

TOWNSHIP OF FRANKLIN
COUNTY OF HUNTERDON
REPORT OF AUDIT

2015

NISIVOCIA LLP
CERTIFIED PUBLIC ACCOUNTANTS

TOWNSHIP OF FRANKLIN
COUNTY OF HUNTERDON
REPORT OF AUDIT
2015

TOWNSHIP OF FRANKLIN
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2015

<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 - Regulatory Basis	A
Comparative Statement of Operations and Change in Fund Balance - Regulatory Basis	A-1
Statement of Revenue - Regulatory Basis	A-2
Statement of Expenditures - Regulatory Basis	A-3
<u>Trust Funds</u>	
Comparative Balance Sheet - Regulatory Basis	B
Statement of Fund Balance – Assessment Trust Fund - Regulatory Basis (Not Applicable)	
Statement of Revenue – Assessment Trust Fund - Regulatory Basis (Not Applicable)	
Statement of Expenditures – Assessment Trust Fund - Regulatory Basis (Not Applicable)	
<u>General Capital Fund</u>	
Comparative Balance Sheet - Regulatory Basis	C
Statement of Fund Balance - Regulatory Basis	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 - Regulatory Basis (Unaudited)	H
	<u>Page</u>
Notes to Financial Statements	1-23
<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 2014 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, 2015
(Continued)

Part I (Cont'd)

Supplementary Data (Cont'd)

Schedule

General Capital Fund

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

Page

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	1-5
Summary of Recommendations	6

TOWNSHIP OF FRANKLIN

PART I

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2015



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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, 2015 and 2014, 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.

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

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

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 Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly in accordance with accounting principles generally accepted in the United States of America the financial position of each fund and account group of the Township as of December 31, 2015 and 2014, 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. We were unable to obtain sufficient evidence to support the cost of the fixed assets of the general fixed assets account group. As more fully described in Note 1, due to the length of time over which these fixed assets were acquired, it is not practical to determine their actual costs. Therefore, 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, 2015 and 2014 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, 2015 and 2014, 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.

Emphasis of Matter

As discussed in Note 4 to the financial statements, the Township implemented Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment to GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* during the year ended December 31, 2015. Our opinions are not modified with respect to this matter.

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

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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are presented for purposes of additional analysis and are not a required part of the financial statements.

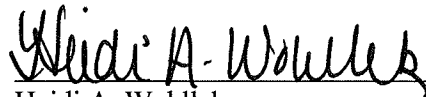
The supplementary data schedules and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2016 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
May 25, 2016

NISIVOCIA LLP



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

TOWNSHIP OF FRANKLIN
COUNTY OF HUNTERDON
2015
CURRENT FUND

TOWNSHIP OF FRANKLIN
CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	Ref.	December 31,	
		2015	2014
<u>ASSETS</u>			
Regular Fund:			
Cash and Cash Equivalents:			
Treasurer	A-4	\$ 2,930,510.57	\$ 2,959,380.14
Change Fund		25.00	25.00
		<u>2,930,535.57</u>	<u>2,959,405.14</u>
Due from State of New Jersey:			
Senior Citizens and Veterans Deductions		6,357.44	7,107.44
		<u>2,936,893.01</u>	<u>2,966,512.58</u>
Receivables and Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	A-7	188,943.80	166,878.00
Tax Title Liens Receivable	A-8	42,220.24	38,295.99
Property Acquired for Taxes - Assessed Valuation		400.00	400.00
Due from:			
Animal Control Fund	B	2,150.66	31.81
Other Trust Funds	B	14,448.66	15,235.76
Payroll Fund		21,692.89	
Total Receivables and Other Assets with Full Reserves		<u>269,856.25</u>	<u>220,841.56</u>
Deferred Charges:			
Expenditure Without an Appropriation			443.38
Total Regular Fund		<u>3,206,749.26</u>	<u>3,187,797.52</u>
Federal and State Grant Fund:			
Cash and Cash Equivalents	A-6	29,242.54	44,473.90
Grants Receivable	A-10	407.33	
Due from Current Fund	A	4,564.13	3,474.69
Due from Payroll Fund			783.99
Total Federal and State Grant Fund		<u>34,214.00</u>	<u>48,732.58</u>
TOTAL ASSETS		<u>\$ 3,240,963.26</u>	<u>\$ 3,236,530.10</u>

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

	Ref.	December 31,	
		2015	2014
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Regular Fund:			
Appropriation Reserves:			
Encumbered	A-3;A-11	\$ 4,415.84	\$ 34,298.88
Unencumbered	A-3;A-11	261,780.30	302,903.16
		<u>266,196.14</u>	<u>337,202.04</u>
Due to:			
Federal and State Grant Fund	A	4,564.13	3,474.69
General Capital Fund	C	165,018.14	99.01
Regional High School Taxes Payable	A-13	1,182,312.32	1,334,848.33
Local School Tax Payable	A-12	9,186.81	0.81
County Tax Payable		9,570.20	6,667.16
Special District Taxes Payable			9,115.63
Prepaid Taxes		86,020.03	80,287.52
County and State Fees Payable		1,705.00	4,374.00
Tax Overpayments		33,154.54	16,253.27
Reserve for Purchase of Police Car			11,903.90
Reserve for Third Party Liens			11,413.88
		<u>1,757,727.31</u>	<u>1,815,640.24</u>
Reserve for Receivables and Other Assets	A	269,856.25	220,841.56
Fund Balance	A-1	1,179,165.70	1,151,315.72
Total Regular Fund		<u>3,206,749.26</u>	<u>3,187,797.52</u>
Federal and State Grant Fund:			
Encumbrances Payable	A-14	393.99	
Appropriated Reserves	A-14	30,320.01	38,183.24
Unappropriated Reserves	A-15	3,500.00	10,549.34
Total Federal and State Grant Fund		<u>34,214.00</u>	<u>48,732.58</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		<u><u>\$ 3,240,963.26</u></u>	<u><u>\$ 3,236,530.10</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,	
		2015	2014
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized		\$ 406,700.00	\$ 417,000.00
Miscellaneous Revenue Anticipated		890,311.58	954,054.87
Receipts from:			
Delinquent Taxes		166,878.00	228,894.54
Current Taxes		13,240,322.14	13,501,044.66
Nonbudget Revenue		15,003.15	8,175.19
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		280,663.88	281,084.79
Cancellation of Special District Taxes Payable		11,086.23	
Cancellation of County and State Fees Payable		2,804.00	
Interfunds Returned		818.91	2.47
		<u>15,014,587.89</u>	<u>15,390,256.52</u>
<u>Expenditures</u>			
Budget Appropriations - Municipal Purposes		2,777,690.61	2,727,988.35
Municipal Open Space Taxes		163,087.83	269,827.43
County Taxes		2,053,853.59	2,150,921.48
County Added and Omitted Taxes		9,570.20	6,667.16
Regional High School Taxes		3,301,485.00	3,606,557.00
Local District School Taxes		5,913,817.00	5,809,530.00
Special District Taxes		323,455.00	324,619.93
Refund of Prior Year Taxes		13,235.13	228.00
Interfunds Advanced		23,843.55	15,267.57
		<u>14,580,037.91</u>	<u>14,911,606.92</u>
Excess in Revenue		434,549.98	478,649.60
Balance January 1		1,151,315.72	1,089,666.12
		<u>1,585,865.70</u>	<u>1,568,315.72</u>
Decreased by:			
Utilized as Anticipated Revenue		406,700.00	417,000.00
Balance December 31	A	<u>\$ 1,179,165.70</u>	<u>\$ 1,151,315.72</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, 2015

	<u>Budget</u>	<u>Added by NJSA 40A:4-87</u>	<u>Realized</u>	<u>Excess or Deficit*</u>
Fund Balance Anticipated	\$ 406,700.00		\$ 406,700.00	
Miscellaneous Revenue:				
Licenses:				
Alcoholic Beverages	4,900.00		4,800.00	\$ 100.00 *
Fees and Permits	18,000.00		25,490.10	7,490.10
Fines and Costs:				
Municipal Court	56,500.00		59,660.67	3,160.67
Interest and Costs on Taxes	50,000.00		49,035.35	964.65 *
Interest on Investments and Deposits	19,300.00		16,280.66	3,019.34 *
NJ Hotel Occupancy Tax	90,140.00		97,392.75	7,252.75
Energy Receipts Tax	259,544.00		259,544.00	
Uniform Construction Code Fees	115,000.00		86,326.00	28,674.00 *
General Capital Fund Balance	86,063.00		86,063.00	
Reserve for Open Space Trust to Offset				
Deferred Charges	165,015.86		165,015.86	
Reserve for Purchase of Police Car	11,903.90		11,903.90	
Recycling Tonnage Grant	6,127.58		6,127.58	
Clean Communities Program		\$ 11,905.94	11,905.94	
Body Armor Grant	921.76	920.97	1,842.73	
Firehouse Subs Public Safety				
Foundation, Inc. Grant		1,080.71	1,080.71	
Driving While Intoxicated	3,500.00		3,500.00	
Click It or Ticket		3,935.00	3,935.00	
Statewide Insurance Fund -				
Bulletproof Vest		407.33	407.33	
	<u>886,916.10</u>	<u>18,249.95</u>	<u>890,311.58</u>	<u>14,854.47 *</u>
Receipts from Delinquent Taxes	<u>166,875.00</u>		<u>166,878.00</u>	<u>3.00</u>
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes	<u>1,623,957.12</u>		<u>1,800,053.52</u>	<u>176,096.40</u>
Budget Totals	<u>3,084,448.22</u>	<u>18,249.95</u>	<u>3,263,943.10</u>	<u>161,244.93</u>
Nonbudget Revenue			<u>15,003.15</u>	<u>15,003.15</u>
	<u>\$ 3,084,448.22</u>	<u>\$ 18,249.95</u>	<u>\$ 3,278,946.25</u>	<u>\$ 176,248.08</u>

TOWNSHIP OF FRANKLIN
CURRENT FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2015
(Continued)

Allocation of Current Tax Collections:

Revenue from Collection of Current Taxes		\$ 13,240,322.14
Allocated to:		
County, Special District, Local School and Regional School Taxes	\$ 11,602,180.79	
Municipal Open Space Taxes	163,087.83	
		11,765,268.62
Balance for Support of Municipal Budget		1,475,053.52
Add: Appropriation "Reserve for Uncollected Taxes"		325,000.00
		1,800,053.52
Realized for Support of Municipal Budget		\$ 1,800,053.52

Analysis of Interest on Investments:

Cash Received in Current Fund	\$ 15,331.74	
Due from Animal Control Fund	7.94	
Due from Other Trust Funds	493.24	
Due from General Capital Fund	447.74	
		\$ 16,280.66

Analysis of Nonbudget Revenue:

Treasurer:		
Cable TV Franchise Fees	\$ 2,529.59	
Police Outside Service Administrative Fees	6,289.00	
Other Miscellaneous Revenue	4,041.84	
		\$ 12,860.43
Due from Animal Control Fund:		
Statutory Excess in Reserve for Animal Control Fund Expenditures		2,142.72
		\$ 15,003.15

TOWNSHIP OF FRANKLIN
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2015

	<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	\$ 18,100.00	\$ 362.00	
Other Expenses	5,000.00	5,000.00	2,432.74	2,567.26	
Municipal Clerk:					
Salaries and Wages	105,924.00	105,924.00	105,404.41	519.59	
Other Expenses	38,980.00	38,980.00	28,201.10	10,778.90	
Elections:					
Other Expenses	3,000.00	3,000.00	2,099.76	900.24	
Financial Administration (Treasury):					
Salaries and Wages	41,616.00	41,616.00	41,471.97	144.03	
Other Expenses	8,775.00	8,775.00	6,046.09	2,728.91	
Annual Audit	27,000.00	27,000.00	23,350.00	3,650.00	
Technology Consultant:					
Other Expenses	5,000.00	5,000.00	3,658.01	1,341.99	
Revenue Administration (Tax Collection):					
Salaries and Wages	15,606.00	15,606.00	11,743.24	3,862.76	
Other Expenses	7,800.00	7,800.00	7,241.87	558.13	
Tax Assessment Administration:					
Salaries and Wages	26,708.00	26,708.00	26,576.76	131.24	
Other Expenses	750.00	750.00	254.10	495.90	
Revision of Tax Map	4,000.00	4,000.00		4,000.00	
Legal Services & Costs:					
Other Expenses	125,000.00	123,100.00	43,852.50	79,247.50	

TOWNSHIP OF FRANKLIN
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2015
(Continued)

	Appropriations		Expended By		Unexpended Balance Canceled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS" (Continued):					
LAND USE ADMINISTRATION:					
Municipal Land Use Law (NJSA 40:55D-1):					
Planning Board:					
Salaries and Wages	\$ 9,324.00	\$ 9,324.00	\$ 8,340.00	\$ 984.00	
Other Expenses	9,400.00	9,400.00	5,788.61	3,611.39	
Zoning Official:					
Salaries and Wages	6,622.00	6,622.00	6,590.01	31.99	
Other Expenses	500.00	500.00		500.00	
Environmental Commission:					
Other Expenses	1,000.00	1,000.00		1,000.00	
INSURANCE:					
Other Liability Insurance Premiums (Disability)	1,020.00	1,020.00	585.43	434.57	
General Liability	109,216.00	111,116.00	111,075.51	40.49	
Employee Group Health	144,522.64	144,522.64	143,721.27	801.37	
Health Benefits Waiver (N.J.S.A. 43:21-3 et seq.)	9,282.00	9,282.00	4,445.01	4,836.99	
PUBLIC SAFETY:					
Police:					
Salaries and Wages	534,305.00	534,305.00	517,381.55	16,923.45	
Other Expenses	44,842.00	44,842.00	29,331.26	15,510.74	
Emergency Management Services:					
Salaries and Wages	3,000.00	3,000.00	2,500.00	500.00	
Other Expenses	2,250.00	2,250.00		2,250.00	
First Aid Organization Contribution	26,000.00	26,000.00	26,000.00		

TOWNSHIP OF FRANKLIN
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2015
(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	\$ 250,000.00	\$ 262,000.00	\$ 259,125.97	\$ 2,874.03	
Other Expenses	97,332.00	85,332.00	85,289.20	42.80	
Snow Removal:					
Salaries and Wages	40,000.00	40,000.00	35,855.65	4,144.35	
Other Expenses	69,647.00	69,647.00	69,647.00		
Public Buildings & Grounds:					
Salaries and Wages	6,128.00	6,128.00	6,098.12	29.88	
Other Expenses	40,000.00	40,000.00	9,660.26	30,339.74	
HEALTH AND HUMAN SERVICES:					
Board of Health:					
Salaries and Wages	8,000.00	8,000.00	7,048.48	951.52	
Other Expenses	500.00	500.00		500.00	
Animal Control:					
Other Expenses	5,000.00	5,000.00	5,000.00		
PARKS AND RECREATION:					
Recreation Services:					
Other Expenses	6,500.00	6,500.00	6,500.00		
Senior Citizen Contribution	6,500.00	6,500.00	6,500.00		
UNIFORM CONSTRUCTION CODE:					
Construction Official:					
Salaries and Wages	80,000.00	80,000.00	77,180.61	2,819.39	
Other Expenses	4,955.00	4,955.00	2,712.88	2,242.12	

TOWNSHIP OF FRANKLIN
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2015
(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	\$ 12,000.00	\$ 12,000.00	\$ 8,756.65	\$ 3,243.35	
Street Lighting	5,000.00	5,000.00	2,901.88	2,098.12	
Telephone	22,000.00	22,000.00	7,368.43	14,631.57	
Gasoline (Natural or Propane)	27,000.00	27,000.00	22,118.79	4,881.21	
Heating Oil	16,000.00	16,000.00	7,795.67	8,204.33	
Accumulated Absences	30,000.00	30,000.00	30,000.00		
Total Operations Within "CAPS"	<u>2,061,466.64</u>	<u>2,061,466.64</u>	<u>1,825,750.79</u>	<u>235,715.85</u>	
Contingent	<u>500.00</u>	<u>500.00</u>		<u>500.00</u>	
Total Operations Including Contingent Within "CAPS"	<u>2,061,966.64</u>	<u>2,061,966.64</u>	<u>1,825,750.79</u>	<u>236,215.85</u>	
Detail:					
Salaries and Wages	1,145,695.00	1,157,695.00	1,123,416.77	34,278.23	
Other Expenses	916,271.64	904,271.64	702,334.02	201,937.62	
Deferred Charges and Statutory Expenditures - Municipal Within "CAPS":					
Deferred Charges:					
Expenditure Without an Appropriation	443.38	443.38	443.38		
Statutory Expenditures:					
Contribution to :					
Public Employees' Retirement System	48,431.00	48,431.00	48,431.00		

TOWNSHIP OF FRANKLIN
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2015
(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>	
Deferred Charges and Statutory Expenditures - Municipal Within "CAPS" (Continued):					
Statutory Expenditures:					
Contribution to (Continued):					
Social Security (O.A.S.I)	\$ 90,000.00	\$ 90,000.00	\$ 86,855.51	\$ 3,144.49	
Police and Fireman's Retirement System	99,884.00	99,884.00	99,884.00		
Unemployment Compensation Insurance	2,000.00	2,000.00	2,000.00		
Defined Contribution Retirement Plan	350.00	350.00	304.04	45.96	
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	<u>241,108.38</u>	<u>241,108.38</u>	<u>237,917.93</u>	<u>3,190.45</u>	
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>2,303,075.02</u>	<u>2,303,075.02</u>	<u>2,063,668.72</u>	<u>239,406.30</u>	
Operations Excluded from "CAPS":					
Council on Affordable Housing:					
Salaries and Wages	5,000.00	5,000.00		5,000.00	
Employee Group Health Insurance	4,493.00	4,493.00	4,493.00		
Shared Services Agreements:					
Municipal Court:					
Other Expenses - Contractual	85,000.00	85,000.00	67,626.00	17,374.00	
Public and Private Programs Offset by Revenue:					
Recycling Tonnage Grant	6,127.58	6,127.58	6,127.58		
Body Armor Fund (N.J.S.A. 40A:4-87 + \$920.97)	921.76	1,842.73	1,842.73		
Driving While Intoxicated	3,500.00	3,500.00	3,500.00		
Statewide Insurance Fund - Bulletproof Vest (N.J.S.A. 40A:4-87 + \$407.33)		407.33	407.33		

TOWNSHIP OF FRANKLIN
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2015
(Continued)

	Appropriations		Expended By		Unexpended Balance Canceled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Excluded from "CAPS":					
Public and Private Programs Offset by Revenue:					
Clean Communities Program (N.J.S.A. 40A:4-87 + \$11,905.94)		\$ 11,905.94	\$ 11,905.94		
Firehouse Subs Public Safety Foundation, Inc. (N.J.S.A. 40A:4-87 + \$1,080.71)		1,080.71	1,080.71		
Click it or Ticket (N.J.S.A. 40A:4-87 + \$3,935.00)		3,935.00	3,935.00		
Total Operations Excluded from "CAPS"	\$ 105,042.34	123,292.29	100,918.29	\$ 22,374.00	
Detail:					
Salaries & Wages	5,000.00	5,000.00		5,000.00	
Other Expenses	100,042.34	118,292.29	100,918.29	17,374.00	
Capital Improvements:					
Capital Improvement Fund	100,252.00	100,252.00	100,252.00		
Total Capital Improvements	100,252.00	100,252.00	100,252.00		
Municipal Debt Service:					
Payment of Bond Anticipation Notes and Capital Notes	45,000.00	45,000.00	45,000.00		
Interest on Notes	2,314.00	2,314.00	2,307.32		\$ 6.68
Loan Repayments for Principal and Interest	38,749.00	38,749.00	38,748.12		0.88
Total Municipal Debt Service	86,063.00	86,063.00	86,055.44		7.56

TOWNSHIP OF FRANKLIN
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2015
(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>	
Deferred Charges- Municipal- Excluded from "CAPS": Deferred Charges to Future Taxation - Unfunded: Acquisition of Development Easements #05-02	\$ 165,015.86	\$ 165,015.86	\$ 165,015.86		
Total Deferred Charges- Excluded from "CAPS"	<u>165,015.86</u>	<u>165,015.86</u>	<u>165,015.86</u>		
Total General Appropriations for Municipal Purposes	2,759,448.22	2,777,698.17	2,515,910.31	\$ 261,780.30	\$ 7.56
Reserve for Uncollected Taxes	<u>325,000.00</u>	<u>325,000.00</u>	<u>325,000.00</u>		
Total General Appropriations	<u>\$ 3,084,448.22</u>	<u>\$ 3,102,698.17</u>	<u>\$ 2,840,910.31</u>	<u>\$ 261,780.30</u>	<u>\$ 7.56</u>

Ref.

A

TOWNSHIP OF FRANKLIN
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2015
(Continued)

	<u>Ref.</u>	<u>Analysis of</u>	
		<u>Budget After Modification</u>	<u>Paid or Charged</u>
Adopted Budget		\$ 3,084,448.22	
Added by:			
N.J.S.A. 40A:4-87		<u>18,249.95</u>	
		<u>\$ 3,102,698.17</u>	
Reserve for Uncollected Taxes			\$ 325,000.00
Reserve for Encumbrances	A		4,415.84
Deferred Charge - Expenditure Without an Appropriation			443.38
Transfer to Federal and State Grant Fund			28,799.29
Due to General Capital Fund			165,267.86
Cash Disbursed			<u>2,342,083.13</u>
			2,866,009.50
Less: Appropriation Refunds - Cash Received			3,406.30
Less: Appropriation Refund - Due from Payroll Fund			<u>21,692.89</u>
			<u>\$ 2,840,910.31</u>

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

TOWNSHIP OF FRANKLIN
COUNTY OF HUNTERDON
2015
TRUST FUNDS

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

	Ref.	December 31,	
		2015	2014
<u>ASSETS</u>			
Animal Control Fund:			
Cash and Cash Equivalents:			
Treasurer	B-4	\$ 10,557.86	\$ 3,156.13
		<u>10,557.86</u>	<u>3,156.13</u>
Other Trust Funds:			
Cash and Cash Equivalents	B-4	1,888,220.70	1,752,273.91
Fair Housing Loan Receivable		24,000.00	36,000.00
		<u>1,912,220.70</u>	<u>1,788,273.91</u>
TOTAL ASSETS		<u><u>\$ 1,922,778.56</u></u>	<u><u>\$ 1,791,430.04</u></u>
<u>LIABILITIES AND RESERVES</u>			
Animal Control Fund:			
Due to Current Fund	A	\$ 2,150.66	\$ 31.81
Due to State Board of Health		91.20	4.80
Reserve for Animal Control Expenditures	B-5	8,316.00	3,119.52
		<u>10,557.86</u>	<u>3,156.13</u>
Other Trust Funds:			
Due to Current Fund	A	14,448.66	15,235.76
Reserve for:			
Council on Affordable Housing		327,423.71	303,219.98
Developers Escrow		361,998.62	263,577.55
Fair Housing Program		574,954.10	564,508.68
Police Outside Duties		7,478.25	7,717.00
Unemployment Compensation		78,208.16	74,113.52
Recreation Commission		36,419.00	27,098.15
Open Space Preservation		346,050.24	354,384.74
Developers Escrow - Stormwater Management		18,000.00	18,000.00
Fair Housing Loan Receivable		24,000.00	36,000.00
Tax Sale Premiums		57,200.00	77,800.00
D.A.R.E. Escrow		4,490.55	2,829.04
DEA Equitable Trust (Forfeited Assets)		0.21	0.21
Recycling Trust		952.65	12,592.10
Flexible Spending Trust		396.55	1,197.18
Accumulated Absences		60,000.00	30,000.00
Public Defender		200.00	
		<u>1,912,220.70</u>	<u>1,788,273.91</u>
TOTAL LIABILITIES AND RESERVES		<u><u>\$ 1,922,778.56</u></u>	<u><u>\$ 1,791,430.04</u></u>

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

TOWNSHIP OF FRANKLIN
COUNTY OF HUNTERDON
2015
GENERAL CAPITAL FUND

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

	<u>Ref.</u>	<u>December 31,</u>	
		<u>2015</u>	<u>2014</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	C-2	\$ 439,211.78	\$ 595,545.14
Due from Current Fund	A	165,018.14	99.01
Due from State of New Jersey - Department of Transportation Grants Receivable		160,000.00	
Deferred Charges to Future Taxation:			
Funded		268,622.31	301,503.94
Unfunded	C-4	312,882.73	522,898.59
TOTAL ASSETS		\$ 1,345,734.96	\$ 1,420,046.68
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Bond Anticipation Notes Payable	C-7	\$ 263,500.00	\$ 308,500.00
Green Acres Loan Payable	C-8	268,622.31	301,503.94
Improvement Authorizations:			
Funded	C-5	376,655.75	58,061.84
Encumbrances Payable	C-5	19,787.00	
Capital Improvement Fund	C-6	24,579.87	135,327.87
Reserve for:			
Acquisition, Development and Easement for Farmland Development		105,785.00	105,785.00
Preliminary Expenses			14,000.00
Fund Balance	C-1	286,805.03	496,868.03
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		\$ 1,345,734.96	\$ 1,420,046.68

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, 2014	C		\$ 496,868.03
Decreased by:			
Appropriated to Finance Improvement Authorizations		\$ 124,000.00	
Anticipated as Revenue in Current Fund Budget		<u>86,063.00</u>	
			<u>210,063.00</u>
Balance December 31, 2015	C		<u>\$ 286,805.03</u>

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

TOWNSHIP OF FRANKLIN
COUNTY OF HUNTERDON
2015
WATER UTILITY FUND

NOT APPLICABLE

TOWNSHIP OF FRANKLIN
COUNTY OF HUNTERDON
2015
SEWER UTILITY FUND

NOT APPLICABLE

TOWNSHIP OF FRANKLIN
COUNTY OF HUNTERDON
2015
PUBLIC ASSISTANCE FUND

NOT APPLICABLE

TOWNSHIP OF FRANKLIN
COUNTY OF HUNTERDON
2015
BOND AND INTEREST FUND

NOT APPLICABLE

TOWNSHIP OF FRANKLIN
COUNTY OF HUNTERDON
2015
GENERAL FIXED ASSETS ACCOUNT GROUP
(UNAUDITED)

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

	December 31,	
	2015	2014
<u>ASSETS</u>		
Land	\$ 6,149,577.00	\$ 6,149,577.00
Buildings and Improvements	480,400.00	480,400.00
Equipment	1,202,466.00	1,287,474.00
TOTAL ASSETS	\$ 7,832,443.00	\$ 7,917,451.00
 <u>RESERVES</u>		
Reserve for Fixed Assets	\$ 7,832,443.00	\$ 7,917,451.00
TOTAL RESERVES	\$ 7,832,443.00	\$ 7,917,451.00

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

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015

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, 2015
 (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 received, inventories would not be reflected as expenditures at the time of purchase and the Township's net pension liability and related deferred inflows and outflows would be recorded.

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

- D. Deferred Charges to Future Taxation – The General Capital Fund balance sheet includes both funded and unfunded deferred charges. Funded means that bonds have been issued and are being paid off on a serial basis. Unfunded means that debt has been authorized but not permanently financed. A municipality can eliminate an unfunded deferred charge by raising it in the budget, 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, 2015
(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 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 General 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, 2015
(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,		
	2015	2014	2013
<u>Issued</u>			
General:			
Loans and Notes	\$ 532,122.31	\$ 610,003.94	\$ 659,737.67
Net Debt Issued	532,122.31	610,003.94	659,737.67
<u>Authorized but not Issued:</u>			
Bonds and Notes	49,382.73	214,398.59	474,517.60
Net Bonds and Notes Issued and Authorized but not Issued	\$ 581,505.04	\$ 824,402.53	\$ 1,134,255.27

Summary of Municipal Debt Issued and Outstanding – Prior Year

	Balance 12/31/13	Additions	Retirements	Balance 12/31/14
Bond Anticipation Notes:				
General Capital Fund	\$ 326,000.00	\$ 308,500.00	\$ 326,000.00	\$ 308,500.00
Loans Payable:				
General Capital Fund:				
Green Trust Loans	333,737.67		32,233.73	301,503.94
Total	\$ 659,737.67	\$ 308,500.00	\$ 358,233.73	\$ 610,003.94

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

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

Summary of Municipal Debt Issued and Outstanding – Current Year

	<u>Balance</u> <u>12/31/14</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/15</u>
Bond Anticipation Notes:				
General Capital Fund	\$ 308,500.00	\$ 263,500.00	\$ 308,500.00	\$ 263,500.00
Loans Payable:				
General Capital Fund:				
Green Trust Loans	301,503.94		32,881.63	268,622.31
 Total	 <u>\$ 610,003.94</u>	 <u>\$ 263,500.00</u>	 <u>\$ 341,381.63</u>	 <u>\$ 532,122.31</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 0.104%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General Debt	\$ 581,505.04		\$ 581,505.04
Local School District Debt	5,335,000.00	\$ 5,335,000.00	
Regional High School Debt	102,907.34	102,907.34	
 General Debt	 <u>\$ 6,019,412.38</u>	 <u>\$ 5,437,907.34</u>	 <u>\$ 581,505.04</u>

Net Debt of \$581,505.04 divided by Equalized Valuation Basis per N.J.S. 40A:2-2, \$561,200,803.00 = 0.104%.

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

3-1/2% Average Equalized Valuation of Real Property	\$ 19,642,028.11
 Net Debt	 <u>581,505.04</u>
 Remaining Borrowing Power	 <u>\$ 19,060,523.07</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, 2015
(Continued)

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

At December 31, 2015 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, 2015</u>
8/19/16	0.75%	\$ 263,500.00

<u>General Capital Fund Green Acres Loans Payable</u>			
<u>Purpose</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2015</u>
Acquisition of Land and Easements	3/14/2023	2.00%	268,622.31
Total Debt Issued and Outstanding			<u>\$ 532,122.31</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>	
2016	\$ 33,542.54	\$ 5,205.56	\$ 38,748.10
2017	34,216.75	4,531.37	38,748.12
2018	34,904.51	3,843.61	38,748.12
2019	35,606.09	3,142.03	38,748.12
2020	36,321.77	2,426.34	38,748.11
2021-2023	94,030.65	2,839.64	96,870.29
	<u>\$ 268,622.31</u>	<u>\$ 21,988.55</u>	<u>\$ 290,610.86</u>

Green Acres Loan

On August 27, 2003, the Township 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, 2015
(Continued)

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

Net Pension Liability

The State of New Jersey Public Employees' Retirement System's (PERS) net pension liability was calculated to be \$1,371,295 at June 30, 2015. The State of New Jersey Police and Firemen's Retirement System's (PFRS) net pension liability was calculated to be \$2,204,432 at June 30, 2015. See Note 4 for further information on the PERS and PFRS.

Note 3: Fund Balances Appropriated

Fund balance at December 31, 2015, which is appropriated and included in the Current Fund adopted budget for the year ending December 31, 2016 is \$452,900.

Note 4: Pension Plans

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

A. Public Employees' Retirement System (PERS)

Plan Description

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

Benefits Provided

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

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

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
 (Continued)

Note 4: Pension Plans (Cont'd)

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

Benefits Provided (Cont'd)

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

Contributions

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Township contributions to PERS amounted to \$48,431 for 2015.

The employee contribution rate was 6.92% effective July 1, 2014 and increased to 7.06% effective July 1, 2015. 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.

Pension Liabilities and Pension Expense

At June 30, 2015, the Township's liability was \$1,371,295 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. The Township's proportion of the net pension liability was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2015, the Township's proportion was 0.006%, which was an increase of 0.0002% from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the Township recognized actual pension expense in the amount of \$48,431.

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015

(Continued)

Note 4: Pension Plans (Cont'd)

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

Actuarial Assumptions

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

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

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback one year for females) are used to value disabled retirees.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long Term Expected Rate of Return

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

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

Note 4: Pension Plans (Cont'd)

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

Long Term Expected Rate of Return (Cont'd)

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

Discount Rate

The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9% and a municipal bond rate of 3.80% as of June 30, 2015 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the average of the last five years of contributions made in relation to the last five years of actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

Note 4: Pension Plans (Cont'd)

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

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

The following presents the Township's proportionate share of the collective net pension liability as of June 30, 2015 calculated using the discount rate as disclosed below, as well as what the Township's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2015		
	1% Decrease (3.90%)	Current Discount Rate (4.90%)	1% Increase (5.90%)
Township's proportionate share of the Net Pension Liability	\$ 1,704,352	\$ 1,371,295	\$ 1,092,063

Pension Plan Fiduciary Net Position

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

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

Plan Description

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

Benefits Provided

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

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

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

Note 4: Pension Plans (Cont'd)

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

Benefits Provided (Cont'd)

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

Contributions

The contribution policy for PFRS is set by N.J.S.A. 43:16A and requires contributions by active members and contributing members. The Local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PFRS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual amounts over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of the assets.

Special Funding Situation

Under N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State in certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. The June 30, 2015 State special funding situation net pension liability amount is the accumulated difference between the annual actuarially determined State obligation under the special funding situation and the actual State contribution through the valuation date. The fiscal year ending June 30, 2015 State special funding situation pension expense is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2015. The pension expense is deemed to be a State administrative expense due to the special funding situation. Since the local participating employers do not contribute under this legislation directly to the plan (except for employer specific funded amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers related to this legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the collective net pension liability that is associated with the local participating employer.

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

Note 4: Pension Plans (Cont'd)

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

Special Funding Situation (Cont'd)

Township contributions to PFRS amounted to \$99,884 for the year ended December 31, 2015. During the fiscal year ended June 30, 2015, the State of New Jersey contributed \$10,063 to the PFRS for normal pension benefits on behalf of the Township, which is less than the contractually required contribution of \$24,114.

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

Pension Liabilities and Pension Expense

At June 30, 2015, the Township's liability for its proportionate share of the net pension liability was \$2,204,432. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. The Township's proportion of the net pension liability was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2015, the Township's proportion was 0.013%, which was an increase of 0.0002% from its proportion measured as of June 30, 2014.

Additionally, the State's proportionate share of the net pension liability attributable to the Township is \$193,321 as of June 30, 2015. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. The State's proportionate share of the net pension liability associated with the Township was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2015, the State's proportion was 0.013%, which was an increase of 0.0002% from its proportion measured as of June 30, 2014 which is the same proportion as the Township's.

Township's Proportionate Share of the Net Pension Liability	\$ 2,204,432
State's Proportionate Share of the Net Pension Liability Associated with the Township	<u>193,321</u>
Total Net Pension Liability	<u>\$ 2,397,753</u>

For the year ended December 31, 2015, the Township recognized total pension expense of \$99,884.

Actuarial Assumptions

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

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

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

Note 4: Pension Plans (Cont'd)

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

Actuarial Assumptions (Cont'd)

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

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

Long Term Expected Rate of Return

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

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

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

Note 4: Pension Plans (Cont'd)

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

Discount Rate – PFRS

The discount rate used to measure the total pension liability was 5.79% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90% and a municipal bond rate of 3.80% as of June 30, 2015 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be made based on the average of the last five years of contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2045. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2045, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the total net pension liability (including the State's proportionate share of the net pension liability attributable to the Township) as of June 30, 2015 calculated using the discount rate as disclosed above, as well as what the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2015		
	1% Decrease (4.79%)	Current Discount Rate (5.79%)	1% Increase (6.79%)
Township's proportionate share of the NPL and the State's proportionate share of the Net Pension Liability associated with the Township	\$ 3,161,000	\$ 2,397,753	\$ 1,775,394

Pension Plan Fiduciary Net Position – PFRS

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

C. Defined Contribution Retirement Program (DCRP)

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

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

Note 4: Pension Plans (Cont'd)

C. Defined Contribution Retirement Program (DCRP)

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

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

For DCRP, the Township recognized pension expense of \$304 for the year ended December 31, 2015. Employee contributions to DCRP amounted to \$413 for the year ended December 31, 2015.

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:

	<u>Regional High School Tax</u>	
	<u>Balance</u>	<u>Balance</u>
	<u>12/31/2015</u>	<u>12/31/2014</u>
Balance of Tax	\$ 1,650,742.32	\$ 1,803,278.33
Deferred	<u>468,430.00</u>	<u>468,430.00</u>
Tax Payable	<u><u>\$ 1,182,312.32</u></u>	<u><u>\$ 1,334,848.33</u></u>

Note 6: Accrued Sick and Vacation Benefits

The Township permits employees to accrue a limited amount of unused vacation and sick pay and compensatory time, 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 \$254,076 at December 31, 2015. 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. Additionally, there is \$60,000 in a Reserve for Accumulated Absences on the Trust Funds balance sheet at December 31, 2015.

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>Tax Rate</u>	<u>\$ 2.419</u>	<u>\$ 2.470</u>	<u>\$ 2.407</u>
<u>Apportionment of</u>			
<u>Tax Rate</u>			
Municipal	0.330	0.325	0.319
County	0.381	0.400	0.372
Local School	1.096	1.077	1.056
Regional High School	0.612	0.668	0.660
<u>Assessed Valuations</u>			
2015	<u>\$ 539,760,577.00</u>		
2014		<u>\$ 539,367,374.00</u>	
2013			<u>\$ 541,639,230.00</u>

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.

<u>Year</u>	<u>Tax Levy</u>	<u>Currently</u>	
		<u>Cash Collections</u>	<u>Percentage of Collection</u>
2015	\$ 13,440,705.95	\$ 13,240,322.14	98.50%
2014	13,688,371.19	13,501,044.66	98.63%
2013	13,352,401.59	13,103,728.30	98.13%

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.

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

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 below and 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 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;

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

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

Investments: (Cont'd)

- (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.

As of December 31, 2015, 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	\$ 2,959,753.11	\$ 2,959,778.11
Animal Control		10,557.86	10,557.86
Other Trust		1,888,220.70	1,888,220.70
General Capital		439,211.78	439,211.78
	<u>\$ 25.00</u>	<u>\$ 5,297,743.45</u>	<u>\$ 5,297,768.45</u>

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

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

Investments: (Cont'd)

During the year ended December 31, 2015, the Township did not hold any investments. The carrying amount of the Township of Franklin's cash and cash equivalents at December 31, 2015, was \$5,297,768.45 and the bank balance was \$5,417,974.64.

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.

The December 31, 2015 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, 2014 is as follows:

	<u>Statewide Insurance Fund</u>
Total Assets	\$ 37,339,955
Net Position	\$ 5,177,252
Total Revenue	\$ 25,202,318
Total Expenses	\$ 27,035,844
Change in Net Position	\$ (1,833,526)
Member Dividends	\$ -0-

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

Note 9: Risk Management (Cont'd)

Property, Liability and Workers' Compensation (Cont'd)

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:

<u>Year</u>	<u>Township/ Employee Contributions</u>	<u>Interest Earned</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2013	\$ 45,617.25	\$ 312.87		\$ 70,054.11
2014	3,706.46	356.61	\$ 3.66	74,113.52
2015	3,741.51	353.13		78,208.16

Note 10: Interfund Receivables and Payables

The following interfund balances remained on the balance sheet at December 31, 2015:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$ 16,599.32	\$ 169,582.27
Federal and State Grant Fund	4,564.13	
Animal Control Fund		2,150.66
Other Trust Funds		14,448.66
General Capital Fund	165,018.14	
	<u>\$ 186,181.59</u>	<u>\$ 186,181.59</u>

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

Note 10: Interfund Receivables and Payables (Cont'd)

The interfund receivable in the Current Fund is primarily comprised of the statutory excess in the Reserve for the Animal Control Fund expenditures due from the Animal Control Fund and the net of a prior year interfund due from the Other Trust Funds not fully settled plus current year interest earnings due to the Current Fund from the Other Trust Funds. The interfund between the Federal and State Grant Fund and the Current Fund is due to a prior year interfund not fully settled plus a grant receipt collected in the Current Fund. The interfund between the General Capital Fund and the Current Fund is due to a budget appropriation for deferred charges.

Note 11: Contingent Liabilities

The Township is periodically involved in various lawsuits arising in the normal course of business, including claims for property damage, personnel matters, 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 2015 Open Space tax levy was three (\$.03) cents or \$163,087.83 including added and omitted taxes. The balance in the Reserve for Open Space at December 31, 2015 was \$346,050.24.

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.

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
 (Continued)

Note 15: Fixed Assets (Unaudited)

	Balance <u>Dec. 31, 2014</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>Dec. 31, 2015</u>
Land	\$ 6,149,577.00			\$ 6,149,577.00
Buildings	480,400.00			480,400.00
Machinery and Equipment	<u>1,287,474.00</u>	<u>\$ 44,413.00</u>	<u>\$ 129,421.00</u>	<u>1,202,466.00</u>
	<u>\$ 7,917,451.00</u>	<u>\$ 44,413.00</u>	<u>\$ 129,421.00</u>	<u>\$ 7,832,443.00</u>

TOWNSHIP OF FRANKLIN

SUPPLEMENTARY DATA

1

TOWNSHIP OF FRANKLIN
OFFICIALS IN OFFICE AND SURETY BONDS
YEAR ENDED DECEMBER 31, 2015

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

Name	Title	Amount of Bond	Name of Corporate or Personal Surety
Susan Soloway	Mayor		
Timothy Wintermute	Deputy Mayor		
James Fania	Committeeman		
Katie Blew	Committeewoman		
Dan Connor	Committeeman		
Ursula Stryker	Clerk	*	*
Diane Laudenbach	Chief Financial Officer	*	*
	Tax Collector (from 6/11/2015)		
Alice Anne Pareti	Tax Collector (to 6/11/2015)	*	*
Mary Mastro	Tax Assessor	*	*
Katrina Campbell	Attorney		
Maser Consulting	Engineer		
Maser Consulting	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
2015
CURRENT FUND

TOWNSHIP OF FRANKLIN
CURRENT FUND
SCHEDULE OF CASH

	<u>Ref.</u>	
Balance December 31, 2014	A	\$ 2,959,380.14
Increased by Receipts:		
Tax Collector		\$ 13,575,224.77
Revenue Accounts Receivable		784,292.38
Miscellaneous Revenue Not Anticipated		12,860.43
Interest on Investments and Deposits		15,331.74
Due to Federal and State Grant Fund:		
Grants Receivable		1,080.71
Interfund Advanced		8.73
Due from Animal Control Fund:		
Settlement of Prior Year Interfund		31.81
Due to Other Trust Funds:		
Partial Settlement of Prior Year Interfund		589.53
Reserve for Public Defender		200.00
Reserve for Recreation Commission		190.94
Due to General Capital Fund:		
Interfund Advanced		99.01
County and State Fees Payable:		
Due to County of Hunterdon		3,450.00
Due to/from State of New Jersey:		
Marriage License Fees		425.00
State Training Fees		6,205.00
Due from State of New Jersey - Senior Citizens' and Veterans' Deductions		25,250.00
Appropriation Refunds		3,406.30
		<hr/>
		14,428,646.35
		<hr/>
		17,388,026.49
Decreased by Disbursements:		
2015 Appropriation Expenditures		2,342,083.13
2014 Appropriation Reserve Expenditures		56,538.16
Local School District Taxes		5,904,631.00
Regional High School Taxes Payable		3,454,021.01
County Taxes		2,060,520.75
Special District Taxes		321,484.40
Due to/from Other Trust Funds:		
Open Space Tax Levy		161,942.42
Partial Settlement of Prior Year Interfund		845.54
County and State Fees Payable:		
Due to County of Hunterdon		3,375.00
Due to State of New Jersey:		
Marriage License Fees		375.00
State Training Fees		6,195.00
Refund of Third Party Liens		145,504.51
		<hr/>
		14,457,515.92
		<hr/>
Balance December 31, 2015	A	\$ 2,930,510.57

TOWNSHIP OF FRANKLIN
CURRENT FUND
SCHEDULE OF CASH - COLLECTOR
YEAR ENDED DECEMBER 31, 2015

Increased by Receipts:		
Taxes Receivable	\$ 13,289,177.49	
Interest and Costs on Taxes	49,035.35	
2016 Prepaid Taxes	86,020.03	
Third Party Liens	134,090.63	
Tax Overpayments	<u>16,901.27</u>	
		\$ 13,575,224.77
Decreased by:		
Payments to Municipal Treasurer		<u><u>\$ 13,575,224.77</u></u>

TOWNSHIP OF FRANKLIN
FEDERAL AND STATE GRANT FUND
SCHEDULE OF CASH

	<u>Ref.</u>	
Balance December 31, 2014	A	\$ 44,473.90
Increased by Receipts:		
Due from Payroll Fund	\$ 783.99	
Unappropriated Reserves	4,420.97	
Grant Funds Receivable	<u>15,840.94</u>	
		<u>21,045.90</u>
		65,519.80
Decreased by Disbursements:		
Due from Current Fund - Interfund Advanced	8.73	
Appropriated Reserves	<u>36,268.53</u>	
		<u>36,277.26</u>
Balance December 31, 2015	A	<u><u>\$ 29,242.54</u></u>

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

Year	Balance	2015 Levy	Collections		Overpayments Applied	State of NJ Veterans' and Senior Citizens' Deductions	Cancelled	Transferred to Tax Title Liens	Balance
	Dec. 31, 2014		2014	2015					Dec. 31, 2015
2014	\$ 166,878.00			\$ 166,878.00					
2015		\$ 13,440,705.95	\$ 80,287.52	13,122,299.49	\$ 13,235.13	\$ 24,500.00	\$ 7,515.76	\$ 3,924.25	\$ 188,943.80
	<u>\$ 166,878.00</u>	<u>\$ 13,440,705.95</u>	<u>\$ 80,287.52</u>	<u>\$ 13,289,177.49</u>	<u>\$ 13,235.13</u>	<u>\$ 24,500.00</u>	<u>\$ 7,515.76</u>	<u>\$ 3,924.25</u>	<u>\$ 188,943.80</u>

Ref. A

A

Analysis of 2015 Property Tax Levy

Tax Yield:

General Purpose Taxes	\$ 13,056,808.35
Special District Taxes	323,455.00
Added and Omitted Taxes	60,442.60
	<u>\$ 13,440,705.95</u>

Tax Levy:

Local School District Taxes	\$ 5,913,817.00
Regional High School Taxes	3,301,485.00
Special District Taxes	323,455.00
Municipal Open Space Taxes	\$ 161,942.42
Municipal Open Space Taxes - Added and Omitted Taxes	1,145.41
County Taxes:	
General Purpose Taxes	2,053,853.59
Due County for Added and Omitted Taxes	9,570.20
	<u>2,226,511.62</u>
	11,765,268.62
Local Tax for Municipal Purposes	1,623,957.12
Add: Additional Tax Levied	51,480.21
	<u>1,675,437.33</u>
	<u>\$ 13,440,705.95</u>

TOWNSHIP OF FRANKLIN
CURRENT FUND
SCHEDULE OF TAX TITLE LIENS

	<u>Ref.</u>	
Balance December 31, 2014	A	\$ 38,295.99
Increased by:		
Transfer from Taxes Receivable		<u>3,924.25</u>
Balance December 31, 2015	A	<u>\$ 42,220.24</u>

TOWNSHIP OF FRANKLIN
CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE
YEAR ENDED DECEMBER 31, 2015

	<u>Accrued In</u> <u>2015</u>	<u>Collected by</u> <u>Treasurer</u>
Licenses:		
Alcoholic Beverages	\$ 4,800.00	\$ 4,800.00
Fees and Permits	25,490.10	25,490.10
Fines and Costs:		
Municipal Court	59,660.67	59,660.67
Energy Receipts Tax	259,544.00	259,544.00
General Capital Fund Balance	86,063.00	86,063.00
Reserve for Open Space Trust to Offset		
Deferred Charges	165,015.86	165,015.86
NJ Hotel Occupancy Tax	97,392.75	97,392.75
Uniform Construction Code Fees	86,326.00	86,326.00
	<u>\$ 784,292.38</u>	<u>\$ 784,292.38</u>

TOWNSHIP OF FRANKLIN
FEDERAL AND STATE GRANT FUND
SCHEDULE OF GRANTS RECEIVABLE
YEAR ENDED DECEMBER 31, 2015

	<u>2015 Budget Revenue Realized</u>	<u>Cash Received in Federal and State Grant Fund</u>	<u>Transferred from Unappropriated Reserves</u>	<u>Balance Dec. 31, 2015</u>
Recycling Tonnage Grant	\$ 6,127.58		\$ 6,127.58	
Driving While Intoxicated	3,500.00		3,500.00	
Clean Communities	11,905.94	\$ 11,905.94		
Body Armor Fund	1,842.73		1,842.73	
Click It or Ticket	3,935.00	3,935.00		
Firehouse Subs Public Safety Foundation, Inc. Grant	1,080.71	1,080.71		
Statewide Insurance Fund - Bulletproof Vest	407.33			\$ 407.33
	<u>\$ 28,799.29</u>	<u>\$ 16,921.65</u>	<u>\$ 11,470.31</u>	<u>\$ 407.33</u>
				A
Cash Receipts in Federal and State Grant Fund		\$ 15,840.94		
Due from Current Fund		<u>1,080.71</u>		
		<u>\$ 16,921.65</u>		

TOWNSHIP OF FRANKLIN
CURRENT FUND
SCHEDULE OF 2014 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2015

	Balance Dec. 31, 2014	Budget After Modification	Paid or Charged	Balance Lapsed
Mayor and Council:				
Salaries and Wages	\$ 425.10	\$ 425.10		\$ 425.10
Other Expenses	2,674.58	2,674.58	\$ 2,000.00	674.58
Municipal Clerk:				
Salaries and Wages	16.35	16.35		16.35
Other Expenses	9,850.55	10,400.55	9,955.55	445.00
Election	740.33	740.33		740.33
Financial Administration:				
Salaries and Wages	400.02	400.02		400.02
Other Expenses	3,011.12	3,011.12	824.40	2,186.72
Annual Audit Services	6,480.00	6,480.00		6,480.00
Technology Consultant:				
Other Expenses	3,447.50	3,447.50	632.50	2,815.00
Revenue Administration (Tax Collection):				
Salaries and Wages	5,506.02	5,506.02		5,506.02
Other Expenses	3,006.23	3,006.23		3,006.23
Tax Assessment Administration:				
Salaries and Wages	1,314.52	1,314.52		1,314.52
Other Expenses	75.86	75.86	9.34	66.52
Revision of Tax Map	4,000.00	4,000.00		4,000.00
Legal Services & Costs:				
Other Expenses	78,752.06	76,698.67	4,284.50	72,414.17
Municipal Land Use Law (NJSA 40:55D-1):				
Planning Board:				
Salaries and Wages	739.98	739.98		739.98
Other Expenses	5,370.56	5,370.56	2,200.00	3,170.56
Zoning Official:				
Salaries and Wages	869.71	869.71		869.71
Other Expenses	1,000.00	1,000.00		1,000.00
Environmental Commission:				
Salaries and Wages	104.04	104.04		104.04
Other Expenses	2,541.11	2,541.11		2,541.11
Insurance:				
Other Insurance Premiums	457.87	457.87	257.67	200.20
General Liability	2.97	2.97		2.97
Group Insurance & Health Benefits (N.J.S.A. 43:21-3 et seq.)	821.42	821.42		821.42
Health Benefit Waiver	9,282.00	9,282.00	3,263.98	6,018.02
Police:				
Other Expenses	1,408.79	2,912.18	1,928.13	984.05
Emergency Management Services:				
Salaries and Wages	63.66	63.66		63.66
Other Expenses	1,877.64	1,877.64	9.55	1,868.09
Road Repairs and Maintenance:				
Salaries and Wages	3,904.80	3,904.80	2,696.00	1,208.80
Other Expenses	27,574.58	27,574.58	1,157.18	26,417.40

TOWNSHIP OF FRANKLIN
CURRENT FUND
SCHEDULE OF 2014 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2015
(Continued)

	<u>Balance</u> <u>Dec. 31, 2014</u>	<u>Budget After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
Snow Removal:				
Salaries and Wages	\$ 6,683.63	\$ 6,683.63		\$ 6,683.63
Other Expenses	19,582.14	19,582.14	\$ 1,080.00	18,502.14
Public Buildings & Grounds:				
Salaries and Wages	301.68	301.68		301.68
Other Expenses	27,990.54	27,990.54	8,246.04	19,744.50
Board of Health:				
Salaries and Wages	2,792.09	2,792.09		2,792.09
Other Expenses	376.50	376.50		376.50
Animal Control:				
Other Expenses	5,000.00	5,000.00	5,000.00	
Recreation:				
Senior Citizen Contribution	6,630.00	6,630.00	6,630.00	
UNIFORM CONSTRUCTION CODE:				
Construction Official:				
Salaries and Wages	7,427.63	7,427.63		7,427.63
Other Expenses	2,057.22	2,057.22	919.16	1,138.06
Utility and Bulk Purchases:				
Electricity	5,342.77	5,342.77	884.00	4,458.77
Street Lighting	3,931.39	3,931.39	298.55	3,632.84
Telephone	15,927.57	15,927.57	1,339.76	14,587.81
Gasoline and Diesel Fuel	4,319.11	4,319.11	1,965.85	2,353.26
Heating Oil	7,779.28	7,779.28	899.64	6,879.64
Contingent	7,999.60	7,999.60		7,999.60
Statutory Expenditures:				
Contribution to:				
Social Security System (OASI)	4,589.02	4,589.02	56.36	4,532.66
Affordable Housing Administration:				
Salaries and Wages	5,000.00	5,000.00		5,000.00
Shared Service Agreements:				
Joint Municipal Court:				
Other Expenses - Contractual	27,752.50	27,752.50		27,752.50
	<u>\$ 337,202.04</u>	<u>\$ 337,202.04</u>	<u>\$ 56,538.16</u>	<u>\$ 280,663.88</u>

Ref.

Analysis of Balance December 31, 2014:

Unencumbered	A	\$ 302,903.16
Encumbered	A	34,298.88
		<u>\$ 337,202.04</u>

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

	<u>Ref.</u>	
Balance December 31, 2014	A	\$ 0.81
Increased by:		
Levy - Calendar Year 2015		5,913,817.00
		<u>5,913,817.81</u>
Decreased by:		
Payments to Local School District		5,904,631.00
		<u>5,904,631.00</u>
Balance December 31, 2015	A	<u>\$ 9,186.81</u>

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

	<u>Ref.</u>	
Balance December 31, 2014		
Regional High School Taxes Payable	A	\$ 1,334,848.33
Regional High School Taxes Deferred		468,430.00
		<u>1,803,278.33</u>
Increased by:		
Levy - School Year July 1, 2015 thru June 30, 2016		3,301,485.00
		<u>5,104,763.33</u>
Decreased by:		
Payments to Regional High School		3,454,021.01
		<u>3,454,021.01</u>
Balance December 31, 2015		
Regional High School Taxes Payable	A	1,182,312.32
Regional High School Taxes Deferred		468,430.00
		<u>1,650,742.32</u>
		<u>\$ 1,650,742.32</u>

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

	<u>Balance</u> <u>Dec. 31, 2014</u>	<u>Transferred</u> <u>from</u> <u>2015 Budget</u> <u>Appropriations</u>	<u>Expended</u>	<u>Encumbrances</u> <u>Payable</u>	<u>Balance</u> <u>Dec. 31, 2015</u>
Body Armor Grant - 2010	\$ 799.00		\$ 799.00		
Body Armor Grant - 2011	100.35		100.35		
Body Armor Grant - 2012	937.83		937.83		
Body Armor Grant - 2013	1,070.83		160.04		\$ 910.79
Body Armor Grant - 2014		\$ 921.76			921.76
Body Armor Grant - 2015		920.97			920.97
Clean Communities Program - 2014	18,176.59				18,176.59
Clean Communities Program - 2015		11,905.94	9,444.85		2,461.09
Driving While Intoxicated - 2014		3,500.00	3,500.00		
Emergency Management Assistance - 2011	970.78		28.00		942.78
Recycling Tonnage Grant - Prior Years	12,718.11		12,718.11		
Recycling Tonnage Grant - 2013	554.01		554.01		
Recycling Tonnage Grant - 2014		6,127.58	1,442.37	\$ 393.99	4,291.22
Emergency Management Grant - 2012	28.00		16.50		11.50
Click It or Ticket - 2015		3,935.00	3,935.00		
Firehouse Subs Public Safety Foundation, Inc. Grant		1,080.71	1,080.71		
Statewide Insurance Fund - Bulletproof Vest		407.33			407.33
Private Donations - Police Department	1,527.92		251.94		1,275.98
Walmart Donations Police Department - Equipment Purchase	1,299.82		1,299.82		
	<u>\$ 38,183.24</u>	<u>\$ 28,799.29</u>	<u>\$ 36,268.53</u>	<u>\$ 393.99</u>	<u>\$ 30,320.01</u>
<u>Ref.</u>	A			A	A
State		\$ 23,376.25	\$ 29,701.06	\$ 393.99	
Federal		3,935.00	3,935.00		
Local		1,488.04	2,632.47		
		<u>\$ 28,799.29</u>	<u>\$ 36,268.53</u>	<u>\$ 393.99</u>	

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

	<u>Balance</u> <u>Dec. 31, 2014</u>	<u>Cash</u> <u>Received</u>	<u>Transferred</u> <u>to 2015</u> <u>Budget</u> <u>Revenue</u>	<u>Balance</u> <u>Dec. 31, 2015</u>
Body Armor Grant	\$ 921.76	\$ 920.97	\$ 1,842.73	
Recycling Tonnage Grant	6,127.58		6,127.58	
Drunk Driving Enforcement Fund		3,500.00		\$ 3,500.00
Driving While Intoxicated	3,500.00		3,500.00	
	<u>\$ 10,549.34</u>	<u>\$ 4,420.97</u>	<u>\$ 11,470.31</u>	<u>\$ 3,500.00</u>

Ref.

A

A

TOWNSHIP OF FRANKLIN
COUNTY OF HUNTERDON
2015
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, 2014	B	\$ 3,156.13	\$ 1,752,273.91
Increased by Receipts:			
License Fees Collected		\$ 3,661.20	
Late Fees		204.00	
State Registration Fees		604.80	
Miscellaneous		1.00	
Budget Appropriations		10,000.00	
Due From Current Fund:			
Partial Settlement of Prior Year Interfund			\$ 845.54
Interest Earned		7.94	493.24
Developers' Escrow			171,177.56
Recreation			23,193.00
Council on Affordable Housing			24,205.87
D.A.R.E. Receipts			1,800.00
Fair Housing Program Deposits			18,911.84
Police Outside Duties Deposits			25,000.00
Open Space:			
2015 Tax Levy			161,942.42
Interest Earned			1,627.76
Recycling			508.80
State Unemployment Insurance Compensation:			
Interest Earned			353.13
Employee Withholdings			1,741.51
Budget Appropriations			2,000.00
Flexible Spending Receipts			5,597.09
Accumulated Absences			30,000.00
		<u>14,478.94</u>	<u>469,397.76</u>
		17,635.07	2,221,671.67
Decreased by Disbursements:			
Due to State Board of Health		518.40	
Expenditures Under R.S. 4:19-15.11		6,527.00	
Due to Current Fund			
Settlement of Prior Year Interfund		31.81	
Interest Earned			589.53
Developers' Escrow			72,756.49
Tax Sale Premium			20,600.00
Recreation Expenditures			14,063.09
D.A.R.E. Expenditures			138.49
Fair Housing Program Expenditures			8,466.42
Council on Affordable Housing Expenditures			2.14
Police Outside Duties Expenditures			25,238.75
Open Space			173,050.09
Recycling			12,148.25
Flexible Spending Expenditures			6,397.72
		<u>7,077.21</u>	<u>333,450.97</u>
Balance December 31, 2015	B	<u>\$ 10,557.86</u>	<u>\$ 1,888,220.70</u>

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

	<u>Ref.</u>		
Balance December 31, 2014	B		\$ 3,119.52
Increased by:			
Dog License Fees Collected		\$ 3,661.20	
Current Fund Budget Appropriations		10,000.00	
Late Fees		204.00	
Miscellaneous		1.00	
		13,866.20	
			16,985.72
Decreased by:			
Expenditures Under R.S. 4:19-15.11		6,527.00	
Statutory Excess Due to Current Fund		2,142.72	
		8,669.72	
Balance December 31, 2015	B		\$ 8,316.00

License Fees Collected

<u>Year</u>	<u>Amount</u>
2013	\$ 4,114.80
2014	4,201.20
	8,316.00
Maximum Allowable Reserve	\$ 8,316.00

TOWNSHIP OF FRANKLIN
COUNTY OF HUNTERDON
2015
GENERAL CAPITAL FUND

TOWNSHIP OF FRANKLIN
GENERAL CAPITAL FUND
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	
Balance December 31, 2014	C	\$ 595,545.14
Increased by Receipts:		
2015 Budget Appropriation:		
Capital Improvement Fund	\$ 100,000.00	
Due from Current Fund:		
Interest Earned	447.74	
		<u>100,447.74</u>
		<u>695,992.88</u>
Decreased by:		
Improvement Authorizations	170,619.09	
Fund Balance Anticipated as Revenue in Current Fund Budget	86,063.00	
Due from Current Fund:		
Interfund Advanced	99.01	
		<u>256,781.10</u>
Balance December 31, 2015	C	<u><u>\$ 439,211.78</u></u>

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

Ord. No.	Improvement Description	Balance Dec. 31, 2014	Paid by Budget Appropriation	Balance Dec. 31, 2015	Analysis of Balance Dec. 31, 2015	
					Bond Anticipation Notes	Expenditures
02-01	Purchase of Real Estate (8 Frontage Road)	\$ 49,242.94		\$ 49,242.94		\$ 49,242.94
05-02	Acquire Development Easements	165,015.86	\$ 165,015.86			
07-09	Hogback Road Drainage Improvements	19,700.00	10,400.00	9,300.00	\$ 9,300.00	
08-12	Acquisition of Real Property for Affordable Housing or Other Municipal Purposes (Stryker Property)	170,977.79	34,600.00	136,377.79	136,300.00	77.79
10-04	Improvements to West Sydney Road	117,962.00		117,962.00	117,900.00	62.00
		<u>\$ 522,898.59</u>	<u>\$ 210,015.86</u>	<u>\$ 312,882.73</u>	<u>\$ 263,500.00</u>	<u>\$ 49,382.73</u>
	<u>Ref.</u>	C		C		

TOWNSHIP OF FRANKLIN
GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord. No.	Improvement Description	Ordinance		Balance Dec. 31, 2014 Funded	2015 Authorizations			Paid or Charged	Balance Dec. 31, 2015 Funded
		Date	Amount		Capital Improvement Fund	Capital Fund Balance	New Jersey Department of Transportation Grant Funds		
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	24,144.30				\$ 4,065.44	20,078.86
12-17	Acquisition of Server, Computers and Workstations, and Related Equipment	08/23/12	32,000.00	3,724.18				3,724.18	
14-02	Chip and Seal of Various Roads	07/24/14	85,000.00	761.88					761.88
15-02	Chip and Seal of Various Roads	09/24/15	85,000.00		\$ 85,000.00			84,390.62	609.38
15-04	Asphalt Overlay of Various Roads	09/24/15	140,000.00		140,000.00			36,123.80	103,876.20
15-05	Replacement of the Stainless Steel Dump Body for the 2005 Mack CV 712 Truck	09/24/15	27,000.00			\$ 27,000.00		26,978.00	22.00
15-06	Acquisition of a 2016 Police Interceptor SUV	10/22/15	62,000.00			62,000.00		35,124.05	26,875.95
15-07	Improvement of West Sidney Road	10/22/15	195,000.00			35,000.00	\$ 160,000.00		195,000.00
				<u>\$ 58,061.84</u>	<u>\$ 225,000.00</u>	<u>\$ 124,000.00</u>	<u>\$ 160,000.00</u>	<u>\$ 190,406.09</u>	<u>\$ 376,655.75</u>

Ref.

C

C

Cash Disbursed	\$ 170,619.09
Encumbrances Payable	19,787.00
	<u>\$ 190,406.09</u>

TOWNSHIP OF FRANKLIN
GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>		
Balance December 31, 2014	C		\$ 135,327.87
Increased by:			
2015 Budget Appropriation			
Cash Received		\$ 100,000.00	
Due from Current Fund		252.00	
Reserve for Preliminary Expenses Canceled		<u>14,000.00</u>	
			<u>114,252.00</u>
			249,579.87
Decreased by:			
Appropriated to Finance Improvement Authorizations			<u>225,000.00</u>
Balance December 31, 2015	C		<u><u>\$ 24,579.87</u></u>

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

Ord. No.	Improvement Description	Original Note	Date of		Interest Rate	Balance Dec. 31, 2014	Issued	Retired or Matured	Balance Dec. 31, 2015
			Issue	Maturity					
07-09	Hogback Road Drainage Improvements	11/8/2007	8/22/2014	8/21/2015	0.75%	\$ 19,700.00		\$ 19,700.00	
			8/21/2015	8/19/2016	0.75%		\$ 9,300.00		\$ 9,300.00
08-12	Acquisition of Real Property for Affordable Housing or Other Municipal Purposes (Stryker Property)	7/10/2008	8/22/2014	8/21/2015	0.75%	170,900.00		170,900.00	
			8/21/2015	8/19/2016	0.75%		136,300.00		136,300.00
10-04	Improvements to West Sydney Road	8/23/2013	8/22/2014	8/21/2015	0.75%	117,900.00		117,900.00	
			8/21/2015	8/19/2016	0.75%		117,900.00		117,900.00
						<u>\$ 308,500.00</u>	<u>\$ 263,500.00</u>	<u>\$ 308,500.00</u>	<u>\$ 263,500.00</u>
						<u>Ref.</u>			
						C			C
							\$ 263,500.00	\$ 263,500.00	
								45,000.00	
							<u>\$ 263,500.00</u>	<u>\$ 308,500.00</u>	

Renewals
 Funded by Budget Appropriation:
 Payment of Bond Anticipation Notes

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

	<u>Ref.</u>	
Balance December 31, 2014	C	\$ 301,503.94
Decreased by:		
Principal Matured		32,881.63
Balance December 31, 2015	C	\$ 268,622.31

Schedule of Principal and Interest Payments Outstanding December 31, 2015

<u>Payment Number</u>	<u>Due Date</u>	<u>Interest</u>	<u>Principal</u>	<u>Loan Balance</u>
				\$ 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	38,174.54
29	9/14/22	381.75	18,992.31	19,182.23
30	3/14/23	191.82	19,182.23	-0-
		\$ 21,988.55	\$ 268,622.31	

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

Ordinance No.	Improvement Description	Balance Dec. 31, 2014	Funded by Budget Appropriation	Bond Anticipation Notes Matured	Bond Anticipation Notes Issued	Balance Dec. 31, 2015
01-02	Purchase of Real Estate (8 Frontage Road)	\$ 49,242.94				\$ 49,242.94
05-02	Acquire Development Easements	165,015.86	\$ 165,015.86			
07-09	Hogback Road Drainage Improvements		10,400.00	\$ 19,700.00	\$ 9,300.00	
08-12	Acquisition of Real Property for Affordable Housing or Other Municipal Purposes (Stryker Property)	77.79	34,600.00	170,900.00	136,300.00	77.79
10-04	Improvements to West Sydney Road	62.00		117,900.00	117,900.00	62.00
		<u>\$ 214,398.59</u>	<u>\$ 210,015.86</u>	<u>\$ 308,500.00</u>	<u>\$ 263,500.00</u>	<u>\$ 49,382.73</u>

TOWNSHIP OF FRANKLIN

PART II

SINGLE AUDIT

YEAR ENDED DECEMBER 31, 2015

TOWNSHIP OF FRANKLIN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2015

Name of Federal Agency or Department	Name of Program	Pass Through Entity ID	C.F.D.A. Number	Grant Period		Grant Award Amount	Amount Received	Amount of Expenditures	Total Cumulative Expenditures	Provided to Subrecipients
				From	To					
<u>U.S. Department of Transportation</u>										
(Passed through New Jersey Department of Transportation)	Click It or Ticket	066-1160-100- 155-031000	20.616	1/1/2015	12/31/15	\$ 3,935.00	\$ 3,935.00	\$ 3,935.00	\$ 3,935.00	
Total U.S. Department of Transportation						<u>3,935.00</u>	<u>3,935.00</u>	<u>3,935.00</u>	<u>3,935.00</u>	
Total Federal Awards						<u>\$ 3,935.00</u>	<u>\$ 3,935.00</u>	<u>\$ 3,935.00</u>	<u>\$ 3,935.00</u>	<u>\$ -0-</u>

TOWNSHIP OF FRANKLIN
SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED DECEMBER 31, 2015

Name of State Agency or Department	State Account Number	Grant Period		Grant Award	Amount Received	Amount of Expenditures	Total Cumulative Expenditures
		From	To				
<u>Department of Environmental Protection:</u>							
Clean Communities Act:							
2013	042-4900-765-	01/01/13	12/31/16	\$ 10,448.44			\$ 2,073.26
2015	004-178910	01/01/15	12/31/16	11,905.94	\$ 11,905.94	\$ 9,444.85	9,444.85
					<u>11,905.94</u>	<u>9,444.85</u>	<u>11,518.11</u>
Recycling Tonnage Grant:							
2011	042-4910-100-	01/01/11	12/31/15	14,031.68		6,213.13	14,031.68
2012	224-238490	01/01/12	12/31/15	6,504.98		6,504.98	6,504.98
2013		01/01/13	12/31/15	4,538.98		554.01	4,538.98
2014		01/01/14	12/31/16	6,127.58		1,836.36	1,836.36
						<u>15,108.48</u>	<u>26,912.00</u>
Total Department of Environmental Protection					<u>11,905.94</u>	<u>24,553.33</u>	<u>38,430.11</u>
<u>Department of Law and Public Safety:</u>							
Drunk Driving Enforcement Fund							
	100-078-6400 260-YYYY	01/01/15	12/31/16	3,500.00	3,500.00		
Body Armor Grant:							
2010	066-1020-718	01/01/10	12/31/15	1,620.00		799.00	1,620.00
2011	-001-090160	01/01/11	12/31/15	926.35		100.35	926.35
2012		01/01/12	12/31/15	937.83		937.83	937.83
2013		01/01/13	12/31/16	1,070.83		160.04	160.04
2015		01/01/15	12/31/16	920.97	920.97		
					<u>920.97</u>	<u>1,997.22</u>	<u>3,644.22</u>
Driving While Intoxicated						3,500.00	3,500.00
Emergency Management Assistance						28.00	4,057.22
	N/A	01/01/10	12/31/16	5,000.00		16.50	4,988.50
	N/A	01/01/11	12/31/16	5,000.00		44.50	9,045.72
Total Department of Law and Public Safety					<u>4,420.97</u>	<u>5,541.72</u>	<u>16,189.94</u>
Total State Awards					<u>\$ 16,326.91</u>	<u>\$ 30,095.05</u>	<u>\$ 54,620.05</u>

N/A - Not Available

SEE ACCOMPANYING NOTES TO EXPENDITURES OF FEDERAL AND STATE AWARDS

TOWNSHIP OF FRANKLIN
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED DECEMBER 31, 2015

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, 2015. The information in these schedules is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the 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 modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through identifying numbers are presented where available. The Township has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

C. Relationship to Federal and State Financial Reports

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

D. State Loans Outstanding

The Township of Franklin has the following loan outstanding as of December 31, 2015:

Green Trust Loan Payable	<u>\$ 268,622.31</u>
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Currently the Township is in the process of repaying the loan balance. There were no loan receipts or expenditures in the current year. The project which relates to the loan is 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, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated May 25, 2016. 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 2015-01, 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

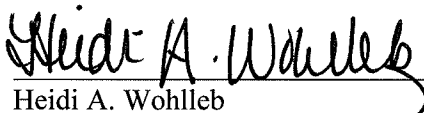
The Township's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. The Township's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
May 25, 2015

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, 2015

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 was disclosed during the audit of the financial statements as reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*. No material weaknesses are reported.
- No instances of noncompliance material to the financial statements of the 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 the Uniform Guidance and New Jersey's OMB Circular 15-08 for the year ended December 31, 2015 as both state and federal grant expenditures were less than the single audit thresholds of \$750,000 identified in the Uniform Guidance and NJOMB 15-08.

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

- The audit disclosed the following significant deficiency required to be reported under Generally Accepted Government Auditing Standards:

Finding 2015-01

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, 2015

The prior year finding regarding segregation of duties has not been resolved and is included as current year Finding 2015-01.

TOWNSHIP OF FRANKLIN

PART III

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2015

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, and thereafter, the bid threshold in accordance with N.J.S.A. 40A:11-3 is \$17,500 and with a qualified purchasing agent the threshold may be up to \$36,000. Effective January 1, 2015 and thereafter, the bid threshold in accordance with N.J.S.A. 40A:11-3 has been increased to \$40,000 for a contracting unit with a qualified purchasing agent.

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. However, it was noted that while the Township authorized membership in a purchasing cooperative, the Township did not approve the use of certain awards by the purchasing cooperative. As the Township has already taken steps to ensure that all purchasing cooperative awards utilized by the Township are approved in the Township's minutes, no formal recommendation is judged to be warranted.

Collection of Interest on Delinquent Taxes and Utility Charges

On January 6, 2015, 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 October 20, 2015, 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>
2015	6
2014	6
2013	7

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 2016 Taxes	20
Payments of 2015 Taxes	20
Delinquent Taxes Receivable	15
Tax Title Liens Receivable	3

Verification notices were mailed to confirm balances receivable as of December 31, 2015. 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 accounting requirements.

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)

General Capital Fund

Several ordinances have deficit cash balances at December 31, 2015. 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 four 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. All purchase orders should contain a date. Also, since many of the finance duties are being performed by the part-time 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. Every effort should be made to ensure that a purchase order is created and funds are 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.

Cyber Security

Cyber-crime has become much more prevalent in the last few years. Websites and internal networks, including personally identifiable information ("PII"), have been hacked and resulted in significant losses to organizations, both financial and reputational. We suggest that the Township consider options to test and protect the Township from cyber-crime.

Deferred Compensation Plans

The Township has a fiduciary responsibility to its employees related to the deferred compensation plans offered by the Township. The Township should consider a periodic review of the benefits, features, costs, and performance of its deferred compensation plans and make that information available to employees to assist employees in making suitable choices for investing their retirement funds while fulfilling the Township's fiduciary responsibilities.

Independent Contractors vs. Employees

The Township should consider reviewing the status of "Independent Contractors" utilized by the Township with Internal Revenue Service guidelines for determination of employment status. The IRS has been reviewing employers, including governments, to determine compliance. A proactive approach may help to minimize or eliminate potential penalties related to incorrect employment status determination.

TOWNSHIP OF FRANKLIN
COMMENTS AND RECOMMENDATIONS
(Continued)

Management Suggestions (Cont'd)

Statewide Insurance Fund

The net position of the Statewide Insurance Fund (the "Fund") decreased during the year ended December 31, 2014. It is suggested that the Township monitor operations of the Fund as supplemental assessments appear likely if net position continues to decline.

Corrective Action Plan

The Township has initiated a corrective action plan to resolve the comments and recommendations from the 2014 Audit Report. The prior year recommendations with respect to tax collections being deposited within forty-eight hours and outside departments being reconciled with the Finance Office records on a monthly basis were resolved during the current year. The other prior year recommendation which was not resolved is included in the current year comments and recommendations and corrective action is in the process of being implemented with respect to this recommendation, 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.

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