

TOWNSHIP OF FRANKLIN

COUNTY OF HUNTERDON

REPORT OF AUDIT

2017

NISIVOCCIA LLP
CERTIFIED PUBLIC ACCOUNTANTS

TOWNSHIP OF FRANKLIN
COUNTY OF HUNTERDON
REPORT OF AUDIT
2017

TOWNSHIP OF FRANKLIN
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TOWNSHIP OF FRANKLIN

PART I

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2017



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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, 2017 and 2016, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

As described in Note 1, the financial statements are prepared by the 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, 2017 and 2016, 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, 2017 and 2016 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, 2017 and 2016, and the results of operations and changes in fund balance, where applicable, of such funds, thereof for the years then ended on the basis of the accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, as described in Note 1.

Other Matters

Supplementary Information

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

The Honorable Mayor and Members
of the Township Committee
Township of Franklin
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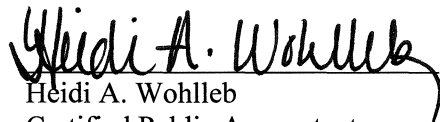
The supplementary data schedules and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to 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 February 28, 2018 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
February 28, 2018

NISIVOCCIA LLP



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

TOWNSHIP OF FRANKLIN
COUNTY OF HUNTERDON
2017
CURRENT FUND

TOWNSHIP OF FRANKLIN
CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

		December 31,	
<u>ASSETS</u>	<u>Ref.</u>	2017	2016
Regular Fund:			
Cash and Cash Equivalents:			
Treasurer	A-4	\$ 2,379,685.70	\$ 3,099,989.31
Clerk	A-4a	549.51	
Tax Collector	A-5	1,218,006.20	19,557.66
Change Fund		25.00	25.00
		3,598,266.41	3,119,571.97
Due from State of New Jersey:			
Senior Citizens and Veterans Deductions		6,607.44	6,607.44
		3,604,873.85	3,126,179.41
Receivables and Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	A-7	195,839.39	208,985.09
Tax Title Liens Receivable	A-8	17,852.72	15,683.89
Property Acquired for Taxes - Assessed Valuation		400.00	400.00
Due from:			
Animal Control Fund	B	2,945.38	2,827.49
Federal and State Grant Fund	A	67.85	
General Capital Fund	C	574.46	
Other Trust Funds	B	19,486.12	
Total Receivables and Other Assets with Full Reserves		237,165.92	227,896.47
Total Regular Fund		3,842,039.77	3,354,075.88
Federal and State Grant Fund:			
Cash and Cash Equivalents	A-6	62,956.48	44,841.77
Grants Receivable	A-10	407.33	407.33
Due from Current Fund	A		4,284.29
Total Federal and State Grant Fund		63,363.81	49,533.39
TOTAL ASSETS		\$ 3,905,403.58	\$ 3,403,609.27

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

	Ref.	December 31,	
		2017	2016
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Regular Fund:			
Appropriation Reserves:			
Encumbered	A-3;A-11	\$ 7,893.21	\$ 19,475.77
Unencumbered	A-3;A-11	221,952.43	311,611.86
		<u>229,845.64</u>	<u>331,087.63</u>
Due to:			
Federal and State Grant Fund	A		4,284.29
Other Trust Funds	B		147,326.37
General Capital Fund	C		119,736.39
Regional High School Taxes Payable	A-13	1,166,235.81	1,146,811.82
County Tax Payable		3,495.81	7,075.96
Prepaid Taxes		1,074,319.08	104,548.06
County and State Fees Payable		5,164.00	2,210.00
Tax Overpayments		33,519.72	2,822.57
Reserve for Third Party Liens		15,792.35	
		<u>2,528,372.41</u>	<u>1,865,903.09</u>
Reserve for Receivables and Other Assets	A	237,165.92	227,896.47
Fund Balance	A-1	1,076,501.44	1,260,276.32
Total Regular Fund		<u>3,842,039.77</u>	<u>3,354,075.88</u>
Federal and State Grant Fund:			
Due to Current Fund	A	67.85	
Appropriated Reserves	A-14	63,295.96	33,415.45
Unappropriated Reserves	A-15		16,117.94
Total Federal and State Grant Fund		<u>63,363.81</u>	<u>49,533.39</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		<u><u>\$ 3,905,403.58</u></u>	<u><u>\$ 3,403,609.27</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,	
		2017	2016
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized	\$	592,600.00	\$ 452,900.00
Miscellaneous Revenue Anticipated		752,176.74	765,592.05
Receipts from:			
Delinquent Taxes		194,721.22	218,420.31
Current Taxes		13,685,784.71	13,277,163.54
Nonbudget Revenue		82,565.67	14,753.66
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		283,576.26	244,749.09
Interfunds Returned		2,827.49	38,292.21
Cancellation of Tax Overpayments			16,335.72
		<u>15,594,252.09</u>	<u>15,028,206.58</u>
<u>Expenditures</u>			
Budget Appropriations - Municipal Purposes		2,965,243.26	2,683,238.97
Municipal Open Space Taxes		163,242.67	163,048.49
County Taxes		2,050,251.53	2,060,701.05
County Added and Omitted Taxes		3,495.81	7,075.96
Regional High School Taxes		3,269,332.00	3,230,484.00
Local District School Taxes		6,366,955.00	6,014,227.00
Special District Taxes		338,791.00	331,843.00
Prior Year Senior Citizen Deductions Disallowed		768.49	750.00
Refund of Prior Year Taxes		4,273.40	
Interfunds Advanced		23,073.81	2,827.49
		<u>15,185,426.97</u>	<u>14,494,195.96</u>
Total Expenditures			
Excess in Revenue		408,825.12	534,010.62
Balance January 1		1,260,276.32	1,179,165.70
		<u>1,669,101.44</u>	<u>1,713,176.32</u>
Decreased by:			
Utilized as Anticipated Revenue		592,600.00	452,900.00
Balance December 31	A	<u>\$ 1,076,501.44</u>	<u>\$ 1,260,276.32</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, 2017

	<u>Budget</u>	<u>Added by NJSA 40A:4-87</u>	<u>Realized</u>	<u>Excess or Deficit*</u>
Fund Balance Anticipated	\$ 592,600.00		\$ 592,600.00	
Miscellaneous Revenue:				
Licenses:				
Alcoholic Beverages	4,900.00		4,920.00	\$ 20.00
Fees and Permits	26,500.00		24,878.10	1,621.90 *
Fines and Costs:				
Municipal Court	58,500.00		60,286.58	1,786.58
Interest and Costs on Taxes	55,000.00		24,022.61	30,977.39 *
Interest on Investments and Deposits	25,500.00		28,080.32	2,580.32
NJ Hotel Occupancy Tax	100,000.00		105,603.69	5,603.69
Energy Receipts Tax	259,544.00		259,544.00	
Uniform Construction Code Fees	94,000.00		77,553.00	16,447.00 *
General Capital Fund Balance	91,379.00		91,379.00	
Recycling Tonnage Grant	5,657.71	\$ 7,236.06	12,893.77	
Reserve for Clean Communities Program	13,617.94		13,617.94	
Clean Communities Program		11,569.29	11,569.29	
Body Armor Grant		982.07	982.07	
Reserve for Drunk Driving Enforcement Fund	3,500.00		3,500.00	
Distracted Driver		4,592.32	4,592.32	
Click It or Ticket		1,631.05	1,631.05	
Reserve for Walmart Grant - Police Equipment	2,500.00		2,500.00	
Reserve for Affordable Housing	24,623.00		24,623.00	
	<u>765,221.65</u>	<u>26,010.79</u>	<u>752,176.74</u>	<u>39,055.70 *</u>
Receipts from Delinquent Taxes	<u>200,000.00</u>		<u>194,721.22</u>	<u>5,278.78 *</u>
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes	<u>1,706,418.00</u>		<u>1,818,716.70</u>	<u>112,298.70</u>
Budget Totals	3,264,239.65	26,010.79	3,358,214.66	67,964.22
Nonbudget Revenue			<u>82,565.67</u>	<u>82,565.67</u>
	<u>\$ 3,264,239.65</u>	<u>\$ 26,010.79</u>	<u>\$ 3,440,780.33</u>	<u>\$ 150,529.89</u>

TOWNSHIP OF FRANKLIN
CURRENT FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Allocation of Current Tax Collections:

Revenue from Collection of Current Taxes		\$ 13,685,784.71
Allocated to:		
County, Special District, Local School and Regional School Taxes	\$ 12,028,825.34	
Municipal Open Space Taxes	163,242.67	
		12,192,068.01
Balance for Support of Municipal Budget		1,493,716.70
Add: Appropriation "Reserve for Uncollected Taxes"		325,000.00
Realized for Support of Municipal Budget		\$ 1,818,716.70

Analysis of Interest on Investments:

Cash Received - Treasurer	\$ 26,808.97	
Cash Received - Clerk	0.78	
Due from Federal and State Grant Fund	67.85	
Due from Animal Control Fund	96.18	
Due from Other Trust Funds	532.14	
Due from General Capital Fund	574.40	
		\$ 28,080.32

Analysis of Nonbudget Revenue:

Treasurer:		
Cable TV Franchise Fees	\$ 2,658.02	
Uniform Fire Safety Act	26,147.00	
Police Outside Service Administrative Fees	2,445.00	
Prior Year Voided Checks	10,365.43	
Farm Rents	3,200.00	
Hunting Lease	1,650.00	
Inspection Fines	1,610.00	
Cell Towers	4,680.00	
Senior Citizens' and Veterans' Deductions		
Administrative Reimbursement	450.00	
Other Miscellaneous Revenue	23,749.60	
		\$ 76,955.05
Clerk:		
Miscellaneous		199.04
Tax Collector:		
Miscellaneous		2,562.38
Due from Animal Control Fund:		
Statutory Excess in Reserve for Animal Control Fund Expenditures		2,849.20
		\$ 82,565.67

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

TOWNSHIP OF FRANKLIN
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017

	Appropriations		Expended By		Unexpended Balance Canceled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS":					
GENERAL GOVERNMENT:					
Municipal Clerk:					
Salaries and Wages	\$ 110,204.00	\$ 116,204.00	\$ 115,754.48	\$ 449.52	
Other Expenses	38,980.00	43,980.00	43,969.94	10.06	
Mayor and Council:					
Salaries and Wages	18,832.00	18,832.00	18,113.86	718.14	
Other Expenses	5,000.00	5,000.00	545.96	4,454.04	
Elections:					
Other Expenses	3,000.00	3,000.00	2,205.95	794.05	
Financial Administration (Treasury):					
Salaries and Wages	28,298.00	28,298.00	24,294.84	4,003.16	
Other Expenses	53,775.00	79,775.00	78,891.52	883.48	
Annual Audit	27,000.00	24,600.00	24,600.00		
Technology:					
Other Expenses	15,000.00	15,000.00	6,416.95	8,583.05	
Other Expenses - Technology Consultant	5,000.00	5,000.00	4,336.34	663.66	
Revenue Administration (Tax Collection):					
Salaries and Wages	15,919.00	13,919.00	10,341.48	3,577.52	
Other Expenses	7,800.00	7,800.00	7,007.22	792.78	
Tax Assessment Administration:					
Salaries and Wages	27,243.00	27,243.00	26,679.00	564.00	
Other Expenses	750.00	750.00	750.00		
Revision of Tax Map	4,000.00	4,000.00		4,000.00	
Legal Services & Costs:					
Other Expenses	100,000.00	77,000.00	58,801.94	18,198.06	
LAND USE ADMINISTRATION:					
Municipal Land Use Law (NJSA 40:55D-1):					
Planning Board:					
Salaries and Wages	9,511.00	9,511.00	8,489.00	1,022.00	
Other Expenses	14,400.00	11,800.00	639.49	11,160.51	
Zoning Official:					
Salaries and Wages	6,755.00	6,755.00	5,625.10	1,129.90	

TOWNSHIP OF FRANKLIN
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(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):					
Zoning Official: (Cont'd)					
Other Expenses	\$ 500.00	\$ 500.00	\$	\$ 500.00	
Environmental Commission:					
Other Expenses	1,000.00	1,000.00	\$ 360.00	640.00	
INSURANCE:					
Other Liability Insurance Premiums (Disability)	1,100.00	1,100.00	588.99	511.01	
General Liability	119,215.00	119,215.00	119,215.00		
Employee Group Health	155,000.00	155,000.00	152,940.73	2,059.27	
Health Benefits Waiver (N.J.S.A. 43:21-3 et seq.)	9,282.00	9,282.00	5,000.00	4,282.00	
PUBLIC SAFETY:					
Police:					
Salaries and Wages	561,000.00	561,000.00	557,720.07	3,279.93	
Other Expenses	47,740.00	42,740.00	28,664.57	14,075.43	
Emergency Management Services:					
Salaries and Wages	3,060.00	3,060.00	2,550.00	510.00	
Other Expenses	2,250.00	2,250.00	286.28	1,963.72	
First Aid Organization Contribution	26,000.00	26,000.00	26,000.00		
PUBLIC WORKS:					
Road Repairs and Maintenance:					
Salaries and Wages	301,500.00	296,000.00	280,079.38	15,920.62	
Other Expenses	87,087.00	104,587.00	86,630.41	17,956.59	
Snow Removal:					
Salaries and Wages	40,000.00	40,000.00	17,287.03	22,712.97	
Other Expenses	50,849.00	70,849.00	69,738.45	1,110.55	
Public Buildings & Grounds:					
Salaries and Wages	6,129.00	6,129.00	5,701.63	427.37	
Other Expenses	35,000.00	13,000.00	808.28	12,191.72	
Board of Health:					
Salaries and Wages	8,160.00	8,160.00	7,275.12	884.88	
Other Expenses	400.00	400.00	40.00	360.00	

TOWNSHIP OF FRANKLIN
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(Continued)

	Appropriations		Expended By		Unexpended Balance Canceled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS" (Continued):					
HEALTH AND HUMAN SERVICES:					
Animal Control:					
Other Expenses	\$ 5,000.00	\$ 5,000.00	\$ 4,299.80	\$ 700.20	
PARKS AND RECREATION:					
Recreation Services:					
Other Expenses	6,500.00	6,500.00	4,424.75	2,075.25	
Senior Citizen Contribution	6,500.00	6,500.00	6,500.00		
UNIFORM CONSTRUCTION CODE:					
Construction Official:					
Salaries and Wages	83,232.00	81,232.00	78,946.28	2,285.72	
Other Expenses	4,955.00	4,955.00	1,864.48	3,090.52	
UTILITIES AND BULK PURCHASES:					
Electricity	12,000.00	12,000.00	8,425.18	3,574.82	
Street Lighting	5,000.00	5,000.00	2,352.70	2,647.30	
Telephone	22,000.00	20,000.00	16,576.50	3,423.50	
Gasoline and Fuel Oil	27,000.00	25,000.00	20,707.82	4,292.18	
Heating Oil	16,000.00	10,000.00	3,290.50	6,709.50	
Accumulated Absences	30,000.00	30,000.00	30,000.00		
Total Operations Within "CAPS"	2,164,926.00	2,164,926.00	1,974,987.02	189,938.98	
Contingent	500.00	500.00		500.00	
Total Operations Including Contingent Within "CAPS"	2,165,426.00	2,165,426.00	1,974,987.02	190,438.98	
Detail:					
Salaries and Wages	1,219,843.00	1,216,343.00	1,158,857.27	57,485.73	
Other Expenses	945,583.00	949,083.00	816,129.75	132,953.25	

TOWNSHIP OF FRANKLIN
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(Continued)

	Appropriations		Expended By		Unexpended Balance Canceled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS" (Continued):					
Deferred Charges and Statutory Expenditures - Municipal Within "CAPS":					
Statutory Expenditures:					
Contribution to :					
Public Employees' Retirement System	\$ 56,086.00	\$ 56,086.00	\$ 56,086.00		
Social Security (O.A.S.I)	94,650.00	94,650.00	90,556.04	\$ 4,093.96	
Police and Fireman's Retirement System	107,393.00	107,393.00	107,393.00		
Unemployment Compensation Insurance	2,000.00	2,000.00	2,000.00		
Defined Contribution Retirement Plan	750.00	750.00	180.51	569.49	
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	260,879.00	260,879.00	256,215.55	4,663.45	
Total General Appropriations for Municipal Purposes Within "CAPS"	2,426,305.00	2,426,305.00	2,231,202.57	195,102.43	
Operations Excluded from "CAPS":					
Council on Affordable Housing:					
Salaries and Wages	5,000.00	5,000.00		5,000.00	
Shared Services Agreements:					
Municipal Court:					
Other Expenses - Contractual	85,000.00	85,000.00	63,150.00	21,850.00	
Public and Private Programs Offset by Revenue:					
Reserve for Clean Communities Grant	13,617.94	13,617.94	13,617.94		
Clean Communities Grant (N.J.S.A. 40A:4-87 + 11,569.29)		11,569.29	11,569.29		
Recycling Tonnage Grant (N.J.S.A. 40A:4-87 + 7,236.06)	5,657.71	12,893.77	12,893.77		
Body Armor Fund (N.J.S.A. 40A:4-87 + \$982.07)		982.07	982.07		
Distracted Driving (N.J.S.A. 40A:4-87 + \$4,592.32)		4,592.32	4,592.32		
Drunk Driving Enforcement Fund (N.J.S.A. 40A:4-87)	3,500.00	3,500.00	3,500.00		
Reserve for Walmart Grant - Police Equipment	2,500.00	2,500.00	2,500.00		

TOWNSHIP OF FRANKLIN
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(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: Click it or Ticket (N.J.S.A. 40A:4-87 + \$1,631.05)	\$ 115,275.65	\$ 1,631.05	\$ 1,631.05		
Total Operations Excluded from "CAPS"		141,286.44	114,436.44	\$ 26,850.00	
Detail:					
Salaries & Wages	5,000.00	5,000.00		5,000.00	
Other Expenses	110,275.65	136,286.44	114,436.44	21,850.00	
Capital Improvements:					
Capital Improvement Fund	250,000.00	250,000.00	250,000.00		
Total Capital Improvements	250,000.00	250,000.00	250,000.00		
Municipal Debt Service:					
Payment of Bond Anticipation Notes and Capital Notes	50,500.00	50,500.00	50,500.00		\$ 5.92
Interest on Notes	2,130.00	2,130.00	2,124.08		0.88
Loan Repayments for Principal and Interest	38,749.00	38,749.00	38,748.12		0.32
Capital Lease Obligations	31,657.00	31,657.00	31,656.68		
Total Municipal Debt Service	123,036.00	123,036.00	123,028.88		7.12
Deferred Charges- Municipal- Excluded from "CAPS": Deferred Charges to Future Taxation - Unfunded: Purchase Real Estate (8 Frontage Rd) #02-01	24,623.00	24,623.00	24,622.94		0.06
Total Deferred Charges- Excluded from "CAPS"	24,623.00	24,623.00	24,622.94		0.06

TOWNSHIP OF FRANKLIN
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(Continued)

	Appropriations		Expended By		Unexpended Balance Canceled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Total General Appropriations for Municipal Purposes	\$ 2,939,239.65	\$ 2,965,250.44	\$ 2,743,290.83	\$ 221,952.43	\$ 7.18
Reserve for Uncollected Taxes	325,000.00	325,000.00	325,000.00		
Total General Appropriations	<u>\$ 3,264,239.65</u>	<u>\$ 3,290,250.44</u>	<u>\$ 3,068,290.83</u>	<u>\$ 221,952.43</u>	<u>\$ 7.18</u>

Ref.

A

TOWNSHIP OF FRANKLIN
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(Continued)

	<u>Ref.</u>	Analysis of	
		Budget After Modification	Paid or Charged
Adopted Budget		\$ 3,264,239.65	
Added by:			
N.J.S.A. 40A:4-87		26,010.79	
		\$ 3,290,250.44	
Cash Disbursed			\$ 2,724,126.84
Reserve for Uncollected Taxes			325,000.00
Reserve for Encumbrances	A		7,893.21
Transfer to Federal and State Grant Fund			51,286.44
			3,108,306.49
Less: Appropriation Refunds - Cash Received			40,015.66
			\$ 3,068,290.83

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

TOWNSHIP OF FRANKLIN
COUNTY OF HUNTERDON

2017

TRUST FUNDS

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

	Ref.	December 31,	
		2017	2016
<u>ASSETS</u>			
Animal Control Fund:			
Cash and Cash Equivalents:			
Treasurer	B-4	\$ 10,376.38	\$ 10,824.29
		<u>10,376.38</u>	<u>10,824.29</u>
Other Trust Funds:			
Cash and Cash Equivalents	B-4	2,199,836.92	1,806,672.33
Due From Current Fund	A		147,326.37
Fair Housing Loan Receivable		24,000.00	24,000.00
		<u>2,223,836.92</u>	<u>1,977,998.70</u>
TOTAL ASSETS		<u><u>\$ 2,234,213.30</u></u>	<u><u>\$ 1,988,822.99</u></u>
<u>LIABILITIES AND RESERVES</u>			
Animal Control Fund:			
Due to Current Fund	A	\$ 2,945.38	\$ 2,827.49
Due to State Board of Health		307.80	220.80
Prepaid Licenses		60.00	
Reserve for Animal Control Expenditures	B-5	7,063.20	7,776.00
		<u>10,376.38</u>	<u>10,824.29</u>
Other Trust Funds:			
Due to Current Fund	A	19,486.12	
Reserve for:			
Council on Affordable Housing		337,221.33	347,077.27
Developers Escrow		373,624.17	294,943.40
Fair Housing Program		553,469.52	556,073.09
Police Outside Duties		15,649.13	13,538.25
Unemployment Compensation		86,823.40	80,640.05
Recreation Commission		32,759.04	29,111.20
Open Space Preservation		648,213.51	500,224.85
Developers Escrow - Stormwater Management		18,000.00	18,000.00
Fair Housing Loan Receivable		24,000.00	24,000.00
Tax Sale Premiums		28,700.00	15,200.00
D.A.R.E.		4,626.55	5,780.55
DEA Equitable Trust (Forfeited Assets)		1,800.21	450.21
Recycling Trust		1,320.15	952.65
Flexible Spending Trust		2,717.85	1,807.18
Accumulated Absences		75,225.94	90,000.00
Public Defender		200.00	200.00
		<u>2,223,836.92</u>	<u>1,977,998.70</u>
TOTAL LIABILITIES AND RESERVES		<u><u>\$ 2,234,213.30</u></u>	<u><u>\$ 1,988,822.99</u></u>

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

TOWNSHIP OF FRANKLIN
COUNTY OF HUNTERDON
2017
GENERAL CAPITAL FUND

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

	Ref.	December 31,	
		2017	2016
<u>ASSETS</u>			
Cash and Cash Equivalents	C-2	\$ 367,762.84	\$ 371,163.69
Due from Current Fund	A		119,736.39
Due from State of New Jersey - Department of Transportation Grants Receivable		40,000.00	40,000.00
Deferred Charges to Future Taxation:			
Funded		200,863.02	235,079.77
Unfunded	C-4	162,639.79	237,762.73
TOTAL ASSETS		<u>\$ 771,265.65</u>	<u>\$ 1,003,742.58</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Bond Anticipation Notes Payable	C-7	\$ 162,500.00	\$ 213,000.00
Green Acres Loan Payable	C-8	200,863.02	235,079.77
Improvement Authorizations:			
Funded	C-5	45,778.84	127,734.48
Unfunded			
Capital Improvement Fund	C-6	129,011.35	104,011.35
Due to Current Fund	A	574.46	
Reserve to Pay Debt Service			
Reserve for:			
Acquisition, Development and Easement for Farmland Development		105,785.00	105,785.00
Purchase of Emergency Medical Service Equipment			
Fund Balance	C-1	126,752.98	218,131.98
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		<u>\$ 771,265.65</u>	<u>\$ 1,003,742.58</u>

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

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

	<u>Ref.</u>	
Balance December 31, 2016	C	\$ 218,131.98
Decreased by:		
Anticipated as Revenue in Current Fund Budget		<u>91,379.00</u>
Balance December 31, 2017	C	<u>\$ 126,752.98</u>

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

TOWNSHIP OF FRANKLIN
COUNTY OF HUNTERDON
2017
WATER UTILITY FUND

NOT APPLICABLE

TOWNSHIP OF FRANKLIN
COUNTY OF HUNTERDON
2017
SEWER UTILITY FUND

NOT APPLICABLE

TOWNSHIP OF FRANKLIN
COUNTY OF HUNTERDON
2017
PUBLIC ASSISTANCE FUND

NOT APPLICABLE

TOWNSHIP OF FRANKLIN
COUNTY OF HUNTERDON
2017
BOND AND INTEREST FUND

NOT APPLICABLE

TOWNSHIP OF FRANKLIN
COUNTY OF HUNTERDON

2017

GENERAL FIXED ASSETS ACCOUNT GROUP
(UNAUDITED)

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

	December 31,	
	2017	2016
<u>ASSETS</u>		
Land	\$ 6,149,577.00	\$ 6,149,577.00
Buildings and Improvements	480,400.00	480,400.00
Equipment	1,220,464.00	1,220,464.00
TOTAL ASSETS	\$ 7,850,441.00	\$ 7,850,441.00
<u>RESERVES</u>		
Reserve for Fixed Assets	\$ 7,850,441.00	\$ 7,850,441.00
TOTAL RESERVES	\$ 7,850,441.00	\$ 7,850,441.00

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

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

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

B. Description of Funds

The accounting policies of the 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, 2017
 (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, investments would generally be stated at fair value 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, 2017
(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.

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, 2017
(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,		
	2017	2016	2015
<u>Issued</u>			
General:			
Loans and Notes	\$ 363,363.02	\$ 448,079.77	\$ 532,122.31
Net Debt Issued	363,363.02	448,079.77	532,122.31
<u>Authorized but not Issued:</u>			
Bonds and Notes	139.79	24,762.73	49,382.73
Net Bonds and Notes Issued and Authorized but not Issued	\$ 363,502.81	\$ 472,842.50	\$ 581,505.04

Summary of Municipal Debt Issued and Outstanding – Prior Year

	Balance 12/31/15	Additions	Retirements	Balance 12/31/16
Bond Anticipation Notes:				
General Capital Fund	\$ 263,500.00	\$ 213,000.00	\$ 263,500.00	\$ 213,000.00
Loans Payable:				
General Capital Fund:				
Green Trust Loans	268,622.31		33,542.54	235,079.77
Total	\$ 532,122.31	\$ 213,000.00	\$ 297,042.54	\$ 448,079.77

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

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

Summary of Municipal Debt Issued and Outstanding – Current Year

	<u>Balance</u> <u>12/31/16</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/17</u>
Bond Anticipation Notes:				
General Capital Fund	\$ 213,000.00	\$ 162,500.00	\$ 213,000.00	\$ 162,500.00
Loans Payable:				
General Capital Fund:				
Green Trust Loans	<u>235,079.77</u>		<u>34,216.75</u>	<u>200,863.02</u>
Total	<u>\$ 448,079.77</u>	<u>\$ 162,500.00</u>	<u>\$ 247,216.75</u>	<u>\$ 363,363.02</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 0.065%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General Debt	\$ 363,502.81		\$ 363,502.81
Local School District Debt	4,400,000.00	\$ 4,400,000.00	
Regional High School Debt	<u>665,524.84</u>	<u>665,524.84</u>	
General Debt	<u>\$ 5,429,027.65</u>	<u>\$ 5,065,524.84</u>	<u>\$ 363,502.81</u>

Net Debt of \$363,502.81 divided by Equalized Valuation Basis per N.J.S. 40A:2-2, \$558,342,905.67 = 0.065%.

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

3-1/2% Average Equalized Valuation of Real Property	\$ 19,542,001.70
Net Debt	<u>363,502.81</u>
Remaining Borrowing Power	<u>\$ 19,178,498.89</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, 2017
(Continued)

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

At December 31, 2017 the Township has the following debt outstanding:

<u>General Capital Bond Anticipation Notes</u>			
<u>Final</u> <u>Maturity</u>	<u>Interest</u> <u>Rate</u>	<u>Balance</u> <u>Dec. 31, 2017</u>	
8/17/18	1.50%	\$ 162,500.00	
 <u>General Capital Fund Green Acres Loans Payable</u>			
<u>Purpose</u>	<u>Final Maturity</u>	<u>Interest</u> <u>Rate</u>	<u>Balance</u> <u>Dec. 31, 2017</u>
Acquisition of Land and Easements	3/14/2023	2.00%	200,863.02
Total Debt Issued and Outstanding			<u>\$ 363,363.02</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>	
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	37,051.84	1,696.28	38,748.12
2022	37,796.58	951.54	38,748.12
2023	19,182.23	191.82	19,374.05
	<u>\$ 200,863.02</u>	<u>\$ 12,251.62</u>	<u>\$ 213,114.64</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, 2017
(Continued)

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

Capital Lease Payable

In 2016, the Township entered into a \$38,578.66 capital lease purchase agreement, with a 3 year term, for a police car and a \$78,186.00 capital lease purchase agreement, with a 5 year term, for a dump body truck. As of December 31, 2017, \$25,260.11 of the police car capital lease purchase agreement has matured and been repaid. As of December 31, 2017, \$17,339.23 of the dump body truck capital lease purchase agreement has matured and been repaid. The following is a schedule of the future minimum lease payments under the capital leases and the present value of the net minimum lease payments at December 31, 2017.

<u>Year</u>	<u>Amount</u>
2018	\$ 31,656.67
2019	17,339.23
2020	17,339.23
2021	17,339.23
	<u>83,674.36</u>
Less: Amount Representing Interest	<u>(9,509.04)</u>
Present Value Net of Minimum Lease Payments	<u>\$ 74,165.32</u>

The Current Fund will be used to liquidate the capital leases payable.

Net Pension Liability

The State of New Jersey Public Employees' Retirement System's (PERS) net pension liability was calculated to be \$1,864,402 at December 31, 2016. The State of New Jersey Police and Firemen's Retirement System's (PFRS) net pension liability was calculated to be \$2,516,103 at December 31, 2016. See Note 4 for further information on the PERS and PFRS.

Note 3: Fund Balances Appropriated

As of the date of this report, the budget for 2018 has not been introduced. Thus the amount of fund balance at December 31, 2017 which will be included in Current Fund budget for the year ending December 31, 2018 is not known at this date.

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).

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/annrprts.shtml.

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
 (Continued)

Note 4: Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS)

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:

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

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

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Township contributions to PERS amounted to \$56,086 for 2017.

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 4: Pension Plans (Cont'd)

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

Contributions (Cont'd)

The employee contribution rate was 7.20% effective July 1, 2016 and increased to 7.34% effective July 1, 2017. 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 December 31, 2016, the Township's liability was \$1,864,402 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. 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, 2016, the Township's proportion was 0.006%, which was an increase of 0.0002% from its proportion measured as of June 30, 2015. The Township has rolled forward the net pension liability to December 31, 2016 with no adjustments. The State of New Jersey Public Employees' Retirement System (PERS)' valuation cycle is July 1 instead of December 31. The roll forward methodology puts them a year in arrears in terms of valuation. The Division of Local Government Services, Department of Community Affairs, State of New Jersey is permitting municipalities to include the June 30, 2016 pension information in the Notes to the Financial Statements as the June 30, 2017 pension information has not been released as of the date of this audit.

For the year ended December 31, 2017, the Township recognized actual pension expense in the amount of \$56,086.

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions:

Inflation Rate	3.08%
Salary Increases:	
Through 2026	1.65 – 4.15% based on age
Thereafter	2.65 – 5.15% based on age
Investment Rate of Return	7.65%

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one year static projection based on mortality improvement Scale AA.

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 4: Pension Plans (Cont'd)

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

Actuarial Assumptions (Cont'd)

In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward one year for females).

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. 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 (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2016 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%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad U.S. Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex. U.S.	5.00%	-0.25%
REIT	5.25%	5.63%

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 4: Pension Plans (Cont'd)

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

Discount Rate

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 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 contribution rate in the most recent fiscal year. The local employers contributed 100% of their 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 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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 December 31, 2016 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:

	December 31, 2016		
	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
Township's proportionate share of the Net Pension Liability	\$ 2,284,608	\$ 1,864,402	\$ 1,517,487

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/annrprts.shtml.

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 4: Pension Plans (Cont'd)

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

Benefits Provided

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

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

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

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 if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the local participating employers under this legislation 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.

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 4: Pension Plans (Cont'd)

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

Special Funding Situation (Cont'd)

Since the local participating employers do not contribute under this legislation directly to the plan (except for employer specified financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers related to this legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the collective net pension liability that is associated with the local participating employer. The June 30, 2016 State special funding situation net pension liability amount is the accumulated difference between the annual actuarially determined State obligation under the special funding situation and the actual State contribution through the valuation date. The State special funding situation pension expense for the fiscal year ended June 30, 2016 is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2016. The pension expense is deemed to be a State administrative expense due to the special funding situation.

Township contributions to PFRS amounted to \$107,393 for the year ended December 31, 2017. During the fiscal year ended June 30, 2016, the State of New Jersey contributed \$8,096 to the PFRS for normal pension benefits on behalf of the Township, which is less than the contractually required contribution of \$26,987.

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

Pension Liabilities and Pension Expense

At December 31, 2016, the Township's liability for its proportionate share of the net pension liability was \$2,516,103. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016.

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, 2016, the Township's proportion was 0.013%, which was a decrease of 0.00006% from its proportion measured as of June 30, 2015. The Township has rolled forward the net pension liability to December 31, 2016 with no adjustments. The State of New Jersey Police and Firemen's Retirement System (PFRS)' valuation cycle is July 1 instead of December 31. The roll forward methodology puts them a year in arrears in terms of valuation. The Division of Local Government Services, Department of Community Affairs, State of New Jersey is permitting municipalities to include the June 30, 2016 pension information in the Notes to the Financial Statements as the June 30, 2017 pension information has not been released as of the date of this audit.

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 4: Pension Plans (Cont'd)

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

Pension Liabilities and Pension Expense (Cont'd)

Additionally, the State's proportionate share of the net pension liability attributable to the Township is \$211,290 as of June 30, 2016. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. 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, 2016, the State's proportion was 0.013%, which was a decrease of 0.00006% from its proportion measured as of June 30, 2015 which is the same proportion as the Township's. The Township has rolled forward the net pension liability to December 31, 2016 with no adjustments. The State of New Jersey Police and Firemen's Retirement System (PFRS)' valuation cycle is July 1 instead of December 31. The roll forward methodology puts them a year in arrears in terms of valuation.

Township's Proportionate Share of the Net Pension Liability	\$ 2,516,103
State's Proportionate Share of the Net Pension Liability Associated with the Township	211,290
Total Net Pension Liability	\$ 2,727,393

For the year ended December 31, 2017, the Township recognized total pension expense of \$107,393.

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions:

Inflation Rate	3.08%
Salary Increases:	
Through 2026	2.10% - 8.98% based on age
Thereafter	3.10% - 9.98% based on age
Investment Rate of Return	7.65%

Pre-retirement mortality rates were based on the RP-2000 Pre-retirement mortality tables projected thirteen years using Projection Scale BB and then projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for male service retirements and beneficiaries are based on the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales.

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 4: Pension Plans (Cont'd)

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

Actuarial Assumptions (Cont'd)

Post-retirement mortality rates for female service retirements and beneficiaries are based on the RP-2000 Combined Healthy Mortality Tables projected thirteen years using Projection Scale BB and then two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Disability retirement rates were based on the special mortality tables used for the period after disability retirement.

The actuarial assumptions used in the July 1, 2015 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 (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PFRS' target asset allocation as of June 30, 2016 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%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad U.S. Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex. U.S.	5.00%	-0.25%
REIT	5.25%	5.63%

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(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 5.55% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 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 contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their 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 2050. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2050, 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 December 31, 2016 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:

	December 31, 2016		
	1% Decrease (4.55%)	Current Discount Rate (5.55%)	1% Increase (6.55%)
Township's proportionate share of the NPL and the State's proportionate share of the Net Pension Liability associated with the Township	\$ 3,516,773	\$ 2,727,393	\$ 2,083,701

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, 2017
(Continued)

Note 4: Pension Plans (Cont'd)

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

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 \$180.51 for the year ended December 31, 2017. Employee contributions to DCRP amounted to \$98.46 for the year ended December 31, 2017.

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 below:

	<u>Regional High School Tax</u>	
	<u>Balance</u>	<u>Balance</u>
	<u>12/31/2017</u>	<u>12/31/2016</u>
Balance of Tax	\$ 1,634,665.81	\$ 1,615,241.82
Deferred	468,430.00	468,430.00
Tax Payable	<u>\$ 1,166,235.81</u>	<u>\$ 1,146,811.82</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 \$173,186.48 at December 31, 2017. 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 \$75,225.94 in a Reserve for Accumulated Absences on the Trust Funds balance sheet at December 31, 2017.

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(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

	2017	2016	2015
<u>Tax Rate</u>	\$ 2.496	\$ 2.424	\$ 2.419
<u>Apportionment of Tax Rate</u>			
Municipal	0.344	0.335	0.330
County	0.378	0.381	0.381
Local School	1.172	1.111	1.096
Regional High School	0.602	0.597	0.612
<u>Assessed Valuations</u>			
2017	\$ 543,186,235.00		
2016		\$ 541,537,997.00	
2015			\$ 539,760,577.00

Comparison of Tax Levies and Collection Currently

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

Year	Tax Levy	Currently	
		Cash Collections	Percentage of Collection
2017	\$ 13,919,599.85	\$ 13,685,784.71	98.32%
2016	13,503,613.12	13,277,163.54	98.32%
2015	13,440,705.95	13,240,322.14	98.50%

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, 2017
 (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. 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 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.

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

Deposits:

New Jersey statutes require that municipalities deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, 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 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, 2017
(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 Local Government Services in the Department of Community Affairs for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); or
- (8) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) 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 section 1 of P.L. 1970, c.236 (C.17:9-41); and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

As of December 31, 2017, cash and cash equivalents of the Township of Franklin consisted of the following:

<u>Fund</u>	<u>Cash on Hand</u>	<u>Checking Accounts</u>	<u>Total</u>
Current	\$ 25.00	\$ 3,598,241.41	\$ 3,598,266.41
Federal and State Grant		62,956.48	62,956.48
Animal Control		10,376.38	10,376.38
Other Trust		2,199,836.92	2,199,836.92
General Capital		367,762.84	367,762.84
	<u>\$ 25.00</u>	<u>\$ 6,239,174.03</u>	<u>\$ 6,239,199.03</u>

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

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

Investments: (Cont'd)

During the year ended December 31, 2017, the Township did not hold any investments. The carrying amount of the Township of Franklin's cash and cash equivalents at December 31, 2017, was \$6,239,199.03 and the bank balance was \$5,625,605.23.

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, 2017 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, 2016 is as follows:

	<u>Statewide Insurance Fund</u>
Total Assets	<u>\$ 46,196,539</u>
Net Position	<u>\$ 9,047,661</u>
Total Revenue	<u>\$ 28,868,244</u>
Total Expenses	<u>\$ 25,148,277</u>
Change in Net Position	<u>\$ 3,719,967</u>
Member Dividends	<u>\$ -0-</u>

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

(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
1 Sylvan Way
Parsippany, NJ 07054

New Jersey Unemployment Compensation Insurance

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

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

Year	Township/ Employee Contributions	Interest Earned	Amount Reimbursed	Ending Balance
2015	\$ 3,741.51	\$ 353.13		\$ 78,208.16
2016	1,835.41	596.48		80,640.05
2017	5,799.66	613.81	\$ 230.12	86,823.40

Note 10: Interfund Receivables and Payables

The following interfund balances remained on the balance sheet at December 31, 2017:

Fund	Interfund Receivable	Interfund Payable
Current Fund	\$ 23,073.81	
Federal and State Grant Fund		\$ 67.85
Animal Control Fund		2,945.38
Other Trust Funds		19,486.12
General Capital Fund		574.46
	\$ 23,073.81	\$ 23,073.81

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

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

The interfund receivable in the Current Fund consists of the statutory excess in the Reserve for the Animal Control Fund expenditures due from the Animal Control Fund, an interfund advanced to the General Capital Fund and the Other Trust Funds, a prior year interfund due from the Other Trust Funds not fully settled and current year interest earnings due to the Current Fund from the Federal and State Grant Fund, Animal Control Fund, Other Trust Funds and General Capital Funds.

Note 11: Contingent Liabilities

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

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

Note 12: Economic Dependency

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

Note 13: Open Space Trust Fund

The Township adopted an ordinance in 2009 to establish a "Municipal Open Space, Recreation, and Farmland and Historic Preservation Trust Fund," permitting the Township to collect a tax of up to five (\$.05) cents per \$100.00 assessed valuation for the Open Space Trust Fund. The 2017 Open Space tax levy was three (\$.03) cents or \$163,242.67 including added and omitted taxes. The balance in the Reserve for Open Space at December 31, 2017 was \$648,213.51.

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, 2017
(Continued)

Note 15: Fixed Assets (Unaudited)

	<u>Balance</u> <u>Dec. 31, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Dec. 31, 2017</u>
Land	\$ 6,149,577.00			\$ 6,149,577.00
Buildings	480,400.00			480,400.00
Machinery and Equipment	<u>1,220,464.00</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>1,220,464.00</u>
	<u>\$ 7,850,441.00</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 7,850,441.00</u>

TOWNSHIP OF FRANKLIN

SUPPLEMENTARY DATA

TOWNSHIP OF FRANKLIN
OFFICIALS IN OFFICE AND SURETY BONDS
YEAR ENDED DECEMBER 31, 2017

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

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>	<u>Name of Corporate or Personal Surety</u>
Kathryn Blew	Mayor		
Joseph Darocha	Deputy Mayor		
Susan Soloway	Committeeman		
Craig Repmann	Committeeman		
Diane Burgess	Committeeman		
Ursula Stryker	Clerk	*	*
Diane Laudenbach	Chief Financial Officer (until 4/7/17)	*	*
John Barrett	Chief Financial Officer (from 4/13/17 to 12/31/17)		
Cameron Keng	Chief Financial Officer (from 1/1/18)	*	*
Ella Malecki-Ruta	Tax Collector (until 5/31/17)	*	*
Danielle Peacock	Tax Collector (from 6/7/17)		
Mary Mastro	Tax Assessor (until 5/29/17)	*	*
Jeff Ward	Tax Assessor (from 5/30/17)		
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
2017
CURRENT FUND

TOWNSHIP OF FRANKLIN
CURRENT FUND
SCHEDULE OF CASH

	<u>Ref.</u>	
Balance December 31, 2016	A	\$ 3,099,989.31
Increased by Receipts:		
Tax Collector	\$ 13,832,108.30	
Clerk	42.31	
Revenue Accounts Receivable	648,745.37	
Miscellaneous Revenue Not Anticipated	76,955.05	
Interest on Investments and Deposits	26,808.97	
Due from Animal Control Fund:		
Settlement of Prior Year Interfund	2,827.49	
Due from Other Trust Funds:		
Partial Settlement of Prior Year Interfund	1,589.59	
Due to General Capital Fund:		
Settlement of Prior Year Interfund	263.61	
County and State Fees Payable:		
Due to County of Hunterdon	3,900.00	
Due to/from State of New Jersey:		
State Training Fees	9,148.00	
Due from State of New Jersey - Senior Citizens' and Veterans' Deductions	21,731.51	
Appropriation Refunds:		
Current Year Budget	40,015.66	
Appropriation Reserves	79.77	
	<hr/>	<hr/>
		14,664,215.63
		17,764,204.94
Decreased by Disbursements:		
2017 Appropriation Expenditures	2,724,126.84	
2016 Appropriation Reserves	47,591.14	
Local School District Taxes	6,366,955.00	
Regional High School Taxes Payable	3,249,908.01	
County Taxes	2,057,327.49	
Special District Taxes	338,791.00	
Open Space Tax	163,242.67	
Due from Other Trust Funds:		
Partial Settlement of Prior Year Interfund	167,869.94	
Due to General Capital Fund:		
Settlement of Prior Year Interfund	120,000.00	
Interfund Advanced	0.06	
Due to Federal and State Grant Fund:		
Settlement of Prior Year Interfund	4,284.29	
County and State Fees Payable:		
Due to County of Hunterdon	750.00	
Due to State of New Jersey:		
Marriage License Fees	450.00	
State Training Fees	9,244.00	
Refunds of Tax Overpayments	33,216.11	
Refund of Third Party Liens	100,762.69	
	<hr/>	<hr/>
		15,384,519.24
Balance December 31, 2017	A	<u>\$ 2,379,685.70</u>

TOWNSHIP OF FRANKLIN
CURRENT FUND
SCHEDULE OF CASH - CLERK
YEAR ENDED DECEMBER 31, 2017

	<u>Ref.</u>	
Balance December 31, 2016		\$ -0-
Increased by Receipts:		
Due to State of New Jersey:		
Marriage License Fees	\$ 350.00	
Fees and Permits	42.00	
Miscellaneous Revenue Not Anticipated	199.04	
Interest on Deposits	<u>0.78</u>	
		<u>591.82</u>
		591.82
Decreased by:		
Payments to Municipal Treasurer		<u>42.31</u>
Balance December 31, 2017	A	<u><u>\$ 549.51</u></u>

TOWNSHIP OF FRANKLIN
CURRENT FUND
SCHEDULE OF CASH - COLLECTOR
YEAR ENDED DECEMBER 31, 2017

	<u>Ref.</u>	
Balance December 31, 2016		\$ 19,557.66
Increased by Receipts:		
Taxes Receivable	\$ 13,747,880.64	
Interest and Costs on Taxes	24,022.61	
2018 Prepaid Taxes	1,074,319.08	
Third Party Liens	116,555.04	
Tax Overpayments	65,217.09	
Miscellaneous	2,562.38	
		15,030,556.84
		15,050,114.50
Decreased by:		
Payments to Municipal Treasurer		13,832,108.30
Balance December 31, 2017	A	\$ 1,218,006.20

TOWNSHIP OF FRANKLIN
FEDERAL AND STATE GRANT FUND
SCHEDULE OF CASH

	<u>Ref.</u>	
Balance December 31, 2016	A	\$ 44,841.77
Increased by Receipts:		
Due to Current Fund:		
Interest Earned	\$ 67.85	
Prior Year Interfund Settled	4,284.29	
Grant Funds Receivable	35,168.50	
		39,520.64
		84,362.41
Decreased by Disbursements:		
Appropriated Reserves		21,405.93
Balance December 31, 2017	A	\$ 62,956.48

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

Year	Balance Dec. 31, 2016	2017 Levy	Collections		Overpayments Applied	State of NJ Veterans' and Senior Citizens' Deductions	Cancelled	Transferred to Tax Title Liens	Balance Dec. 31, 2017
			2016	2017					
2013			\$	250.00		\$ (250.00)			
2014				518.49		(518.49)			
2016	\$ 208,985.09			193,952.73		(768.49)	\$ 13,060.37		\$ 1,971.99
	208,985.09			194,721.22			13,060.37		1,971.99
2017		\$ 13,919,599.85	\$ 104,548.06	13,553,159.42	\$ 5,577.23	22,500.00	\$ 37,693.26	\$ 2,254.48	193,867.40
	\$ 208,985.09	\$ 13,919,599.85	\$ 104,548.06	\$ 13,747,880.64	\$ 5,577.23	\$ 21,731.51	\$ 50,753.63	\$ 2,254.48	\$ 195,839.39

Ref. A

A

Analysis of 2017 Property Tax Levy
Tax Yield:

General Purpose Taxes	\$ 13,557,928.42								
Special District Taxes	338,791.00								
Added and Omitted Taxes	22,880.43								
				\$ 13,919,599.85					
Tax Levy:									
Local School District Taxes			\$ 6,366,955.00						
Regional High School Taxes			3,269,332.00						
Special District Taxes			338,791.00						
Municipal Open Space Taxes	\$ 162,955.87								
Municipal Open Space Taxes - Added and Omitted Taxes			286.80						
County Taxes:									
General Purpose Taxes		2,050,251.53							
Due County for Added and Omitted Taxes		3,495.81							
				2,216,990.01					
				12,192,068.01					
Local Tax for Municipal Purposes		1,706,418.00							
Add: Additional Tax Levied		21,113.84							
				1,727,531.84					
				\$ 13,919,599.85					

TOWNSHIP OF FRANKLIN
CURRENT FUND
SCHEDULE OF TAX TITLE LIENS

	<u>Ref.</u>	
Balance December 31, 2016	A	\$ 15,683.89
Increased by:		
Transfer from Taxes Receivable		<u>2,254.48</u>
		17,938.37
Decreased by:		
Cancellation		<u>85.65</u>
Balance December 31, 2017	A	<u><u>\$ 17,852.72</u></u>

TOWNSHIP OF FRANKLIN
CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE
YEAR ENDED DECEMBER 31, 2017

	<u>Accrued In</u> <u>2017</u>	<u>Collected by</u> <u>Treasurer</u>	<u>Collected by</u> <u>Clerk</u>
Licenses:			
Alcoholic Beverages	\$ 4,920.00	\$ 4,920.00	
Fees and Permits	24,878.10	24,836.10	\$ 42.00
Fines and Costs:			
Municipal Court	60,286.58	60,286.58	
Energy Receipts Tax	259,544.00	259,544.00	
Reserve for Affordable Housing	24,623.00	24,623.00	
General Capital Fund Balance	91,379.00	91,379.00	
NJ Hotel Occupancy Tax	105,603.69	105,603.69	
Uniform Construction Code Fees	77,553.00	77,553.00	
	<u>\$ 648,787.37</u>	<u>\$ 648,745.37</u>	<u>\$ 42.00</u>

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

	Balance Dec. 31, 2016	2017 Budget Revenue Realized	Cash Received in Federal and State Grant Fund	Transferred from Unappropriated Reserves	Balance Dec. 31, 2017
Recycling Tonnage Grant					
2016	\$ 5,657.71	\$ 5,657.71	5,657.71		
2017	7,236.06	7,236.06	7,236.06		
Body Armor Fund					
Clean Communities		982.07	982.07		
2016		11,569.29	11,569.29		
2017		13,617.94		\$ 13,617.94	
Drunk Driving Enforcement Fund					
2017		3,500.00	3,500.00		
Drive Sober or Get Pulled Over					
Distracted Driver		4,592.32	4,592.32		
Click It or Ticket		1,631.05	1,631.05		
Walmart Donation - Police Equipment		2,500.00		2,500.00	
Statewide Insurance Fund - Bulletproof Vest	\$ 407.33				\$ 407.33
	\$ 407.33	\$ 51,286.44	\$ 35,168.50	\$ 16,117.94	\$ 407.33

A

A

TOWNSHIP OF FRANKLIN
CURRENT FUND
SCHEDULE OF 2016 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2017

	<u>Balance</u> <u>Dec. 31, 2016</u>	<u>Budget After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
Mayor and Council:				
Salaries and Wages	\$ 748.97	\$ 748.97		\$ 748.97
Other Expenses	4,481.00	4,481.00	\$ 2,487.00	1,994.00
Municipal Clerk:				
Salaries and Wages	11,785.67	11,785.67		11,785.67
Other Expenses	7,159.72	7,159.72	750.21	6,409.51
Election	636.44	636.44	240.00	396.44
Financial Administration:				
Salaries and Wages	209.48	209.48		209.48
Other Expenses	2,968.23	2,968.23	1,677.29	1,290.94
Annual Audit Services	3,000.00	3,000.00		3,000.00
Technology Consultant:				
Other Expenses	5,000.00	5,000.00	5,000.00	
Revenue Administration (Tax Collection):				
Salaries and Wages	1,815.51	1,815.51		1,815.51
Other Expenses	623.10	623.10	395.00	228.10
Tax Assessment Administration:				
Salaries and Wages	160.20	160.20		160.20
Other Expenses	120.90	120.90	10.27	110.63
Revision of Tax Map	4,000.00	4,000.00		4,000.00
Legal Services & Costs:				
Other Expenses	61,433.85	61,433.85	7,353.09	54,080.76
Municipal Land Use Law (NJSA 40:55D-1):				
Planning Board:				
Salaries and Wages	1,896.25	1,896.25		1,896.25
Other Expenses	7,601.75	7,601.75	33.63	7,568.12
Zoning Official:				
Salaries and Wages	460.66	460.66		460.66
Other Expenses	392.84	392.84		392.84
Environmental Commission:				
Other Expenses	640.00	640.00		640.00
Insurance:				
Other Insurance Premiums	489.88	489.88		489.88
General Liability	289.00	289.00		289.00
Employee Group Health	3,149.91	3,149.91		3,149.91
Health Benefit Waiver	9,282.00	9,282.00	5,000.00	4,282.00
Police:				
Salaries and Wages	2,315.21	2,315.21		2,315.21
Other Expenses	17,473.67	17,473.67	5,443.35	12,030.32
Emergency Management Services:				
Salaries and Wages	722.50	722.50		722.50
Other Expenses	2,174.94	2,174.94		2,174.94
Road Repairs and Maintenance:				
Salaries and Wages	6,935.98	6,935.98		6,935.98
Other Expenses	19,964.15	19,964.15	1,227.05	18,737.10

TOWNSHIP OF FRANKLIN
CURRENT FUND
SCHEDULE OF 2016 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2017
(Continued)

	<u>Balance</u> <u>Dec. 31, 2016</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	\$ 22,890.49	\$ 22,890.49		\$ 22,890.49
Other Expenses	18,908.45	18,908.45	\$ 5,474.02	13,434.43
Public Buildings & Grounds:				
Salaries and Wages	15.17	15.17		15.17
Other Expenses	23,834.04	23,834.04		23,834.04
Board of Health:				
Salaries and Wages	503.56	503.56		503.56
Other Expenses	100.00	100.00		100.00
Recreation:				
Senior Citizen Contribution	6,500.00	6,500.00	6,500.00	
UNIFORM CONSTRUCTION CODE:				
Construction Official:				
Salaries and Wages	2,578.01	2,578.01		2,578.01
Other Expenses	1,548.97	1,548.97		1,548.97
Utility and Bulk Purchases:				
Electricity	4,249.13	4,249.13	989.34	3,259.79
Street Lighting	2,056.22	2,056.22	263.56	1,792.66
Telephone	15,664.43	15,664.43	107.74	15,556.69
Gasoline and Diesel Fuel	11,466.95	11,466.95	1,763.72	9,703.23
Heating Oil	12,042.95	12,042.95	796.10	11,246.85
Contingent	500.00	500.00		500.00
Statutory Expenditures:				
Contribution to:				
Social Security System (OASI)	6,956.89	6,956.89		6,956.89
Defined Contribution Retirement Plan	319.08	319.08		319.08
Unemployment Compensation Insurance	2,000.00	2,000.00	2,000.00	
Affordable Housing Administration:				
Salaries and Wages	5,000.00	5,000.00		5,000.00
Shared Service Agreements:				
Joint Municipal Court:				
Other Expenses - Contractual	16,021.48	16,021.48		16,021.48
	<u>\$ 331,087.63</u>	<u>\$ 331,087.63</u>	<u>\$ 47,511.37</u>	<u>\$ 283,576.26</u>

Analysis of Balance December 31, 2017

Unencumbered	\$ 311,611.86		
Encumbered	19,475.77		
	<u>\$ 331,087.63</u>		
		Cash Disbursed	\$ 47,591.14
		Less: Appropriation Refunds	(79.77)
			<u>\$ 47,511.37</u>

TOWNSHIP OF FRANKLIN
CURRENT FUND
SCHEDULE OF LOCAL SCHOOL DISTRICT TAXES PAYABLE
YEAR ENDED DECEMBER 31, 2017

Increased by:		
Levy - Calendar Year 2017		\$ 6,366,955.00
Decreased by:		
Payments to Local School District		\$ 6,366,955.00

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

	<u>Ref.</u>	
Balance December 31, 2016		
Regional High School Taxes Payable	A	\$ 1,146,811.82
Regional High School Taxes Deferred		468,430.00
		1,615,241.82
Increased by:		
Levy - School Year July 1, 2017 thru June 30, 2018		3,269,332.00
		4,884,573.82
Decreased by:		
Payments to Regional High School		3,249,908.01
Balance December 31, 2017		
Regional High School Taxes Payable	A	1,166,235.81
Regional High School Taxes Deferred		468,430.00
		\$ 1,634,665.81

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

	Balance Dec. 31, 2016	Transferred from 2017 Budget Appropriations	Expended	Balance Dec. 31, 2017
Body Armor Grant:				
2014	\$ 587.88			\$ 587.88
2015	920.97			920.97
2016	981.19			981.19
2017		\$ 982.07		982.07
Clean Communities Program:				
2013	5,159.11		\$ 5,159.11	
2014	9,801.41		4,079.89	5,721.52
2015	2,461.09			2,461.09
2016		13,617.94		13,617.94
2017		11,569.29		11,569.29
Emergency Management Assistance:				
2011	942.78			942.78
2012	11.50			11.50
Recycling Tonnage Grant				
2014	136.23		136.23	0.00
2016	6,224.44		6,224.44	
2017		5,657.71	4,858.06	799.65
2018		7,236.06		7,236.06
Drunk Driving Enforcement Fund				
2015	1,898.93			1,898.93
2016	3,500.00			3,500.00
2017		3,500.00		3,500.00
Click It or Ticket		1,631.05		1,631.05
Distracted Driver		4,592.32	948.20	3,644.12
Private Donations - Police Department	789.92			789.92
Walmart Donation - Police Equipment - 2017		2,500.00		2,500.00
	<u>\$ 33,415.45</u>	<u>\$ 51,286.44</u>	<u>\$ 21,405.93</u>	<u>\$ 63,295.96</u>
<u>Ref.</u>	A			A
State		\$ 42,563.07	\$ 20,457.73	
Federal		6,223.37	948.20	
Local		2,500.00		
		<u>\$ 51,286.44</u>	<u>\$ 21,405.93</u>	

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

	Balance Dec. 31, 2016	Transferred to 2017 Budget Revenue
Clean Communities Grant	\$ 13,617.94	\$ 13,617.94
Walmart Donation	2,500.00	2,500.00
	<u>\$ 16,117.94</u>	<u>\$ 16,117.94</u>
	<u>Ref.</u>	A

TOWNSHIP OF FRANKLIN
COUNTY OF HUNTERDON
2017
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, 2016	B	\$ 10,824.29	\$ 1,806,672.33
Increased by Receipts:			
License Fees Collected		\$ 4,082.40	
Prepaid License Fees Collected		60.00	
Late Fees		442.00	
State Registration Fees		696.60	
Due Current Fund:			
Partial Settlement of Prior Year Interfund			\$ 167,869.94
Interest Earned		96.18	532.14
Tax Sale Premium			19,300.00
Developers' Escrow			130,645.65
Recreation			18,630.62
Council on Affordable Housing			14,767.06
DEA Equitable Receipts			1,350.00
Fair Housing Program Deposits			4,196.18
Police Outside Duties Deposits			19,774.65
Open Space:			
2017 Tax Levy			163,242.67
Interest Earned			2,745.99
Recycling			367.50
State Unemployment Insurance Compensation:			
Interest Earned			613.81
Employee Withholdings			1,799.66
Budget Appropriations			4,000.00
Flexible Spending Receipts			4,496.82
Accumulated Absences			30,000.00
		<u>5,377.18</u>	<u>584,332.69</u>
		16,201.47	2,391,005.02
Decreased by Disbursements:			
Due to State Board of Health		609.60	
Expenditures Under R.S. 4:19-15.11		2,388.00	
Due to Current Fund			
Partial Settlement of Prior Year Interfund		2,827.49	1,589.59
Developers' Escrow			51,964.88
Tax Sale Premium			5,800.00
Recreation Expenditures			14,982.78
D.A.R.E. Expenditures			1,154.00
Fair Housing Program Expenditures			6,799.75
Council on Affordable Housing Expenditures			24,623.00
Police Outside Duties Expenditures			17,663.77
Open Space			18,000.00
State Unemployment Insurance Compensation			230.12
Accumulated Absences			44,774.06
Flexible Spending Expenditures			3,586.15
		<u>5,825.09</u>	<u>191,168.10</u>
Balance December 31, 2017	B	<u>\$ 10,376.38</u>	<u>\$ 2,199,836.92</u>

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

	<u>Ref.</u>		
Balance December 31, 2016	B		\$ 7,776.00
Increased by:			
Dog License Fees Collected		\$ 4,082.40	
Late Fees		442.00	
		4,524.40	
			12,300.40
Decreased by:			
Expenditures Under R.S. 4:19-15.11		2,388.00	
Statutory Excess Due to Current Fund		2,849.20	
		5,237.20	
Balance December 31, 2017	B		\$ 7,063.20

License Fees Collected

<u>Year</u>		<u>Amount</u>	
2015		\$ 3,661.20	
2016		3,402.00	
		7,063.20	
Maximum Allowable Reserve		\$ 7,063.20	

TOWNSHIP OF FRANKLIN
COUNTY OF HUNTERDON
2017
GENERAL CAPITAL FUND

TOWNSHIP OF FRANKLIN
GENERAL CAPITAL FUND
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	
Balance December 31, 2016	C	\$ 371,163.69
Increased by Receipts:		
2017 Budget Appropriation:		
Capital Improvement Fund		\$ 250,000.00
Deferred Charges to Future Taxation - Unfunded		24,622.94
Due from Current Fund:		
Interfund Advanced		0.06
Interest Earned		574.40
Settlement of Prior Year Interfund		120,000.00
		<u>395,197.40</u>
		<u>766,361.09</u>
Decreased by:		
Improvement Authorizations		306,955.64
Fund Balance Anticipated as Revenue in Current Fund Budget		91,379.00
Due to Current Fund:		
Settlement of Prior Year Interfund		263.61
		<u>398,598.25</u>
Balance December 31, 2017	C	<u>\$ 367,762.84</u>

TOWNSHIP OF FRANKLIN
GENERAL CAPITAL FUND
ANALYSIS OF CASH

	Ord. Date	Improvement Description	Balance/ (Deficit) Dec. 31, 2016	Receipts		Disbursements		Transfers		Balance/ (Deficit) Dec. 31, 2017
				Budget Appropriation	Miscellaneous	Improvement Authorizations	Miscellaneous	From	To	
Fund Balance			\$ 218,131.98				\$ 91,379.00			\$ 126,752.98
Capital Improvement Fund			104,011.35	\$ 250,000.00				\$ 225,000.00		129,011.35
Due to/(from) Current Fund			(119,736.39)		\$ 120,574.46		263.61			574.46
New Jersey Department of Transportation Grant Receivable Reserve for:			(40,000.00)							(40,000.00)
Acquisition, Development and Easement for Farmland Preservation			105,785.00							105,785.00
			(24,622.94)	24,622.94						
		Purchase Real Property (8 Frontage Road)	14,809.72			\$ 14,189.56				620.16
		Purchase of Drainage Materials and Reconstruction, Resurfacing, and Improvement of Various Public Roads	(77.79)							(77.79)
		Acquisition of Real Property for Affordable Housing or Other Municipal Purposes (Stryker Property)	(62.00)							(62.00)
		Improvements to West Sydney Road	761.88							761.88
		Chip and Seal of Various Roads	609.38							609.38
		Chip and Seal of Various Roads	19,787.00			19,787.00				
		Asphalt Overlay of Various Roads								
		Replacement of the Stainless Steel Dump Body for the 2005 Mack CV 712 Truck	22.00							22.00
		Improvement of West Sidney Road	91,744.50			84,820.31				6,924.19
		Chip & Seal Various Roads				84,879.39		\$ 85,000.00		120.61
		Drain & Overlay Old Franklin Road				103,279.38		140,000.00		36,720.62
			\$ 371,163.69	\$ 274,622.94	\$ 120,574.46	\$ 306,955.64	\$ 91,642.61	\$ 225,000.00	\$ 225,000.00	\$ 367,762.84

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

Ord. No.	Improvement Description	Balance Dec. 31, 2016	Paid by Budget Appropriation	Balance Dec. 31, 2017	Analysis of Balance Dec. 31, 2017	
					Bond Anticipation Notes	Expenditures
02-01	Purchase of Real Estate (8 Frontage Road)	\$ 24,622.94	\$ 24,622.94			
08-12	Acquisition of Real Property for Affordable Housing or Other Municipal Purposes (Stryker Property)	101,777.79	33,600.00	\$ 68,177.79	\$ 68,100.00	\$ 77.79
10-04	Improvements to West Sydney Road	111,362.00	16,900.00	94,462.00	94,400.00	62.00
		<u>\$ 237,762.73</u>	<u>\$ 75,122.94</u>	<u>\$ 162,639.79</u>	<u>\$ 162,500.00</u>	<u>\$ 139.79</u>

Ref. C

C

TOWNSHIP OF FRANKLIN
GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord. No.	Improvement Description	Ordinance Date	Amount	Balance Dec. 31, 2016		2017 Authorizations		Paid or Charged	Balance Dec. 31, 2017 Funded
				Funded	Funded	Capital Improvement Fund	Funded		
08-09	Purchase of Drainage Materials and Reconstruction, Resurfacing and Improvement of Various Public Roads	11/13/08	\$ 116,000.00	\$ 14,809.72	\$	\$ 14,189.56	\$	620.16	
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	609.38				609.38	
15-04	Asphalt Overlay of Various Roads	09/24/15	140,000.00	19,787.00		19,787.00			
15-05	Replacement of the Stainless Steel Dump Body for the 2005 Mack CV 712 Truck	09/24/15	27,000.00	22.00				22.00	
15-07	Improvement of West Sidney Road	10/22/15	195,000.00	91,744.50		84,820.31		6,924.19	
17-05	Chip & Seal Various Roads	06/22/17	85,000.00		\$ 85,000.00	84,879.39		120.61	
17-06	Drain & Overlay Old Franklin Road	06/22/17	140,000.00		140,000.00	103,279.38		36,720.62	
				\$ 127,734.48	\$ 225,000.00	\$ 306,955.64		\$ 45,778.84	
			<u>Ref.</u>						
								C	

TOWNSHIP OF FRANKLIN
GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2016	C	\$ 104,011.35
Increased by:		
2017 Budget Appropriation		<u>250,000.00</u>
		354,011.35
Decreased by:		
Appropriated to Finance Improvement Authorizations		<u>225,000.00</u>
Balance December 31, 2017	C	<u><u>\$ 129,011.35</u></u>

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

Ord. No.	Improvement Description	Date of			Interest Rate	Balance Dec. 31, 2016	Retired or Matured	Balance Dec. 31, 2017
		Original Note	Issue	Maturity				
08-12	Acquisition of Real Property for Affordable Housing or Other Municipal Purposes (Stryker Property)	7/10/2008	8/19/2016	8/18/2017	1.00%	\$ 101,700.00	\$ 101,700.00	\$ 68,100.00
			8/18/2017	8/17/2018	1.50%			
10-04	Improvements to West Sydney Road	8/23/2013	8/19/2016	8/18/2017	1.00%	111,300.00	111,300.00	94,400.00
			8/18/2017	8/17/2018	1.50%			
					<u>\$ 213,000.00</u>	<u>\$ 213,000.00</u>	<u>\$ 162,500.00</u>	
				<u>Ref.</u>	<u>C</u>		<u>C</u>	
	Renewals					\$ 162,500.00	\$ 162,500.00	
	Funded by Budget Appropriation:							
	Payment of Bond Anticipation Notes						50,500.00	
						<u>\$ 162,500.00</u>	<u>\$ 213,000.00</u>	

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

	<u>Ref.</u>	
Balance December 31, 2016	C	\$ 235,079.77
Decreased by:		
Principal Matured		34,216.75
Balance December 31, 2017	C	\$ 200,863.02

Schedule of Principal and Interest Payments Outstanding December 31, 2017

<u>Payment Number</u>	<u>Due Date</u>	<u>Interest</u>	<u>Principal</u>	<u>Loan Balance</u>
				\$ 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-
		\$ 12,251.62	\$ 200,863.02	

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

Ordinance No.	Improvement Description	Balance	Funded by	Bond	Bond	Balance
		Dec. 31, 2016	Budget Appropriation	Anticipation Notes Matured	Anticipation Notes Issued	Dec. 31, 2017
02-01	Purchase of Real Estate (8 Frontage Road)	\$ 24,622.94	\$ 24,622.94			
08-12	Acquisition of Real Property for Affordable Housing or Other Municipal Purposes (Stryker Property)	77.79	33,600.00	\$ 101,700.00	\$ 68,100.00	\$ 77.79
10-04	Improvements to West Sydney Road	62.00	16,900.00	111,300.00	94,400.00	62.00
		\$ 24,762.73	\$ 75,122.94	\$ 213,000.00	\$ 162,500.00	\$ 139.79

TOWNSHIP OF FRANKLIN

PART II

SINGLE AUDIT

YEAR ENDED DECEMBER 31, 2017

TOWNSHIP OF FRANKLIN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2017

Name of Federal Agency or Department	Name of Program	Pass Through Entity ID	C.F.D.A. Number	Grant Period From	Grant Period To	Grant Award Amount	Amount Received	Amount of Expenditures	Total Cumulative Expenditures	Amount Provided to Subrecipients
U.S. Department of Transportation (Passed through New Jersey Department of Law and Public Safety)										
	Click It or Ticket	066-1160-100-155-031000	20.616	01/01/17	12/31/18	\$ 1,631.05	\$ 1,631.05			
	National Priority Safety Programs: Distracted Driving Incentive	066-1160-100-158-031030	20.616	01/01/17	12/31/18	4,592.32	4,592.32	\$ 948.20	\$ 948.20	
	Total U.S. Department of Transportation					6,223.37	6,223.37	948.20	948.20	
	Total Federal Awards					\$ 6,223.37	\$ 6,223.37	\$ 948.20	\$ 948.20	\$ -0-

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

TOWNSHIP OF FRANKLIN
 SCHEDULE OF EXPENDITURES OF STATE AWARDS
 YEAR ENDED DECEMBER 31, 2017

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	12/31/17	\$ 10,448.44		\$ 5,159.11	\$ 10,448.44
2014	004-178910	01/01/14	12/31/18	9,801.41		4,079.89	4,079.89
2017		01/01/17	12/31/18	11,569.29	\$ 11,569.29	9,239.00	14,528.33
Recycling Tonnage Grant:							
2014		01/01/14	12/31/17	6,127.58		136.23	6,127.58
2016	042-4910-100-	01/01/16	12/31/17	6,224.44		6,224.44	6,224.44
2017	224-238490	01/01/17	12/31/18	5,657.71	5,657.71	4,858.06	4,858.06
2018		01/01/17	12/31/18	7,236.06	7,236.06	11,218.73	17,210.08
Total Department of Environmental Protection				24,463.06	24,463.06	20,457.73	31,738.41
<u>Department of Law and Public Safety:</u>							
Drunk Driving Enforcement Fund	100-078-6400						
2017	260-YYYY	01/01/17	12/31/18	3,500.00	3,500.00		
Body Armor Grant:	066-1020-718						
2017	-001-090160	01/01/17	12/31/18	982.07	982.07		
Total Department of Law and Public Safety				4,482.07	4,482.07		
Total State Awards				\$ 28,945.13	\$ 28,945.13	\$ 20,457.73	\$ 31,738.41

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, 2017

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, 2017. 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 not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

C. Relationship to Federal and State Financial Reports

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

D. State Loans Outstanding

The Township of Franklin has the following loan outstanding as of December 31, 2017:

Green Trust Loan Payable	<u>\$ 200,863.02</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, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated February 28, 2018. 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. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as Finding 2017-01, 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

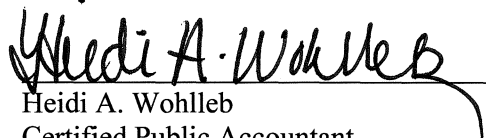
The Township's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. The Township's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
February 28, 2018

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, 2017

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, 2017 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 2017-01

Segregation of Duties

Criteria

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

Condition

The 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 were performed by the Finance Consultant and all of the payroll duties were performed by the Finance Assistant without oversight supervision of these functions.

Cause

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

TOWNSHIP OF FRANKLIN
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2017
(Continued)

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

Finding 2017-01 (Cont'd)

Segregation of Duties (Cont'd)

Effect or Potential Effect

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

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, 2017

The prior year finding regarding segregation of duties has not been resolved due to budgetary constraints and is included as current year Finding 2017-01.

TOWNSHIP OF FRANKLIN

PART III

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2017

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 July 1, 2015 and thereafter, the bid thresholds in accordance with N.J.S.A. 40A:11-3 and 40A:11-4 (as amended) are \$17,500 for a contracting unit without a qualified purchasing agent and \$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.

Collection of Interest on Delinquent Taxes and Utility Charges

On January 5, 2017, 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 July 31, 2017, 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>
2017	4
2016	4
2015	6

It is essential to good management that all means provided by statute be utilized to liquidate tax title liens in order to get such properties back on a 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 2018 Taxes	20
Payments of 2017 Taxes	20
Delinquent Taxes Receivable	20
Tax Title Liens Receivable	2

Verification notices were mailed to confirm balances receivable as of December 31, 2017. 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 and the preparation of the general ledger for the various funds were performed by the Finance Consultant and all of the payroll duties were performed by the Finance Assistant without oversight supervision of these functions. 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

Two ordinances have very small deficit cash balances at December 31, 2017. 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 five years and will fund the remainder of this debt over the next two years. No formal recommendation is judged to be warranted.

Tax Collector's Records

During our testing, the following items were noted:

- a.) A monthly tax collections report was not prepared and reconciled with collections per the Treasurer.
- b.) The amount of tax sale premiums per the analysis prepared by the Tax Collector is \$14,100 less than the amount in the Reserve for Tax Sale Premiums recorded in the Finance Department's records.

It is recommended that:

- a.) A monthly tax collections report be prepared and reconciled with collections per the Treasurer.
- b.) The difference in the balance between the Tax Collector's analysis and the Reserve for Tax Sale Premiums be resolved.

Management's Response

The Township will ensure that monthly tax collections report be prepared and reconciled with collections per the Treasurer and that the difference in the balance between the Tax Collector's analysis and the Reserve for Tax Sale Premiums is resolved.

Animal Control Fund

Our audit procedures revealed the following deposits for the Animal Control Fund were not always made in a timely manner. It is recommended that Animal Control Fund receipts be deposited within 48 hours as per State statute.

Management's Response

The Township will ensure that Animal Control Fund receipts are deposited within 48 hours as per State statute and that State dog reports are prepared on a monthly basis. The custody of the Animal Control Treasurer's account has already been transferred to the Treasurer and a separate Animal Control Collector's account has already been established.

Treasurer's Records

Our audit procedures revealed that there was no analysis of balance at year end for the Payroll Agency account. It is recommended that an analysis of balance for the Payroll Agency account be prepared.

Management's Response

The Township will ensure that an analysis of balance for the Payroll Agency account is prepared.

TOWNSHIP OF FRANKLIN
COMMENTS AND RECOMMENDATIONS
(Continued)

Outside Departments

Our audit procedures revealed the following:

- 1) Collections per the various outside departments were not reconciled with collections per the Treasurer.
- 2) There are a small number of full-time Township employees so often these employees will accept collections for the various outside departments.
- 3) A cashbook was not maintained for Recreation collections.

It is recommended that:

- 1) Monthly reports are prepared by the various outside departments which are reconciled with collections per the Treasurer.
- 2) Procedures should be developed to ensure that adequate internal controls are in place over departmental collections.
- 3) A cashbook be maintained for Recreation collections.

Management's Response

Monthly reports will be prepared by the various outside departments and reconciled with collections per the Treasurer, procedures will be developed to ensure that adequate internal controls are in place over departmental collections and a cashbook will be maintained for Recreation collections.

Corrective Action Plan

The Township has initiated a corrective action plan to resolve the comments and recommendations from the 2016 Audit Report. The prior year recommendations regarding tax collections being deposited within 48 hours, the preparation of monthly bank reconciliations for the tax account, the proper recording of tax title lien activity, the State dog reports being prepared on a monthly basis, the Animal Control Treasurer's account being in the custody of the Treasurer, new employees being officially approved by the Governing Body, the General Trust bank account being fully reconciled and prenumbered receipts being issued for all collections were resolved. The prior year recommendations regarding segregation of duties, monthly tax collections reports being prepared and reconciled with collections per the Treasurer, the difference in balance between the Tax Collector's analysis and the Reserve for Tax Sale Premiums, Animal Control Fund receipts being deposited within 48 hours, collections per the various outside departments being reconciled with collections per the Treasurer, procedures for adequate internal controls over departmental collections and a cashbook for Recreation deposits were not resolved and are included in the current year comments and recommendations.

TOWNSHIP OF FRANKLIN
SUMMARY OF RECOMMENDATIONS

It is recommended that:

1. Consideration be given to providing for a more adequate segregation of duties with respect to the recording and treasury functions.
2. Finance Department:
 - a. A monthly tax collections report be prepared and reconciled with collections per the Treasurer.
 - b. The difference in the balance between the Tax Collector's analysis and the Reserve for Tax Sale Premiums be resolved.
3. Animal Control Fund receipts be deposited within 48 hours as per State statute.
4. An analysis of balance for the Payroll Agency account be prepared.
5. Outside Departments:
 - a. Monthly reports are prepared by the various outside departments which are reconciled with collections per the Treasurer.
 - b. Procedures should be developed to ensure that adequate internal controls are in place over departmental collections.
 - c. A cashbook be maintained for Recreation collections.

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