

TOWNSHIP OF FRANKLIN

COUNTY OF HUNTERDON

REPORT OF AUDIT

2013

*NISIVOCIA LLP
CERTIFIED PUBLIC ACCOUNTANTS*

TOWNSHIP OF FRANKLIN
COUNTY OF HUNTERDON
REPORT OF AUDIT
2013

TOWNSHIP OF FRANKLIN
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2013

<u>Part I – Financial Statements and Supplementary Data</u>	<u>Page</u>
Independent Auditors’ Report	1-3
<u>Financial Statements</u>	<u>Exhibit</u>
<u>Current Fund</u>	
Comparative Balance Sheet	A
Comparative Statement of Operations and Change in Fund Balance	A-1
Statement of Revenue	A-2
Statement of Expenditures	A-3
<u>Trust Funds</u>	
Comparative Balance Sheet	B
Statement of Fund Balance – Assessment Trust Fund (Not Applicable)	
Statement of Revenue – Assessment Trust Fund (Not Applicable)	
Statement of Expenditures – Assessment Trust Fund (Not Applicable)	
<u>General Capital Fund</u>	
Comparative Balance Sheet	C
Statement of Fund Balance	C-1
<u>Water Utility Fund (Not Applicable)</u>	D
<u>Sewer Utility Fund (Not Applicable)</u>	E
<u>Public Assistance Fund (Not Applicable)</u>	F
<u>Bond and Interest Fund (Not Applicable)</u>	G
<u>General Fixed Assets Account Group (Unaudited)</u>	
Comparative Balance Sheet (Unaudited)	H
Notes to Financial Statements	<u>Page</u> 1-14
<u>Supplementary Data</u>	<u>Schedule</u>
Officials in Office and Surety Bonds	1
<u>Current Fund</u>	
Schedule of Cash	A-4
Schedule of Cash – Collector	A-5
Schedule of Cash – Federal and State Grant Fund	A-6
Schedule of Taxes Receivable and Analysis of Property Tax Levy	A-7
Schedule of Tax Title Liens	A-8
Schedule of Revenue Accounts Receivable	A-9
Schedule of Grants Receivable – Federal and State Grant Fund	A-10
Schedule of 2012 Appropriation Reserves	A-11
Schedule of Local School District Taxes Payable	A-12
Schedule of Regional High School District Taxes Payable	A-13
Schedule of Appropriated Reserves – Federal and State Grant Fund	A-14
Schedule of Unappropriated Reserves – Federal and State Grant Fund	A-15
<u>Trust Funds</u>	
Schedule of Cash – Treasurer	B-4
Analysis of Cash – Assessment Trust Fund (Not Applicable)	
Schedule of Reserve for Animal Control Fund Expenditures – Animal Control Fund	B-5

TOWNSHIP OF FRANKLIN
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2013
(Continued)

Part I (Cont'd)

Supplementary Data (Cont'd)

General Capital Fund

	<u>Schedule</u>
Schedule of Cash – Treasurer	C-2
Analysis of Cash	C-3
Schedule of Deferred Charges to Future Taxation – Unfunded	C-4
Schedule of Improvement Authorizations	C-5
Schedule of Capital Improvement Fund	C-6
Schedule of Bond Anticipation Notes Payable	C-7
Schedule of Serial Bonds Payable (Not Applicable)	
Schedule of New Jersey Green Trust Loans Payable	C-8
Schedule of Bonds and Notes Authorized but not Issued	C-9

Part II – Single Audit

	<u>Page</u>
Schedule of Expenditures of Federal Awards	1
Schedule of Expenditures of State Awards	2
Notes to Schedules of Expenditures of Federal and State Awards	3
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	4-5
Schedule of Findings and Responses	6
Summary Schedule of Prior Audit Findings	7

Part III – Comments and Recommendations

Comments and Recommendations	1-6
Summary of Recommendations	7

TOWNSHIP OF FRANKLIN

PART I

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2013



Mount Arlington Corporate Center
 200 Valley Road, Suite 300
 Mt. Arlington, NJ 07856
 973-328-1825 | 973-328-0507 Fax

Lawrence Business Center
 11 Lawrence Road
 Newton, NJ 07860
 973-383-6699 | 973-383-6555 Fax

Independent Auditors' Report

The Honorable Mayor and Members
 of the Township Committee
 Township of Franklin
 Pittstown, New Jersey

Report on the Financial Statements

We have audited the financial statements – *regulatory basis* - of the various funds of the Township of Franklin, in the County of Hunterdon (the "Township") as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") to demonstrate compliance with the Division's regulatory basis of accounting, and the budget laws of New Jersey. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Township'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 Township'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.

The Honorable Mayor and Members
of the Township Committee
Township of Franklin
Page 2

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, the financial statements are prepared by the Township on the basis of accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for the Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly in accordance with accounting principles generally accepted in the United States of America the financial position of each fund of the Township as of December 31, 2013 and 2012, or the changes in financial position where applicable thereof for the years then ended.

Basis for Qualified Opinion

The Township's general fixed assets account group is stated at historical cost or estimated historical cost in the accompanying financial statements. The basis of accounting is not in conformity with U. S. generally accepted accounting principles but is in accordance with the accounting practices prescribed or permitted by the Division. As described in Note 1, based upon the underlying accounting records, we have not audited the general fixed assets account group.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects on the December 31, 2013 and 2012 financial statements of the matter described in the *Basis for Qualified Opinion* paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the various funds of the Township of Franklin as of December 31, 2013 and 2012, and the results of operations and changes in fund balance, where applicable, of such funds, thereof for the years then ended on the basis of the accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, as described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements of the various funds that collectively comprise the Township's financial statements. The supplementary data schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedules of expenditures of federal and state awards, as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey's OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are presented for purposes of additional analysis and are not a required part of the financial statements.

The Honorable Mayor and Members
of the Township Committee
Township of Franklin
Page 3

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2014 on our consideration of the Township 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 Township of Franklin's internal control over financial reporting and compliance.

Mount Arlington, New Jersey
April 15, 2014

NISIVOCCIA LLP



Heidi A. Wohlleb
Certified Public Accountant
Registered Municipal Accountant No. 481

TOWNSHIP OF FRANKLIN
COUNTY OF HUNTERDON
2013
CURRENT FUND

TOWNSHIP OF FRANKLIN
CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	Ref.	December 31,	
		2013	2012
<u>ASSETS</u>			
Regular Fund:			
Cash and Cash Equivalents:			
Treasurer	A-4	\$ 3,262,292.63	\$ 2,853,963.24
Change Fund		25.00	25.00
		<u>3,262,317.63</u>	<u>2,853,988.24</u>
Due from State of New Jersey:			
Senior Citizens and Veterans Deductions		6,607.44	7,107.44
		<u>3,268,925.07</u>	<u>2,861,095.68</u>
Receivables and Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	A-7	228,894.54	235,295.66
Tax Title Liens Receivable	A-8	37,442.81	41,011.18
Property Acquired for Taxes - Assessed Valuation		400.00	400.00
Due from:			
Animal Control Fund	B	2.47	
Other Trust Funds	B		19,953.08
General Capital Fund	C		79,813.75
		<u>266,739.82</u>	<u>376,473.67</u>
Total Receivables and Other Assets with Full Reserves			
		<u>3,535,664.89</u>	<u>3,237,569.35</u>
Federal and State Grant Fund:			
Cash and Cash Equivalents	A-6	29,827.48	38,008.10
Due from Current Fund	A	9,541.57	
		<u>39,369.05</u>	<u>38,008.10</u>
Total Federal and State Grant Fund			
		<u>\$ 3,575,033.94</u>	<u>\$ 3,275,577.45</u>
TOTAL ASSETS			

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

	Ref.	December 31,	
		2013	2012
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Regular Fund:			
Appropriation Reserves:			
Encumbered	A-3;A-11	\$ 14,482.73	\$ 30,193.89
Unencumbered	A-3;A-11	316,372.17	246,759.02
		<u>330,854.90</u>	<u>276,952.91</u>
Due to:			
Federal and State Grant Fund	A	9,541.57	
Other Trust Funds	B	101,019.65	
General Capital Fund	C	155,854.25	
Regional High School Taxes Payable	A-13	1,319,134.82	1,249,592.36
Local School Tax Payable	A-12	24,527.28	
County Tax Payable		1,801.83	4,060.86
Special District Taxes Payable		971.30	5,391.75
Prepaid Taxes		197,672.24	312,657.87
County and State Fees Payable		3,349.00	349.00
Accounts Payable - Vendors			3,258.00
Tax Overpayments		9,128.21	35,590.47
Reserve for Purchase of Police Car		11,903.90	
Reserve for Insurance Reimbursement		13,500.00	
		<u>2,179,258.95</u>	<u>1,887,853.22</u>
Reserve for Receivables and Other Assets	A	266,739.82	376,473.67
Fund Balance	A-1	1,089,666.12	973,242.46
Total Regular Fund		<u>3,535,664.89</u>	<u>3,237,569.35</u>
Federal and State Grant Fund:			
Appropriated Reserves	A-14	28,920.61	36,008.10
Unappropriated Reserves	A-15	10,448.44	2,000.00
Total Federal and State Grant Fund		<u>39,369.05</u>	<u>38,008.10</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		<u><u>\$ 3,575,033.94</u></u>	<u><u>\$ 3,275,577.45</u></u>

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

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

	Ref.	Year Ended December 31,	
		2013	2012
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized		\$ 371,000.00	\$ 413,300.00
Miscellaneous Revenue Anticipated		1,178,896.32	1,176,429.15
Receipts from:			
Delinquent Taxes		240,838.69	112,341.15
Current Taxes		13,103,728.30	12,844,413.47
Nonbudget Revenue		81,697.19	54,899.28
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		181,303.55	138,693.87
Interfunds Returned		99,766.83	
Cancellation of Prior Year Accounts Payable		3,258.00	
		<u>15,260,488.88</u>	<u>14,740,076.92</u>
<u>Expenditures</u>			
Budget Appropriations - Municipal Purposes		2,880,493.00	2,855,546.32
Municipal Open Space Taxes		271,063.87	271,519.42
County Taxes		2,013,249.77	2,043,231.99
County Added and Omitted Taxes		1,801.83	4,060.86
Regional High School Taxes		3,575,130.00	3,436,045.08
Local District School Taxes		5,717,765.00	5,616,369.25
Special District Taxes		304,084.55	303,591.75
Refund of Prior Year Revenue		2,009.07	4,302.80
Refund of Prior Year Taxes		6,965.66	
Prior Year Senior Citizens' Deductions Disallowed		500.00	
Interfunds Advanced		2.47	99,136.57
		<u>14,773,065.22</u>	<u>14,633,804.04</u>
Excess in Revenue		487,423.66	106,272.88
Balance January 1		973,242.46	1,280,269.58
		<u>1,460,666.12</u>	<u>1,386,542.46</u>
Decreased by:			
Utilized as Anticipated Revenue		371,000.00	413,300.00
Balance December 31	A	<u>\$ 1,089,666.12</u>	<u>\$ 973,242.46</u>

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

TOWNSHIP OF FRANKLIN
CURRENT FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2013

	<u>Budget</u>	<u>Added by NJSA 40A:4-87</u>	<u>Realized</u>	<u>Excess or Deficit*</u>
Fund Balance Anticipated	\$ 371,000.00		\$ 371,000.00	
Miscellaneous Revenue:				
Licenses:				
Alcoholic Beverages	4,900.00		5,160.00	\$ 260.00
Fees and Permits	9,752.00		4,141.16	5,610.84 *
Fines and Costs:				
Municipal Court	60,000.00		75,615.70	15,615.70
Interest and Costs on Taxes	46,000.00		55,930.05	9,930.05
Interest on Investments and Deposits	5,000.00		16,859.44	11,859.44
NJ Hotel Occupancy Tax	85,500.00		85,060.62	439.38 *
Consolidated Municipal Property Tax Relief Aid	1,374.00		1,374.00	
Energy Receipts Tax	258,170.00		258,169.54	0.46 *
Uniform Construction Code Fees	104,190.00		89,527.00	14,663.00 *
General Capital Fund Balance	60,949.00		60,949.00	
Reserve for Open Space Trust to Offset				
Deferred Charges	491,000.00		491,000.00	
Reserve for Open Space Trust to Offset				
Debt Service	25,000.00		25,000.00	
Recycling Tonnage Grant		\$ 4,538.98	4,538.98	
Body Armor Grant		1,070.83	1,070.83	
Walmart Grant	2,000.00	2,500.00	4,500.00	
	<u>1,153,835.00</u>	<u>8,109.81</u>	<u>1,178,896.32</u>	<u>16,951.51</u>
Receipts from Delinquent Taxes	<u>214,057.00</u>		<u>240,838.69</u>	<u>26,781.69</u>
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes	<u>1,458,513.34</u>		<u>1,545,633.28</u>	<u>87,119.94</u>
Budget Totals	3,197,405.34	8,109.81	3,336,368.29	130,853.14
Nonbudget Revenue			<u>81,697.19</u>	<u>81,697.19</u>
	<u>\$ 3,197,405.34</u>	<u>\$ 8,109.81</u>	<u>\$ 3,418,065.48</u>	<u>\$ 212,550.33</u>

TOWNSHIP OF FRANKLIN
CURRENT FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2013
(Continued)

Allocation of Current Tax Collections:

Revenue from Collection of Current Taxes		\$ 13,103,728.30
Allocated to:		
County, Special District, Local School and Regional School Taxes	\$ 11,612,031.15	
Municipal Open Space Taxes	271,063.87	
		11,883,095.02
Balance for Support of Municipal Budget		1,220,633.28
Add: Appropriation "Reserve for Uncollected Taxes"		325,000.00
Realized for Support of Municipal Budget		\$ 1,545,633.28

Analysis of Interest on Investments:

Cash Received in Current Fund	\$ 16,700.13	
Due from Animal Control Fund	2.47	
Due from Other Trust Funds	156.84	
		\$ 16,859.44

Analysis of Delinquent Taxes:

Taxes Receivable	\$ 233,171.44	
Tax Title Liens Receivable	7,667.25	
		\$ 240,838.69

Analysis of Nonbudget Revenue:

Treasurer:		
Cable TV Franchise Fees	\$ 2,491.77	
FEMA Reimbursements - Hurricane Sandy	46,679.16	
PERC Witness Fees	12,150.00	
Police Outside Service Administrative Fees	9,100.00	
Senior Citizens' and Veterans' Deductions		
Administrative Reimbursement	530.00	
Sale of Municipal Assets	6,086.99	
Other Miscellaneous Revenue	4,659.27	
		\$ 81,697.19

TOWNSHIP OF FRANKLIN
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2013

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended Balance Canceled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Operations Within "CAPS":					
GENERAL GOVERNMENT:					
Mayor and Council:					
Salaries and Wages	\$ 18,462.00	\$ 18,462.00	\$ 18,134.04	\$ 327.96	
Other Expenses	27,030.00	27,030.00	22,386.88	4,643.12	
Municipal Clerk:					
Salaries and Wages	98,634.00	98,634.00	97,361.47	1,272.53	
Other Expenses	28,535.00	28,535.00	23,508.70	5,026.30	
Elections:					
Other Expenses	2,346.00	2,346.00	1,814.35	531.65	
Financial Administration (Treasury):					
Salaries and Wages	40,000.00	40,000.00	39,986.96	13.04	
Other Expenses	25,745.00	25,745.00	6,912.48	18,832.52	
Annual Audit	28,050.00	28,050.00	21,100.00	6,950.00	
Technology Consultant:					
Other Expenses	12,000.00	12,000.00	6,785.00	5,215.00	
Revenue Administration (Tax Collection):					
Salaries and Wages	15,300.00	15,300.00	8,400.52	6,899.48	
Other Expenses	5,500.00	6,500.00	5,929.71	570.29	
Tax Assessment Administration:					
Salaries and Wages	26,707.07	26,707.07	25,670.04	1,037.03	
Other Expenses	510.00	710.00	524.44	185.56	
Preparation of Master Plan	306.00	306.00		306.00	
Revision of Tax Map	4,080.00	4,080.00		4,080.00	
Legal Services & Costs:					
Other Expenses	163,460.00	153,760.00	97,588.39	56,171.61	

TOWNSHIP OF FRANKLIN
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2013
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended Balance Canceled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Operations Within "CAPS" (Continued):					
LAND USE ADMINISTRATION:					
Municipal Land Use Law (NJSA 40:55D-1):					
Planning Board:					
Salaries and Wages	\$ 9,180.00	\$ 9,180.00	\$ 8,000.04	\$ 1,179.96	
Other Expenses	12,600.20	12,600.20	9,426.24	3,173.96	
Zoning Official:					
Salaries and Wages	6,622.15	6,622.15	6,365.04	257.11	
Environmental Commission:					
Salaries and Wages	102.00	102.00		102.00	
Other Expenses	510.00	510.00	386.75	123.25	
INSURANCE:					
Other Liability Insurance Premiums (Disability)	1,020.00	1,020.00	539.27	480.73	
General Liability	112,200.00	112,200.00	103,672.00	8,528.00	
Volunteer Insurance Policy	306.00	306.00		306.00	
Employee Group Health	134,640.00	134,640.00	115,124.12	19,515.88	
Health Benefits Waiver	9,282.00	9,282.00	3,710.59	5,571.41	
PUBLIC SAFETY:					
Police:					
Salaries and Wages	499,300.00	500,800.00	499,760.95	1,039.05	
Other Expenses	36,710.00	36,210.00	35,490.70	719.30	
Emergency Management Services:					
Salaries and Wages	1,316.00	1,316.00	1,266.00	50.00	
Other Expenses	2,040.00	2,040.00	878.88	1,161.12	
First Aid Organization Contribution	14,790.00	14,790.00	14,790.00		

TOWNSHIP OF FRANKLIN
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2013
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended Balance Canceled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Operations Within "CAPS" (Continued):					
PUBLIC WORKS:					
Road Repairs and Maintenance:					
Salaries and Wages	\$ 229,296.00	\$ 229,296.00	\$ 223,101.43	\$ 6,194.57	
Other Expenses	84,612.00	84,612.00	65,210.29	19,401.71	
Snow Removal:					
Salaries and Wages	20,400.00	20,400.00	10,544.10	9,855.90	
Other Expenses	47,430.00	47,430.00	42,687.00	4,743.00	
Public Buildings & Grounds:					
Salaries and Wages	6,129.00	6,129.00	5,891.04	237.96	
Other Expenses	9,129.00	13,629.00	13,437.63	191.37	
Other Expenses - Building Demolition	30,000.00	30,000.00		30,000.00	
HEALTH AND HUMAN SERVICES:					
Board of Health:					
Salaries and Wages	4,692.00	7,692.00	7,442.04	249.96	
Other Expenses	408.00	408.00	118.48	289.52	
Animal Control:					
Other Expenses	3,060.00	3,060.00	3,060.00		
PARKS AND RECREATION:					
Recreation Services:					
Other Expenses	6,630.00	6,630.00	6,630.00		
Senior Citizen Contribution	6,630.00	6,630.00	6,630.00		
UNIFORM CONSTRUCTION CODE:					
Construction Official:					
Salaries and Wages	81,099.00	81,099.00	73,840.96	7,258.04	
Other Expenses	2,346.00	2,346.00	246.14	2,099.86	

TOWNSHIP OF FRANKLIN
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2013
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended Balance Canceled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Operations Within "CAPS" (Continued):					
UTILITIES AND BULK PURCHASES:					
Electricity	\$ 12,240.00	\$ 12,240.00	\$ 7,477.09	\$ 4,762.91	
Street Lighting	7,140.00	7,140.00	3,391.34	3,748.66	
Telephone	22,440.00	22,440.00	6,232.71	16,207.29	
Gasoline (Natural or Propane)	21,012.00	21,012.00	13,616.16	7,395.84	
Fuel Oil	15,300.00	15,300.00	6,180.22	9,119.78	
Total Operations Within "CAPS"	<u>1,947,276.42</u>	<u>1,947,276.42</u>	<u>1,671,250.19</u>	<u>276,026.23</u>	
Contingent	<u>10,000.00</u>	<u>10,000.00</u>		<u>10,000.00</u>	
Total Operations Including Contingent Within "CAPS"	<u>1,957,276.42</u>	<u>1,957,276.42</u>	<u>1,671,250.19</u>	<u>286,026.23</u>	
Detail:					
Salaries and Wages	1,057,239.22	1,041,339.22	1,015,220.53	26,118.69	
Other Expenses	<u>900,037.20</u>	<u>915,937.20</u>	<u>656,029.66</u>	<u>259,907.54</u>	
Deferred Charges and Statutory Expenditures - Municipal Within "CAPS":					
Statutory Expenditures:					
Contribution to :					
Public Employees' Retirement System	48,990.00	48,990.00	48,990.00		
Social Security (O.A.S.I)	84,196.92	84,196.92	79,962.06	4,234.86	
Police and Fireman's Retirement System	98,343.00	98,343.00	98,343.00		
Unemployment Compensation Insurance	<u>2,000.00</u>	<u>2,000.00</u>	<u>2,000.00</u>		
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	<u>233,529.92</u>	<u>233,529.92</u>	<u>229,295.06</u>	<u>4,234.86</u>	

TOWNSHIP OF FRANKLIN
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2013
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended Balance Canceled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Operations Within "CAPS" (Continued):					
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>\$ 2,190,806.34</u>	<u>\$ 2,190,806.34</u>	<u>\$ 1,900,545.25</u>	<u>\$ 290,261.09</u>	
Operations Excluded from "CAPS":					
Affordable Housing Administration (N.J.S.A.40A:45.3T):					
Salaries and Wages	2,550.00	2,550.00	269.01	2,280.99	
Shared Services Agreements:					
Municipal Court:					
Other Expenses - Contractual	100,000.00	100,000.00	76,169.91	23,830.09	
Public and Private Programs Offset by Revenue:					
Walmart Grant	2,000.00	4,500.00	4,500.00		
Body Armor Grant		1,070.83	1,070.83		
Recycling Tonnage Grant		4,538.98	4,538.98		
	<u>104,550.00</u>	<u>112,659.81</u>	<u>86,548.73</u>	<u>26,111.08</u>	
Total Operations Excluded from "CAPS"					
Detail:					
Salaries & Wages	2,550.00	2,550.00	269.01	2,280.99	
Other Expenses	<u>102,000.00</u>	<u>110,109.81</u>	<u>86,279.72</u>	<u>23,830.09</u>	
Capital Improvements:					
Capital Improvement Fund	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>		
Total Capital Improvements	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>		

TOWNSHIP OF FRANKLIN
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2013
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended Balance Canceled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Operations Excluded from "CAPS": (Cont'd)					
Municipal Debt Service:					
Payment of Bond Anticipation Notes and Capital Notes	\$ 42,500.00	\$ 42,500.00	\$ 42,500.00		
Interest on Notes	4,700.00	4,700.00	4,678.74		\$ 21.26
Loan Repayments for Principal and Interest	38,749.00	38,749.00	38,748.11		0.89
Total Municipal Debt Service	85,949.00	85,949.00	85,926.85		22.15
Deferred Charges- Municipal- Excluded from "CAPS":					
Deferred Charges to Future Taxation - Unfunded:					
Acquisition of Real Property #07-08	116,668.00	116,668.00	116,668.00		
Acquisition of Development Easements #05-02	374,332.00	374,332.00	374,332.00		
Total Deferred Charges- Excluded from "CAPS"	491,000.00	491,000.00	491,000.00		
Total General Appropriations for Municipal Purposes	2,872,405.34	2,880,515.15	2,564,120.83	\$ 316,372.17	\$ 22.15
Reserve for Uncollected Taxes	325,000.00	325,000.00	325,000.00		
Total General Appropriations	\$ 3,197,405.34	\$ 3,205,515.15	\$ 2,889,120.83	\$ 316,372.17	\$ 22.15

Ref.

A

TOWNSHIP OF FRANKLIN
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2013
(Continued)

		Analysis of	
	<u>Ref.</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>
Adopted Budget		\$ 3,197,405.34	
Add by:			
N.J.S.A. 40A:4-87		8,109.81	
		\$ 3,205,515.15	
Reserve for Uncollected Taxes			\$ 325,000.00
Reserve for Encumbrances	A		14,482.73
Transfer to Federal and State Grant Fund			10,109.81
Due to Federal and State Grant Fund			9,541.57
Cash Disbursed			2,552,285.42
			2,911,419.53
Less: Appropriation Refunds			22,298.70
			\$ 2,889,120.83

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

TOWNSHIP OF FRANKLIN
COUNTY OF HUNTERDON
2013
TRUST FUNDS

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

	Ref.	December 31,	
		2013	2012
<u>ASSETS</u>			
Animal Control Fund:			
Cash and Cash Equivalents:			
Treasurer	B-4	\$ 6,239.33	\$ 6,624.91
		<u>6,239.33</u>	<u>6,624.91</u>
Other Trust Funds:			
Cash and Cash Equivalents	B-4	1,539,894.91	1,698,705.34
Due From Current Fund	A	101,019.65	
Due From Payroll Accounts			29.69
Fair Housing Loan Receivable		36,000.00	36,000.00
		<u>1,676,914.56</u>	<u>1,734,735.03</u>
TOTAL ASSETS		<u><u>\$ 1,683,153.89</u></u>	<u><u>\$ 1,741,359.94</u></u>
<u>LIABILITIES AND RESERVES</u>			
Animal Control Fund:			
Due to Current Fund	A	\$ 2.47	
Due State Board of Health		4.80	\$ 2.40
Reserve for Animal Control Expenditures	B-5	6,232.06	6,622.51
		<u>6,239.33</u>	<u>6,624.91</u>
Other Trust Funds:			
Due to Current Fund	A		19,953.08
Reserve for:			
Coalition on Affordable Housing		276,145.89	296,880.32
Developers Escrow		258,325.10	255,543.10
Fair Housing Program		561,693.19	558,891.74
Police Outside Duties		3,852.50	3,075.00
Unemployment Compensation		70,054.11	24,123.68
Recreation Commission		34,500.29	22,504.00
Open Space Preservation		326,435.82	428,056.04
Developers Escrow - Stormwater Management		18,000.00	18,000.00
Fair Housing Loan Receivable		36,000.00	36,000.00
Tax Sale Premiums		69,000.00	52,200.00
D.A.R.E. Escrow		5,009.89	4,629.00
DEA Equitable Trust (Forfeited Assets)		6,079.71	5,326.52
Recycling Trust		11,127.10	9,552.55
Flexible Spending Trust		690.96	
		<u>1,676,914.56</u>	<u>1,734,735.03</u>
TOTAL LIABILITIES AND RESERVES		<u><u>\$ 1,683,153.89</u></u>	<u><u>\$ 1,741,359.94</u></u>

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

TOWNSHIP OF FRANKLIN
COUNTY OF HUNTERDON
2013
GENERAL CAPITAL FUND

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

	Ref.	December 31,	
		2013	2012
<u>ASSETS</u>			
Cash and Cash Equivalents	C-2	\$ 476,216.91	\$ 659,061.30
Due from Current Fund	A	155,854.25	
Deferred Charges to Future Taxation:			
Funded		333,737.67	365,336.26
Unfunded	C-4	800,517.60	2,062,631.73
TOTAL ASSETS		<u>\$ 1,766,326.43</u>	<u>\$ 3,087,029.29</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Bond Anticipation Notes Payable	C-7	\$ 326,000.00	\$ 623,832.00
Green Acres Loan Payable	C-8	333,737.67	365,336.26
Due to Current Fund	A		79,813.75
Improvement Authorizations:			
Funded	C-5	270,330.73	144,304.22
Encumbrances Payable	C-5	10,000.00	13,521.90
Capital Improvement Fund	C-6	150,911.00	395,311.00
Reserve for:			
Acquisition, Development and Easement for Farmland			
Development		105,785.00	105,785.00
Payment of Debt Service			728,614.13
Preliminary Expenses		14,000.00	14,000.00
Fund Balance	C-1	555,562.03	616,511.03
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		<u>\$ 1,766,326.43</u>	<u>\$ 3,087,029.29</u>

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

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

	<u>Ref.</u>	
Balance December 31, 2012	C	\$ 616,511.03
Decreased by:		
Anticipated as Revenue in Current Fund Budget		<u>60,949.00</u>
Balance December 31, 2013	C	<u>\$ 555,562.03</u>

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

TOWNSHIP OF FRANKLIN
COUNTY OF HUNTERDON

2013

WATER UTILITY FUND

NOT APPLICABLE

TOWNSHIP OF FRANKLIN
COUNTY OF HUNTERDON

2013

SEWER UTILITY FUND

NOT APPLICABLE

TOWNSHIP OF FRANKLIN
COUNTY OF HUNTERDON
2013
PUBLIC ASSISTANCE FUND

NOT APPLICABLE

TOWNSHIP OF FRANKLIN
COUNTY OF HUNTERDON
2013
BOND AND INTEREST FUND

NOT APPLICABLE

TOWNSHIP OF FRANKLIN
COUNTY OF HUNTERDON
2013
GENERAL FIXED ASSETS ACCOUNT GROUP
(UNAUDITED)

TOWNSHIP OF FRANKLIN
GENERAL FIXED ASSETS ACCOUNT GROUP
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
(UNAUDITED)

	<u>December 31,</u>	
	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>		
Land	\$ 6,149,577.00	\$ 6,149,577.00
Buildings and Improvements	480,400.00	480,400.00
Equipment	<u>1,287,474.00</u>	<u>1,305,734.00</u>
TOTAL ASSETS	<u>\$ 7,917,451.00</u>	<u>\$ 7,935,711.00</u>
 <u>RESERVES</u>		
Reserve for Fixed Assets	<u>\$ 7,917,451.00</u>	<u>\$ 7,935,711.00</u>
TOTAL RESERVES	<u>\$ 7,917,451.00</u>	<u>\$ 7,935,711.00</u>

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

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

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

Governmental Accounting Standards Board publication, Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency and a resulting financial benefit or burden relationship, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e., benefit of economic resources, access/entitlement to resources, and significance) should be included in the financial reporting entities. As the financial reporting entity was established in accordance with New Jersey statutes, the requirements of Governmental Accounting Standards Board's Codification section 2100 were not followed and, accordingly, the reporting entity could be different from accounting principles generally accepted in the United States of America.

B. Description of Funds

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

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

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

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

General Fixed Assets Account Group (Unaudited) - Estimated values of land, buildings and certain fixed assets of the Township as discussed in Note 1E.

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013

(Continued)

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

C. Basis of Accounting

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

Revenue is recorded when received in cash except for certain amounts which may be due from the State of New Jersey. Grant revenue is realized in the Current Fund when it is budgeted and in the General Capital Fund when improvements are authorized. The amounts recorded as property taxes and consumer accounts receivable have not been included in revenue. Amounts that are due to the municipality, which are susceptible of accrual, are recorded as receivables with offsetting reserves in the Current Fund.

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

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

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

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

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

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

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013
(Continued)

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

E. Other significant accounting policies include:

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

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

Investments – Investments are stated at cost or amortized cost, which approximates market.

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

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

Compensated Absences – Expenditures relating to unused accumulated vacation and sick pay are not recorded until paid.

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

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

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

General Fixed Assets (Unaudited) - General fixed assets are recorded at cost or estimated historical cost based on estimation procedures performed by an independent appraisal company. Infrastructure assets are not included in general fixed assets, as per state directive. Major renewals and betterments are charged to the asset amounts; maintenance and minor repairs and replacements, which do not improve or extend the lives of the respective assets, are expensed currently. Donated fixed assets are valued at their fair market value on the date donated. No depreciation has been provided for on general fixed assets. The total value recorded for general fixed assets is offset by a "Reserve for General Fixed Assets." When properties are retired or otherwise disposed of, the asset and the reserve are adjusted accordingly.

General fixed assets recorded in the general fixed assets account group may also be recorded in the Current and General Capital Funds. The values recorded in the Fixed Assets Account Group and the Current and General Capital Funds may not always agree due to differences in valuation methods, timing of recognition of assets, and the recognition of infrastructures. Fixed assets are reviewed for impairment.

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013
(Continued)

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

- F. Budget/Budgetary Control – Annual appropriated budgets are usually prepared in the first quarter for the Current Fund and the Open Space Trust Fund. The budget is submitted to the governing body and the Division of Local Government Services. The budget is prepared using the cash basis of accounting. The legal level of budgetary control is established at the line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the flexible chart of accounts referenced in N.J.S.A. 40A. All budget amendments/transfers must be approved by the Township during the year.

Note 2: Long-Term Debt

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

	December 31,		
	2013	2012	2011
<u>Issued</u>			
General:			
Loans and Notes	\$ 659,738	\$ 989,168	\$ 1,151,312
Net Debt Issued	659,738	989,168	1,151,312
<u>Authorized but not Issued:</u>			
Bonds and Notes	474,517	1,438,800	1,990,145
	1,134,255	2,427,968	3,141,457
Less:			
General:			
Reserve to Pay Debt Service		728,614	409,248
Net Bonds and Notes Issued and Authorized but not Issued	\$ 1,134,255	\$ 1,699,354	\$ 2,732,209

Summary of Municipal Debt Issued and Outstanding – Prior Year

	Balance 12/31/11	Additions	Retirements	Balance 12/31/12
Bond Anticipation Notes:				
General Capital Fund	\$ 755,000	\$ 623,832	\$ 755,000	\$ 623,832
Loans Payable:				
General Capital Fund:				
Green Trust Loans	396,312		30,976	365,336
Total	\$ 1,151,312	\$ 623,832	\$ 785,976	\$ 989,168

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013
(Continued)

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

Summary of Municipal Debt Issued and Outstanding – Current Year

	<u>Balance</u> <u>12/31/12</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/13</u>
Bond Anticipation Notes:				
General Capital Fund	\$ 623,832	\$ 326,000	\$ 623,832	\$ 326,000
Loans Payable:				
General Capital Fund:				
Green Trust Loans	<u>365,336</u>		<u>31,598</u>	<u>333,738</u>
Total	<u>\$ 989,168</u>	<u>\$ 326,000</u>	<u>\$ 655,430</u>	<u>\$ 659,738</u>

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition, which follows, is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 0.197%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General Debt	\$ 1,134,255.27		\$ 1,134,255.27
Local School District Debt	6,225,000.00	\$ 6,225,000.00	
Regional High School Debt	<u>196,141.49</u>	<u>196,141.49</u>	
General Debt	<u>\$ 7,555,396.76</u>	<u>\$ 6,421,141.49</u>	<u>\$ 1,134,255.27</u>

Net Debt of \$1,134,255.27 divided by Equalized Valuation Basis per N.J.S. 40A:2-2, \$574,770,531.67 = 0.197%.

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

3-1/2% Average Equalized Valuation of Real Property	\$ 20,116,968.61
Net Debt	<u>1,134,255.27</u>
Remaining Borrowing Power	<u>\$ 18,982,713.34</u>

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

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013
(Continued)

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

At December 31, 2012 the Township has the following debt outstanding:

<u>General Capital Bond Anticipation Notes</u>		
<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2013</u>
8/22/14	0.75%	<u>\$ 326,000.00</u>

<u>General Capital Fund Green Acres Loans Payable</u>			
<u>Purpose</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2013</u>
Acquisition of Land and Easements	3/14/2023	2.00%	<u>333,737.67</u>
Total Debt Issued and Outstanding			<u>\$ 659,737.67</u>

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

<u>Year</u>	<u>General</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2014	\$ 32,233.73	\$ 6,514.39	\$ 38,748.12
2015	32,881.63	5,866.49	38,748.12
2016	33,542.54	5,205.56	38,748.10
2017	34,216.75	4,531.37	38,748.12
2018	34,904.51	3,142.03	38,046.54
2019-2023	165,958.51	9,109.59	175,068.10
	<u>\$ 333,737.67</u>	<u>\$ 34,369.43</u>	<u>\$ 368,107.10</u>

Green Acres Loan

On August 27, 2003, the Municipality received the first drawdown on a loan in the amount of \$500,000 from the NJ Department of Environmental Protection Green Trust Loan Program. The last drawdown was received on December 14, 2011. Bi-annual principal and interest installments began on September 14, 2011 and will continue through March 14, 2023. The interest rate on the loan is 2.00%. The purpose of the loan is to finance the acquisition of open space lands and easements.

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013
(Continued)

Note 3: Fund Balances Appropriated

As of the date of this report, the budget for 2014 has not been introduced. Thus, the amount of fund balance at December 31, 2013 which will be included in the Current Fund budget for the year ending December 31, 2014 is not known at this date.

Note 4: Pension Plans

Township employees are enrolled in one of two cost-sharing multiple-employer public employee retirement systems: the Public Employees' Retirement System (PERS) or the Police and Fireman's Retirement System (PFRS) of New Jersey. The State of New Jersey sponsors and administers the PERS and PFRS which cover substantially all Township employees. As a general rule, all full-time employees are eligible to join the PERS or the PFRS.

Employees who are members of PERS and retire at a specified age according to the relevant tier category for that employee are entitled to a retirement benefit based upon a formula which takes "final average salary" during years of creditable service. Vesting occurs after 8 to 10 years of service in the PERS. Enrolled PFRS members may retire at age 55 with a minimum of 10 years of service required for vesting.

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 each of the above systems. 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.

The contribution policy is set by New Jersey State Statutes 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 employee contributions for PFRS are 10.00% of employees' annual compensation, as defined. For PERS, the contribution rate was 6.64% effective July 1, 2012 and increased to 6.78% effective July 1, 2013. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018. Employers are required to contribute at an actuarially determined rate in both funds. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits.

Township contributions to PERS amounted to \$48,990, \$50,585 and \$56,436 for 2013, 2012 and 2011, respectively. Township contributions to PFRS amounted to \$98,343, \$111,010 and \$115,982 for 2013, 2012 and 2011, respectively.

Note 5: Local and Regional High School District Taxes

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

The Township of Franklin has elected not to defer local school taxes.

Regional High School District Tax has been raised and liabilities deferred by statutes (under provisions of C.63, P.L. 1991, as amended), resulting in the school taxes payable set forth in the Current Fund liabilities as detailed on the following page:

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013
(Continued)

Note 5: Local and Regional High School District Taxes (Cont'd)

	Regional High School Tax	
	Balance 12/31/2013	Balance 12/31/2012
Balance of Tax	\$ 1,787,564.82	\$1,718,022.36
Deferred	468,430.00	468,430.00
Tax Payable	\$ 1,319,134.82	\$1,249,592.36

Note 6: Accrued Sick and Vacation Benefits

The Township permits employees to accrue a limited amount of unused vacation and sick pay, which may be taken as time off or paid at a later date at an agreed-upon rate. It is estimated that the current cost of such unpaid compensation is \$179,156 at December 31, 2013. This amount is not reported either as an expenditure or a liability. It is expected that the cost of such unpaid compensation would be included in the Township's budget operating expenditures in the year in which it is used.

Note 7: Selected Tax Information

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

Comparative Schedule of Tax Rate Information

	2013	2012	2011
<u>Tax Rate</u>	\$ 2.407	\$ 2.361	\$ 2.300
<u>Apportionment of Tax Rate</u>			
Municipal	0.319	0.312	0.360
County	0.372	0.379	0.360
Local School	1.056	1.036	0.980
Regional High School	0.660	0.634	0.600
<u>Assessed Valuations</u>			
2013	\$ 541,639,230.00		
2012		\$ 542,127,988.00	
2011			\$ 556,723,154.00

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013
(Continued)

Note 7: Selected Tax Information (Cont'd)

Comparison of Tax Levies and Collection Currently

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

Year	Tax Levy	Currently	
		Cash Collections	Percentage of Collection
2013	\$ 13,352,401.59	\$ 13,103,728.30	98.13%
2012	13,129,128.01	12,844,413.47	97.83%
2011	12,808,841.00	12,675,391.00	98.95%

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

Note 8: Cash and Cash Equivalents

Cash and cash equivalents include petty cash, change funds, amounts in deposits, money market accounts, and short-term investments with original maturities of three months or less.

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

GASB Statement No. 40, *Governmental Accounting Standards Board Deposit and Investment Risk Disclosures*, requires disclosure of the level of custodial credit risk assumed by the Township in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

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

Credit Risk - The Township limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed on the following page.

Deposits:

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

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

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

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013
 (Continued)

Note 8: Cash and Cash Equivalents (Cont'd)

Deposits: (Cont'd)

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

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

Investments:

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located;
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund; or
- (8) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in statute; and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013
(Continued)

Note 8: Cash and Cash Equivalents (Cont'd)

As of December 31, 2013, cash and cash equivalents of the Township of Franklin consisted of the following:

<u>Fund</u>	<u>Cash on Hand</u>	<u>Checking Accounts</u>	<u>Total</u>
Current	\$ 25.00	\$ 3,292,120.11	\$ 3,292,145.11
Animal Control		6,239.33	6,239.33
Other Trust		1,539,894.91	1,539,894.91
General Capital		476,216.91	476,216.91
	<u>\$ 25.00</u>	<u>\$ 5,314,471.26</u>	<u>\$ 5,314,496.26</u>

During the year ended December 31, 2013, the Township did not hold any investments. The carrying amount of the Township of Franklin's cash and cash equivalents at December 31, 2013, was \$5,314,496.26 and the bank balance was \$5,247,257.74.

Note 9: Risk Management

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

Property, Liability and Workers' Compensation

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

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

The Fund can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body. The members may either receive payment or offset their subsequent year assessments with their respective share of the distribution.

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013
(Continued)

Note 9: Risk Management (Cont'd)

The December 31, 2013 audit report of the Fund is not filed as of the date of this report. Selected, summarized financial information for the Fund as of December 31, 2012 is as follows:

	<u>Statewide Insurance Fund</u>
Total Assets	\$ 35,903,110
Net Position	\$ 4,749,231
Total Revenue	\$ 23,147,328
Total Expenses	\$ 22,992,413
Change in Net Position	\$ 154,915
Member Dividends	\$ -0-

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

Statewide Insurance Fund
30A Vreeland Road
Florham Park, NJ 07932

New Jersey Unemployment Compensation Insurance

The Township has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the Township is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Township is billed quarterly for amounts due to the State.

The following is a summary of Township and employee contributions, interest earned and reimbursements to the State for benefits paid and the ending balance of the Township's expendable trust fund for the current and previous two years:

Year	Township/ Employee Contributions	Interest Earned	Amount Reimbursed	Ending Balance
2011	\$ 37,690	\$ 13	\$ 10,200	\$ 30,665
2012	649	38	7,228	24,124
2013	45,617	313		70,054

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013
(Continued)

Note 10: Interfund Receivables and Payables

The following interfund balances remained on the balance sheet at December 31, 2013:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Regular Fund		\$ 266,415.47
Federal and State Grant Fund	\$ 9,541.57	
Other Trust Funds	101,019.65	
General Capital Fund	155,854.25	
	<u>\$ 266,415.47</u>	<u>\$ 266,415.47</u>

The interfund between the General Capital Fund and the Regular Fund is the net of a prior year interfund due from the General Capital Fund not settled and current year bond anticipation note proceeds received in the Regular Fund. The interfund between the Other Trust Funds and the Regular Fund is the net of a prior year interfund due from the Other Trust Funds not fully settled plus current year interest earnings due to the Regular Fund offset by a current year interfund advanced from the Other Trust Funds and a Developers' Escrow deposit due to the Other Trust Funds. The interfund between the Federal and State Grant Fund and the Regular Fund is due to 2013 budget charges paid for by the Federal and State Grant Fund.

Note 11: Contingent Liabilities

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

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

Note 12: Economic Dependency

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

Note 13: Open Space Trust Fund

The Township adopted an ordinance in 2009 to establish a "Municipal Open Space, Recreation, and Farmland and Historic Preservation Trust Fund," permitting the Township to collect a tax of five (\$.05) cents per \$100.00 assessed valuation for the Open Space Trust Fund. The 2013 Open Space tax levy was five (\$.05) cents or \$271,063.87 including added and omitted taxes. The balance in the Reserve for Open Space at December 31, 2013 was \$326,435.82.

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013
(Continued)

Note 14: Deferred Compensation Plan

The Township of Franklin offers its employees deferred compensation plans (the "Plan") created in accordance with Section 457 of the Internal Revenue Code. The Plans, which are administered by Nationwide and Met Life Resources, are available to all Township employees and permit participants to defer a portion of their salary. The deferred compensation plans are not available to employees until termination, retirement, unforeseeable emergency, or upon death to their beneficiaries.

Note 15: Fixed Assets (Unaudited)

	Balance Dec. 31, 2012	Additions	Deletions	Balance Dec. 31, 2013
Land	\$ 6,149,577.00			\$ 6,149,577.00
Buildings	480,400.00			480,400.00
Machinery and Equipment	1,305,734.00	\$ 9,200.00	\$ 27,460.00	1,287,474.00
	<u>\$ 7,935,711.00</u>	<u>\$ 9,200.00</u>	<u>\$ 27,460.00</u>	<u>\$ 7,917,451.00</u>

TOWNSHIP OF FRANKLIN

SUPPLEMENTARY DATA

TOWNSHIP OF FRANKLIN
OFFICIALS IN OFFICE AND SURETY BONDS
YEAR ENDED DECEMBER 31, 2013

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

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>	<u>Name of Corporate or Personal Surety</u>
Bruce Polkowitz	Mayor		
Dan Connor	Deputy Mayor		
Vigdis Austad	Committeewoman		
Susan Campbell	Committeewoman		
James Fania	Committeeman		
Ursula Stryker	Clerk	*	*
Diane Laudenbach	Chief Financial Officer	*	*
Alice Anne Pareti	Tax Collector (from 4/30/13)	*	*
Diane Laudenbach	Tax Collector (from 3/13/13 to 4/30/13)	*	*
Rebecca Neuman	Tax Collector (to 3/12/13)	*	*
Mary Mastro	Tax Assessor	*	*
Katrina Campbell	Attorney		
Maser Consulting	Engineer		
Clark, Caton & Hintz	Planner		

There is blanket bond covering all employees. This coverage is \$1,000,000.00 for employee theft. Coverage is through the Statewide Insurance Fund.

TOWNSHIP OF FRANKLIN
COUNTY OF HUNTERDON
2013
CURRENT FUND

TOWNSHIP OF FRANKLIN
CURRENT FUND
SCHEDULE OF CASH

	<u>Ref.</u>	
Balance December 31, 2012	A	\$ 2,853,963.24
Increased by Receipts:		
Tax Collector		\$ 13,254,629.73
Revenue Accounts Receivable		1,095,997.02
Miscellaneous Revenue Not Anticipated		81,697.19
Interest on Investments and Deposits		16,700.13
Due to General Capital Fund:		
Bond Anticipation Note Proceeds, Net		235,668.00
Due to/from Other Trust Funds:		
Partial Settlement of Prior Year Interfund		10,702.72
Interfund Advanced		116,668.00
Reserve for Developers' Escrow		6.35
County and State Fees Payable:		
Due to County of Hunterdon		3,775.00
Due to/from State of New Jersey:		
Marriage License Fees		375.00
State Training Fees		6,348.00
Due from State of New Jersey - Senior Citizens' and Veterans' Deductions		26,500.00
Reserve for Insurance Reimbursement		13,500.00
Reserve for Purchase of Police Car		11,903.90
Appropriation Refunds		22,298.70
		<u>14,896,769.74</u>
		17,750,732.98
Decreased by Disbursements:		
2013 Appropriation Expenditures		2,552,285.42
2012 Appropriation Reserve Expenditures		95,649.36
Local School District Taxes		5,693,237.72
Regional High School Taxes Payable		3,505,587.54
County Taxes		2,017,310.63
Special District Taxes		308,505.00
Due to Open Space Trust Fund:		
Open Space Tax Levy		271,063.87
Due to/from Other Trust Funds:		
Partial Settlement of Prior Year Interfund		6,247.50
County and State Fees Payable:		
Due to County of Hunterdon		875.00
Due to State of New Jersey:		
Marriage License Fees		275.00
State Training Fees		6,348.00
Third Party Liens		23,345.17
Tax Overpayments		5,701.07
Refund of Prior Year Revenue		2,009.07
		<u>14,488,440.35</u>
Balance December 31, 2013	A	<u>\$ 3,262,292.63</u>

TOWNSHIP OF FRANKLIN
CURRENT FUND
SCHEDULE OF CASH - COLLECTOR
YEAR ENDED DECEMBER 31, 2013

Increased by Receipts:		
Taxes Receivable	\$ 12,967,622.39	
Interest and Costs on Taxes	55,930.05	
2014 Prepaid Taxes	197,672.24	
Tax Overpayments	2,392.63	
Third Party Liens	23,345.17	
Tax Title Liens	<u>7,667.25</u>	
		\$ 13,254,629.73
Decreased by:		
Payments to Municipal Treasurer		<u><u>\$ 13,254,629.73</u></u>

TOWNSHIP OF FRANKLIN
FEDERAL AND STATE GRANT FUND
SCHEDULE OF CASH

	<u>Ref.</u>	
Balance December 31, 2012	A	\$ 38,008.10
Increased by Receipts:		
Unappropriated Reserves	\$ 10,448.44	
Grant Funds Receivable	<u>8,109.81</u>	
		<u>18,558.25</u>
		56,566.35
Decreased by Disbursements:		
Due from Current Fund - 2013 Budget Appropriations	9,541.57	
Appropriated Reserves	<u>17,197.30</u>	
		<u>26,738.87</u>
Balance December 31, 2013	A	<u><u>\$ 29,827.48</u></u>

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

Year	Balance	2013 Levy	Collections		Overpayments Applied	State of NJ Veterans' and Senior Citizens' Deductions	Cancelled	Transferred to Tax Title Liens	Balance
	Dec. 31, 2012		2012	2013					Dec. 31, 2013
2012	\$ 235,295.66			\$ 233,171.44		\$ (500.00)	\$ 2,624.22		
2013		\$ 13,352,401.59	\$ 312,657.87	12,734,450.95	\$ 30,119.48	26,500.00	15,776.38	\$ 4,002.37	\$ 228,894.54
	<u>\$ 235,295.66</u>	<u>\$ 13,352,401.59</u>	<u>\$ 312,657.87</u>	<u>\$ 12,967,622.39</u>	<u>\$ 30,119.48</u>	<u>\$ 26,000.00</u>	<u>\$ 18,400.60</u>	<u>\$ 4,002.37</u>	<u>\$ 228,894.54</u>

Ref. A

A

Analysis of 2013 Property Tax Levy

Tax Yield:

General Purpose Taxes	\$ 13,037,257.00
Special District Taxes	303,318.04
Added and Omitted Taxes	11,826.55
	<u>\$ 13,352,401.59</u>

Tax Levy:

Local School District Taxes	\$ 5,717,765.00
Regional High School Taxes	3,575,130.00
Special District Taxes	303,814.04
Special District Taxes - Added and Omitted Taxes	270.51
County Taxes:	
General Purpose Taxes	\$ 1,678,405.73
Library	167,819.42
Open Space	167,024.62
Due County for Added and Omitted Taxes	1,801.83
	<u>2,015,051.60</u>
	11,612,031.15
Local Tax for Municipal Purposes	1,458,513.34
Municipal Open Space Taxes	270,822.49
Additional Open Space - Municipal	241.38
Add: Additional Tax Levied	10,793.23
	<u>1,740,370.44</u>
	<u>\$ 13,352,401.59</u>

TOWNSHIP OF FRANKLIN
CURRENT FUND
SCHEDULE OF TAX TITLE LIENS

	<u>Ref.</u>	
Balance December 31, 2012	A	\$ 41,011.18
Increased by:		
Transfer from Taxes Receivable		\$ 4,002.37
Interest and Costs Accrued at Tax Sale		<u>96.51</u>
		4,098.88
Decreased by:		
Municipal Liens Redeemed		<u>7,667.25</u>
Balance December 31, 2013	A	<u>\$ 37,442.81</u>

TOWNSHIP OF FRANKLIN
CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE
YEAR ENDED DECEMBER 31, 2013

	<u>Accrued In</u> <u>2013</u>	<u>Collected by</u> <u>Treasurer</u>
Licenses:		
Alcoholic Beverages	\$ 5,160.00	\$ 5,160.00
Fees and Permits	4,141.16	4,141.16
Fines and Costs:		
Municipal Court	75,615.70	75,615.70
Energy Receipts Tax	258,169.54	258,169.54
Consolidated Municipal Property Tax Relief Aid	1,374.00	1,374.00
General Capital Fund Balance	60,949.00	60,949.00
Reserve for Open Space Trust to Offset		
Deferred Charges	491,000.00	491,000.00
Reserve for Open Space Trust to Offset		
Debt Service	25,000.00	25,000.00
NJ Hotel Occupancy Tax	85,060.62	85,060.62
Uniform Construction Code Fees	89,527.00	89,527.00
	<u>\$ 1,095,997.02</u>	<u>\$ 1,095,997.02</u>

TOWNSHIP OF FRANKLIN
FEDERAL AND STATE GRANT FUND
SCHEDULE OF GRANTS RECEIVABLE
YEAR ENDED DECEMBER 31, 2013

	2013 Budget Revenue Realized	Cash Received	Transferred from Unappropriated Reserves
	<u> </u>	<u> </u>	<u> </u>
Recycling Tonnage Grant	\$ 4,538.98	\$ 4,538.98	
Walmart	4,500.00	2,500.00	\$ 2,000.00
Body Armor Grant	1,070.83	1,070.83	
	<u>\$ 10,109.81</u>	<u>\$ 8,109.81</u>	<u>\$ 2,000.00</u>

TOWNSHIP OF FRANKLIN
CURRENT FUND
SCHEDULE OF 2012 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2013

	<u>Balance</u> <u>Dec. 31, 2012</u>	<u>Budget After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
Mayor and Council:				
Salaries and Wages	\$ 291.60	\$ 291.60		\$ 291.60
Other Expenses	3,671.50	3,671.50	\$ 2,000.00	1,671.50
Municipal Clerk:				
Salaries and Wages	4,419.07	4,419.07	429.18	3,989.89
Other Expenses	11,697.61	11,697.61	1,531.04	10,166.57
Election	13.80	13.80		13.80
Financial Administration:				
Salaries and Wages	0.07	0.07		0.07
Other Expenses	17,071.36	17,071.36	9,546.72	7,524.64
Technology Consultant:				
Other Expenses	18,000.00	4,000.00		4,000.00
Revenue Administration (Tax Collection):				
Salaries and Wages	3,049.10	3,049.10		3,049.10
Other Expenses	244.71	244.71	174.03	70.68
Tax Assessment Administration:				
Salaries and Wages	513.36	513.36		513.36
Other Expenses	148.96	148.96		148.96
Preparation of Master Plan	300.00	300.00		300.00
Revision of Tax Map	3,637.50	3,637.50		3,637.50
Legal Services & Costs:				
Other Expenses	16,012.89	16,012.89	7,929.06	8,083.83
Municipal Prosecutor:				
Salaries and Wages	0.68	0.68		0.68
Municipal Land Use Law (NJSA 40:55D-1):				
Planning Board:				
Salaries and Wages	353.79	353.79		353.79
Other Expenses	465.69	465.69	465.69	
Environmental Commission:				
Salaries and Wages	100.00	100.00		100.00
Other Expenses	83.06	83.06		83.06
Insurance:				
Other Insurance Premiums	420.60	420.60	232.58	188.02
General Liability	9,355.00	9,355.00		9,355.00
Volunteer Insurance Policy	300.00	300.00		300.00
Group Insurance & Health Benefits (N.J.S.A. 43:21-3 et seq.)	13,090.20	13,090.20		13,090.20
Police:				
Salaries and Wages	3,628.76	3,628.76	3,628.76	
Other Expenses	8,733.92	8,733.92	942.19	7,791.73

TOWNSHIP OF FRANKLIN
CURRENT FUND
SCHEDULE OF 2012 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2013
(Continued)

	<u>Balance</u> <u>Dec. 31, 2012</u>	<u>Budget After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
Emergency Management Services:				
Salaries and Wages	\$ 9.09	\$ 9.09		\$ 9.09
Other Expenses	1,062.37	1,062.37		1,062.37
First Aid Organization Contribution	1,695.00	1,695.00		1,695.00
Public Defender:				
Salaries and Wages	0.84	0.84		0.84
Road Repairs and Maintenance:				
Salaries and Wages	1,424.18	1,424.18		1,424.18
Other Expenses	13,366.43	13,366.43	\$ 1,227.11	12,139.32
Solid Waste Collection:				
Salaries and Wages	12,615.93	12,615.93	2,638.70	9,977.23
Other Expenses	32,938.18	32,938.18	102.70	32,835.48
Public Buildings & Grounds:				
Salaries and Wages	117.78	117.78		117.78
Other Expenses	4,890.65	18,890.65	13,300.00	5,590.65
Board of Health:				
Salaries and Wages	1,635.22	1,635.22		1,635.22
Other Expenses	400.00	400.00		400.00
Animal Control:				
Other Expenses	3,000.00	3,000.00	3,000.00	
UNIFORM CONSTRUCTION CODE:				
Construction Official:				
Salaries and Wages	104.73	104.73		104.73
Other Expenses	1,155.33	1,155.33	85.09	1,070.24
Utility and Bulk Purchases:				
Electricity	6,688.79	6,688.79	1,197.49	5,491.30
Street Lighting	923.79	923.79		923.79
Telephone	14,112.72	14,112.72	632.29	13,480.43
Gasoline and Diesel Fuel	9,799.21	9,799.21	2,099.87	7,699.34
Heating Oil	6,761.46	6,761.46	2,486.86	4,274.60
Contingent	1,000.00	1,000.00		1,000.00
Statutory Expenditures:				
Contribution to:				
Social Security System (OASI)	4,554.84	4,554.84		4,554.84
Unemployment Compensation Insurance	42,000.00	42,000.00	42,000.00	

TOWNSHIP OF FRANKLIN
CURRENT FUND
SCHEDULE OF 2012 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2013
(Continued)

	<u>Balance</u> <u>Dec. 31, 2012</u>	<u>Budget After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
Affordable Housing Administration:				
Salaries and Wages	\$ 0.02	\$ 0.02		\$ 0.02
Other Expenses	93.00	93.00		93.00
Shared Service Agreements:				
Joint Municipal Court:				
Other Expenses - Contractual	0.12	0.12		0.12
Public and Private Programs Offset by Revenues:				
Matching Funds for Grants	<u>1,000.00</u>	<u>1,000.00</u>	<u> </u>	<u>1,000.00</u>
	<u>\$ 276,952.91</u>	<u>\$ 276,952.91</u>	<u>\$ 95,649.36</u>	<u>\$ 181,303.55</u>

Ref.

Analysis of Balance December 31, 2012:

Unencumbered	A \$ 246,759.02
Encumbered	A <u>30,193.89</u>
	<u>\$ 276,952.91</u>

TOWNSHIP OF FRANKLIN
CURRENT FUND
SCHEDULE OF LOCAL SCHOOL DISTRICT TAXES PAYABLE

	<u>Ref.</u>	
Balance December 31, 2012	A	\$ -0-
Increased by:		
Levy - Calendar Year 2013		<u>5,717,765.00</u>
		5,717,765.00
Decreased by:		
Payments to Local School District		<u>5,693,237.72</u>
Balance December 31, 2013	A	<u>\$ 24,527.28</u>

TOWNSHIP OF FRANKLIN
CURRENT FUND
SCHEDULE OF REGIONAL HIGH SCHOOL TAXES PAYABLE

	<u>Ref.</u>	
Balance December 31, 2012:		
Regional High School Taxes Payable	A	\$ 1,249,592.36
Regional High School Taxes Deferred		<u>468,430.00</u>
		1,718,022.36
Increased by:		
Levy - School Year July 1, 2012 thru June 30, 2013		<u>3,575,130.00</u>
		5,293,152.36
Decreased by:		
Payments to Regional High School		<u>3,505,587.54</u>
Balance December 31, 2013:		
Regional High School Taxes Payable	A	1,319,134.82
Regional High School Taxes Deferred		<u>468,430.00</u>
		<u>\$ 1,787,564.82</u>

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

	<u>Balance</u> <u>Dec. 31, 2012</u>	<u>Transferred</u> <u>from</u> <u>2013 Budget</u> <u>Appropriations</u>	<u>Expended</u>	<u>Balance</u> <u>Dec. 31, 2013</u>
Body Armor Grant - 2010	\$ 799.00			\$ 799.00
Body Armor Grant - 2011	926.35		\$ 826.00	100.35
Body Armor Grant - 2012	937.83			937.83
Body Armor Grant - 2013		\$ 1,070.83		1,070.83
Clean Communities Program - 2012	1,894.51		1,894.51	
Drunk Driving Enforcement Fund - 2009	664.00		664.00	
Drunk Driving Enforcement Fund - 2010	600.17		600.17	
Drunk Driving Enforcement Fund - 2011	4,167.40		3,954.83	212.57
Emergency Management Assistance - 2011	970.78			970.78
Recycling Tonnage Grant	19,157.51		6,439.40	12,718.11
Recycling Tonnage Grant - 2013		4,538.98		4,538.98
Emergency Management Grant - 2012	5,000.00			5,000.00
Walmart Donations Police Department - Equipment Purchase	890.55	4,500.00	2,818.39	2,572.16
	<u>\$ 36,008.10</u>	<u>\$ 10,109.81</u>	<u>\$ 17,197.30</u>	<u>\$ 28,920.61</u>
<u>Ref.</u>	A			A
	State	\$ 5,609.81	\$ 14,378.91	
	Local	4,500.00	2,818.39	
		<u>\$ 10,109.81</u>	<u>\$ 17,197.30</u>	

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

	<u>Balance</u> <u>Dec. 31, 2012</u>	<u>Cash</u> <u>Received</u>	<u>Transferred</u> <u>to 2013</u> <u>Budget</u> <u>Revenue</u>	<u>Balance</u> <u>Dec. 31, 2013</u>
Clean Communities Grant		\$ 10,448.44		\$ 10,448.44
Walmart Donations Police Department - Equipment Purchase	<u>\$ 2,000.00</u>		<u>\$ 2,000.00</u>	
	<u>\$ 2,000.00</u>	<u>\$ 10,448.44</u>	<u>\$ 2,000.00</u>	<u>\$ 10,448.44</u>
<u>Ref.</u>	A			A

TOWNSHIP OF FRANKLIN
COUNTY OF HUNTERDON

2013

TRUST FUNDS

TOWNSHIP OF FRANKLIN
TRUST FUNDS
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	<u>Animal Control Fund</u>	<u>Other Trust Funds</u>
Balance December 31, 2012	B	\$ 6,624.91	\$ 1,698,705.34
Increased by Receipts:			
License Fees Collected		\$ 4,201.20	
Late Fees		442.00	
State Registration Fees		721.80	
Miscellaneous		11.46	
Budget Appropriations		6,050.66	
Due from Payroll Accounts			\$ 29.69
Due From Current Fund:			
Partial Settlement of Prior Year Interfund			6,247.50
Interest Earned		2.47	156.84
Tax Sale Premium			25,500.00
Developers' Escrow			120,492.48
Recreation			21,657.80
Coalition on Affordable Housing			66,064.52
D.A.R.E. Receipts			3,073.50
DEA Equitable Receipts			2,867.59
Fair Housing Program Deposits			2,801.45
Police Outside Duties Deposits			43,400.00
Open Space:			
2013 Tax Levy			271,063.87
Interest Earned			2,402.36
Other Receipts			278,383.52
Recycling			1,626.58
State Unemployment Insurance Compensation:			
Interest Earned			312.87
Employee Withholdings			1,617.56
Budget Appropriations			44,000.00
Flexible Spending Receipts			10,592.06
		<u>11,429.59</u>	<u>902,290.19</u>
		18,054.50	2,600,995.53

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

<u>Ref.</u>	<u>Animal Control Fund</u>	<u>Other Trust Funds</u>
Decreased by Disbursements:		
Due to State Board of Health	\$ 719.40	
Expenditures Under R.S. 4:19-15.11	11,095.77	
Due to Current Fund		
Interfund Returned -Open Space		\$ 116,668.00
Partial Settlement of Prior Year Interfund		10,702.72
Developers' Escrow		117,716.83
Tax Sale Premium		8,700.00
Recreation Expenditures		9,661.51
D.A.R.E. Expenditures		2,692.61
DEA Equitable		2,114.40
Coalition on Affordable Housing Expenditures		86,798.95
Police Outside Duties Expenditures		42,622.50
Open Space		653,469.97
Recycling		52.03
Flexible Spending Expenditures		9,901.10
	<u>\$ 11,815.17</u>	<u>\$ 1,061,100.62</u>
Balance December 31, 2013	B <u>\$ 6,239.33</u>	<u>\$ 1,539,894.91</u>

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

	<u>Ref.</u>		
Balance December 31, 2012	B		\$ 6,622.51
Increased by:			
Dog License Fees Collected		\$ 4,201.20	
Current Fund Budget Appropriations		6,050.66	
Late Fees		442.00	
Miscellaneous		<u>11.46</u>	
			<u>10,705.32</u>
			<u>17,327.83</u>
Decreased by:			
Expenditures Under R.S. 4:19-15.11			<u>11,095.77</u>
Balance December 31, 2013	B		<u>\$ 6,232.06</u>

License Fees Collected

<u>Year</u>	<u>Amount</u>
2011	\$ 6,608.00
2012	<u>4,568.40</u>
Maximum Allowable Reserve	<u>\$ 11,176.40</u>

TOWNSHIP OF FRANKLIN
COUNTY OF HUNTERDON
2013
GENERAL CAPITAL FUND

TOWNSHIP OF FRANKLIN
GENERAL CAPITAL FUND
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	
Balance December 31, 2012	C	\$ 659,061.30
Increased by Receipts:		
2013 Budget Appropriation:		
Capital Improvement Fund		<u>100.00</u>
		659,161.30
Decreased by:		
Improvement Authorizations	\$	108,473.49
Fund Balance Anticipated as Revenue in Current Fund Budget		60,949.00
Encumbrances Payable		<u>13,521.90</u>
		<u>182,944.39</u>
Balance December 31, 2013	C	<u><u>\$ 476,216.91</u></u>

TOWNSHIP OF FRANKLIN
GENERAL CAPITAL FUND
ANALYSIS OF CASH

	Balance/ (Deficit) Dec. 31, 2012	Receipts Budget Appropriation	Disbursements		Transfers		Balance/ (Deficit) Dec. 31, 2013
			Improvement Authorizations	Miscellaneous	From	To	
Fund Balance	\$ 616,511.03			\$ 60,949.00			\$ 555,562.03
Capital Improvement Fund	395,311.00	\$ 100.00			\$ 244,500.00		150,911.00
Due to/(from) Current Fund	79,813.75				235,668.00		(155,854.25)
Encumbrances Payable	13,521.90			13,521.90		\$ 10,000.00	10,000.00
Reserve for:							
Acquisition, Development and Easement for Farmland Preservation	105,785.00						105,785.00
Payment of Debt Service	728,614.13				728,614.13		
Preliminary Expenses	14,000.00						14,000.00
<u>Ord. Date</u>							
01-02	Purchase Real Estate (Griffin Property)	(267,415.90)				267,415.90	
02-01	Purchase Real Property (8 Frontage Road)	(241,074.96)				167,212.02	(73,862.94)
05-02	Acquire Development Easements	(748,663.86)				374,332.00	(374,331.86)
07-08	Acquire Real Property (Summit Manor)				283,332.00	283,332.00	
07-09	Hogback Road Drainage Improvements				47,900.00	47,900.00	
08-01	Acquisition of Office Furniture and Fixtures	29,431.48					29,431.48
	Purchase of Drainage Materials and Reconstruction, Resurfacing, and						
08-09	Improvement of Various Public Roads	27,155.77		\$ 960.95			26,194.82
08-12	Acquisition of Real Property for Affordable Housing or Other Municipal Purposes (Stryker Property)				84,500.00	84,422.21	(77.79)
09-05	Acquisition of Real Property for Affordable Housing or Other Municipal Purposes (Sampaio Property)	(26,183.01)					(26,183.01)
09-08	Reconstruction and Rehabilitation of Mathew Drive	52,223.29					52,223.29
10-04	Improvements to West Sydney Road	(155,462.00)				155,400.00	(62.00)
12-12	Asphalt Overlay for Baker Road and Lower Oak Grove Rd.	12,431.34					12,431.34
12-13	Chip and Seal of Various Roads	4,584.24					4,584.24
12-17	Acquisition of Server, Computers and Workstations, and Related Equipment	18,478.10		13,090.54			5,387.56
13-04	Purchase of a SCAG Cheetah Mower			9,422.00		9,500.00	78.00
13-06	Chip and Seal of Various Roads			85,000.00		85,000.00	
13-07	Asphalt Overlay of Laurelton Trail, Locust Grove Road, Old Franklin School Road and Sky Manor					140,000.00	140,000.00
13-08	Rebuilding of Ambulance #91-51 with a New Engine, Chassis, Drivetrain, and Cab					10,000.00	10,000.00
					10,000.00	10,000.00	
	<u>\$ 659,061.30</u>	<u>\$ 100.00</u>	<u>\$ 108,473.49</u>	<u>\$ 74,470.90</u>	<u>\$ 1,634,514.13</u>	<u>\$ 1,634,514.13</u>	<u>\$ 476,216.91</u>

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

Ord. No.	Improvement Description	Balance Dec. 31, 2012	Paid by Budget Appropriation	Paid by Reserve to Pay Debt Service	Balance Dec. 31, 2013	<u>Analysis of Balance Dec. 31, 2013</u>	
						Bond Anticipation Notes	Expenditures
01-02	Purchase of Real Estate (Griffin Property)	\$ 267,415.90		\$ 267,415.90			
02-01	Purchase of Real Estate (8 Frontage Road)	241,074.96		167,212.02	\$ 73,862.94		\$ 73,862.94
05-02	Acquire Development Easements	748,663.86	\$ 374,332.00		374,331.86		374,331.86
07-08	Acquire Real Property (Summit Manor)	283,332.00	141,668.00	141,664.00			
07-09	Hogback Road Drainage Improvements	78,000.00	10,400.00	37,500.00	30,100.00	\$ 30,100.00	
08-12	Acquisition of Real Property for Affordable Housing or Other Municipal Purposes (Stryker Property)	262,500.00	7,100.00	77,322.21	178,077.79	178,000.00	77.79
09-05	Acquisition of Real Property for Affordable Housing or Other Municipal Purposes (Sampaio Property)	26,183.01			26,183.01		26,183.01
10-04	Improvements to West Sydney Road	155,462.00		37,500.00	117,962.00	117,900.00	62.00
		<u>\$ 2,062,631.73</u>	<u>\$ 533,500.00</u>	<u>\$ 728,614.13</u>	<u>\$ 800,517.60</u>	<u>\$ 326,000.00</u>	<u>\$ 474,517.60</u>

Ref.

C

C

TOWNSHIP OF FRANKLIN
GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord. No.	Improvement Description	Ordinance		Dec. 31, 2012	2013 Authorizations	Paid or Charged	Balance
		Date	Amount	Funded			Dec. 31, 2013
							Funded
08-01	Acquisition of Office Furniture and Fixtures	03/13/08	\$ 40,500.00	\$ 29,431.48			\$ 29,431.48
08-09	Purchase of Drainage Materials and Reconstruction, Resurfacing and Improvement of Various Public Roads	11/13/08	116,000.00	27,155.77		\$ 960.95	26,194.82
09-08	Reconstruction and Rehabilitation of Mathew Drive	07/09/09	175,000.00	52,223.29			52,223.29
12-12	Asphalt Overlay for Baker Road and Lower Oak Grove Road	07/26/12	140,000.00	12,431.34			12,431.34
12-13	Chip and Seal of Various Roads	07/26/12	85,000.00	4,584.24			4,584.24
12-17	Acquisition of Server, Computers and Workstations, and Related Equipment	08/23/12	32,000.00	18,478.10		13,090.54	5,387.56
13-04	Purchase of a SCAG Cheetah Mower	04/25/13	9,500.00		\$ 9,500.00	9,422.00	78.00
13-06	Chip and Seal of Various Roads	07/11/13	85,000.00		85,000.00	85,000.00	
13-07	Asphalt Overlay of Laurelton Trail, Locust Grove Rd. Old Franklin School Road and Sky Manor	07/11/13	140,000.00		140,000.00		140,000.00
13-08	Rebuilding of Ambulance #91-51 with a New Engine, Chassis, Drivetrain, and Cab	12/19/13	10,000.00		10,000.00	10,000.00	
				<u>\$ 144,304.22</u>	<u>\$ 244,500.00</u>	<u>\$ 118,473.49</u>	<u>\$ 270,330.73</u>
				<u>Ref.</u>	C		C
					<u>Ref.</u>		
				Cash Disbursed		\$ 108,473.49	
				Encumbrances Payable	C	<u>10,000.00</u>	
						<u>\$ 118,473.49</u>	

TOWNSHIP OF FRANKLIN
GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2012	C	\$ 395,311.00
Increased by:		
2013 Budget Appropriation		<u>100.00</u>
		395,411.00
Decreased by:		
Appropriated to Finance		
Improvement Authorizations		<u>244,500.00</u>
Balance December 31, 2013	C	<u>\$ 150,911.00</u>

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

Ord. No.	Improvement Description	Date of			Interest Rate	Balance Dec. 31, 2012	Issued	Retired or Matured	Balance Dec. 31, 2013
		Original Note	Issue	Maturity					
07-08	Acquire Real Property (Summit Manor)	11/8/2007	8/24/2012	8/23/2013	0.75%	\$ 283,332.00		\$ 283,332.00	
07-09	Hogback Road Drainage Improvements	11/8/2007	8/24/2012 8/23/2013	8/23/2013 8/22/2014	0.75% 0.75%	78,000.00	\$ 30,100.00	78,000.00	\$ 30,100.00
08-12	Acquisition of Real Property for Affordable Housing or Other Municipal Purposes (Stryker Property)	7/10/2008	8/24/2012 8/23/2013	8/23/2013 8/22/2014	0.75% 0.75%	262,500.00	178,000.00	262,500.00	178,000.00
10-04	Improvements to West Sydney Road	8/23/2013	8/23/2013	8/22/2014	0.75%		117,900.00		117,900.00
						<u>\$ 623,832.00</u>	<u>\$ 326,000.00</u>	<u>\$ 623,832.00</u>	<u>\$ 326,000.00</u>
<u>Ref.</u>						C			C
Renewals							\$ 208,100.00	\$ 208,100.00	
New Notes Issued - Due from Current Fund							117,900.00		
Funded by Reserve to Pay Debt Service								256,564.00	
Funded by Budget Appropriation:									
Deferred Charges to Future Taxation - Unfunded								116,668.00	
Payment of Bond Anticipation Notes								42,500.00	
							<u>\$ 326,000.00</u>	<u>\$ 623,832.00</u>	

TOWNSHIP OF FRANKLIN
GENERAL CAPITAL FUND
SCHEDULE OF NEW JERSEY GREEN TRUST LOANS PAYABLE

	<u>Ref.</u>	
Balance December 31, 2012	C	\$ 365,336.26
Decreased by:		
Principal Matured		<u>31,598.59</u>
Balance December 31, 2013	C	<u>\$ 333,737.67</u>

Schedule of Principal and Interest Payments Outstanding December 31, 2013

<u>Payment Number</u>	<u>Due Date</u>	<u>Interest</u>	<u>Principal</u>	<u>Loan Balance</u>
				\$ 333,737.67
12	3/14/14	\$ 3,337.38	\$ 16,036.68	317,700.98
13	9/14/14	3,177.01	16,197.05	301,503.94
14	3/14/15	3,015.04	16,359.02	285,144.92
15	9/14/15	2,851.45	16,522.61	268,622.31
16	3/14/16	2,686.22	16,687.83	251,934.48
17	9/14/16	2,519.34	16,854.71	235,079.77
18	3/14/17	2,350.80	17,023.26	218,056.51
19	9/14/17	2,180.57	17,193.49	200,863.02
20	3/14/18	2,008.63	17,365.43	183,497.59
21	9/14/18	1,834.98	17,539.08	165,958.51
22	3/14/19	1,659.59	17,714.47	148,244.04
23	9/14/19	1,482.44	17,891.62	130,352.42
24	3/14/20	1,303.52	18,070.53	112,281.89
25	9/14/20	1,122.82	18,251.24	94,030.65
26	3/14/21	940.31	18,433.75	75,596.90
27	9/14/21	755.97	18,618.09	56,978.81
28	3/14/22	569.79	18,804.27	38,174.55
29	9/14/22	381.75	18,992.31	19,182.23
30	3/14/23	191.82	19,182.23	0.00
		<u>\$ 34,369.43</u>	<u>\$ 333,737.67</u>	

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

Ordinance No.	Improvement Description	Balance Dec. 31, 2012	Funded by Budget Appropriation	Funded by Reserve to Pay Debt Service	Bond Anticipation Notes Matured	Bond Anticipation Notes Issued	Balance Dec. 31, 2013
01-01	Purchase of Real Estate (Griffin Property)	\$ 267,415.90		\$ 267,415.90			
01-02	Purchase of Real Estate (8 Frontage Road)	241,074.96		167,212.02			\$ 73,862.94
05-02	Acquire Development Easements	748,663.86	374,332.00				374,331.86
07-08	Acquire Real Property (Summit Manor)		\$ 141,668.00	141,664.00	\$ 283,332.00		
07-09	Hogback Road Drainage Improvements		10,400.00	37,500.00	78,000.00	\$ 30,100.00	
08-12	Acquisition of Real Property for Affordable Housing or Other Municipal Purposes (Stryker Property)		7,100.00	77,322.21	262,500.00	178,000.00	77.79
09-05	Acquisition of Real Property for Affordable Housing or Other Municipal Purposes (Sampaio Property)	26,183.01					26,183.01
10-04	Improvements to West Sydney Road	155,462.00		37,500.00		117,900.00	62.00
		<u>\$ 1,438,799.73</u>	<u>\$ 533,500.00</u>	<u>\$ 728,614.13</u>	<u>\$ 623,832.00</u>	<u>\$ 326,000.00</u>	<u>\$ 474,517.60</u>

TOWNSHIP OF FRANKLIN

PART II

SINGLE AUDIT

YEAR ENDED DECEMBER 31, 2013

TOWNSHIP OF FRANKLIN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2013

Name of Federal Agency or Department	Name of Program	C.F.D.A. Account Number	State Account Number	Grant Period		Grant Award Amount	Amount Received	Amount of Expenditures	Cumulative Expenditures
				From	To				
U.S. Department of Homeland Security: (Passed through New Jersey Department of Law and Public Safety)	Disaster Grants - Public Assistance - F.E.M.A. - Hurricane Sandy	97.036	N/A	01/01/12	12/31/12	\$ 46,679.16	\$ 46,679.16	\$ 46,679.16 *	\$ 46,679.16
Total Department of Homeland Security							46,679.16	46,679.16	46,679.16
TOTAL FEDERAL AWARDS							\$ 46,679.16	\$ 46,679.16	\$ 46,679.16

N/A - Not Available
 * - Expended in 2012.

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

TOWNSHIP OF FRANKLIN
SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED DECEMBER 31, 2013

Name of State Agency or Department	Name of Program	Name of Project	Grant I.D. No.	Grant Period		Grant Award Amount	Amount Received	Amount of Expenditures	Cumulative Expenditures	
				From	To					
Department of Law and Public Safety	Drunk Driving Enforcement Fund	Drunk Driving Enforcement Fund	100-078-6400-260-YYYY	01/01/09	12/31/13	\$ 1,334.00		\$ 664.00	\$ 1,334.00	
				01/01/10	12/31/13	2,964.00		600.17	2,964.00	
				01/01/11	12/31/14	4,167.40		3,954.83	3,954.83	
									<u>5,219.00</u>	<u>8,252.83</u>
	Body Armor Replacement Program	Body Armor Replacement Program	718-066-1020-001 YCJS-6120	01/01/09	12/31/14	1,620.00			821.00	821.00
				01/01/11	12/31/14	926.35		826.00	826.00	
				01/01/13	12/31/14	1,070.38		\$ 1,070.38		
							<u>1,070.38</u>	<u>826.00</u>	<u>1,647.00</u>	
	Total Department of Law and Public Safety							<u>1,070.38</u>	<u>6,045.00</u>	<u>9,899.83</u>
	Department of Environmental Protection	Clean Communities Program	Clean Communities Program	765-042-4900-004-V42Y-6020	01/01/12	12/31/13	8,899.25		1,894.51	8,899.25
01/01/13					12/31/14	10,448.94		10,448.94		8,899.25
							<u>10,448.94</u>	<u>1,894.51</u>	<u>8,899.25</u>	
Recycling Tonnage Grant		Recycling Tonnage Grant	752-042-4900-001-V42Y-6020	01/01/11	12/31/14	14,032.00			6,439.40	7,818.55
				01/01/12	12/31/14	6,504.98				
				01/01/13	12/31/14	4,538.98		4,538.98		
						<u>4,538.98</u>	<u>6,439.40</u>	<u>7,818.55</u>		
Total Department of Environmental Protection							<u>14,987.92</u>	<u>8,333.91</u>	<u>16,717.80</u>	
TOTAL STATE AWARDS							<u>\$ 16,058.30</u>	<u>\$ 14,378.91</u>	<u>\$ 26,617.63</u>	

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

TOWNSHIP OF FRANKLIN
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED DECEMBER 31, 2013

A. Basis of Presentation

The accompanying schedules of expenditures of federal and state awards (the "Schedules") includes the federal and state grant activity of the Township of Franklin under programs of the federal and state governments for the year ended December 31, 2013. The information in these schedules is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States and Local Governments, and Non-Profit Organizations* and New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the Township, they are not intended to and do not present the financial position, changes in fund balance or cash flows of the Township.

B. Summary of Significant Accounting Policies

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governmental Units*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through identifying numbers are presented where available.

C. Relationship to Federal and State Financial Reports

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

D. State Loans Outstanding

The Township of Franklin has the following loan outstanding as of December 31, 2013:

Green Trust Loan Payable	<u>\$ 333,738</u>
--------------------------	-------------------

Currently the Township is in the process of repaying the loan balances. There were no loan receipts or expenditures in the current year. The projects which relate to the loans are complete.



Mount Arlington Corporate Center
200 Valley Road, Suite 300
Mt. Arlington, NJ 07856
973-328-1825 | 973-328-0507 Fax

Lawrence Business Center
11 Lawrence Road
Newton, NJ 07860
973-383-6699 | 973-383-6555 Fax

Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

Independent Auditors' Report

The Honorable Mayor and Members
of the Township Committee
Township of Franklin
Pittstown, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements – *regulatory basis* - of the various funds of the Township of Franklin, in the County of Hunterdon (the "Township") as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated April 15, 2014. These financial statements have been prepared in accordance with accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting, and the budget laws of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America. That qualified report also indicated that we did not audit the general fixed assets account group.

Internal Control Over Financial Reporting

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

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as Finding 2013-01, that we consider to be a significant deficiency.

The Honorable Mayor and Members
of the Township Committee
Township of Franklin
Page 2

Compliance and Other Matters

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

The Township's Response to the Finding

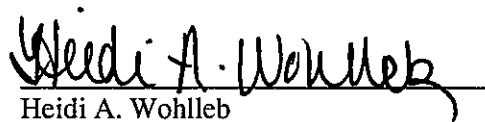
The Township's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. The Township's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Mount Arlington, New Jersey
April 15, 2014

NISIVOCCIA LLP



Heidi A. Wohlleb
Certified Public Accountant
Registered Municipal Accountant No. 481

TOWNSHIP OF FRANKLIN
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2013

Summary of Auditors' Results:

- The Independent Auditors' Report expresses a qualified opinion on the Township's financial statements, prepared in accordance with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, as the general fixed assets account group was not audited.
- A significant deficiency disclosed during the audit of the financial statements is reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*. No material weaknesses are reported.
- No instances of noncompliance material to the financial statements of the Township which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- The Township was not subject to the single audit provisions of Federal OMB Circular A-133 and New Jersey's OMB Circular 04-04 for the year ended December 31, 2013 as both state and federal grant expenditures were less than the single audit thresholds of \$500,000 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 disclosed the following significant deficiency required to be reported under Generally Accepted Government Auditing Standards:

Finding 2013-01

Segregation of Duties

The Township does not maintain an adequate segregation of duties with respect to the recording and treasury functions. Segregation of duties refers to separating those functions that place too much control over a transaction or class of transactions that would enable a person to perpetuate errors and prevent detection within a reasonable period of time. The various departments/offices of the Township are responsible for the issuance of permits and licenses; collections of taxes and permit and license fees; and recording of collections. Also, the reconciliation of bank accounts and the preparation of the general ledger for the various funds as well as the preparation of payroll are performed by one person, the Chief Financial Officer. This is due, in part, to the limited number of personnel of the Township and the decentralized nature of governmental collection procedures. Accordingly, management and the Township Committee should be aware of this situation and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view.

Management's Response

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

Findings and Questioned Costs for Federal Awards:

- Not applicable since federal expenditures were below the Single Audit threshold.

Findings and Questioned Costs for State Awards:

- Not applicable since state expenditures were below the Single Audit threshold.

TOWNSHIP OF FRANKLIN
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2013

The prior year finding regarding segregation of duties has not been resolved and is included as current year Finding 2013-01.

TOWNSHIP OF FRANKLIN

PART III

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2013

TOWNSHIP OF FRANKLIN
COMMENTS AND RECOMMENDATIONS

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

a. " When the cost or price of any contract awarded by the contracting agent in the aggregate does not exceed in a contract year the total sum of \$17,500, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution, as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids, except that the governing body of any contracting unit may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to Subsection b. of Section 9 of P.L. 1971, C.198 (N.J.S.A. 40A:11-9), the governing body of the contracting unit may establish that the bid threshold may be up to \$25,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.

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

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

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

Effective January 1, 2011, the bid threshold in accordance with N.J.S.A. 40A:11-3 and 40A:11-4 (as amended) is \$17,500; and with a qualified purchasing agent the threshold may be up to \$36,000.

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

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

TOWNSHIP OF FRANKLIN
COMMENTS AND RECOMMENDATIONS
(Continued)

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

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

Collection of Interest on Delinquent Taxes and Utility Charges

On January 3, 2013, the governing body adopted the following resolution authorizing interest to be charged on delinquent taxes:

BE IT RESOLVED by the Township Committee of the Township of Franklin, Hunterdon County, New Jersey, that, in accordance with R.S. 54:4-67 as amended, the rate of interest to be charged for the nonpayment of taxes or assessments on or before the date when they would become delinquent be and the same is hereby fixed as follows:

1. No interest shall be charged if payment of tax or assessment installment, as the case may be, is made within ten (10) days after the date upon which the same became payable.
2. The rate of interest to be charged for the nonpayment of taxes or assessment installments on or before the date when they become delinquent shall be eight percent (8%) per annum on the first \$1,500 of the delinquency and eighteen percent (18%) on any delinquency over \$1,500, to be calculated from the date the tax was payable until the date of actual payment. The interest to be charged a delinquent taxpayer for nonpayment of real property taxes shall be an additional penalty of 6% if the amount of delinquency is in excess of \$10,000 at the end of the calendar year.

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

Delinquent Taxes and Tax Title Liens

The last tax sale was held on September 24, 2013, and was complete with respect to all items eligible for sale.

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>
2013	7
2012	7
2011	5

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

TOWNSHIP OF FRANKLIN
COMMENTS AND RECOMMENDATIONS
(Continued)

Verification of Delinquent Taxes and Other Charges

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

<u>Type</u>	<u>Number Mailed</u>
Payments of 2014 Taxes	20
Payments of 2013 Taxes	20
Delinquent Taxes Receivable	20
Tax Title Liens Receivable	3

Verification notices were mailed to confirm balances receivable as of December 31, 2013. The items that were returned were compared to, and are in agreement with, the Township's records. For receivable items not returned, alternative procedures were performed.

N.J.A.C. Accounting Requirements

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

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

The Township currently complies with these technical directives.

Segregation of Duties

The Township does not maintain an adequate segregation of duties with respect to the recording and treasury functions. Segregation of duties refers to separating those functions that place too much control over a transaction or class of transactions that would enable a person to perpetuate errors and prevent detection within a reasonable period of time. The various departments/offices of the Township are responsible for the issuance of permits and licenses; collections of taxes and permit and license fees; and recording of collections. Also, the reconciliation of bank accounts, the preparation of the general ledger for the various funds, as well as the preparation of payroll are performed by one person, the Chief Financial Officer. This is due, in part, to the limited number of personnel of the Township and the decentralized nature of governmental collection procedures. Accordingly, management and the Township Committee should be aware of this situation and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. It is recommended that consideration be given to providing for a more adequate segregation of duties with respect to the recording and treasury functions.

Management's Response

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

TOWNSHIP OF FRANKLIN
COMMENTS AND RECOMMENDATIONS
(Continued)

Deposits

It was noted that collections were not being always deposited within forty-eight hours of receipt. Also, it appears as if collections are not fully safeguarded in a locked drawer or safe with limited access prior to deposit.

1. It is recommended that all collections be deposited within forty-eight hours of receipt in accordance with state statute.
2. It is recommended that all collections be stored in a locked drawer or safe with limited access.

Management's Response

A greater effort will be made to ensure that all collections be deposited within forty-eight hours of receipt in accordance with state statute. Also, collections will be stored in a locked drawer or safe with limited access in the future.

Outside Departments

It was noted that not all receipts collected by the Board of Health and Zoning Board were recorded in their respective cashbooks. Also, collections for the Board of Health, Zoning Board and Building Inspector departments were not reconciled with collections per the Finance Office on a monthly basis.

It is recommended that:

1. All receipts collected by the Board of Health and Zoning Board cashbooks are recorded in their respective cashbooks.
2. Board of Health, Zoning Board and Building Inspector receipts are reconciled with the Finance Office records on a monthly basis.

Management's Response

The Board of Health and Zoning Board cashbooks will include all collections in the future. Also, Board of Health, Zoning Board and Building Inspector receipts will be reconciled with the Finance Office records on a monthly basis.

Other Trust Funds

During our review of the Other Trust Funds records we noted that the checkbook and accounting records for the Subdivision Escrow Account are in the custody of and are maintained by the Township Clerk. Also, the bank reconciliations for the Subdivision Escrow Account were not prepared in a timely manner.

It is recommended that the checkbook and accounting records for the Subdivision Escrow Account be in the custody of and be maintained by the Chief Financial Officer. Also, the Subdivision Escrow account should be reconciled on a monthly basis.

Management's Response

Starting in 2014, the checkbook and accounting records for the Subdivision Escrow Account will be maintained by the Chief Financial Officer who will ensure that the account is reconciled on a monthly basis.

TOWNSHIP OF FRANKLIN
COMMENTS AND RECOMMENDATIONS
(Continued)

Payroll

During our review of the payroll records, we noted that the employee health benefits withholdings were not accurately calculated for certain employees. It is recommended that every effort be made to ensure that the employees' health benefits withholdings are properly calculated.

Management's Response

Better care will be taken in the calculation of health benefits to prevent errors in payroll processing.

Accrued Sick and Vacation Time

There is not a formal written agreement in place for the Department of Public Works Supervisor regarding the accrual of sick and vacation pay. It is recommended that a formal written agreement regarding the accrual of sick and vacation pay with the Department of Public Works Supervisor be established.

General Capital Fund

Several ordinances have deficit cash balances at December 31, 2013. This situation arises when expenditures are made from an ordinance without the respective debt being issued. Management is aware of this situation and has funded a significant amount of the unfunded debt related to these deficit cash balances over the past two years and has plans to address how to fund the remainder of this debt over the next few years. No formal recommendation is judged to be warranted.

Management Suggestions

Purchase Order Process

During our review of purchase orders processed during the year, we noted that there were no dates listed on the purchase orders. Also, since many of the finance duties are being performed by the Chief Financial Officer, it is not always possible for purchase orders to be physically encumbered in the accounting software prior to orders being placed for certain goods and services. Purchase orders should be dated and encumbered in the accounting software prior to orders being placed for goods or services.

Tax Sale Premiums

The total amount of tax sale premiums per the analysis prepared by the Tax Collector is \$4,100 less than the Reserve for Tax Sale Premiums recorded in the Finance Department's records. The difference should be reviewed and a determination be made whether the \$4,100 should be cancelled to the Current Fund.

Payroll Agency Balances

The overall balance in the payroll agency account has a small negative balance. Also, there are certain payroll withholding balances which have negative balances which appear to relate to prior years. The Chief Financial Officer should resolve the negative balances and monitor the various payroll withholding balances on a monthly basis for accuracy.

TOWNSHIP OF FRANKLIN
COMMENTS AND RECOMMENDATIONS
(Continued)

Corrective Action Plan

The Township has initiated a corrective action plan to resolve the comments and recommendations from the 2012 Audit Report. The prior year recommendations with respect to the Chief Financial Officer signing vouchers to certify the availability of funds and obtaining a Dedication by Rider for certain Trust Reserves were resolved during the current year. The other prior year recommendations which were not resolved are included in the current year comments and recommendations and corrective action is in the process of being implemented with respect to these recommendations where possible.

TOWNSHIP OF FRANKLIN
SUMMARY OF RECOMMENDATIONS

It is recommended that:

1. Consideration be given to providing for a more adequate segregation of duties with respect to the recording and treasury functions.
2. Deposits:
 - a. All collections be deposited within forty-eight hours of receipt in accordance with state statute.
 - b. All collections be stored in a locked drawer or safe with limited access.
3. Outside Departments:
 - a. All cash receipts be recorded in the Board of Health and Zoning Board cashbooks.
 - b. Collections from the Board of Health, Zoning Board and Building Inspector are reconciled with collections per the Finance Office on a monthly basis.
4. The checkbook and accounting records for the Subdivision Escrow Account be in the custody of the Chief Financial Officer and the bank account should be reconciled in a timely manner.
5. Every effort be made to ensure that the employees' health benefits withholdings are properly calculated.
6. A formal written agreement regarding the accrual of sick and vacation pay with the Department of Public Works Supervisor be established.

* * * * *