor Replacement	Body Armor Replacement	Body Armor Replacement	718-066-1020-001-YCIS-6120	1,869.98	1/1/13-12/31/13		565.01		(565.01)	1,869.98	
			718-066-1020-001-YCIS-6120	1,512.22	1/1/14-12/31/14		1,512.22		(1,512.22)	1,512.22	
			718-066-1020-001-YCIS-6120	1,594.52	1/1/15-12/31/15		1,594.52		(1,594.52)	1,594.52	
			718-066-1020-001-YCIS-6120	1,702.98	1/1/16-12/31/16		1,702.98		1,702.98		
							3,671.75		1,702.98	4,976.72	
Total Department of Law and Public Safety											
Highway and Traffic Safety	Pedestrian Safety	TOTAL FEDERAL AND STATE GRANT FUND	066-1160-100-131	5,000.00	1/1/16-12/31/16				(5,000.00)	5,000.00	
							95,257.49		101,569.19	49,566.47	
GENERAL CAPITAL FUND											
NJ Department of Transportation	Municipal Local Aid - High Street	Municipal Local Aid - Main Street I	14-480-078-6320-ALW-6010	183,000.00	1/1/14-12/31/14		(48,750.00)		(48,750.00)		
			14-480-078-6320-ALW-6010	140,000.00	1/1/15-12/31/15		(140,000.00)		(140,000.00)	165,000.00	
			14-480-078-6320-ALW-6010	165,000.00	1/1/16-12/31/16				(165,000.00)	165,000.00	
TOTAL GENERAL CAPITAL FUND											
							95,257.49		101,569.19	214,566.47	
TOTAL STATE AID											

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

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>Tax Rate:</u>	<u>3.561</u>	<u>3.572</u>	<u>3.481(1)</u>
<u>Apportionment of Tax Rate:</u>			
Municipal	1.171	1.211	1.182
County	.578	.551	.538
Local School	1.269	1.251	1.196
Regional High School	.543	.559	.565
<u>Assessed Valuation</u>			
2016	400,632,049		
2015	391,758,530		
2014			392,370,021

COMPARISON OF TAX LEVIES AND COLLECTION CURRENTLY

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

<u>Year</u>	<u>Tax Levy</u>	<u>Currently</u>	
		<u>Collections</u>	<u>Percentage of Collection</u>
2016	14,293,830.18	13,879,899.38	97.10%
2015	14,138,610.40	13,792,410.76	97.55%
2014	13,695,411.18	13,363,300.58	97.57%

DELINQUENT TAXES AND TAX TITLE LIENS

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

<u>Year</u>	<u>Amount of Delinquent Taxes</u>	<u>Amount of Tax Title Liens</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2016	435,339.99	83,286.81	518,626.80	3.62%
2015	375,852.40	25,241.03	401,093.43	2.83%
2014	342,748.66	68,506.17	411,254.83	3.00%

PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

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

<u>Year</u>	<u>Amount</u>
2016	347,100.00
2015	347,100.00
2014	61,500.00
2013	61,500.00
2012	61,500.00

COMPARISON OF WATER/SEWER UTILITY LEVIES

<u>Year</u>	<u>Levy</u>	<u>Cash Collections</u>
2016	2,231,606.14	2,209,394.72
2015	2,228,610.13	2,254,793.16
2014	2,263,199.53	2,251,920.85
2013	2,255,353.24	2,290,957.08
2012	2,256,460.64	2,208,282.09

COMPARATIVE SCHEDULE OF FUND BALANCES

<u>Current Fund:</u>		<u>Utilized</u>
<u>Year</u>	<u>Balance</u> <u>Dec. 31,</u>	<u>In Budget of</u> <u>Succeeding Year</u>
2016	2,470,310.51	448,100.00
2015	2,150,531.96	300,000.00
2014	1,613,510.49	151,360.00
2013	1,055,405.27	74,000.00
2012	277,628.74	74,000.00

Water/Sewer Utility Operating Fund:

2016	1,506,464.95	155,313.00
2015	1,284,886.54	94,496.00
2014	993,677.27	34,768.00
2013	745,374.34	-0-
2012	472,466.02	126,218.00

Borough of Franklin, N.J.

Schedule of Cash - Treasurer

Current Fund

Year Ended December 31, 2016

	<u>Ref.</u>		
Balance - December 31, 2015	A		3,227,438.59
Increased by Receipts:			
Miscellaneous Revenue Not Anticipated	A-2	69,920.55	
Taxes Receivable	A-6	14,068,033.89	
Revenue Accounts Receivable	A-9	1,080,141.14	
Due From State - Senior Citizen and Veteran Deductions	A-10	45,500.00	
Interfunds	A-11	51,419.71	
Various Cash Liabilities and Reserves	A-14	21,969.49	
Prepaid Taxes	A-16	97,247.94	
			<u>15,434,232.72</u>
			18,661,671.31
Decreased by Disbursements:			
Current Year Budget Appropriations	A-3	5,350,419.15	
Interfunds	A-11	43,319.96	
Appropriation Reserves	A-12	148,212.56	
Various Cash Liabilities and Reserves	A-14	45,274.53	
Encumbrances Payable - Various Reserves	A-15	4,584.32	
County Taxes Payable	A-17	2,323,754.59	
District School Taxes Payable	A-18	5,087,691.00	
High School Taxes Payable	A-19	2,178,641.00	
			<u>15,181,897.11</u>
Balance - December 31, 2016	A		<u><u>3,479,774.20</u></u>

Borough of Franklin, N.J.**Schedule of Cash - Change Fund****Current Fund****Year Ended December 31, 2016**

	<u>Ref.</u>	
Balance - December 31, 2015	A	<u>500.00</u>

Balance - December 31, 2016	A	<u>500.00</u>
-----------------------------	---	---------------

Analysis of Balance:

Tax Collector	200.00
Municipal Clerk	150.00
Court Administrator	100.00
Police Department	<u>50.00</u>
	<u>500.00</u>

Borough of Franklin, N.J.

Schedule of Taxes Receivable and Analysis of Property Tax Levy

Current Fund

Year Ended December 31, 2016

Year	Balance, Dec. 31, 2015	Levy	Added Taxes	Collected		Senior Citizen and Veteran Deductions	Transferred to Tax Title Liens	Canceled	Balance, Dec. 31, 2016
				2015	2016				
2002	491.91								491.91
2003	1,811.52								1,811.52
2004	1,815.96								1,815.96
2005	1,767.12								1,767.12
2006	1,878.12								1,878.12
2007	2,002.44								2,002.44
2008	2,057.50								2,057.50
2009	2,081.92								2,081.92
2010	21,643.21								21,643.21
2011	3,099.26								3,099.26
2012	3,273.37								3,273.37
2013	3,365.61								3,365.61
2014	4,013.59								4,013.59
2015	326,550.87		13,782.09		329,014.54		7,199.90		4,118.52
	375,852.40		13,782.09		329,014.54		7,199.90		53,420.05
		14,266,508.07	27,322.11	96,130.03	13,739,019.35	44,750.00	16,654.80	15,356.06	381,919.94
	375,852.40	14,266,508.07	41,104.20	96,130.03	14,068,033.89	44,750.00	23,854.70	15,356.06	435,339.99
A				A-2;A-16	A-2;A-4	A-2;A-10	A-7		A
2016									
Analysis of Tax Levy									
Tax yield:				Ref.					
General Purpose Tax				14,266,508.07					
Added Tax (R.S. 54:4-63.1 et seq.)				27,322.11					
				14,293,830.18					
Tax Levy:									
County Tax				A-17	2,304,947.34				
Added County Taxes				A-17	4,389.05				
							2,309,336.39		
Local District School Tax				A-18			5,087,691.00		
Regional High School District Tax				A-19			2,178,641.00		
				A-2			9,575,668.39		
Local Tax for Municipal Purposes					4,694,103.00				
Additional Taxes					24,058.79				
							4,718,161.79		
							14,293,830.18		

Borough of Franklin, N.J.

Schedule of Tax Title Liens Receivable

Current Fund

Year Ended December 31, 2016

	<u>Ref.</u>		
Balance - December 31, 2015	A		25,241.03
Increased by:			
Transferred from 2016 Taxes Receivable	A-6	16,654.80	
Transferred from 2015 Taxes Receivable	A-6	7,199.90	
Constructiion Costs		42,340.77	
Interest and Costs on Tax Sale		<u>1,494.72</u>	
			<u>67,690.19</u>
			92,931.22
Decreased by:			
Audit Adjustment			<u>9,644.41</u>
Balance - December 31, 2016	A		<u><u>83,286.81</u></u>

Borough of Franklin, N.J.**Schedule of Property Acquired for
Taxes Assessed Valuation****Current Fund****Year Ended December 31, 2016**

	<u>Ref.</u>	
Balance - December 31, 2015	A	<u>347,100.00</u>
Balance - December 31, 2016	A	<u>347,100.00</u>

Borough of Franklin, N.J.

Schedule of Revenue Accounts Receivable

Current Fund

Year Ended December 31, 2016

	<u>Ref.</u>	<u>Accrued</u>	<u>Collected</u>
Clerk			
Licenses:			
Alcoholic Beverages	A-2	10,609.50	10,609.50
Other Licenses	A-2	7,805.00	7,805.00
Fees and Permits	A-2	19,300.54	19,300.54
Municipal Court			
Fines and Costs	A-2	134,804.58	134,804.58
Tax Collector			
Interest and Costs on Taxes	A-2	70,459.01	70,459.01
Miscellaneous Revenue not Anticipated	A-2	1,085.20	1,085.20
Interest on Investments and Deposits	A-2	24,525.02	24,525.02
Beverly Hills - Solid Waste Collection	A-2	40,824.00	40,824.00
Rent - Senior Center	A-2	25,927.32	25,927.32
Ord. #94-03 - Mobil Home Park Fees	A-2	58,968.00	58,968.00
Antenna Lease Contract	A-2	28,425.47	28,425.47
Planning/Zoning:			
Miscellaneous Revenue not Anticipated	A-2	5,988.50	5,988.50
Energy Receipts Tax	A-2	607,671.00	607,671.00
Cable TV Franchise Fee	A-2	16,730.00	16,730.00
Concetta Towers in Lieu of Taxes	A-2	15,000.00	15,000.00
Watershed Moratorium Offset Aid	A-2	4,089.00	4,089.00
Garden State Trust	A-2	7,929.00	7,929.00
		<u>1,080,141.14</u>	<u>1,080,141.14</u>

A-4

Borough of Franklin, N.J.

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

Current Fund

Year Ended December 31, 2016

	<u>Ref.</u>	
Balance - December 31, 2015	A	18,946.72
Increased by:		
State Share of Senior Citizens and		
Veteran Deductions Received in Cash	A-4	<u>45,500.00</u>
		64,446.72
Decreased by:		
Senior Citizens' Deductions Per Tax Billing		
Veterans' Deductions Per Tax Billing		44,750.00
Senior Citizens' and Veterans' Allowed		
By Tax Collector		<u>250.00</u>
		45,000.00
Less:		
Deductions Disallowed - Current Year		<u>250.00</u>
	A-6	<u>44,750.00</u>
Balance - December 31, 2016	A	<u><u>19,696.72</u></u>

Borough of Franklin, N.J.

Schedule of Interfunds Receivables/(Payables)

Current Fund

Year Ended December 31, 2016

<u>Fund</u>	<u>Ref.</u>	Due From/(To) Balance		Due From/(To) Balance	
		<u>Dec. 31, 2015</u>	<u>Increased</u>	<u>Dec. 31, 2016</u>	<u>Decreased</u>
Federal and State Grants	A	(97,083.55)	51,419.71	43,319.96	(105,183.30)
Analysis		(97,083.55)			(105,183.30)
Due From Current Fund					
Received	A-4		51,419.71		
Disbursed	A-4			43,319.96	
			51,419.71	43,319.96	

Borough of Franklin, N.J.
Schedule of Appropriation Reserves
Current Fund
Year Ended December 31, 2016

	Balance, Dec. 31, 2015	Balance after Transfers	Paid or Charged	Balance Lapsed
Salaries and Wages Within "CAPS":				
Administrative and Executive	14,651.01	14,651.01		14,651.01
Financial Administration	525.02	525.02		525.02
Assessment of Taxes	3,077.29	3,077.29	115.63	2,961.66
Collection of Taxes	549.98	549.98		549.98
Land Use	4,877.30	4,877.30	358.02	4,519.28
Police	196,867.40	196,867.40	48,695.09	148,172.31
Crossing Guard	2.75	2.75		2.75
Road Repairs and Maintenance	53,621.24	53,621.24	9,275.26	44,345.98
Board of Health	150.00	150.00		150.00
Recreation and Education	500.00	500.00		500.00
Zoning Official	8,038.45	8,038.45		8,038.45
Total Salaries and Wages Within "CAPS"	282,860.44	282,860.44	58,444.00	224,416.44
Other Expenses Within "CAPS":				
Administrative and Executive	30,061.90	23,061.90	1,846.41	21,215.49
Elections	608.66	608.66		608.66
Financial Administration	2,515.28	2,515.28	784.89	1,730.39
Audit Services	5,200.00	5,200.00	5,200.00	
Assessment of Taxes	376.54	376.54	376.54	
Collection of Taxes	3,268.82	3,268.82	212.94	3,055.88
Legal Services and Costs	7,097.89	14,097.89	13,975.34	122.55
Engineering Services and Costs	13,820.48	13,820.48	6,830.00	6,990.48
Planning Board	4,907.74	4,907.74	2,704.46	2,203.28
Economic Development	1,697.00	1,697.00		1,697.00
Zoning Board	9,859.06	9,859.06	63.19	9,795.87
Police	29,765.62	29,765.62	10,235.66	19,529.96
Crossing Guard	600.00	600.00		600.00
Office of Emergency Management	500.00	500.00		500.00
Fire	15,889.68	15,889.68	3,258.36	12,631.32
First Aid Org. Contribution	5,352.36	5,352.36	1,012.34	4,340.02
Prosecutor	1,014.30	1,014.30		1,014.30
Public Defender	1,000.00	1,000.00		1,000.00
Public Buildings and Grounds	38,434.03	38,434.03	4,491.93	33,942.10
Road Repairs and Maintenance	21,993.51	21,993.51	5,559.11	16,434.40
Board of Health	419.02	419.02		419.02
H.B.V. Vaccination	890.00	890.00	224.00	666.00
Contribution to Senior Citizen Center	38.32	38.32		38.32
Recreation and Education	5,389.33	5,389.33	188.32	5,201.01
Street Lighting	11,019.19	11,019.19	3,480.25	7,538.94
Telephone	1,470.80	1,470.80	934.34	536.46
Postage	927.16	927.16		927.16
Gasoline and Oil	34,855.87	34,855.87	3,695.64	31,160.23
Other Insurance Premiums	204.00	204.00		204.00
Group Insurance Plan	36,109.79	36,109.79	250.00	35,859.79
Unemployment Compensation Insurance	17,241.02	17,241.02	394.80	16,846.22
Zoning Official	278.33	278.33	0.70	277.63
Solid Waste Contract	3,039.12	3,039.12		3,039.12
Network Maintenance Agreement	1,445.02	1,445.02		1,445.02
Total Other Expenses Within "CAPS"	307,289.84	307,289.84	65,719.22	241,570.62
Total Operations Within "CAPS"	590,150.28	590,150.28	124,163.22	465,987.06

Borough of Franklin, N.J.
Schedule of Appropriation Reserves
Current Fund
Year Ended December 31, 2016

	Balance, Dec. 31, 2015	Balance after Transfers	Paid or Charged	Balance Lapsed
Deferred Charges and Statutory Expenditures				
Within "CAPS":				
Statutory Expenditures:				
Contribution To:				
Social Security (O.A.S.I.)	27,406.53	27,406.53	3,042.51	24,364.02
Defined Contribution Retirement Program	123.57	123.57	17.21	106.36
Total Deferred Charges and Statutory Expenditures Within "CAPS"	27,530.10	27,530.10	3,059.72	24,470.38
Total General Appropriations within "CAPS"	617,680.38	617,680.38	127,222.94	490,457.44
Operations Excluded from CAPS				
Other Operations Excluded from "CAPS"				
Municipal Court				
Salaries and Wages	5,616.07	5,616.07	276.00	5,340.07
Other Expenses	3,158.78	3,158.78	273.58	2,885.20
Total Other Operations Excluded from "CAPS"	8,774.85	8,774.85	549.58	8,225.27
Interlocal Municipal Service Agreements				
Township of Hardyston				
Municipal Drug Alliance	11.50	11.50		11.50
Construction Office	61,100.00	61,100.00		61,100.00
Joint Community Center	486.00	486.00		486.00
Total Operations Excluded From "CAPS"	61,597.50	61,597.50		61,597.50
Capital Improvements				
Reserve For:				
Purchase of Fire Equipment	13,469.45	13,469.45	13,469.45	
Improvement to Municipal Property	6,970.59	6,970.59	6,970.59	
Total Capital Improvements Excluded from "CAPS"	20,440.04	20,440.04	20,440.04	
Total General Appropriations Excluded from "CAPS"	90,812.39	90,812.39	20,989.62	69,822.77
Total Reserves	708,492.77	708,492.77	148,212.56	560,280.21
			A-4	A-1
Ref.				
Unencumbered	A 651,874.70			
Encumbered	A 56,618.07			
	708,492.77			

Borough of Franklin, N.J.

Schedule of Deferred Charges

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

Current Fund

Year Ended December 31, 2016

<u>Purpose</u>	<u>Date</u>	<u>Amount</u> <u>Authorized</u>	<u>1/5 of Amount</u> <u>Authorized</u>	<u>Balance,</u> <u>Dec. 31, 2015</u>	<u>Reduced in</u> <u>2016</u>	<u>Balance,</u> <u>Dec. 31, 2016</u>
Revaluation of Taxes	07/09/13	25,000.00	5,000.00	15,000.00	5,000.00	10,000.00
				<u>A</u>	<u>A-3</u>	<u>A</u>

Borough of Franklin, N.J.

Schedule of Various Cash Liabilities and Reserves

Current Fund

Year Ended December 31, 2016

	Balance Dec. 31, 2015	Increased	Decreased	Balance Dec. 31, 2016
<u>Liabilities and Reserves</u>				
<u>Liabilities:</u>				
Due State of NJ Marriage License Fees		850.00	675.00	175.00
Tax Overpayments	750.00	21,119.49	21,869.49	
<u>Reserves for:</u>				
Revision of Master Plan	17,329.62		9,766.76	7,562.86
Sale of Municipal Assets	545.60		545.60	
Revision of Tax Maps	1,375.00			1,375.00
Tax Appeals	128,361.77	15,000.00	12,963.28	130,398.49
	<u>148,361.99</u>	<u>36,969.49</u>	<u>45,820.13</u>	<u>139,511.35</u>
	A			A
<u>Ref.</u>				
Cancelled to Fund Balance	A-1		545.60	
Budget Appropriations	A-3	15,000.00		
Cash Receipts	A-4	21,969.49		
Cash Disbursements	A-4		45,274.53	
		<u>36,969.49</u>	<u>45,820.13</u>	

Borough of Franklin, N.J.

Schedule of Encumbrances Payable - Various Reserves

Current Fund

Year Ended December 31, 2016

	<u>Ref.</u>	
Balance - December 31, 2015	A	<u>4,584.32</u>
Decreased by:		
Cash Disbursed	A-4	<u>4,584.32</u>

Schedule of Prepaid Taxes

Current Fund

Year Ended December 31, 2016

	<u>Ref.</u>	
Balance - December 31, 2015	A	96,130.03
Increased by:		
Receipts - Prepaid 2016 Taxes	A-4	<u>97,247.94</u>
		193,377.97
Decreased by:		
Applied to 2016 Taxes	A-6	<u>96,130.03</u>
Balance - December 31, 2016	A	<u>97,247.94</u>

Borough of Franklin, N.J.

Schedule of County Taxes Payable

Current Fund

Year Ended December 31, 2016

	<u>Ref.</u>		
Balance - December 31, 2015	A		18,807.25
Increased by:			
Levy- 2016	A-1;A-6	2,304,947.34	
Added and Omitted Taxes	A-1;A-6	<u>4,389.05</u>	
			<u>2,309,336.39</u>
			2,328,143.64
Decreased by:			
Payments	A-4		<u>2,323,754.59</u>
Balance - December 31, 2016	A		<u><u>4,389.05</u></u>

Schedule of Local School District Taxes Payable

Current Fund

Year Ended December 31, 2016

	<u>Ref.</u>		
Increased by:			
Levy - 2016	A-1;A-6		<u><u>5,087,691.00</u></u>
Decreased by:			
Payments	A-4		<u><u>5,087,691.00</u></u>

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

Current Fund

Year Ended December 31, 2016

	<u>Ref.</u>	
Increased by:		
Levy- 2016	A-6;A-1	<u><u>2,178,641.00</u></u>
Decreased by:		
Payments	A-4	<u><u>2,178,641.00</u></u>

Borough of Franklin, N.J.

Schedule of Interfunds

Federal and State Grant Fund

Year Ended December 31, 2016

<u>Fund</u>	<u>Ref.</u>	Due From/(To) Balance			Due From/(To) Balance	
		<u>Dec. 31, 2015</u>	<u>Increased</u>	<u>Decreased</u>	<u>Dec. 31, 2016</u>	
Current Fund	A	<u>97,083.55</u>	<u>51,419.71</u>	<u>43,319.96</u>	<u>105,183.30</u>	
Encumbrances Payable	A-21			10,797.12		
Grants Receivable	A-22		15,000.00			
Appropriated Grants	A-23			32,522.84		
Unappropriated Grants	A-24		<u>36,419.71</u>			
			<u>51,419.71</u>	<u>43,319.96</u>		

A-21

Schedule of Encumbrances Payable

Federal and State Grant Fund

Year Ended December 31, 2016

	<u>Ref.</u>	
Balance - December 31, 2015	A	3,426.06
Increased by:		
Appropriated Reserves for Grants	A-23	<u>10,897.67</u>
		14,323.73
Decreased by:		
Interfund - Current Fund	A-20	<u>10,797.12</u>
Balance - December 31, 2016	A	<u>3,526.61</u>

Borough of Franklin, N.J.

Schedule of Grants Receivable

Federal and State Grant Fund

Year Ended December 31, 2016

<u>Grant</u>	<u>Balance</u>	<u>Budget</u>	<u>Receipts</u>	<u>Transfer from</u>	<u>Balance</u>
	<u>Dec. 31, 2015</u>	<u>Revenue</u>		<u>Unappropriated</u> <u>Reserves</u>	<u>Dec. 31, 2016</u>
State:					
Recycling Tonnage Grant		12,117.89		12,117.89	
Pedestrian Safety		5,000.00	5,000.00		
Clean Communities Program		12,179.22		12,179.22	
Alcohol Education and Rehabilitation Fund		1,296.53		1,296.53	
Drunk Driving Enforcement Fund		4,563.19		4,563.19	
State Body Armor Grant		1,594.52		1,594.52	
Drive Sober or Get Pulled Over	5,000.00	10,000.00	10,000.00		5,000.00
	<u>5,000.00</u>	<u>46,751.35</u>	<u>15,000.00</u>	<u>31,751.35</u>	<u>5,000.00</u>
	A	A-2	A-20	A-24	A

Borough of Franklin, N.J.

Schedule of Appropriated Reserves for Grants

Federal and State Grant Fund

Year Ended December 31, 2016

Grant	Balance Dec. 31, 2015	Transfer From 2016 Budget	Ch. 159	Disbursed	Adjustment	Balance Dec. 31, 2016
State:						
Drunk Driving Enforcement	7,445.53	4,563.19		4,032.60		7,976.12
Clean Communities Program	12,726.49	12,179.22		8,782.38	105.76	16,017.57
Alcohol Education and Rehabilitation	2,719.87	1,296.53		3,935.96		80.44
Recycling Tonnage Grant	38,642.78	12,117.89		7,597.82		43,162.85
Body Armor Grant	2,077.23	1,594.52		3,671.75		3,000.00
Drive Sober or Get Pulled Over	3,400.00		10,000.00	10,400.00		
Pedestrian Safety		5,000.00		5,000.00		
	<u>67,011.90</u>	<u>36,751.35</u>	<u>10,000.00</u>	<u>43,420.51</u>	<u>105.76</u>	<u>70,236.98</u>
	A	A-3	A-3		A-24	A
Ref.						
Interfund - Current Fund	A-20			32,522.84		
Encumbrances Payable	A-21			10,897.67		
				<u>43,420.51</u>		

Borough of Franklin, N.J.

Schedule of Unappropriated Reserves for Grants

Federal and State Grant Fund

Year Ended December 31, 2016

<u>Grant</u>	<u>Balance</u>		<u>Transfer To</u>		<u>Received</u>	<u>Adjustment</u>	<u>Balance</u> Dec. 31, 2016
	<u>Dec. 31, 2015</u>		<u>Appropriated</u>	<u>Reserves</u>			
<u>Federal:</u>							
Federal Body Armor					2,087.50		2,087.50
<u>State:</u>							
Clean Communities Program	12,073.46		12,179.22		13,925.79	105.76	13,925.79
State Recycling Grant	12,117.89		12,117.89		11,061.03		11,061.03
Drunk Driving Enforcement	4,563.19		4,563.19		4,802.13		4,802.13
Body Armor Grant	1,594.52		1,594.52		1,702.98		1,702.98
Alcohol Education and Rehabilitation Fund	1,296.53		1,296.53		2,840.28		2,840.28
	<u>31,645.59</u>		<u>31,751.35</u>		<u>34,332.21</u>	<u>105.76</u>	<u>34,332.21</u>
	<u>31,645.59</u>		<u>31,751.35</u>		<u>36,419.71</u>	<u>105.76</u>	<u>36,419.71</u>
A			A-22		A-20	A-23	A

Borough of Franklin, N.J.

Schedule of Cash

Trust Funds

Year Ended December 31, 2016

	<u>Ref.</u>	<u>Animal Control Trust Fund</u>	<u>Other Trust Funds</u>
Balance - December 31, 2015	B	<u>15.00</u>	<u>1,423,773.96</u>
Increase by Receipts:			
Dog License Fees	B-2	7,938.00	
Cat License Fees	B-2	766.00	
Late Fees / Pick-up's/Rabies Clinic	B-2	2,890.00	
Due to State Board of Health	B-3	1,239.00	
Other Trust Funds	B-5		655,368.90
Net Payroll & Payroll Deductions	B-6		3,556,996.19
Total Receipts		<u>12,833.00</u>	<u>4,212,365.09</u>
		12,848.00	5,636,139.05
Decreased by Disbursements:			
Reserve for Animal Control Trust			
Fund Expenditures	B-2	11,520.00	
Due to State Board of Health	B-3	1,239.00	
Reserve from Encumbrances	B-4	4.20	54,743.94
Other Trust Funds	B-5		452,665.97
Net Payroll & Payroll Deductions	B-6		3,557,103.58
Total Disbursements		<u>12,763.20</u>	<u>4,064,513.49</u>
Balance - December 31, 2016	B	<u><u>84.80</u></u>	<u><u>1,571,625.56</u></u>

Borough of Franklin, N.J.

Reserve for Animal Control Trust Fund Expenditures

Animal Control Trust Fund

Year Ended December 31, 2016

	<u>Ref.</u>	
Balance - December 31, 2015	B	10.80
Increased by:		
Dog License Fees		7,938.00
Cat License Fees		766.00
Late Fees / Pick-up's/Rabies Clinic		<u>2,890.00</u>
	B-1	11,594.00
		<u>11,604.80</u>
Decreased by:		
Disbursements	B-1	<u>11,520.00</u>
Balance - December 31, 2016	B	<u><u>84.80</u></u>

License Fees Collected

<u>Year</u>	
2015	6,768.20
2014	<u>6,709.20</u>
	<u><u>13,477.40</u></u>

Schedule of Due to State Department of Health

Animal Control Trust Fund

Year Ended December 31, 2016

	<u>Ref.</u>	
Increased by:		
State Fees Collected	B-1	<u><u>1,239.00</u></u>
Decreased by:		
Paid to State	B-1	<u><u>1,239.00</u></u>

Borough of Franklin, N.J.

Schedule of Reserve for Encumbrances

Other Trust Fund

Year Ended December 31, 2016

	<u>Ref.</u>		
Balance - December 31, 2015			
Animal Control Trust Fund	B	4.20	
Other Trust Funds	B	<u>54,743.94</u>	
			54,748.14
Increased by:			
Various Reserves	B-5		<u>44,749.25</u>
			99,497.39
Decreased by:			
Animal Control Cash Disbursements	B-1	4.20	
Various Reserves Cash Disbursements	B-1	<u>54,743.94</u>	
			<u>54,748.14</u>
Balance - December 31, 2016	B		<u><u>44,749.25</u></u>

Borough of Franklin, N.J.

Schedule of Various Other Trust Funds

Trust Funds

Year Ended December 31, 2016

	Balance Dec. 31, 2015	Increased	Decreased	Balance Dec. 31, 2016
Reserve for Land Use Escrow Deposits	155,210.42	71,896.31	77,179.74	149,926.99
Reserve for Performance Bonds Escrow	21,467.57	7,214.27	5,045.65	23,636.19
Reserve for Recreation	139,341.17	73,801.43	63,615.37	149,527.23
Reserve for Senior Citizens	417.38	1,653.00	1,008.54	1,061.84
Reserve for Small Cities	300,475.72			300,475.72
Reserve for Road Opening	13,500.00	1,700.00	1,700.00	13,500.00
Reserve for Driveway Escrow	10,611.26			10,611.26
Reserve for Court POAA	51.82	35.42		87.24
Reserve for Public Defender	6,297.87	4,330.50	3,900.00	6,728.37
Reserve for BPW Escrow	66,148.98	10,500.00	4,833.76	71,815.22
Reserve for Outside Police Work	729.38	14,773.06	14,851.42	651.02
Reserve for Outside Liens	4,518.93	212,769.76	209,955.10	7,333.59
Reserve for Accumulated Leave	67,879.04	31,039.89		98,918.93
Reserve for Tax Sale Premium	245,100.00	224,225.64	115,325.64	354,000.00
Reserve for Snow Related Costs	101,010.32			101,010.32
Reserve for Affordable Housing	231,834.57	1,429.62		233,264.19
Reserve for Uniform Fire Safety Penalty	1,367.38			1,367.38
	<u>1,365,961.81</u>	<u>655,368.90</u>	<u>497,415.22</u>	<u>1,523,915.49</u>
	B			B
Ref.				
Reserve for Encumbrances	B-4		44,749.25	
Cash Receipts	B-1	655,368.90		
Cash Disbursements	B-1		452,665.97	
		<u>655,368.90</u>	<u>497,415.22</u>	

Borough of Franklin, N.J.

Schedule of Net Payroll and Payroll Deductions

Trust Fund

Year Ended December 31, 2016

	Balance <u>Dec. 31, 2015</u>	<u>Receipts</u>	<u>Disbursed</u>	Balance <u>Dec. 31, 2016</u>
Federal Withholding Tax	123.00	367,669.11	367,669.11	123.00
Social Security / Medicare	32.33	424,204.87	424,204.87	32.33
NJ State Withholding	-	102,737.61	102,737.61	-
State Unemployment Insurance	1,179.22	16,181.40	15,843.32	1,517.30
AFLAC	-	2,621.92	2,621.92	-
Public Employees Retirement System	206.54	219,500.36	219,382.12	324.78
PERS Contributory Insurance	(27.08)	11,967.71	11,857.99	82.64
Police and Fire Retirement System	1,554.20	434,031.77	434,705.20	880.77
DCRP	-	2,892.70	2,892.70	-
Back Pension	-	2,357.71	2,357.71	-
Savings	-	9,456.00	9,456.00	-
Lincoln Life	-	26,788.38	26,788.38	-
Interest	-	161.82	161.82	-
Dues	-	11,410.00	11,410.00	-
Medical	-	132,132.93	132,132.93	-
Net Payroll	-	1,792,881.90	1,792,881.90	-
	<u>3,068.21</u>	<u>3,556,996.19</u>	<u>3,557,103.58</u>	<u>2,960.82</u>
	B	B-1	B-1	B

Borough of Franklin, N.J.

Schedule of Cash

General Capital Fund

Year Ended December 31, 2016

	<u>Ref.</u>		
Balance - December 31, 2015	C		1,491,972.18
Increased by Receipts:			
Bond Anticipation Notes Issued	C-6	453,000.00	
Capital Improvement Fund	C-8	45,000.00	
Interfund - Current Fund	C-10	298.13	
Various Reserves	C-11	<u>23,958.76</u>	
			<u>522,256.89</u>
			2,014,229.07
Decreased by Disbursements:			
Improvement Authorizations	C-7	573,729.44	
Reserve for Encumbrances	C-9	365,166.38	
Interfund - Current Fund	C-10	<u>298.13</u>	
			<u>939,193.95</u>
Balance - December 31, 2016	C		<u><u>1,075,035.12</u></u>

Borough of Franklin, N.J.

Schedule of General Capital Cash

General Capital Fund

Year Ended December 31, 2016

	Balance Dec. 31, 2015	Budget Appropriation	Receipts		Disbursements		Transfers		Balance Dec. 31, 2016
			Bond Antic. Notes	Miscellaneous	Improvement Authorization	Miscellaneous	From	To	
Fund Balance	14,547.58								14,547.58
Capital Improvement Fund	202,771.20	45,000.00					(22,665.00)		225,106.20
Reserve for Encumbrances	409,918.94					365,166.38		427,649.48	472,402.04
Grants Receivable	(185,750.00)						(165,000.00)		(350,750.00)
Interfund - Current Fund				298.13		298.13			
Various Reserves	131,350.43			23,958.76			(48,278.81)		107,030.38
<u>Improvement Authorizations</u>									
Ordinance									
Number									
16-03 Imp. To Recreation Facility	8,152.72				4,815.10				3,337.62
15-04 Improvement to Recreation	36,152.41								36,152.41
19-09 Various Capital Improvements	3,342.65								3,342.65
17-10 Various Capital Improvements	4,791.28				4.86		(29.50)		4,756.92
18-10 Imp. For Economic Development	2,970.60								2,970.60
10-13 Purchase of Computer Upgraded	286.95				286.95				
11-13 Improvement to Various Roads	39,986.36						(39,986.36)		
08-14 Various Capital Improvements	621,816.96				326,168.59		(96,999.48)	29.50	198,678.39
05-15 New Computer Server	1,200.00				82.00				1,118.00
07-15 Various Capital Improvements	225,434.10				45,571.50		(162,000.00)		17,862.60
08-16 Fire Department Equipment					28,278.81			28,278.81	
12-16 Purchase of Ambulance Equipment					19,277.00			20,000.00	723.00
13-16 Imp. To the Public Works Garage					38,938.50			39,986.36	1,047.86
15-16 Various Capital Improvements			453,000.00		110,306.13		(3,650.00)	22,665.00	361,708.87
19-16 Imp. To Main Street - Phase II							(165,000.00)	165,000.00	
	<u>1,516,972.18</u>	<u>45,000.00</u>	<u>453,000.00</u>	<u>24,256.89</u>	<u>573,729.44</u>	<u>365,464.51</u>	<u>(703,609.15)</u>	<u>703,609.15</u>	<u>1,100,035.12</u>
	C								C

Borough of Franklin, N.J.

Schedule of Deferred Charges to Future Taxation - Unfunded

General Capital Fund

Year Ended December 31, 2016

Analysis of Balance --
Dec. 31, 2016

Ordinance Number	Improvement Description	Balance Dec. 31, 2015	2016 Authorizations	Notes Paid by Budget Appropriation	Balance Dec. 31, 2016	Financed by Bond Anticipation Notes	Expended	Unexpended Improvement Authorization
12-06	Various Capital Improvements	107,135.00		107,135.00				
19-09	Various Capital Improvements	112,500.00		22,500.00	90,000.00	90,000.00		
11-13	Improvement to Various Roads	194,000.00		24,250.00	169,750.00	169,750.00		
12-13	Improvement to the Fire House	15,200.00		1,900.00	13,300.00	13,300.00		
08-14	Various Capital Improvements	1,382,400.00		153,600.00	1,228,800.00	1,228,800.00		
07-15	Various Capital Improvements	227,300.00		22,730.00	204,570.00	204,570.00		
15-16	Various Capital Improvements		453,000.00		453,000.00	453,000.00		
		<u>2,038,535.00</u>	<u>453,000.00</u>	<u>332,115.00</u>	<u>2,159,420.00</u>	<u>2,159,420.00</u>		
		C	C-7;C-12	C-6	C	C-6		

Ref.
C-7

Improvement Authorizations - Unfunded

Less: Unexpended Proceeds of Bond Anticipation Notes Issued:

Ord. # 19-09	3,342.65
Ord. # 08-14	198,678.39
Ord. # 07-15	17,862.60
Ord. # 13-16	1,047.86
Ord. # 15-16	361,708.87

582,640.37

Borough of Franklin, N.J.**Schedule of Grants Receivable****General Capital Fund****Year Ended December 31, 2016**

	<u>Ref.</u>	
Balance - December 31, 2015	C	185,750.00
Increased by:		
Grants Funding Improvement		
Authorizations	C-7	<u>165,000.00</u>
Balance - December 31, 2016	C	<u><u>350,750.00</u></u>

ANALYSIS

High Street (Ord. # 08-14)	45,750.00
Main Street (Ord. # 07-15)	140,000.00
Main Street Phase II (Ord. # 19-16)	<u>165,000.00</u>
	<u><u>350,750.00</u></u>

Borough of Franklin, N.J.

Schedule of Bond Anticipation Notes Payable

General Capital Fund

Year Ended December 31, 2016

Ordinance Number	Improvement Description	Original Amount Issued	Date of Original Issue	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2015	Increased	Decreased	Balance Dec. 31, 2016
12-06	Various Capital Improvements	628,750.00	08/30/07	08/20/15	08/19/16	0.740%	107,135.00		107,135.00	
19-09	Various Capital Improvements	225,000.00	04/29/10	08/20/15 08/19/16	08/19/16 08/18/17	0.740% 0.940%	112,500.00	90,000.00	112,500.00	90,000.00
11-13	Improvements to Various Roads	242,500.00	10/25/13	08/20/15 08/19/16	08/19/16 08/18/17	0.740% 0.940%	194,000.00	169,750.00	194,000.00	169,750.00
12-13	Improvement to the Fire House	19,000.00	10/25/13	08/20/15 08/19/16	08/19/16 08/18/17	0.740% 0.940%	15,200.00	13,300.00	15,200.00	13,300.00
08-14	Various Improvements	1,536,000.00	08/21/14	08/20/15 08/19/16	08/19/16 08/18/17	0.740% 0.940%	1,382,400.00	1,228,800.00	1,382,400.00	1,228,800.00
07-15	Various Improvements	227,300.00	08/20/15	08/20/15 08/19/16	08/19/16 08/18/17	0.740% 0.940%	227,300.00	204,570.00	227,300.00	204,570.00
15-16	Various Improvements	453,000.00	08/19/16	08/19/16	08/18/17	0.940%		453,000.00		453,000.00
							<u>2,038,535.00</u>	<u>2,159,420.00</u>	<u>2,038,535.00</u>	<u>2,159,420.00</u>
							C			
							Ref.			
							Renewals			
							Issued for Cash			
							C-2;C-12			
							Paid by Budget Appropriation			
							C-4			
								<u>1,706,420.00</u>	<u>1,706,420.00</u>	
								<u>453,000.00</u>	<u>453,000.00</u>	
								<u>332,115.00</u>	<u>332,115.00</u>	
								<u>2,159,420.00</u>	<u>2,038,535.00</u>	

Borough of Franklin, N.J.
Schedule of Capital Improvement Fund
General Capital Fund
Year Ended December 31, 2016

	<u>Ref.</u>	
Balance - December 31, 2015	C	202,771.20
Increased by:		
Budget Appropriation	C-2	45,000.00
		<u>247,771.20</u>
Decreased by:		
Appropriated to Finance		
Improvement Authorizations	C-7	22,665.00
		<u>22,665.00</u>
Balance - December 31, 2016	C	<u><u>225,106.20</u></u>

Schedule of Reserve for Encumbrances
General Capital Fund
Year Ended December 31, 2016

	<u>Ref.</u>	
Balance - December 31, 2015	C	409,918.94
Increased by:		
2016 Charges	C-7	427,649.48
		<u>837,568.42</u>
Decreased by:		
Cash Disbursed	C-2	365,166.38
		<u>365,166.38</u>
Balance - December 31, 2016	C	<u><u>472,402.04</u></u>

Borough of Franklin, N.J.**Schedule of Interfund - Current Fund****General Capital Fund****Year Ended December 31, 2016**Ref.

Increased by:

Interest on Investments

C-2

298.13

Decreased by:

Cash Disbursements

C-2

298.13

Borough of Franklin, N.J.

Schedule of Various Reserves

General Capital Fund

Year Ended December 31, 2016

<u>Description</u>	<u>Balance</u> <u>Dec. 31, 2015</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance</u> <u>Dec. 31, 2016</u>
Reserve for Improvements to Municipal Property	27,004.85	18,573.74		45,578.59
Reserve for Purchase of Office Equipment	657.68			657.68
Reserve for Purchase of Ambulance Equipment	20,000.00		20,000.00	0.00
Reserve for Improvements to Streets and Roads	20,741.34			20,741.34
Reserve for Fire Equipment	28,278.81		28,278.81	0.00
Reserve for Police Equipment	9,667.75	5,385.02		15,052.77
	<u>106,350.43</u>	<u>23,958.76</u>	<u>48,278.81</u>	<u>82,030.38</u>
	C	C-2	C-7	C

Borough of Franklin, N.J.

Schedule of Bonds and Notes Authorized But Not Issued

General Capital Fund

Year Ended December 31, 2016

<u>Ordinance Number</u>	<u>Ordinance Date</u>	<u>Improvement Description</u>	<u>2016 Authorizations</u>	<u>Bond Anticipation Notes Issued</u>
15-16	07/12/16	Various Improvements	453,000.00	453,000.00
		<u>General Improvements:</u>	<u>C-4</u>	<u>C-6</u>

Borough of Franklin, N.J.

Schedule of Cash

Water / Sewer Utility Fund

Year Ended December 31, 2016

	<u>Ref.</u>	<u>Operating</u>	<u>Capital</u>
Balance - December 31, 2015	D	<u>1,735,449.30</u>	<u>860,307.20</u>
Increased by Receipts:			
Interest on Deposits	D-3	10,387.13	
Miscellaneous Revenue	D-3	110,806.20	
Collector Cash Receipts	D-7	2,172,527.52	
Interfund Water/Sewer Capital	D-11	807.39	
Reserve for Water Hook-Up Fees	D-17	5,193.00	
Prepaid Water / Sewer Rents	D-20	4,902.05	
Reserve for Capital Outlay	D-16	469.20	
Various Capital Reserves	D-21		136,386.22
Bond Anticipation Notes Payable	D-25		91,000.00
Capital Improvement Fund	D-26		15,000.00
		<u>2,305,092.49</u>	<u>242,386.22</u>
		4,040,541.79	1,102,693.42
Decreased by Disbursements:			
Budget Appropriations	D-4	2,003,931.15	
Appropriation Reserves	D-14	115,192.19	
Reserve for Encumbrances	D-28		61.25
Interest on Bonds and Notes	D-15	84,348.10	
Improvement Authorizations	D-24		2,079.00
Accounts Payable - Vendors	D-29		9,000.00
		<u>2,203,471.44</u>	<u>11,140.25</u>
Balance - December 31, 2016	D	<u><u>1,837,070.35</u></u>	<u><u>1,091,553.17</u></u>

Borough of Franklin, N.J.

Schedule of Change Funds

Water / Sewer Utility Fund

Year Ended December 31, 2016

<u>Office</u>	Balance <u>Dec. 31, 2015</u>	Balance <u>Dec. 31, 2016</u>
Water / Sewer Utility Collector	<u>200.00</u> D	<u>200.00</u> D

Schedule of Water / Sewer Utility Collector Cash

Water / Sewer Utility Fund

Year Ended December 31, 2016

	<u>Ref.</u>	
Increased by Receipts:		
Water/Sewer Rents Receivable	D-9	<u>2,172,527.52</u>
Decreased by Disbursements:		
Payment to Treasurer	D-5	<u>2,172,527.52</u>

Schedule of Water / Sewer Utility Capital Cash

Water / Sewer Utility Fund

Year Ended December 31, 2016

	Balance Dec. 31, 2015	Receipts		Disbursements		Transfers		Balance Dec. 31, 2016
		Budget Appropriation	Miscellaneous	Bond Anticipation Note Issued	Improvement Authorizations	Miscellaneous	From	
Fund Balance	19,440.56							19,440.56
Capital Improvement Fund	279,474.72	15,000.00				(4,700.00)		289,774.72
Reserve for Preliminary Expenses	228.20							228.20
Reserve for Encumbrances	1,061.25							
Accounts Payable	9,000.00				9,000.00			94,743.50
Reserve for I&I Study	72,310.10		136,386.22					
Reserve for Sewer Stations	132,652.34							208,696.32
Reserve for Water Distribution	64,171.85							132,652.34
Reserve for Capital Outlay	21,250.15							64,171.85
								21,250.15
Improvement Authorizations								
Ordinance								
Number								
11-09 Various Water/Sewer Capital Improvements	6,982.78							6,982.78
16-09 Improvements to Water / Sewer System	253,735.25				122.50			253,612.75
16-16 Acquisition of New Vehicles								
	860,307.20	15,000.00	136,386.22	91,000.00	1,956.50	(93,743.50)	4,700.00	1,091,553.17
				91,000.00	11,079.00	(98,443.50)	98,443.50	
D								D

Borough of Franklin, N.J.

Schedule of Consumer Accounts Receivable

Water / Sewer Utility Fund

Year Ended December 31, 2016

	<u>Ref.</u>	
Balance - December 31, 2015	D	123,032.55
Increased by:		
Water/Sewer Rents Levy		<u>2,231,606.14</u>
		2,354,638.69
Decreased by:		
Water/Sewer Rents Collected	D-7	2,172,527.52
Pre-Paid Water Rents Applied	D-20	<u>36,867.20</u>
	D-3	2,209,394.72
Transferred to Water/Sewer Liens	D-10	<u>15,151.96</u>
		<u>2,224,546.68</u>
Balance - December 31, 2016	D	<u><u>130,092.01</u></u>

D-10

Schedule of Water/Sewer Tax Title Lien

Water / Sewer Utility Fund

Year Ended December 31, 2016

	<u>Ref.</u>	
Increased by:		
Transferred From Water/Sewer Consumer Accounts Receivable	D-9	<u>15,151.96</u>
Balance - December 31, 2016	D	<u><u>15,151.96</u></u>

Borough of Franklin, N.J.

Schedule of Interfund - Water / Sewer Capital

Water / Sewer Utility Fund

Year Ended December 31, 2016

Ref.

Increased by:

Interest On Investments

D-3

807.39

Decreased by:

Cash Receipt

D-5

807.39

Borough of Franklin, N.J.

Schedule of Fixed Capital

Water / Sewer Utility Capital Fund

Year Ended December 31, 2016

Description	Balance	Additions	Balance
	Dec. 31, 2015	By Budget Capital	Dec. 31, 2016
General Structures, Electric Power Equipment			
Distribution Mains and General Equipment	3,547,358.85	13,825.51	3,561,184.36
Sanitary Sewer System	10,597,341.22	28,599.89	10,625,941.11
Office Equipment	37,181.01		37,181.01
Vehicles	126,498.23		222,198.23
Backhoe	73,614.90	95,700.00	73,614.90
Plow Assembly	5,295.00		5,295.00
Sewer Jet Cleaner	719.43		719.43
Imp. To Pond / Reservoir	39,039.00		39,039.00
Dam Restoration	19,600.00		19,600.00
Imp. To The Water Supply & Dist. System	4,142,709.98		4,142,709.98
Imp. To Borough Hall	303,750.00		303,750.00
Installation of Sidewalks	17,500.00		17,500.00
Water System Improvements			
and Distribution System	1,345,898.60	21,463.70	1,367,362.30
Sewer Refunding Bond	105,000.00		105,000.00
I & I Study and Repair	77,623.16	31,557.01	109,180.17
Miscellaneous	469,685.02		469,685.02
	<u>20,908,814.40</u>	<u>95,446.11</u>	<u>21,099,960.51</u>
	D	D-27	D
		95,700.00	
		D-13	

Borough of Franklin, N.J.

Schedule of Fixed Capital Authorized and Uncompleted

Water / Sewer Utility Operating Fund

Year Ended December 31, 2016

Ordinance Number	Improvement Description	Ordinance		Balance, Dec. 31, 2015	2016 Authorizations	Costs to Fixed Capital	Balance, Dec. 31, 2016
		Date	Amount				
11-09	Various Water/Sewer Capital Improvements	07/14/2009	109,000.00	109,000.00			109,000.00
16-09	Improvements to Water/Sewer Systems	11/24/2009	850,000.00	850,000.00			850,000.00
16-16	Acquisition of New Vehicle	07/12/2016	95,700.00		95,700.00	95,700.00	
				<u>959,000.00</u>	<u>95,700.00</u>	<u>95,700.00</u>	<u>959,000.00</u>
				D	D-24	D-12	D

Borough of Franklin, N.J.

Schedule of Appropriation Reserves

Water /Sewer Utility Operating Fund

Year Ended December 31, 2016

		Balance, <u>Dec. 31, 2015</u>	Balance After <u>Transfers</u>	<u>Paid</u>	Balance <u>Lapsed</u>
Operating:					
Salaries and Wages		64,740.92	64,740.92	5,008.11	59,732.81
Other Expenses		<u>195,249.64</u>	<u>195,249.64</u>	<u>18,950.83</u>	<u>176,298.81</u>
		<u>259,990.56</u>	<u>259,990.56</u>	<u>23,958.94</u>	<u>236,031.62</u>
Capital Improvements:					
Capital Outlay					
Improvements to Water Distribution System		1,864.95	1,864.95	1,864.95	
Inflow and Infiltration Improvements		83,486.24	83,486.24	83,486.24	
Purchase of Water / Sewer Equipment		<u>5,463.87</u>	<u>5,463.87</u>	<u>5,463.87</u>	
Statutory Expenditures:					
Social Security System (O.A.S.I.)		3,343.98	3,343.98	383.12	2,960.86
Unemployment Compensation Fund		<u>513.61</u>	<u>513.61</u>	<u>35.07</u>	<u>478.54</u>
		<u>3,857.59</u>	<u>3,857.59</u>	<u>418.19</u>	<u>3,439.40</u>
		<u>354,663.21</u>	<u>354,663.21</u>	<u>115,192.19</u>	<u>239,471.02</u>
	<u>Ref.</u>			D-5	D-1
Unencumbered	D	106,210.84			
Encumbered	D	<u>248,452.37</u>			
		<u>354,663.21</u>			

Borough of Franklin, N.J.

Schedule of Accrued Interest on Bonds, Loans and Notes

Water / Sewer Utility Operating Fund

Year Ended December 31, 2016

	<u>Ref.</u>	
Balance - December 31, 2015	D	36,144.51
Increased by:		
Budget Appropriations	D-4	<u>88,273.00</u>
		124,417.51
Decreased by:		
Interest Paid	D-5	<u>84,348.10</u>
Balance - December 31, 2016	D	<u><u>40,069.41</u></u>

Principal Outstanding <u>Dec. 31, 2016</u>	Interest <u>Rate</u>	<u>From</u>	<u>To</u>	<u>Period (Days)</u>	Required <u>Amount</u>	Actual <u>Amount</u>
Serial Bonds and Loans						
2,030,000.00	Various	8/15/2016	12/31/2016	138	28,960.83	36,156.26
133,687.30	Various	8/1/2016	12/31/2016	152	1,773.33	2,213.92
Bond Anticipation Notes						
389,000.00	0.940%	8/19/2016	12/31/2016	134	<u>1,361.07</u>	<u>1,699.23</u>
					<u><u>32,095.23</u></u>	<u><u>40,069.41</u></u>

Borough of Franklin, N.J.

Schedule of Reserve for Capital Outlay

Water / Sewer Utility Operating Fund

Year Ended December 31, 2016

	<u>Ref.</u>	
Balance - December 31, 2015	D	458.25
Increased by:		
Cash Receipts	D-5	<u>469.20</u>
Balance - December 31, 2016	D	<u><u>927.45</u></u>

D-17

Schedule of Reserve for Water Hook-Up Fees

Water / Sewer Utility Operating Fund

Year Ended December 31, 2016

	<u>Ref.</u>	
Balance - December 31, 2015	D	7,790.00
Increased by:		
Cash Receipts	D-5	<u>5,193.00</u>
		12,983.00
Decreased by:		
Anticipated as Item of Revenue	D-3	<u>7,790.00</u>
Balance - December 31, 2016	D	<u><u>5,193.00</u></u>

Borough of Franklin, N.J.

Schedule of Reserve for Sewer Hook-Up Fees

Water / Sewer Utility Operating Fund

Year Ended December 31, 2016

	<u>Ref.</u>	
Balance - December 31, 2015	D	10,545.76
Decreased by:		
Anticipated as Item of Revenue	D-3	<u>10,545.00</u>
Balance - December 31, 2016	D	<u><u>0.76</u></u>

D-19

Borough of Franklin, N.J.

Schedule of Reserve for BPW Maps

Water / Sewer Utility Operating Fund

Year Ended December 31, 2016

	<u>Ref.</u>	
Balance - December 31, 2015	D	<u>4,293.83</u>
Balance - December 31, 2016	D	<u>4,293.83</u>

D-20

Schedule of Prepaid Water / Sewer Rents

Water / Sewer Utility Operating Fund

Year Ended December 31, 2016

	<u>Ref.</u>	
Balance - December 31, 2015	D	36,867.20
Increased by:		
Cash Receipts	D-5	<u>4,902.05</u>
		41,769.25
Decreased by:		
Prepaid Rents Applied	D-9	<u>36,867.20</u>
Balance - December 31, 2016	D	<u>4,902.05</u>

Borough of Franklin, N.J.

Schedule of Various Reserves

Water / Sewer Utility Capital Fund

Year Ended December 31, 2016

<u>Description</u>	<u>Balance</u>	
	<u>Dec. 31, 2015</u>	<u>Dec. 31, 2016</u>
Reserve for Preliminary Expenses	228.20	228.20
Reserve for I & I Study	72,310.10	208,696.32
Reserve for Water/Sewer Equipment	0.00	0.00
Reserve for Sewer Stations	132,652.34	132,652.34
Reserve for Water Distribution	64,171.85	64,171.85
Reserve for Capital Outlay	21,250.15	21,250.15
	<u>290,612.64</u>	<u>426,998.86</u>
	D	D
	<u>136,386.22</u>	<u>136,386.22</u>
	D-5	D

Borough of Franklin, N.J.

Schedule of Water / Sewer Serial Bonds Payable

Water / Sewer Utility Capital Fund

Year Ended December 31, 2016

Maturities of Bonds								
Purpose	Date of Issue	Original Issue	Outstanding		Interest Rate	Balance, Dec. 31, 2015	Decreased	Balance, Dec. 31, 2016
			Date	Amount				
Water Refunding Bonds of 2015	2/15/2015	2,195,000.00	08/15/17	65,000.00	2.00%			
			08/15/18	65,000.00	3.00%			
			08/15/19	70,000.00	3.00%			
			08/15/20	70,000.00	3.00%			
			08/15/21	75,000.00	3.00%			
			08/15/22	75,000.00	3.00%			
			08/15/23	80,000.00	3.00%			
			08/15/24	80,000.00	4.00%			
			08/15/25	85,000.00	4.00%			
			08/15/26	85,000.00	4.00%			
			08/15/27	90,000.00	4.00%			
			08/15/28	95,000.00	4.00%			
			08/15/29	95,000.00	4.00%			
			08/15/30	100,000.00	4.00%			
			08/15/31	105,000.00	4.00%			
			08/15/32	110,000.00	4.00%			
			08/15/33	115,000.00	4.00%			
			08/15/34	120,000.00	4.00%			
			08/15/35	125,000.00	4.00%			
			08/15/36	130,000.00	4.00%			
			08/15/37	135,000.00	4.00%			
			08/15/38	60,000.00	4.00%			
						2,095,000.00	65,000.00	2,030,000.00
						<u>2,095,000.00</u>	<u>65,000.00</u>	<u>2,030,000.00</u>
						D	D-27	D

Borough of Franklin, N.J.

Schedule of New Jersey Infrastructure Trust Loan

Water / Sewer Utility Capital Fund

Year Ended December 31, 2016

Improvement Description	Date of Issue	Amount Issued	Maturities		Interest Rate	Balance, Dec. 31, 2015	Decreased	Balance, Dec. 31, 2016
			Date	Amount				
Removal and Construction of a New Water Tank:	11/1/2000	280,000.00	8/1/2017	20,000.00	5.25%			
			8/1/2018	20,000.00	5.25%			
			8/1/2019	20,000.00	5.25%			
			8/1/2020	20,000.00	5.25%	100,000.00	20,000.00	80,000.00
Fund Loan Portion	11/1/2000	270,000.00	2/1/2017	1,245.76	0.00%			
			8/1/2017	13,110.23	0.00%			
			2/1/2018	934.32	0.00%			
			8/1/2018	12,798.79	0.00%			
			2/1/2019	622.88	0.00%			
			8/1/2019	12,487.35	0.00%			
			2/1/2020	311.44	0.00%			
			8/1/2020	12,176.53	0.00%	68,651.35	14,964.05	53,687.30
Sub-total						168,651.35	34,964.05	133,687.30
						D	D-27	D

Borough of Franklin, N.J.

Schedule of Improvement Authorizations

Water / Sewer Utility Capital Fund

Year Ended December 31, 2016

Ordinance Number	Improvement Description	Date	Ordinance Amount	Balance Dec. 31, 2015		2016 Authorizations	Paid or Charged	Balance Dec. 31, 2016	
				Funded	Unfunded			Funded	Unfunded
11-09	Various Water/Sewer Capital Improvements	07/14/2009	109,000.00	6,982.78				6,982.78	
16-09	Improvements to Water/ Sewer Systems	11/24/2009	850,000.00		412,735.25		122.50		412,612.75
16-16	Acquisition of New Vehicles	07/12/2016	95,700.00			95,700.00	95,700.00		
				6,982.78	412,735.25	95,700.00	95,822.50	6,982.78	412,612.75
				D	D			D	D
	Deferred Charges to Future Revenue					91,000.00			
	Capital Improvement Fund					4,700.00			
						95,700.00			
	Cash Disbursements						2,079.00		
	Reserve for Encumbrances						93,743.50		
							95,822.50		

Borough of Franklin, N.J.

Schedule of Water / Sewer Capital Bond Anticipation Notes

Water / Sewer Utility Capital Fund

Year Ended December 31, 2016

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Original Date of Issue</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance, Dec. 31, 2015</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance, Dec. 31, 2016</u>
16-09	Improvements to Water/ Sewer System	04/29/2010	08/20/2015 08/20/2015	08/19/2016 08/18/2017	0.740% 0.940%	268,000.00	203,000.00	268,000.00	203,000.00
16-09	Improvements to Water/ Sewer System	08/23/2013	08/20/2015 08/20/2015	08/19/2016 08/18/2017	0.740% 0.940%	120,000.00	95,000.00	120,000.00	95,000.00
16-16	Acquisition of New Vehicles	08/18/2016	08/18/2016	08/18/2017	0.940%	91,000.00 389,000.00	91,000.00 389,000.00	388,000.00	91,000.00 389,000.00
						D			D
						Renewals	298,000.00	298,000.00	
						Issued for Cash D-5; D-31	91,000.00	90,000.00	
						Paid by Budget Appropriations D-27	389,000.00	388,000.00	

Borough of Franklin, N.J.

Schedule of Capital Improvement Fund

Water / Sewer Utility Capital Fund

Year Ended December 31, 2016

	<u>Ref.</u>	
Balance - December 31, 2015	D	279,474.72
Increased by:		
Budget Appropriation	D-5	<u>15,000.00</u>
		294,474.72
Decreased by:		
Appropriation to Finance		
Improvement Authorizations	D-30	<u>4,700.00</u>
Balance - December 31, 2016	D	<u><u>289,774.72</u></u>

D-27

Schedule of Reserve for Amortization

Water / Sewer Utility Capital Fund

Year Ended December 31, 2016

	<u>Ref.</u>		
Balance - December 31, 2015	D		18,907,163.05
Increased by:			
Capital Purchases	D-12	95,446.11	
Serial Bonds Paid by Budget	D-22	65,000.00	
New Jersey Environmental			
Infrastructure Loan	D-23	34,964.05	
Bond Anticipation Notes			
Paid by Budget	D-25	90,000.00	
Transfer from Deferred Reserve			
for Amortization	D-30	<u>4,700.00</u>	
			<u>290,110.16</u>
Balance - December 31, 2016	D		<u><u>19,197,273.21</u></u>

D-28

Borough of Franklin, N.J.

Schedule of Reserve for Encumbrances

Water / Sewer Utility Capital Fund

Year Ended December 31, 2016

	<u>Ref.</u>	
Balance - December 31, 2015	D	1,061.25
Increased by:		
Charges to Improvement		
Authorizations	D-24	93,743.50
		<u>94,804.75</u>
Decreased by:		
Disbursements	D-5	61.25
		<u>61.25</u>
Balance - December 31, 2016	D	<u><u>94,743.50</u></u>

D-29

Schedule of Accounts Payable

Water / Sewer Utility Capital Fund

Year Ended December 31, 2016

	<u>Ref.</u>	
Balance - December 31, 2015	D	<u><u>9,000.00</u></u>
Decreased by:		
Disbursements	D-5	9,000.00
		<u><u>9,000.00</u></u>

Borough of Franklin, N.J.

Schedule of Deferred Reserve for Amortization

Water / Sewer Utility Capital Fund

Year Ended December 31, 2016

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Date of Ordinance</u>	<u>Balance, Dec. 31, 2015</u>	<u>Fixed Capital Authorized</u>	<u>To Reserve for Amortization</u>	<u>Balance, Dec. 31, 2016</u>
11-09	Various Water/Sewer Capital Improvements	07/14/2009	109,000.00			109,000.00
16-09	Improvements to Water / Sewer Systems	11/24/2009	41,000.00			41,000.00
16-16	Acquisition of New Vehicles	07/12/2016				
			<u>150,000.00</u>	<u>4,700.00</u>	<u>4,700.00</u>	<u>150,000.00</u>
			D	D-24; D-26	D-27	D

Borough of Franklin, N.J.

Schedule of Bonds and Notes Authorized But Not Issued

Water / Sewer Utility Capital Fund

Year Ended December 31, 2016

Ordinance Number	Improvement Description	Balance,	2016	Bond	Balance,
		Dec. 31, 2015	Ordinance	Anticipation Notes Issued	Dec. 31, 2016
16-09	Improvement to Water/Sewer Systems	159,000.00			159,000.00
16-16	Acquisition of New Vehicle	91,000.00	91,000.00	91,000.00	
		<u>159,000.00</u>	<u>91,000.00</u>	<u>91,000.00</u>	<u>159,000.00</u>
		Footnote D	D-24	D-25	Footnote D

Borough of Franklin, N.J.
Schedule of Cash-Treasurer
Public Assistance Fund
Year Ended December 31, 2016

	<u>Ref.</u>	P.A.T.F. <u>Account #1</u>
Balance - December 31, 2015	E	5,531.03
Increased by Receipts:		
Interest on Investment	E-4;E-5	<u>22.15</u>
Balance - December 31, 2016	E	<u><u>5,553.18</u></u>

Borough of Franklin, N.J.

Schedule of Cash and Reconciliation Per N.J.S.A. 40A:5-5

Public Assistance Fund

Year Ended December 31, 2016

	<u>Ref.</u>	
Balance - December 31, 2016	E-1	5,553.18
Increased by:		
Cash Receipts Record		<u>7.89</u>
Balance - April 30, 2017		<u><u>5,561.07</u></u>
<u>Reconciliation - April 30, 2017</u>		
		P.A.T.F. <u>Account #1</u>
Balance on Deposit per Statement of:		
Lakeland Bank		
Checking		<u>5,561.07</u>
Balance - April 30, 2017		<u><u>5,561.07</u></u>

Borough of Franklin, N.J.

Schedule of Cash and Reconciliation

Public Assistance Fund

Year Ended December 31, 2016

	<u>Ref.</u>	
Balance - December 31, 2015	E	5,531.03
Increased by Receipts:		
Cash Receipts Record	E-1	<u>22.15</u>
Balance - December 31, 2016	E	<u><u>5,553.18</u></u>
		P.A.T.F.
<u>Reconciliation - December 31, 2016</u>		<u>Account #1</u>
Balance on Deposit per Statement of:		
Lakeland Bank		
Checking		<u>5,553.18</u>
Balance - December 31, 2016		<u><u>5,553.18</u></u>

Borough of Franklin, N.J.**Schedule of Revenues****Public Assistance Fund****Year Ended December 31, 2016**

	P.A.T.F. <u>Account #1</u>
Interest on Investments	<u>22.15</u>
Total Revenues (P.A.T.F.)	<u><u>22.15</u></u>
	E-1

Borough of Franklin, N.J.**Schedule of Reserve for Public Assistance****Public Assistance Fund****Year Ended December 31, 2016**

	<u>Ref.</u>	
Balance - December 31, 2015	E	5,531.03
Increased by:		
Receipts	E-1	<u>22.15</u>
Balance - December 31, 2016	E	<u><u>5,553.18</u></u>

BOROUGH OF FRANKLIN

PART II

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

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2016

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

Charles J. Ferraioli, Jr., MBA, CPA, RMA
Steven D. Wielkotz, CPA, RMA
James J. Cerullo, CPA, RMA
Paul J. Cuva, CPA, RMA
Thomas M. Ferry, CPA, RMA

Certified Public Accountants
401 Wanaque Avenue
Pompton Lakes, New Jersey 07442
973-835-7900
Fax 973-835-6631

Newton Office
100B Main Street
Newton, N.J. 07860
973-579-3212
Fax 973-579-7128

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements-regulatory basis of the Borough of Franklin in the County of Sussex as of and for the year ended December 31, 2016 and the related notes to the financial statements, and have issued our report thereon dated May 2, 2017, which was adverse due to being presented in accordance with New Jersey regulatory basis of accounting. The regulatory basis opinion was qualified for the Fixed Asset account group not being audited.

Internal Control Over Financial Reporting

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



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

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

We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as 2016-01, that we consider to be a significant deficiency.

Compliance and Other Matters

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

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

Borough of Franklin's Responses to Findings

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

Honorable Mayor and
Members of the Borough Council
Page 3

Purpose of this Report

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



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

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

Newton, New Jersey

May 2, 2017

BOROUGH OF FRANKLIN

SUMMARY OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2016

Summary of Auditor's Results:

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

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

The Borough was not subject to the single audit provisions of Uniform Guidance and State Circular 15-08 OMB for 2016 as grant expenditures were less than the single audit thresholds identified in the Circulars.

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

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

Finding 2016-01:

Segregation of Duties

The Borough does not maintain an adequate segregation of duties within the Tax Collector and Water/Sewer Utility Collector Departments. Segregation of duties refers to separating those functions that place too much control over a transaction or class of transactions that would enable a person to misappropriate funds and prevent detection within a reasonable period of time. The Tax Collector and Water/Sewer Utility Collector collects cash, posts to the computer and can make adjustments to individual accounts. These situations occur because of the limited number of employees qualified to perform other accounting functions. The Borough was made aware of this lack on internal control and will consider strengthening Internal Control within reason of the costs and benefits derived.

Management Response:

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

Findings and Questioned Costs for Federal Awards:

Not applicable

Findings and Questioned Costs for State Awards:

Not applicable

BOROUGH OF FRANKLIN

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS **FOR THE YEAR ENDED DECEMBER 31, 2016**

The Borough's prior year finding regarding Segregation of Duties has not been corrected for the Tax Collector and Water/Sewer Utility Departments and is included in the audit for the year ended December 31, 2016.

Finding 2015-01:

Condition:

Segregation of Duties

The Borough does not maintain an adequate segregation of duties within the Tax Collector and Water/Sewer Utility Collector Departments. Segregation of duties refers to separating those functions that place too much control over a transaction or class of transactions that would enable a person to misappropriate funds and prevent detection within a reasonable period of time. The Tax Collector and Water/Sewer Utility Collector collects cash, posts to the computer and can make adjustments to individual accounts. These situations occur because of the limited number of employees qualified to perform other accounting functions. The Borough was made aware of this lack on internal control and will consider strengthening Internal Control within reason of the costs and benefits derived.

Current Status:

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

GENERAL COMMENTS

Cash Balances

Cash balances in all funds were verified by independent certificates obtained from the depositories as of December 31, 2016, and at May 2, 2017, in connection with the supplemental reconciliations made for all officials. Cash on hand was counted on that date.

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

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

- a. "When the cost or price of any contract awarded by the contracting agent in the aggregate does not exceed in a contract year the total sum of \$17,500, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution, as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids, except that the governing body of any contracting unit may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to subsection b. of section 9 of P.L. 1971, c.198 (C.40A:11-9), the governing body of the contracting unit may establish that the bid threshold may be up to \$25,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.
- b. Any contracts made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to subparagraph (I) of paragraph (a) of subsection (1) of section 5 of P.L. 1971, c.198 (C.40A:11-5) may be awarded for a period not exceeding 12 consecutive months. The Division of Local Government Services shall adopt and promulgate rules and regulations concerning the methods of accounting for all contracts that do not coincide with the contracting unit's fiscal year.
- c. The Governor, in consultation with the Department of the Treasury, shall, no later than March 1 of every fifth year beginning in the fifth year after the year in which P.L. 1999, c.440 takes effect, adjust the threshold amount and the higher threshold amount which the governing body is permitted to establish, as set forth in subsection a. of this section, or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in section 2 of P.L. 1971, c.198 (C.40A:11-2), and shall round the adjustment to the nearest \$1,000. The Governor shall, no later than June 1 of every fifth year, notify each governing body of the adjustment. That adjustment shall become effective on July 1 of the year in which it is made."

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

GENERAL COMMENTS (CONTINUED)

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

Effective July 1, 2015, the bid threshold in accordance with N.J.S.A. 40A:11-3 and 40A:11-4 (as amended) is \$17,500.00 and with a qualified purchasing agent the threshold may be up to \$40,000.00.

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

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

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

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

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

Collection of Interest on Delinquent Taxes and Assessments

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

The governing body on January 1, 2016 adopted the following resolution authorizing interest to be charged on delinquent taxes and utility rents:

BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE BOROUGH OF FRANKLIN, COUNTY OF SUSSEX, STATE OF NEW JERSEY, that the rate of interest to be charged for non-payment of taxes on or before the date that they would be delinquent shall be set at the rate of 8% per annum on the first \$1,500 of the delinquency, and 18% per annum on any amount in excess of \$1,500 and

BE IT FURTHER RESOLVED, that the rate of interest to be charged for nonpayment of water/sewer bills on or before the date that they would become delinquent shall be set at the rate of 8% per annum on the first \$1,500 of the delinquency, and 18% per annum on any amount in excess of \$1,500 and

GENERAL COMMENTS (CONTINUED)

Collection of Interest on Delinquent Taxes and Assessments (continued)

BE IT FURTHER RESOLVED, that in accordance with the provision N.J.S.A. 54:4-67, a six percent (6%) penalty shall be charged to a taxpayer with a delinquency in excess of ten thousand dollars, (\$10,000.00), who fails to pay the delinquency prior to the end of the calendar year. Delinquency in this instance means the sum of all taxes and municipal charges due on a given parcel of property covering any number of quarters or tax years.

BE IT FURTHER RESOLVED, that no interest shall be charged if payment of any installation is made within ten days after the date upon which same became payable.

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

Delinquent Taxes and Tax Title Liens

The last tax sale was held on October 5, 2016 and was complete, except for properties in bankruptcy court.

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

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

<u>Year</u>	<u>Number of Liens</u>
2016	5
2015	2
2014	6

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

Verification of Delinquent Taxes and Other Charges

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

The result of the test, which was made as of December 31, 2016 is not yet known, but a separate report will be rendered if any irregularities are developed.

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

GENERAL COMMENTS (CONTINUED)

Segregation of Duties

The Borough does not maintain an adequate segregation of duties within the Tax Collector and Water/Sewer Utility Collector Departments. Segregation of duties refers to separating those functions that place too much control over a transaction or class of transactions that would enable a person to misappropriate funds and prevent detection within a reasonable period of time. The Tax Collector and Water/Sewer Utility Collector collects cash, posts to the computer and can make adjustments to individual accounts. These situations occur because of the limited number of employees qualified to perform other accounting functions. The Borough was made aware of this lack on internal control and will consider strengthening Internal Control within reason of the costs and benefits derived.

Recommendation:

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

Management Response:

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

OTHER COMMENTS

Municipal Court

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

Finance

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

Management Response:

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

RECOMMENDATIONS

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

Status of Prior Year's Audit Findings/Recommendations

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

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

* * * * *

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

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

Very truly yours,



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

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

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