

*TOWNSHIP OF FRANKLIN*  
*COUNTY OF HUNTERDON*  
*REPORT OF AUDIT*  
*2018*

*NISIVOCIA LLP*  
*CERTIFIED PUBLIC ACCOUNTANTS*

TOWNSHIP OF FRANKLIN  
COUNTY OF HUNTERDON  
REPORT OF AUDIT  
2018

TOWNSHIP OF FRANKLIN  
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TOWNSHIP OF FRANKLIN

PART I

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2018

## 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, 2018 and 2017, 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.

***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, 2018 and 2017, 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, 2018 and 2017 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, 2018 and 2017, and the results of operations and changes in fund balance, where applicable, of such funds, thereof for the years then ended on the basis of the accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, as described in Note 1.

***Emphasis of Matter***

As discussed in Note 16 to the financial statements, the Township implemented Governmental Accounting Standards Board ("GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, during the year ended December 31, 2018. Our opinions are not modified with respect to this matter.

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2019 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

Mount Arlington, New Jersey  
May 29, 2019

NISIVOCIA LLP

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



TOWNSHIP OF FRANKLIN  
COUNTY OF HUNTERDON  
2018  
CURRENT FUND

TOWNSHIP OF FRANKLIN  
CURRENT FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	Ref.	December 31,	
		2018	2017
<u>ASSETS</u>			
Regular Fund:			
Cash and Cash Equivalents:			
Treasurer	A-4	\$ 929,110.04	\$ 2,379,685.70
Clerk	A-4a	1,098.68	549.51
Tax Collector	A-5	1,176,763.76	1,218,006.20
Change Fund		25.00	25.00
		<u>2,106,997.48</u>	<u>3,598,266.41</u>
Due from State of New Jersey:			
Senior Citizens and Veterans Deductions		6,357.44	6,607.44
		<u>2,113,354.92</u>	<u>3,604,873.85</u>
Receivables and Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	A-7	294,950.45	195,839.39
Tax Title Liens Receivable	A-8	20,091.25	17,852.72
Property Acquired for Taxes - Assessed Valuation		400.00	400.00
Revenue Accounts Receivable	A-9	2,729.26	
Due from:			
Federal and State Grant Fund	A	9,601.85	67.85
Animal Control Fund	B	4,617.12	2,945.38
Other Trust Funds	B	59,045.81	19,486.12
General Capital Fund	C	233,977.30	574.46
Payroll Account		34,821.97	
Total Receivables and Other Assets with Full Reserves		<u>660,235.01</u>	<u>237,165.92</u>
Total Regular Fund		<u>2,773,589.93</u>	<u>3,842,039.77</u>
Federal and State Grant Fund:			
Cash and Cash Equivalents	A-6	66,919.53	62,956.48
Grants Receivable	A-10	5,407.33	407.33
Total Federal and State Grant Fund		<u>72,326.86</u>	<u>63,363.81</u>
TOTAL ASSETS		<u>\$ 2,845,916.79</u>	<u>\$ 3,905,403.58</u>

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

	Ref.	December 31,	
		2018	2017
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Regular Fund:			
Appropriation Reserves:			
Encumbered	A-3;A-11		\$ 7,893.21
Unencumbered	A-3;A-11	\$ 310,615.95	221,952.43
		310,615.95	229,845.64
Regional High School Taxes Payable	A-13	693,450.82	1,166,235.81
County Tax Payable		11,735.73	3,495.81
Prepaid Taxes		231,920.37	1,074,319.08
County and State Fees Payable		6,891.00	5,164.00
Tax Overpayments		2,009.54	33,519.72
Reserve for Third Party Liens			15,792.35
		1,256,623.41	2,528,372.41
Reserve for Receivables and Other Assets	A	660,235.01	237,165.92
Fund Balance	A-1	856,731.51	1,076,501.44
Total Regular Fund		2,773,589.93	3,842,039.77
Federal and State Grant Fund:			
Due to Current Fund	A	9,601.85	67.85
Appropriated Reserves	A-14	49,948.13	63,295.96
Unappropriated Reserves	A-15	12,776.88	
Total Federal and State Grant Fund		72,326.86	63,363.81
<b>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</b>		<b>\$ 2,845,916.79</b>	<b>\$ 3,905,403.58</b>

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,	
		2018	2017
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized		\$ 400,000.00	\$ 592,600.00
Miscellaneous Revenue Anticipated		906,474.30	752,176.74
Receipts from:			
Delinquent Taxes		195,813.89	194,721.22
Current Taxes		13,918,085.52	13,685,784.71
Nonbudget Revenue		36,284.33	82,565.67
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		192,335.74	283,576.26
Interfunds Returned			2,827.49
Cancellation of Special District Taxes		3,215.36	
Cancellation of Tax Overpayments		499.51	
		<u>15,652,708.65</u>	<u>15,594,252.09</u>
<u>Expenditures</u>			
Budget Appropriations - Municipal Purposes		2,868,063.02	2,965,243.26
Municipal Open Space Taxes		27,682.65	163,242.67
County Taxes		2,163,448.58	2,050,251.53
County Added and Omitted Taxes		11,735.73	3,495.81
Regional High School Taxes		3,485,643.00	3,269,332.00
Local District School Taxes		6,254,950.00	6,366,955.00
Special District Taxes		341,965.36	338,791.00
Prior Year Senior Citizen Deductions Disallowed			768.49
Refund of Prior Year Taxes			4,273.40
Interfunds Advanced		318,990.24	23,073.81
		<u>15,472,478.58</u>	<u>15,185,426.97</u>
Excess in Revenue		180,230.07	408,825.12
Balance January 1		<u>1,076,501.44</u>	<u>1,260,276.32</u>
		1,256,731.51	1,669,101.44
Decreased by:			
Utilized as Anticipated Revenue		<u>400,000.00</u>	<u>592,600.00</u>
Balance December 31	A	<u>\$ 856,731.51</u>	<u>\$ 1,076,501.44</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, 2018

	<u>Budget</u>	<u>Realized</u>	<u>Excess or Deficit*</u>
Fund Balance Anticipated	\$ 400,000.00	\$ 400,000.00	
Miscellaneous Revenue:			
Licenses:			
Alcoholic Beverages	4,900.00	4,920.00	\$ 20.00
Fees and Permits	20,000.00	27,357.45	7,357.45
Fines and Costs:			
Municipal Court	55,000.00	55,646.31	646.31
Interest and Costs on Taxes	20,600.00	41,799.75	21,199.75
Interest on Investments and Deposits	25,750.00	50,155.13	24,405.13
NJ Hotel Occupancy Tax	100,000.00	113,553.66	13,553.66
Energy Receipts Tax	259,544.00	259,544.00	
Uniform Construction Code Fees	70,000.00	183,048.00	113,048.00
General Capital Fund Balance	157,950.00	157,950.00	
Reserve for Walmart Grant - Police Equipment	2,500.00	2,500.00	
Sustainable Jersey Grant	10,000.00	10,000.00	
	<u>726,244.00</u>	<u>906,474.30</u>	<u>180,230.30</u>
Receipts from Delinquent Taxes	<u>190,000.00</u>	<u>195,813.89</u>	<u>5,813.89</u>
Amount to be Raised by Taxes for Support of Municipal Budget:			
Local Tax for Municipal Purposes	<u>1,887,838.62</u>	<u>1,957,660.20</u>	<u>69,821.58</u>
Budget Totals	3,204,082.62	3,459,948.39	255,865.77
Nonbudget Revenue		<u>36,284.33</u>	<u>36,284.33</u>
	<u>\$ 3,204,082.62</u>	<u>\$ 3,496,232.72</u>	<u>\$ 292,150.10</u>

TOWNSHIP OF FRANKLIN  
CURRENT FUND  
STATEMENT OF REVENUE - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

Allocation of Current Tax Collections:

Revenue from Collection of Current Taxes		\$ 13,918,085.52
Allocated to:		
County, Special District, Local School and Regional School Taxes	\$ 12,257,742.67	
Municipal Open Space Taxes	27,682.65	
		12,285,425.32
Balance for Support of Municipal Budget		1,632,660.20
Add: Appropriation "Reserve for Uncollected Taxes"		325,000.00
		\$ 1,957,660.20
Realized for Support of Municipal Budget		

Analysis of Interest on Investments:

Cash Received - Treasurer	\$ 18,952.71	
Cash Received - Clerk	9.92	
Cash Received - Collector	19,038.47	
Due from Federal and State Grant Fund	861.50	
Due from Animal Control Fund	121.94	
Due from Other Trust Funds	4,817.75	
Due from General Capital Fund	6,352.84	
		\$ 50,155.13

Analysis of Nonbudget Revenue:

Treasurer:		
Clothing Bin	\$ 450.00	
Community Day Donations	500.00	
Driveway	100.00	
Hunting Lease	800.00	
Insurance Refunds	4,724.52	
Sale of Municipal Assets	21,873.97	
Senior Citizens' and Veterans' Deductions		
Administrative Reimbursement	395.00	
Other Miscellaneous Revenue	4,562.93	
		\$ 33,406.42
Clerk:		
Miscellaneous		63.25
Tax Collector:		
Miscellaneous		564.86
Due from Animal Control Fund:		
Statutory Excess in Reserve for Animal Control Fund Expenditures		1,549.80
Due from Other Trust Funds:		
Miscellaneous		700.00
		\$ 36,284.33

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, 2018

	Appropriations		Expended By		Unexpended Balance Canceled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS":					
GENERAL GOVERNMENT:					
Municipal Clerk:					
Salaries and Wages	\$ 118,528.00	\$ 118,528.00	\$ 118,356.21	\$ 171.79	
Other Expenses	46,500.00	53,826.73	53,826.73		
Mayor and Council:					
Salaries and Wages	18,832.00	18,832.00	17,393.75	1,438.25	
Other Expenses	5,000.00	5,000.00	199.95	4,800.05	
Elections:					
Other Expenses	3,000.00	3,000.00	2,371.14	628.86	
Financial Administration (Treasury):					
Salaries and Wages	80,000.00	91,858.69	91,858.69		
Other Expenses	30,775.00	23,563.73	19,539.21	4,024.52	
Annual Audit	25,500.00	25,500.00	25,000.00	500.00	
Technology:					
Other Expenses	20,000.00	9,654.14	1,494.80	8,159.34	
Other Expenses - Technology Consultant	10,000.00	10,000.00	4,827.50	5,172.50	
Revenue Administration (Tax Collection):					
Salaries and Wages	13,919.00	13,919.00	7,820.59	6,098.41	
Other Expenses	8,000.00	13,062.00	13,062.00		
Tax Assessment Administration:					
Salaries and Wages	27,243.00	27,243.00	22,543.75	4,699.25	
Other Expenses	750.00	2,245.70	2,245.70		
Revision of Tax Map	4,000.00	2,294.00		2,294.00	
Master Plan Preparation	12,500.00	12,500.00	143.00	12,357.00	
Legal Services & Costs:					
Other Expenses	77,000.00	57,505.78	49,113.08	8,392.70	
LAND USE ADMINISTRATION:					
Municipal Land Use Law (NJSA 40:55D-1):					
Planning Board:					
Salaries and Wages	9,511.00	9,511.00	9,433.68	77.32	
Other Expenses	22,300.00	12,486.51	278.21	12,208.30	

TOWNSHIP OF FRANKLIN  
CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended Balance Canceled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Operations Within "CAPS" (Continued):					
LAND USE ADMINISTRATION:					
Municipal Land Use Law (NJSA 40:55D-1):					
Zoning Official: (Cont'd)					
Salaries and Wages	\$ 6,755.00	\$ 6,755.00	\$ 5,570.82	\$ 1,184.18	
Other Expenses	500.00	500.00		500.00	
Environmental Commission:					
Other Expenses	1,000.00	1,000.00		1,000.00	
INSURANCE:					
Other Liability Insurance Premiums (Disability)	1,100.00	1,100.00		1,100.00	
General Liability	117,504.00	119,210.00	119,210.00		
Employee Group Health	175,000.00	194,494.22	159,884.75	34,609.47	
Health Benefits Waiver (N.J.S.A. 43:21-3 et seq.)	14,282.00	1,869.42		1,869.42	
PUBLIC SAFETY:					
Police:					
Salaries and Wages	529,984.00	529,984.00	527,653.26	2,330.74	
Other Expenses	45,900.00	55,713.49	41,396.05	14,317.44	
Emergency Management Services:					
Salaries and Wages	3,060.00	3,060.00	212.50	2,847.50	
Other Expenses	2,250.00	2,250.00	394.49	1,855.51	
First Aid Organization Contribution	26,000.00	26,000.00	26,000.00		
PUBLIC WORKS:					
Road Repairs and Maintenance:					
Salaries and Wages	298,000.00	298,000.00	292,162.16	5,837.84	
Other Expenses	91,667.00	91,667.00	64,379.57	27,287.43	
Snow Removal:					
Salaries and Wages	40,000.00	40,000.00	24,129.67	15,870.33	
Other Expenses	60,000.00	48,141.31	23,672.87	24,468.44	
Public Buildings & Grounds:					
Salaries and Wages	6,129.00	6,129.00	5,960.90	168.10	
Other Expenses	12,000.00	12,000.00	4,306.80	7,693.20	
Board of Health:					
Salaries and Wages	8,160.00	8,160.00	6,057.09	2,102.91	
Other Expenses	400.00	400.00	150.00	250.00	



TOWNSHIP OF FRANKLIN  
CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2018  
(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	\$ 3,856.34	\$ 1,143.66	
PARKS AND RECREATION:					
Recreation Services:					
Other Expenses	6,500.00	6,500.00	6,500.00		
Senior Citizen Contribution	6,500.00	6,500.00		6,500.00	
UNIFORM CONSTRUCTION CODE:					
Construction Official:					
Salaries and Wages	81,232.00	84,251.13	84,251.13		
Other Expenses	4,955.00	17,367.58	3,570.58	13,797.00	
UTILITIES AND BULK PURCHASES:					
Electricity	12,000.00	8,506.58	1,076.55	7,430.03	
Street Lighting	5,000.00	8,493.42	8,493.42		
Telephone	20,000.00	17,316.56	6,479.81	10,836.75	
Gasoline and Fuel Oil	25,000.00	27,683.44	27,683.44		
Heating Oil	10,000.00	10,000.00	8,221.07	1,778.93	
Accumulated Absences	30,000.00	30,000.00	9,608.40	20,391.60	
<b>Total Operations Within "CAPS"</b>	<b>2,179,236.00</b>	<b>2,178,582.43</b>	<b>1,900,389.66</b>	<b>278,192.77</b>	
Contingent	500.00	500.00		500.00	
<b>Total Operations Including Contingent Within "CAPS"</b>	<b>2,179,736.00</b>	<b>2,179,082.43</b>	<b>1,900,389.66</b>	<b>278,692.77</b>	
Detail:					
Salaries and Wages	1,241,353.00	1,256,230.82	1,213,404.20	42,826.62	
Other Expenses	938,383.00	922,851.61	686,985.46	235,866.15	

TOWNSHIP OF FRANKLIN  
CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2018  
(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	\$ 58,597.37	\$ 59,250.94	\$ 59,250.94		
Social Security (O.A.S.I)	94,650.00	94,650.00	92,391.62	\$ 2,258.38	
Police and Fireman's Retirement System	119,150.00	119,150.00	119,150.00		
Unemployment Compensation Insurance	2,000.00	2,000.00		2,000.00	
Defined Contribution Retirement Plan	750.00	750.00		750.00	
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	<u>275,147.37</u>	<u>275,800.94</u>	<u>270,792.56</u>	<u>5,008.38</u>	
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>2,454,883.37</u>	<u>2,454,883.37</u>	<u>2,171,182.22</u>	<u>283,701.15</u>	
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	71,400.00	13,600.00	
Public and Private Programs Offset by Revenue:					
PSEG Sustainable Jersey Grant	10,000.00	10,000.00	10,000.00		
Reserve for Walmart Grant - Police Equipment	2,500.00	2,500.00	2,500.00		
Total Operations Excluded from "CAPS"	<u>102,500.00</u>	<u>102,500.00</u>	<u>83,900.00</u>	<u>18,600.00</u>	

TOWNSHIP OF FRANKLIN  
CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

	Appropriations		Expended By		Unexpended Balance Canceled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Excluded from "CAPS":					
Detail:					
Salaries & Wages	\$ 5,000.00	\$ 5,000.00		\$ 5,000.00	
Other Expenses	97,500.00	97,500.00	\$ 83,900.00	13,600.00	
Capital Improvements:					
Road Improvements	226,092.25	226,092.25	217,777.45	8,314.80	
Total Capital Improvements	226,092.25	226,092.25	217,777.45	8,314.80	
Municipal Debt Service:					
Payment of Bond Anticipation Notes and Capital Notes	50,500.00	50,500.00	50,500.00		
Interest on Notes	2,450.00	2,450.00	2,430.73		\$ 19.27
Capital Lease Obligations	42,657.00	42,657.00	31,656.67		11,000.33
Total Municipal Debt Service	95,607.00	95,607.00	84,587.40		11,019.60
Total General Appropriations for Municipal Purposes	2,879,082.62	2,879,082.62	2,557,447.07	310,615.95	11,019.60
Reserve for Uncollected Taxes	325,000.00	325,000.00	325,000.00		
Total General Appropriations	<u>\$ 3,204,082.62</u>	<u>\$ 3,204,082.62</u>	<u>\$ 2,882,447.07</u>	<u>\$ 310,615.95</u>	<u>\$ 11,019.60</u>

Ref.

A

TOWNSHIP OF FRANKLIN  
CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

	<u>Ref.</u>	Analysis of	
		Budget After Modification	Paid or Charged
Adopted Budget		\$ 3,204,082.62	
Cash Disbursed			\$ 2,619,588.08
Reserve for Uncollected Taxes			325,000.00
Transfer to Federal and State Grant Fund			12,500.00
			2,957,088.08
Less: Appropriation Refunds - Cash Received			40,031.54
Less: Appropriation Refund - Due from Payroll Fund			34,609.47
			\$ 2,882,447.07

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

TOWNSHIP OF FRANKLIN  
COUNTY OF HUNTERDON  
2018  
TRUST FUNDS

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

	Ref.	December 31,	
		2018	2017
<u>ASSETS</u>			
Animal Control Fund:			
Cash and Cash Equivalents:			
Treasurer	B-4	\$ 12,762.12	\$ 10,376.38
		<u>12,762.12</u>	<u>10,376.38</u>
Other Trust Funds:			
Cash and Cash Equivalents	B-4	2,123,351.65	2,199,836.92
Fair Housing Loan Receivable		24,000.00	24,000.00
		<u>2,147,351.65</u>	<u>2,223,836.92</u>
<b>TOTAL ASSETS</b>		<u><u>\$ 2,160,113.77</u></u>	<u><u>\$ 2,234,213.30</u></u>
<u>LIABILITIES AND RESERVES</u>			
Animal Control Fund:			
Due to Current Fund	A	\$ 4,617.12	\$ 2,945.38
Due to State Board of Health		660.60	307.80
Prepaid Licenses			60.00
Reserve for Animal Control Expenditures	B-5	7,484.40	7,063.20
		<u>12,762.12</u>	<u>10,376.38</u>
Other Trust Funds:			
Due to Current Fund	A	59,045.81	19,486.12
Reserve for:			
Council on Affordable Housing		383,407.01	337,221.33
Developers Escrow		505,666.10	373,624.17
Fair Housing Program		490,692.79	553,469.52
Police Outside Duties		27,519.77	15,649.13
Unemployment Compensation		87,970.61	86,823.40
Recreation Commission		34,305.81	32,759.04
Open Space Preservation		413,055.79	648,213.51
Developers Escrow - Stormwater Management		18,000.00	18,000.00
Fair Housing Loan Receivable		24,000.00	24,000.00
Tax Sale Premiums		31,300.00	28,700.00
D.A.R.E.		2,828.56	4,626.55
DEA Equitable Trust (Forfeited Assets)		1,800.21	1,800.21
Recycling Trust		1,400.49	1,320.15
Flexible Spending Trust		1,715.96	2,717.85
Accumulated Absences		64,442.74	75,225.94
Public Defender		200.00	200.00
		<u>2,147,351.65</u>	<u>2,223,836.92</u>
<b>TOTAL LIABILITIES AND RESERVES</b>		<u><u>\$ 2,160,113.77</u></u>	<u><u>\$ 2,234,213.30</u></u>

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

TOWNSHIP OF FRANKLIN  
COUNTY OF HUNTERDON  
2018  
GENERAL CAPITAL FUND

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

	Ref.	December 31,	
		2018	2017
<u>ASSETS</u>			
Cash and Cash Equivalents	C-2	\$ 646,254.10	\$ 367,762.84
Due from State of New Jersey - Department of Transportation Grants Receivable			40,000.00
Deferred Charges to Future Taxation:			
Funded		165,958.51	200,863.02
Unfunded	C-4	370,181.79	162,639.79
<b>TOTAL ASSETS</b>		<u>\$ 1,182,394.40</u>	<u>\$ 771,265.65</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Bond Anticipation Notes Payable	C-7	\$ 370,000.00	\$ 162,500.00
Green Acres Loan Payable	C-8	165,958.51	200,863.02
Improvement Authorizations:			
Funded	C-5	22,162.26	45,778.84
Unfunded	C-5	196,700.00	
Capital Improvement Fund	C-6	116,108.35	129,011.35
Due to Current Fund	A	233,977.30	574.46
Reserve for:			
Acquisition, Development and Easement for Farmland Development			105,785.00
Debt Service		2,900.00	
Fund Balance	C-1	74,587.98	126,752.98
<b>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</b>		<u>\$ 1,182,394.40</u>	<u>\$ 771,265.65</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, 2017	C	\$ 126,752.98
Increased by:		
Cancellation of Reserve for Acquisition, Development and Easement for Farmland Development		105,785.00
		<u>232,537.98</u>
Decreased by:		
Anticipated as Revenue in Current Fund Budget		157,950.00
		<u>157,950.00</u>
Balance December 31, 2018	C	<u><u>\$ 74,587.98</u></u>

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

TOWNSHIP OF FRANKLIN  
COUNTY OF HUNTERDON  
2018  
WATER UTILITY FUND

NOT APPLICABLE

TOWNSHIP OF FRANKLIN  
COUNTY OF HUNTERDON  
2018  
SEWER UTILITY FUND

NOT APPLICABLE

TOWNSHIP OF FRANKLIN  
COUNTY OF HUNTERDON  
2018  
PUBLIC ASSISTANCE FUND

NOT APPLICABLE

TOWNSHIP OF FRANKLIN  
COUNTY OF HUNTERDON  
2018  
BOND AND INTEREST FUND

NOT APPLICABLE

TOWNSHIP OF FRANKLIN  
COUNTY OF HUNTERDON

2018

GENERAL FIXED ASSETS ACCOUNT GROUP  
(UNAUDITED)

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

	December 31,	
	2018	2017
<u>ASSETS</u>		
Land	\$ 6,149,577.00	\$ 6,149,577.00
Buildings and Improvements	480,400.00	480,400.00
Equipment	1,127,435.00	1,220,464.00
<b>TOTAL ASSETS</b>	<b>\$ 7,757,412.00</b>	<b>\$ 7,850,441.00</b>
 <u>RESERVES</u>		
Reserve for Fixed Assets	\$ 7,757,412.00	\$ 7,850,441.00
<b>TOTAL RESERVES</b>	<b>\$ 7,757,412.00</b>	<b>\$ 7,850,441.00</b>

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

TOWNSHIP OF FRANKLIN  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018

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, 2018  
(Continued)

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

C. Basis of Accounting

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

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

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

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

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

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

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

- D. Deferred Charges to Future Taxation – The General Capital Fund balance sheet includes both funded and unfunded deferred charges. Funded means that bonds have been issued and are being paid off on a serial basis. Unfunded means that debt has been authorized but not permanently financed. A municipality can eliminate an unfunded deferred charge by raising it in the budget, 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, 2018  
(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, 2018  
(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,		
	2018	2017	2016
<u>Issued</u>			
General:			
Loans and Notes	\$ 535,958.51	\$ 363,363.02	\$ 448,079.77
Net Debt Issued	535,958.51	363,363.02	448,079.77
<u>Authorized but not Issued:</u>			
General:			
Bonds and Notes	181.79	139.79	24,762.73
Total Authorized but not Issued	536,140.30	363,502.81	472,842.50
Less:			
General:			
Reserve to Pay Debt Service	2,900.00		
Net Bonds and Notes Issued and Authorized but not Issued	\$ 533,240.30	\$ 363,502.81	\$ 472,842.50

Summary of Municipal Debt Issued and Outstanding – Prior Year

	Balance 12/31/16	Additions	Retirements	Balance 12/31/17
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	235,079.77		34,216.75	200,863.02
Total	\$ 448,079.77	\$ 162,500.00	\$ 247,216.75	\$ 363,363.02

TOWNSHIP OF FRANKLIN  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

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

Summary of Municipal Debt Issued and Outstanding – Current Year

	<u>Balance</u> <u>12/31/17</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/18</u>
Bond Anticipation Notes:				
General Capital Fund	\$ 162,500.00	\$ 370,000.00	\$ 162,500.00	\$ 370,000.00
Loans Payable:				
General Capital Fund:				
Green Trust Loans	<u>200,863.02</u>		<u>34,904.51</u>	<u>165,958.51</u>
Total	<u>\$ 363,363.02</u>	<u>\$ 370,000.00</u>	<u>\$ 197,404.51</u>	<u>\$ 535,958.51</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 0.095%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General Debt	\$ 536,140.30	\$ 2,900.00	\$ 533,240.30
Local School District Debt	3,910,000.00	3,910,000.00	
Regional High School Debt	<u>628,158.75</u>	<u>628,158.75</u>	
General Debt	<u>\$ 5,074,299.05</u>	<u>\$ 4,541,058.75</u>	<u>\$ 533,240.30</u>

Net Debt of \$533,240.30 divided by Equalized Valuation Basis per N.J.S. 40A:2-2, \$562,768,455.67 = 0.095%.

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

3-1/2% Average Equalized Valuation of Real Property	\$ 19,696,895.95
Net Debt	<u>533,240.30</u>
Remaining Borrowing Power	<u>\$ 19,163,655.65</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, 2018  
(Continued)

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

At December 31, 2018 the Township has the following debt outstanding:

<u>General Capital Bond Anticipation Notes</u>		
<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2018</u>
5/1/19	2.65%	\$ 112,000.00
6/28/19	2.49%	258,000.00
		<u>\$ 370,000.00</u>

<u>General Capital Fund Green Acres Loans Payable</u>			
<u>Purpose</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2018</u>
Acquisition of Land and Easements	3/14/2023	2.00%	<u>\$ 165,958.51</u>
Total Debt Issued and Outstanding			<u>\$ 535,958.51</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>	
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>\$ 165,958.51</u>	<u>\$ 8,408.01</u>	<u>\$ 174,366.52</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, 2018  
(Continued)

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

Capital Lease Payable

In 2016, the Township entered into a \$78,186.00 capital lease purchase agreement, with a 5 year term, for a dump body truck. As of December 31, 2018, \$31,362.31 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 lease and the present value of the net minimum lease payments at December 31, 2018.

Year	Amount
2019	\$ 17,339.23
2020	17,339.23
2021	17,339.23
	52,017.69
Less: Amount Representing Interest	(5,194.00)
Present Value Net of Minimum Lease Payments	\$ 46,823.69

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 at June 30, 2018 was calculated to be \$1,263,625. The State of New Jersey Police and Firemen's Retirement System's (PFRS) net pension liability was calculated to be \$1,800,497 at June 30, 2018. See Note 4 for further information on the PERS and PFRS.

Net OPEB Liability

The State's proportionate share of the net OPEB liability attributable to the Township at June 30, 2017 was \$1,561,957. See Note 16 for further information on this net OPEB liability.

Note 3: Fund Balances Appropriated

The amount of fund balance at December 31, 2018, which is included in the introduced budget for the Current Fund for the year ending December 31, 2019 is as follows:

Current Fund	\$ 400,000.00
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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).

TOWNSHIP OF FRANKLIN  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

Note 4: Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS)

Plan Description

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

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, 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 1/55<sup>th</sup> 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 1/60<sup>th</sup> 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.

TOWNSHIP OF FRANKLIN  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

Note 4: Pension Plans (Cont'd)

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

Contributions (Cont'd)

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 is being paid by the employer in level annual payments over a period of 15 years, which began with the payments due in the fiscal year ended June 30, 2012 and are adjusted by the rate of return on the actuarial value of assets. Township contributions to PERS amounted to \$59,251 for 2018. The employee contribution rate was 7.34% effective July 1, 2017 and increased to 7.50% effective July 1, 2018. Subsequent increases after October 1, 2011 were being phased in over 7 years effective on each July 1<sup>st</sup> to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

Pension Liabilities and Pension Expense

At June 30, 2018 the Township's liability was \$1,263,625 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. 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, 2018, the Township's proportion was 0.0064%, which was an increase of 0.0001% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the Township recognized actual pension expense in the amount of \$59,251.

Actuarial Assumptions

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions:

Inflation Rate	2.25%
Salary Increases:	
Through 2026	1.65 – 4.15% based on age
Thereafter	2.65 – 5.15% based on age
Investment Rate of Return	7.00%

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 Conduent modified 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.



TOWNSHIP OF FRANKLIN  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(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 2012 to 2013 using Projection Scale AA and using a generational approach based on the Conduent 2014 projection scale thereafter. 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, 2017 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 (7.00% at June 30, 2018) 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, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Management Strategies	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Market Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

TOWNSHIP OF FRANKLIN  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(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 5.66% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.87% as of June 30, 2018 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 June 30, 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2046, 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 June 30, 2018 calculated using the discount rate as disclosed below, as well as what the Township's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2018		
	1% Decrease (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
Township's proportionate share of the Net Pension Liability	\$ 1,588,863	\$ 1,263,625	\$ 990,771

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/financial-reports.shtml](http://www.state.nj.us/treasury/pensions/financial-reports.shtml).

TOWNSHIP OF FRANKLIN  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(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 the retirement system, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability is being paid by the employer in level annual amounts over a period of 15 years, which began with the payments due in the fiscal year ended June 30, 2012 and are adjusted by the rate of return on the actuarial value of 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, 2018

(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, 2018 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, 2018 is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2018. The pension expense is deemed to be a State administrative expense due to the special funding situation.

Township contributions to PFRS amounted to \$119,150 for the year ended December 31, 2018. During the fiscal year ended June 30, 2018, the State of New Jersey contributed \$14,484 to the PFRS for normal pension benefits on behalf of the Township, which is less than the contractually required contribution of \$28,969.

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

Pension Liabilities and Pension Expense

At June 30, 2018, the Township's liability for its proportionate share of the net pension liability was \$1,800,497. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018.

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, 2018, the Township's proportion was 0.0133%, which was an increase of 0.0001% from its proportion measured as of June 30, 2017.

TOWNSHIP OF FRANKLIN  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(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 \$244,568 as of June 30, 2018. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. 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, 2018, the State's proportion was 0.0133%, which was an increase of 0.0001% from its proportion measured as of June 30, 2017 which is the same proportion as the Township's.

Township's Proportionate Share of the Net Pension Liability	\$ 1,800,497
State's Proportionate Share of the Net Pension Liability Associated with the Township	244,568
Total Net Pension Liability	\$ 2,045,065

For the year ended December 31, 2018, the Township recognized total pension expense of \$119,150.

Actuarial Assumptions

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions:

Inflation Rate	2.25%
Salary Increases:	
Through 2026	2.10% - 8.98% based on age
Thereafter	3.10% - 9.98% based on age
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the RP-2000 Combined Healthy mortality tables projected on a generational basis from the base year of 2000 to 2013 using Projection Scale BB and the Conduent modified 2014 projection scale thereafter. For pre-retirement accidental mortality, a custom table with representative rates was used and there is no mortality improvement assumed. Post-retirement mortality rates for male service retirements-are based on the RP-2000 Combined Healthy Mortality Tables projected on a generational basis using Projection Scale AA from base year of 2012 to 2013 and the Conduent modified 2014 projection scale thereafter. Post-retirement mortality rates for female service retirements and beneficiaries were based on the RP-2000 Combined Healthy Mortality Tables projected on a generational basis from the base year of 2000 to 2013 using Projection Scale BB and the Conduent modified 2014 projection scales thereafter. Disability retirement rates were based on a custom table with representative rates and no mortality improvement assumed.

TOWNSHIP OF FRANKLIN  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

Note 4: Pension Plans (Cont'd)

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

Actuarial Assumptions (Cont'd)

The actuarial assumptions used in the July 1, 2017 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 (7.00% at June 30, 2018) 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, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Management Strategies	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Market Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

TOWNSHIP OF FRANKLIN  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(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 6.51% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.87% as of June 30, 2018 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 50% 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 June 30, 2062. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through June 30, 2062, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the total net pension liability (including the State's proportionate share of the net pension liability attributable to the Township) as of June 30, 2018 calculated using the discount rate as disclosed above, as well as what the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2018		
	1% Decrease (5.51%)	Current Discount Rate (6.51%)	1% Increase (7.51%)
Township's proportionate share of the NPL and the State's proportionate share of the Net Pension Liability associated with the Township	\$ 2,737,065	\$ 2,045,065	\$ 1,474,290
<u>Pension Plan Fiduciary Net Position – PFRS</u>			

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

TOWNSHIP OF FRANKLIN  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

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:

	Regional High School Tax	
	Balance 12/31/2018	Balance 12/31/2017
Balance of Tax	\$ 1,161,880.82	\$ 1,634,665.81
Deferred	468,430.00	468,430.00
Tax Payable	\$ 693,450.82	\$ 1,166,235.81

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 \$167,845.73 at December 31, 2018. 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 \$64,442,74 in a Reserve for Accumulated Absences on the Trust Funds balance sheet at December 31, 2018.



TOWNSHIP OF FRANKLIN  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(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

	2018	2017	2016
<u>Tax Rate</u>	\$ 2.546	\$ 2.496	\$ 2.424
<u>Apportionment of Tax Rate</u>			
Municipal (Including Open Space)	0.352	0.344	0.335
County	0.398	0.378	0.381
Local School	1.153	1.172	1.111
Regional High School	0.643	0.602	0.597
<u>Assessed Valuations</u>			
2018	\$ 542,800,876.00		
2017		\$ 543,186,235.00	
2016			\$ 541,537,997.00

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.

<u>Year</u>	<u>Tax Levy</u>	<u>Currently</u>	
		<u>Cash Collections</u>	<u>Percentage of Collection</u>
2018	\$ 14,237,157.98	\$ 13,918,085.52	97.75%
2017	13,919,599.85	13,685,784.71	98.32%
2016	13,503,613.12	13,277,163.54	98.32%

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, 2018  
(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, 2018  
(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, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law" P.L. 1983, c. 313 (C.40A:5A-1 et seq.) Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); or
- (8) Agreements for the repurchase of fully collateralized securities if:
  - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a. or are bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties and entities subject to the "Local Authorities Fiscal Control Law", P.L. 1983 c.313 (C.40A:5A-1 et seq.);
  - (b) the custody of collateral is transferred to a third party;
  - (c) the maturity of the agreement is not more than 30 days;
  - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41); and
  - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

TOWNSHIP OF FRANKLIN  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

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

Investments: (Cont'd)

As of December 31, 2018, cash and cash equivalents of the Township of Franklin consisted of the following:

<u>Fund</u>	<u>Cash on Hand</u>	<u>Checking Accounts</u>	<u>Total</u>
Current	\$ 25.00	\$ 2,106,972.48	\$ 2,106,997.48
Federal and State Grant		66,919.53	66,919.53
Animal Control		12,762.12	12,762.12
Other Trust		2,123,351.65	2,123,351.65
General Capital		646,254.10	646,254.10
	<u>\$ 25.00</u>	<u>\$ 4,956,259.88</u>	<u>\$ 4,956,284.88</u>

During the year ended December 31, 2018, the Township did not hold any investments. The carrying amount of the Township of Franklin's cash and cash equivalents at December 31, 2018, was \$4,956,284.88 and the bank balance was \$5,533,774.38.

Note 9: Risk Management

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

Property, Liability and Workers' Compensation

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

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

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

TOWNSHIP OF FRANKLIN  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

Note 9: Risk Management (Cont'd)

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

The December 31, 2018 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, 2017 is as follows:

	<u>Statewide Insurance Fund</u>
Total Assets	\$ 48,640,942
Net Position	\$ 13,386,585
Total Revenue	\$ 28,241,347
Total Expenses	\$ 23,341,898
Change in Net Position	\$ 4,899,449
Member Dividends	\$ 560,525

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
2016	\$ 1,835.41	\$ 596.48	\$ -0-	\$ 80,640.05
2017	5,799.66	613.81	230.12	86,823.40
2018	1,065.35	283.22	201.36	87,970.61

TOWNSHIP OF FRANKLIN  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

Note 10: Interfund Receivables and Payables

The following interfund balances remained on the balance sheet at December 31, 2018:

Fund	Interfund Receivable	Interfund Payable
Current Fund	\$ 307,242.08	
Federal and State Grant Fund		\$ 9,601.85
Animal Control Fund		4,617.12
Other Trust Funds		59,045.81
General Capital Fund		233,977.30
	\$ 307,242.08	\$ 307,242.08

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, Federal and State Grant Fund and Other Trust Fund expenditures paid by the Current Fund, anticipated revenue due from the General Capital Fund, an interfund advanced to the Other Trust Funds, Bond Anticipation Notes settlement paid by the Current Fund, prior year interfunds due from the Federal and State Grant Fund, Animal Control Fund, Other Trust Funds and General Capital 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 offset by General Capital Fund receipts collected by the Current Fund and the 2018 Open Space tax levy and Open Space added and omitted due to the Other Trust 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.

TOWNSHIP OF FRANKLIN  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

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 2018 Open Space tax levy was \$.005 cents or \$27,682.65 including added and omitted taxes. The balance in the Reserve for Open Space at December 31, 2018 was \$413,055.79.

Note 14: Deferred Compensation Plan

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

Note 15: Fixed Assets (Unaudited)

	Balance Dec. 31, 2017	Additions	Deletions	Balance Dec. 31, 2018
Land	\$ 6,149,577.00			\$ 6,149,577.00
Buildings	480,400.00			480,400.00
Machinery and Equipment	1,220,464.00	\$ 74,245.00	\$ 167,274.00	1,127,435.00
	\$ 7,850,441.00	\$ 74,245.00	\$ 167,274.00	\$ 7,757,412.00

Note 16: Postemployment Benefits Other Than Pensions (OPEB)

State Health Benefit Local Government Retired Employees Plan

General Information about the OPEB Plan

Plan Description

The State Health Benefit Local Government Retired Employees Plan (the Plan) is a cost sharing multiple employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. The plan meets the definition of an equivalent arrangement as defined in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions*; therefore, assets are accumulated to pay associated benefits. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits’ (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

TOWNSHIP OF FRANKLIN  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

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

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

Benefits Provided

The Plan provides medical and prescription drug coverage to retirees and their dependents of the employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees.

Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

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

Contributions

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

Special Funding Situation

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



TOWNSHIP OF FRANKLIN  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018

(Continued)

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

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

Special Funding Situation (Cont'd)

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

However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the collective net OPEB liability that is associated with the local participating employer.

Allocation Methodology

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective inflows of resources, and collective OPEB expense. The special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are based on separately calculated total OPEB liabilities. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2016 through June 30, 2017. Employer and nonemployer allocation percentages were rounded for presentation purposes.

OPEB Expense

The total OPEB liability as of June 30, 2018 was not available from the State of New Jersey Division of Pensions and Benefits as of the date of this report. The total OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017.

The State's proportionate share of the net OPEB liability attributable to the Township at June 30, 2017 was \$1,561,957. At June 30, 2017, the State's proportion related to the Township was .017963%. This is the percentage of the total State Share of the net OPEB liability of the Plan.

During the year ended June 30, 2017, the State of New Jersey's OPEB expense related to the Township was \$111,783.

TOWNSHIP OF FRANKLIN  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018

(Continued)

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

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

Actuarial Assumptions and Other Inputs

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

Inflation Rate	2.50%
Salary Increases*:	
Through 2026	1.65% - 8.98%
Thereafter	2.65% to 9.98%

\* - Salary increases are based on the defined benefit plan that the member is enrolled in and his or her age.

Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using MP-2017 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Health Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

Certain actuarial assumptions used in the June 30, 2016 valuation were based on the results of the pension plans' experience studies for which the members are eligible for coverage under this Plan – the Police and Firemen Retirement System (PFRS) and the Public Employees' Retirement System (PERS). The PFRS and PERS experience studies were prepared for the periods July 1, 2010 to June 30, 2013 and July 1, 2011 – June 30, 2014, respectively.

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) medical benefits, this amount initially is 5.9% and decreases to a 5.0% long term trend rate after nine years. For self-insured post 65 PPO medical benefits and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 10.5% decreasing to a 5.0% long term rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount Rate

The discount rate for June 30, 2017 was 3.58%. The discount rate for June 30, 2016 was 2.85%. This represents the municipal bond rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

TOWNSHIP OF FRANKLIN

SUPPLEMENTARY DATA

TOWNSHIP OF FRANKLIN  
OFFICIALS IN OFFICE AND SURETY BONDS  
YEAR ENDED DECEMBER 31, 2018

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

Name	Title	Amount of Bond	Name of Corporate or Personal Surety
Craig Repmann	Mayor		
Diane Burgess	Deputy Mayor		
Joseph Darocha	Committeeman		
Phil Koury	Committeeman		
Susan Soloway	Committeewoman		
Ursula Stryker	Clerk	*	*
Cameron Keng	Chief Financial Officer	*	*
Danielle Peacock	Tax Collector	*	*
Jeff Ward	Tax Assessor	*	*
Katrina Campbell	Attorney		
Maser Consulting	Engineer		
Maser Consulting	Planner		

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

TOWNSHIP OF FRANKLIN  
COUNTY OF HUNTERDON  
2018  
CURRENT FUND

TOWNSHIP OF FRANKLIN  
CURRENT FUND  
SCHEDULE OF CASH

	<u>Ref.</u>	
Balance December 31, 2017	A	\$ 2,379,685.70
Increased by Receipts:		
Tax Collector		\$ 13,406,950.63
Revenue Accounts Receivable		644,018.42
Miscellaneous Revenue Not Anticipated		33,406.42
Interest on Investments and Deposits		18,952.71
Due to General Capital Fund:		
New Jersey Department of Transportation Grants Receivable		42,900.00
County and State Fees Payable:		
Due to County of Hunterdon		3,500.00
Due to/from State of New Jersey:		
Marriage License Fees		28.00
State Training Fees		15,580.00
Due from State of New Jersey - Senior Citizens' and Veterans' Deductions		19,750.00
Appropriation Refunds:		
Current Year Budget		40,031.54
Appropriation Reserves		221.00
		<u>14,225,338.72</u>
		16,605,024.42
Decreased by Disbursements:		
2018 Appropriation Expenditures		2,619,588.08
2017 Appropriation Reserves		37,730.90
Local School District Taxes		6,254,950.00
Regional High School Taxes Payable		3,958,427.99
County Taxes		2,166,944.39
Special District Taxes		338,750.00
Due from Other Trust Funds:		
Open Space Expenditures		38,721.12
Police Outside Services		4,774.04
Accumulated Absences		10,783.20
Recreation Expenditures		7,446.23
Due to General Capital Fund:		
Bond Anticipation Notes Renewals		112,000.00
Due to Federal and State Grant Fund:		
Appropriated Grant Reserve Expenditures		8,672.50
Due to Payroll:		
Interfund Advanced		212.50
County and State Fees Payable:		
Due to County of Hunterdon		2,375.00
Due to State of New Jersey:		
Marriage License Fees		300.00
State Training Fees		15,131.00
Refund of Third Party Liens		99,107.43
		<u>15,675,914.38</u>
Balance December 31, 2018	A	<u>\$ 929,110.04</u>

TOWNSHIP OF FRANKLIN  
CURRENT FUND  
SCHEDULE OF CASH - CLERK

	<u>Ref.</u>		
Balance December 31, 2017		\$	549.51
Increased by Receipts:			
Due to State of New Jersey:			
Marriage License Fees	\$	425.00	
Fees and Permits		51.00	
Miscellaneous Revenue Not Anticipated		63.25	
Interest on Deposits		9.92	
		<hr/>	549.17
Balance December 31, 2018	A	\$	<hr/> <hr/> 1,098.68

TOWNSHIP OF FRANKLIN  
CURRENT FUND  
SCHEDULE OF CASH - COLLECTOR  
YEAR ENDED DECEMBER 31, 2018

	<u>Ref.</u>	
Balance December 31, 2017		\$ 1,218,006.20
Increased by Receipts:		
Taxes Receivable	\$ 13,020,080.33	
Interest and Costs on Taxes	41,799.75	
2019 Prepaid Taxes	198,400.65	
Third Party Liens	83,315.08	
Tax Overpayments	2,509.05	
Interest on Investments and Deposits	19,038.47	
Miscellaneous	564.86	
		13,365,708.19
		14,583,714.39
Decreased by:		
Payments to Municipal Treasurer		13,406,950.63
Balance December 31, 2018	A	\$ 1,176,763.76

TOWNSHIP OF FRANKLIN  
FEDERAL AND STATE GRANT FUND  
SCHEDULE OF CASH

	<u>Ref.</u>	
Balance December 31, 2017	A	\$ 62,956.48
Increased by Receipts:		
Due to Current Fund:		
Interest Earned	\$ 861.50	
Grant Funds Receivable	7,500.00	
		21,138.38
		84,094.86
Decreased by Disbursements:		
Appropriated Reserves		17,175.33
Balance December 31, 2018	A	\$ 66,919.53



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

Year	Balance	2018 Levy	Collections		State of NJ Veterans' and Senior Citizens' Deductions	Cancelled	Transferred to Tax Title Liens	Balance
	Dec. 31, 2017		2017	2018				Dec. 31, 2018
2016	\$ 1,971.99			\$ 1,971.99				
2017	193,867.40			193,841.90		\$ 25.50		
	195,839.39			195,813.89		25.50		
2018		\$ 14,237,157.98	\$ 1,074,319.08	12,824,266.44	\$ 19,500.00	21,823.48	\$ 2,298.53	\$ 294,950.45
	\$ 195,839.39	\$ 14,237,157.98	\$ 1,074,319.08	\$ 13,020,080.33	\$ 19,500.00	\$ 21,848.98	\$ 2,298.53	\$ 294,950.45
Ref.	A							A

Analysis of 2018 Property Tax Levy

Tax Yield:

General Purpose Taxes	\$ 13,819,710.40
Special District Taxes	341,965.36
Added and Omitted Taxes	75,482.22
	<u>\$ 14,237,157.98</u>

Tax Levy:

Local School District Taxes	\$ 6,254,950.00
Regional High School Taxes	3,485,643.00
Special District Taxes	341,965.36
Municipal Open Space Taxes	\$ 27,140.04
Municipal Open Space Taxes - Added and Omitted Taxes	542.61
County Taxes:	
General Purpose Taxes	2,163,448.58
Due County for Added and Omitted Taxes	11,735.73
	<u>2,202,866.96</u>
	12,285,425.32
Local Tax for Municipal Purposes	1,887,838.62
Add: Additional Tax Levied	63,894.04
	<u>1,951,732.66</u>
	<u>\$ 14,237,157.98</u>

TOWNSHIP OF FRANKLIN  
CURRENT FUND  
SCHEDULE OF TAX TITLE LIENS

	<u>Ref.</u>	
Balance December 31, 2017	A	\$ 17,852.72
Increased by:		
Transfer from Taxes Receivable		<u>2,298.53</u>
		20,151.25
Decreased by:		
Cancellation		<u>60.00</u>
Balance December 31, 2018	A	<u>\$ 20,091.25</u>

TOWNSHIP OF FRANKLIN  
CURRENT FUND  
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE  
YEAR ENDED DECEMBER 31, 2018

	<u>Accrued In</u> <u>2018</u>	<u>Collected by</u> <u>Treasurer</u>	<u>Collected by</u> <u>Clerk</u>	<u>Balance</u> <u>Dec. 31, 2018</u>
Licenses:				
Alcoholic Beverages	\$ 4,920.00	\$ 4,920.00		
Fees and Permits	27,357.45	27,306.45	\$ 51.00	
Fines and Costs:				
Municipal Court	58,375.57	55,646.31		\$ 2,729.26
Energy Receipts Tax	259,544.00	259,544.00		
NJ Hotel Occupancy Tax	113,553.66	113,553.66		
Uniform Construction Code Fees	183,048.00	183,048.00		
	<u>\$ 646,798.68</u>	<u>\$ 644,018.42</u>	<u>\$ 51.00</u>	<u>\$ 2,729.26</u>

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

	<u>Balance Dec. 31, 2017</u>	<u>2018 Budget Revenue Realized</u>	<u>Cash Received in Federal and State Grant Fund</u>	<u>Balance Dec. 31, 2018</u>
Sustainable Jersey Grant		\$ 10,000.00	\$ 5,000.00	\$ 5,000.00
Walmart Donation - Police Equipment		2,500.00	2,500.00	
Statewide Insurance Fund - Bulletproof Vest	\$ 407.33			407.33
	<u>\$ 407.33</u>	<u>\$ 12,500.00</u>	<u>\$ 7,500.00</u>	<u>\$ 5,407.33</u>
	A			A

TOWNSHIP OF FRANKLIN  
CURRENT FUND  
SCHEDULE OF 2017 APPROPRIATION RESERVES  
YEAR ENDED DECEMBER 31, 2018

	<u>Balance</u> <u>Dec. 31, 2017</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	\$ 718.14	\$ 718.14		\$ 718.14
Other Expenses	4,497.00	4,497.00	\$ 1,534.35	2,962.65
Municipal Clerk:				
Salaries and Wages	449.52	449.52	0.88	448.64
Other Expenses	10.06	10.06	10.06	
Election	794.05	794.05		794.05
Financial Administration:				
Salaries and Wages	4,003.16	4,003.16		4,003.16
Other Expenses	7,783.48	7,783.48	7,783.48	
Technology Consultant:				
Other Expenses	9,246.71	9,246.71	1,150.36	8,096.35
Revenue Administration (Tax Collection):				
Salaries and Wages	3,577.52	3,577.52		3,577.52
Other Expenses	792.78	792.78	287.65	505.13
Tax Assessment Administration:				
Salaries and Wages	564.00	564.00		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	18,198.06	18,198.06	8,101.50	10,096.56
Municipal Land Use Law (NJSA 40:55D-1):				
Planning Board:				
Salaries and Wages	1,022.00	1,022.00		1,022.00
Other Expenses	11,160.51	11,160.51		11,160.51
Zoning Official:				
Salaries and Wages	1,129.90	1,129.90		1,129.90
Other Expenses	500.00	500.00		500.00
Environmental Commission:				
Other Expenses	640.00	640.00		640.00
Insurance:				
Other Insurance Premiums	511.01	511.01		511.01
Employee Group Health	2,667.67	2,667.67		2,667.67
Health Benefit Waiver	4,282.00	4,282.00		4,282.00
Police:				
Salaries and Wages	3,279.93	3,279.93		3,279.93
Other Expenses	14,098.43	14,098.43	6,498.64	7,599.79
Emergency Management Services:				
Salaries and Wages	510.00	510.00		510.00
Other Expenses	1,963.72	1,963.72		1,963.72
Road Repairs and Maintenance:				
Salaries and Wages	15,920.62	15,920.62		15,920.62
Other Expenses	17,956.59	17,956.59	1,890.35	16,066.24

TOWNSHIP OF FRANKLIN  
CURRENT FUND  
SCHEDULE OF 2017 APPROPRIATION RESERVES  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

	Balance Dec. 31, 2017	Budget After Modification	Paid or Charged	Balance Lapsed
Snow Removal:				
Salaries and Wages	\$ 22,712.97	\$ 22,712.97		\$ 22,712.97
Other Expenses	1,110.55	1,110.55		1,110.55
Public Buildings & Grounds:				
Salaries and Wages	427.37	427.37		427.37
Other Expenses	12,191.72	12,191.72		12,191.72
Board of Health:				
Salaries and Wages	884.88	884.88		884.88
Other Expenses	360.00	360.00		360.00
Animal Control:				
Other Expenses	700.20	700.20		700.20
Recreation:				
Other Expenses	2,075.25	2,075.25		2,075.25
UNIFORM CONSTRUCTION CODE:				
Construction Official:				
Salaries and Wages	2,285.72	2,285.72		2,285.72
Other Expenses	3,090.52	3,090.52	\$ 550.53	2,539.99
Utility and Bulk Purchases:				
Electricity	3,893.67	3,893.67		3,893.67
Street Lighting	2,647.30	2,647.30		2,647.30
Telephone	3,423.50	3,423.50		3,423.50
Gasoline and Diesel Fuel	4,292.18	4,292.18	2,852.10	1,440.08
Heating Oil	6,709.50	6,709.50		6,709.50
Contingent	500.00	500.00		500.00
Statutory Expenditures:				
Contribution to:				
Social Security System (OASI)	4,093.96	4,093.96		4,093.96
Defined Contribution Retirement Plan	569.49	569.49		569.49
Affordable Housing Administration:				
Salaries and Wages	5,000.00	5,000.00		5,000.00
Shared Service Agreements:				
Joint Municipal Court:				
Other Expenses - Contractual	21,850.00	21,850.00	6,850.00	15,000.00
	<u>\$ 229,845.64</u>	<u>\$ 229,845.64</u>	<u>\$ 37,509.90</u>	<u>\$ 192,335.74</u>

Analysis of Balance December 31, 2017

Unencumbered	\$ 221,952.43
Encumbered	7,893.21
	<u>\$ 229,845.64</u>

Cash Disbursed	\$ 37,730.90
Less: Appropriation Refunds	(221.00)
	<u>\$ 37,509.90</u>

TOWNSHIP OF FRANKLIN  
CURRENT FUND  
SCHEDULE OF LOCAL SCHOOL DISTRICT TAXES PAYABLE  
YEAR ENDED DECEMBER 31, 2018

Increased by:		
Levy - Calendar Year 2018		\$ 6,254,950.00
Decreased by:		
Payments to Local School District		\$ 6,254,950.00

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

	<u>Ref.</u>	
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
Increased by:		
Levy - School Year July 1, 2018 thru June 30, 2019		3,485,643.00
		5,120,308.81
Decreased by:		
Payments to Regional High School		3,958,427.99
Balance December 31, 2018		
Regional High School Taxes Payable	A	693,450.82
Regional High School Taxes Deferred		468,430.00
		\$ 1,161,880.82

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

	Balance Dec. 31, 2017	Transferred from 2017 Budget Appropriations	Expended	Balance Dec. 31, 2018
<b>Body Armor Grant:</b>				
2014	\$ 587.88			\$ 587.88
2015	920.97			920.97
2016	981.19			981.19
2017	982.07			982.07
<b>Clean Communities Program:</b>				
2014	5,721.52		\$ 5,721.52	
2015	2,461.09		2,461.09	
2016	13,617.94		1,040.17	12,577.77
2017	11,569.29			11,569.29
<b>Emergency Management Assistance:</b>				
2011	942.78			942.78
2012	11.50			11.50
<b>Recycling Tonnage Grant</b>				
2017	799.65		799.65	
2018	7,236.06		7,152.90	83.16
<b>Drunk Driving Enforcement Fund</b>				
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	3,644.12			3,644.12
Private Donations - Police Department	3,289.92		120.00	3,169.92
Walmart Donation - Police Equipment - 2018		\$ 2,500.00		2,500.00
Sustainable Jersey Grant		10,000.00	8,552.50	1,447.50
	<u>\$ 63,295.96</u>	<u>\$ 12,500.00</u>	<u>\$ 25,847.83</u>	<u>\$ 49,948.13</u>
<u>Ref.</u>	A			A
State		\$ 10,000.00	\$ 17,175.33	
Local		<u>2,500.00</u>	<u>8,672.50</u>	
		<u>\$ 12,500.00</u>	<u>\$ 25,847.83</u>	
Due to Current Fund			\$ 8,672.50	
Federal and State Grant Fund			<u>17,175.33</u>	
			<u>\$ 25,847.83</u>	



TOWNSHIP OF FRANKLIN  
FEDERAL AND STATE GRANT FUND  
SCHEDULE OF UNAPPROPRIATED RESERVES  
YEAR ENDED DECEMBER 31, 2018

	<u>Cash Received</u>	<u>Balance Dec. 31, 2018</u>
Drunk Driving Enforcement Fund	\$ 1,600.00	\$ 1,600.00
Clean Communities Grant	<u>11,176.88</u>	<u>11,176.88</u>
	<u>\$ 12,776.88</u>	<u>\$ 12,776.88</u>

Ref.

A

TOWNSHIP OF FRANKLIN  
COUNTY OF HUNTERDON  
2018  
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, 2017	B	\$ 10,376.38	\$ 2,199,836.92
Increased by Receipts:			
License Fees Collected		\$ 3,823.20	
Late Fees		101.00	
State Registration Fees		634.80	
Due Current Fund:			
Miscellaneous Revenue Not Anticipated			\$ 700.00
Interest Earned		121.94	4,817.75
Tax Sale Premium			2,600.00
Developers' Escrow			201,911.35
Recreation			8,993.00
Council on Affordable Housing			78,069.51
D.A.R.E. Receipts			1,000.00
Fair Housing Program Deposits			2,530.81
Police Outside Duties Deposits			19,912.18
Open Space:			
Interest Earned			6,288.27
Recycling			450.00
State Unemployment Insurance Compensation:			
Interest Earned			1,065.35
Employee Withholdings			283.22
Flexible Spending Receipts			926.92
		<u>4,680.94</u>	<u>329,548.36</u>
		15,057.32	2,529,385.28
Decreased by Disbursements:			
Due to State Board of Health		288.00	
Expenditures Under R.S. 4:19-15.11		2,007.20	
Developers' Escrow			69,869.42
D.A.R.E. Expenditures			2,797.99
Fair Housing Program Expenditures			65,307.54
Council on Affordable Housing Expenditures			31,883.83
Police Outside Duties Expenditures			3,267.50
Open Space			230,407.52
Recycling			369.66
State Unemployment Insurance Compensation			201.36
Flexible Spending Expenditures			1,928.81
		<u>2,295.20</u>	<u>406,033.63</u>
Balance December 31, 2018	B	<u>\$ 12,762.12</u>	<u>\$ 2,123,351.65</u>

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

	<u>Ref.</u>	
Balance December 31, 2017	B	\$ 7,063.20
Increased by:		
Dog License Fees Collected		\$ 3,823.20
Late Fees		101.00
Prior Year Prepays		54.00
		3,978.20
		11,041.40
Decreased by:		
Expenditures Under R.S. 4:19-15.11		2,007.20
Statutory Excess Due to Current Fund		1,549.80
		3,557.00
Balance December 31, 2018	B	\$ 7,484.40

License Fees Collected

<u>Year</u>	<u>Amount</u>
2016	\$ 3,402.00
2017	4,082.40
	7,484.40
Maximum Allowable Reserve	\$ 7,484.40

TOWNSHIP OF FRANKLIN  
COUNTY OF HUNTERDON  
2018  
GENERAL CAPITAL FUND

TOWNSHIP OF FRANKLIN  
GENERAL CAPITAL FUND  
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	
Balance December 31, 2017	C	\$ 367,762.84
Increased by Receipts:		
Bond Anticipation Notes Issued		\$ 370,000.00
Due from Current Fund:		
Interest Earned		<u>6,352.84</u>
		<u>376,352.84</u>
		744,115.68
Decreased by:		
Improvement Authorizations		<u>97,861.58</u>
Balance December 31, 2018	C	<u><u>\$ 646,254.10</u></u>

TOWNSHIP OF FRANKLIN  
GENERAL CAPITAL FUND  
ANALYSIS OF CASH

	Balance/ (Deficit) Dec. 31, 2017	Receipts		Disbursements Improvement Authorizations	Transfers		Balance/ (Deficit) Dec. 31, 2018
		Bond Anticipation Notes	Miscellaneous		From	To	
Fund Balance	\$ 126,752.98				\$ 157,950.00	\$ 105,785.00	\$ 74,587.98
Capital Improvement Fund	129,011.35				12,903.00		116,108.35
Due to/(from) Current Fund	574.46	\$ 112,000.00	\$ 6,352.84		42,900.00	157,950.00	233,977.30
New Jersey Department of Transportation Grant Receivable	(40,000.00)					40,000.00	
Reserve for:							
Acquisition, Development and Easement for Farmland Preservation	105,785.00				105,785.00		
Debt Service						2,900.00	2,900.00
<u>Ord. Date</u>	<u>Improvement Description</u>						
08-09	Purchase of Drainage Materials and Reconstruction, Resurfacing, and Improvement of Various Public Roads	620.16		\$ 620.16			
08-12	Acquisition of Real Property for Affordable Housing or Other Municipal Purposes (Stryker Property)	(77.79)					(77.79)
10-04	Improvements to West Sydney Road	(62.00)					(62.00)
14-02	Chip and Seal of Various Roads	761.88		761.88			
15-02	Chip and Seal of Various Roads	609.38		346.86			262.52
15-05	Replacement of the Stainless Steel Dump Body for the 2005 Mack CV 712 Truck	22.00					22.00
15-07	Improvement of West Sidney Road	6,924.19		1,959.08			4,965.11
17-05	Chip & Seal Various Roads	120.61					120.61
17-06	Drain & Overlay Old Franklin Road	36,720.62		19,928.60			16,792.02
18-10	Acquisition of Equipment for the Department of Public Works		258,000.00	74,245.00		12,903.00	196,658.00
		<u>\$ 367,762.84</u>	<u>\$ 370,000.00</u>	<u>\$ 97,861.58</u>	<u>\$ 319,538.00</u>	<u>\$ 319,538.00</u>	<u>\$ 646,254.10</u>

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

Ord. No.	Improvement Description	Balance Dec. 31, 2017	2018 Authorizations	Paid by Budget Appropriation	Balance Dec. 31, 2018	Analysis of Balance Dec. 31, 2018	
						Bond Anticipation Notes	Expenditures
08-12	Acquisition of Real Property for Affordable Housing or Other Municipal Purposes (Stryker Property)	\$ 68,177.79		\$ 44,642.00	\$ 23,535.79	\$ 23,458.00	\$ 77.79
10-04	Improvements to West Sydney Road	94,462.00		5,858.00	88,604.00	88,542.00	62.00
18-10	Acquisition of Equipment for the Department of Public Works		\$ 258,042.00		258,042.00	258,000.00	42.00
		<u>\$ 162,639.79</u>	<u>\$ 258,042.00</u>	<u>\$ 50,500.00</u>	<u>\$ 370,181.79</u>	<u>\$ 370,000.00</u>	<u>\$ 181.79</u>
<u>Ref.</u>		C			C		



TOWNSHIP OF FRANKLIN  
GENERAL CAPITAL FUND  
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord. No.	Improvement Description	Ordinance		Balance Dec. 31, 2017 Funded	2018 Authorizations		Paid or Charged	Balance Dec. 31, 2018	
		Date	Amount		Capital Improvement Fund	Deferred Charges to Future Taxation - Unfunded		Funded	Unfunded
08-09	Purchase of Drainage Materials and Reconstruction, Resurfacing and Improvement of Various Public Roads	11/13/08	\$ 116,000.00	\$ 620.16			\$ 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			346.86	\$ 262.52	
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	6,924.19			1,959.08	4,965.11	
17-05	Chip & Seal Various Roads	06/22/17	85,000.00	120.61					120.61
17-06	Drain & Overlay Old Franklin Road	06/22/17	140,000.00	36,720.62			19,928.60	16,792.02	
18-10	Acquisition of Equipment for the Department of Public Works	04/26/18	270,945.00		\$ 12,903.00	\$ 258,042.00	74,245.00		\$ 196,700.00
				<u>\$ 45,778.84</u>	<u>\$ 12,903.00</u>	<u>\$ 258,042.00</u>	<u>\$ 97,861.58</u>	<u>\$ 22,162.26</u>	<u>\$ 196,700.00</u>
		<u>Ref.</u>		C				C	C

TOWNSHIP OF FRANKLIN  
GENERAL CAPITAL FUND  
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2017	C	\$ 129,011.35
Decreased by:		
Appropriated to Finance Improvement Authorizations		<u>12,903.00</u>
Balance December 31, 2018	C	<u><u>\$ 116,108.35</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, 2017	Issued	Retired or Matured	Balance Dec. 31, 2018
		Original Note	Issue	Maturity					
08-12	Acquisition of Real Property for Affordable Housing or Other Municipal Purposes (Stryker Property)	7/10/2008	8/18/2017	8/17/2018	1.50%	\$ 68,100.00		\$ 68,100.00	
			8/16/2018	5/1/2019	2.65%		\$ 23,458.00		\$ 23,458.00
10-04	Improvements to West Sydney Road	8/23/2013	8/18/2017	8/17/2018	1.50%	94,400.00		94,400.00	
			8/16/2018	5/1/2019	2.65%		88,542.00		88,542.00
18-10	Acquisition of Equipment for the Department of Public Works	7/6/2018	7/6/2018	6/28/2019	2.49%		258,000.00		258,000.00
						<u>\$ 162,500.00</u>	<u>\$ 370,000.00</u>	<u>\$ 162,500.00</u>	<u>\$ 370,000.00</u>
						<u>Ref.</u>			C
							\$ 112,000.00	\$ 112,000.00	
							258,000.00		
								50,500.00	
							<u>\$ 370,000.00</u>	<u>\$ 162,500.00</u>	

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

	<u>Ref.</u>	
Balance December 31, 2017	C	\$ 200,863.02
Decreased by:		
Principal Matured		34,904.51
Balance December 31, 2018	C	\$ 165,958.51

Schedule of Principal and Interest Payments Outstanding December 31, 2018

<u>Payment Number</u>	<u>Due Date</u>	<u>Interest</u>	<u>Principal</u>	<u>Loan Balance</u>
				\$ 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-
		\$ 8,408.01	\$ 165,958.51	

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

Ordinance No.	Improvement Description	Balance Dec. 31, 2017	2018 Improvement Authorizations	Funded by Budget Appropriation	Bond Anticipation Notes Matured	Bond Anticipation Notes Issued	Balance Dec. 31, 2018
08-12	Acquisition of Real Property for Affordable Housing or Other Municipal Purposes (Stryker Property)	\$ 77.79		\$ 44,642.00	\$ 68,100.00	\$ 23,458.00	\$ 77.79
10-04	Improvements to West Sydney Road	62.00		5,858.00	94,400.00	88,542.00	62.00
18-10	Acquisition of Equipment for the Department of Public Works		\$ 258,042.00			258,000.00	42.00
		<u>\$ 139.79</u>	<u>\$ 258,042.00</u>	<u>\$ 50,500.00</u>	<u>\$ 162,500.00</u>	<u>\$ 370,000.00</u>	<u>\$ 181.79</u>

TOWNSHIP OF FRANKLIN

PART II

SINGLE AUDIT

YEAR ENDED DECEMBER 31, 2018

TOWNSHIP OF FRANKLIN  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2018

Name of Federal Agency or Department / Cluster Title	Name of Program	Pass Through Entity ID	C.F.D.A. Number	Grant Period		Grant Award Amount	Amount Received	Amount of Expenditures	Total Cumulative Expenditures	Amount Provided to Subrecipients
				From	To					
U.S. Department of Transportation (Passed through New Jersey Department of Transportation)	Highway Planning and Construction Cluster: Local Municipal Aid: Improvement of West Sidney Road	078-1020-718 001-90160	20.205	01/01/15	12/31/18	\$ 160,000.00	\$ 40,000.00		\$ 160,000.00	
Total U.S. Department of Transportation							40,000.00		160,000.00	
Total Federal Awards							\$ 40,000.00	\$ -0-	\$ 160,000.00	\$ -0-

TOWNSHIP OF FRANKLIN  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
YEAR ENDED DECEMBER 31, 2018

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:							
2014	765-042-4900-	01/01/14	12/31/18	\$ 9,801.41		\$ 5,721.52	\$ 9,801.41
2015	004-178910	01/01/15	12/31/18	11,905.94		2,461.09	11,905.94
2016		01/01/16	12/31/19	13,617.94		1,040.17	1,040.17
2018		01/01/18	12/31/19	11,176.88	\$ 11,176.88		
					<u>11,176.88</u>	<u>9,222.78</u>	<u>22,747.52</u>
Recycling Tonnage Grant:							
2017	100-042-4910-	01/01/17	12/31/18	5,657.71		799.65	5,657.71
2018	224-238490	01/01/18	12/31/19	7,236.06		7,152.90	7,152.90
						<u>7,952.55</u>	<u>12,810.61</u>
Total Department of Environmental Protection					<u>11,176.88</u>	<u>17,175.33</u>	<u>35,558.13</u>
<u>Department of Law and Public Safety:</u>							
Drunk Driving Enforcement Fund							
2018	100-078-6400 260-YYYY	01/01/18	12/31/19	1,600.00	1,600.00		
Total Department of Law and Public Safety					<u>1,600.00</u>		
Total State Awards					<u>\$ 12,776.88</u>	<u>\$ 17,175.33</u>	<u>\$ 35,558.13</u>

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, 2018

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, 2018. 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, 2018:

Green Trust Loan Payable	<u>\$ 165,958.51</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.

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, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated May 29, 2019. 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 have not been 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 2018-001, that we consider to be a significant deficiency.

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

### **Compliance and Other Matters**

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

### **The Township's Response to the Finding**

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

### **Purpose of this Report**

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

Mount Arlington, New Jersey  
May 29, 2019

NISIVOCCIA LLP

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

TOWNSHIP OF FRANKLIN  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED DECEMBER 31, 2018

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, 2018 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 2018-001

Segregation of Duties

Criteria

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

Condition

The Township does not maintain an adequate segregation of duties with respect to the recording and treasury functions. Segregation of duties refers to separating those functions that place too much control over a transaction or class of transactions that would enable a person to perpetuate errors and prevent detection within a reasonable period of time. The various departments/offices of the Township are responsible for the issuance of permits and licenses; collections of taxes and permit and license fees; and recording of collections. Also, the reconciliation of bank accounts, the preparation of the general ledger for the various funds and all of the payroll duties were performed by the Chief Financial Officer 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, 2018  
(Continued)

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

Finding 2018-001 (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.

Recommendation

It is recommended that an adequate segregation of duties be maintained 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.

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, 2018

The prior year finding regarding segregation of duties has not been resolved due to budgetary constraints and is included as current year Finding 2018-001.

TOWNSHIP OF FRANKLIN

PART III

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2018

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.

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.



TOWNSHIP OF FRANKLIN  
COMMENTS AND RECOMMENDATIONS  
(Continued)

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

Our audit procedures revealed that the Township purchased a backhoe through a cooperative purchasing agreement which was not approved by resolution of the Township Committee.

It is recommended that the Township formally approve the purchase of goods or services through a cooperative purchasing agreement.

Management's Response

The Township will make every effort to ensure that the purchase of goods or services through a cooperative purchasing agreement is approved by the governing body.

Collection of Interest on Delinquent Taxes and Utility Charges

On January 4, 2018, the governing body adopted the following resolution authorizing interest to be charged on delinquent taxes:

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

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

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

Delinquent Taxes and Tax Title Liens

The last tax sale was held on September 19, 2018, 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>
2018	4
2017	4
2016	4

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 2019 Taxes	20
Delinquent Taxes Receivable	20
Tax Title Liens Receivable	2

Verification notices were mailed to confirm balances receivable as of December 31, 2018. 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.

Municipal Court

A summary of Municipal Court transactions for the year 2018 is as follows:

	<u>Balance</u> <u>Dec. 31, 2017</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>Dec. 31, 2018</u>
State of New Jersey	\$ 2,697.86	\$ 41,789.57	\$ 42,268.19	\$ 2,219.24
County	1,649.50	23,934.50	24,434.50	1,149.50
Municipality	4,275.64	54,099.93	55,646.31	2,729.26
Municipality - POAA		6.00	6.00	
Conditional Discharge		675.00	595.00	80.00
Public Defender		200.00	200.00	
Weights and Measures	6,200.00	3,700.00	9,900.00	
Fish and Game		200.00	200.00	
Local Park		88.00	88.00	
Restitution		1,220.00	1,220.00	
Bail	5.05	4,891.87	3,395.05	1,501.87
Interest	2.14	25.38	26.22	1.30
	<u>\$ 14,830.19</u>	<u>\$ 130,830.25</u>	<u>\$ 137,979.27</u>	<u>\$ 7,681.17</u>

TOWNSHIP OF FRANKLIN  
COMMENTS AND RECOMMENDATIONS  
(Continued)

N.J.A.C. Accounting Requirements

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

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

The Township currently complies with these accounting requirements.

Segregation of Duties

The Township does not maintain an adequate segregation of duties with respect to the recording and treasury functions. Segregation of duties refers to separating those functions that place too much control over a transaction or class of transactions that would enable a person to perpetuate errors and prevent detection within a reasonable period of time. The various departments/offices of the Township are responsible for the issuance of permits and licenses; collections of taxes and permit and license fees; and recording of collections. Also, the reconciliation of bank accounts, the preparation of the general ledger for the various funds and all of the payroll duties were performed by the Chief Financial Officer 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.

Financial Records

During our review of the Township's financial records, we noted the following:

- 1.) The individual balances on the analysis of balance for the payroll agency account as of December 31, 2018 do not appear to be accurate and should be reviewed.
- 2.) During the Township's transition to a new payroll service provider, certain employees were not paid in accordance with approved salary contracts.
- 3.) There are a number of older reconciling items on the bank reconciliations for the tax collector's bank account as well as several of the individual Other Trust Funds bank accounts at December 31, 2018.
- 4.) There are a number of interfund balances included on the various balance sheets including a large interfund receivable in the Current Fund which has an effect on the Current Fund fund balance.
- 5.) The Township was a victim of a cyberattack where their computers as well as their files backed up on the Cloud were hacked. The Township was able to recreate the bulk of their accounting records and the

TOWNSHIP OF FRANKLIN  
COMMENTS AND RECOMMENDATIONS  
(Continued)

Financial Records (Cont'd)

Township's joint insurance fund paid the Ransomware fee to return the hacked files. As the Township has already taken steps to hire outside professionals to assist the Township in ensuring that their computer hardware and software and Cloud storage is protected from future cyberattacks, no formal recommendation is judged to be warranted.

It is recommended that:

- 1.) The individual withholding balances included in the analysis of balance for the payroll agency account be reviewed for accuracy and any necessary adjustments be made. In the future, the analysis of balance should be reviewed on a monthly basis to ensure that the individual withholding balances are accurate.
- 2.) The Township make every effort to ensure that employees are paid in accordance with the related contract or salary ordinance.
- 3.) The older reconciling items on the bank reconciliations for the tax collector's bank account as well as several of the Other Trust Funds bank accounts be investigated and resolved.
- 4.) Every effort be made to limit interfund activity in the future and liquidate all interfunds by the end of the year especially those interfunds due to the Current Fund.

Management's Response

The Township will review the individual withholding balances included in the analysis of balance for the payroll agency account be for accuracy and any necessary adjustments will be made. In the future, the analysis of balance will be reviewed on a monthly basis to ensure that the individual withholding balances are accurate. Also, the Township will make every effort to ensure that employees are paid in accordance with the related approved ordinance or contract. Additionally, the Township will investigate and resolve all older reconciling items included on the bank reconciliations for the tax collector's and Other Trust Funds' bank accounts. Finally, every effort will be made to limit interfund activity in the future and liquidate all interfunds by the end of the year especially those interfunds due to the Current Fund.

General Capital Fund

Two ordinances have very small deficit cash balances at December 31, 2018. 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 in the 2020 budget. No formal recommendation is judged to be warranted.

Animal Control Fund

Our audit procedures revealed that 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.

TOWNSHIP OF FRANKLIN  
COMMENTS AND RECOMMENDATIONS  
(Continued)

Outside Departments

Our audit procedures revealed that Board of Health and Zoning collections were not deposited within 48 hours of receipt as per State statute. Also, the Board of Health applications selected for testing were not available for audit review.

It is recommended that Board of Health and Zoning collections are deposited within 48 hours of receipt as per State statute and that Board of Health applications are available for audit review.

Management's Response

The Township will make every effort to ensure that Board of Health and Zoning collections are deposited within 48 hours of receipt and that Board of Health applications are available for audit review.

Management Suggestion

Confirmation of Payroll Taxes Paid by Payroll Service Provider

Consideration be given to confirming with the applicable states that the District's payroll taxes were properly remitted to the federal government on a regular basis.

Review of Prior Year Recommendations

The Township has initiated a corrective action plan to resolve the comments and recommendations from the 2017 Audit Report. The prior year recommendations regarding tax collection reports being prepared and reconciled with collections per the Treasurer, the difference in the balance between the Tax Collector's analysis and the general ledger balance for the Reserve for Tax Sale Premiums, monthly reports being prepared by the various outside departments which are reconciled with collections per the Treasurer, procedures being developed to ensure that adequate internal controls are in place over departmental collections and a cashbook being maintained for Recreation collections were resolved. The prior year recommendations regarding segregation of duties, Animal Control Fund receipts being deposited within 48 hours as per State statute and an analysis of balance for the Payroll Agency account were not resolved and are included in the current year comments and recommendations.

TOWNSHIP OF FRANKLIN  
SUMMARY OF RECOMMENDATIONS

It is recommended that:

1. The Township formally approve the purchase of goods or services through a cooperative purchasing agreement.
2. Consideration be given to providing for a more adequate segregation of duties with respect to the recording and treasury functions.
3. Financial Records:
  - a. The individual withholding balances included in the analysis of balance for the payroll agency account be reviewed for accuracy and any necessary adjustments be made. In the future, the analysis of balance should be reviewed on a monthly basis to ensure that the individual withholding balances are accurate.
  - b. The Township make every effort to ensure that employees are paid in accordance with the related contract or salary ordinance.
  - c. The older reconciling items on the bank reconciliations for the tax collector's bank account as well as several of the Other Trust Funds bank accounts be investigated and resolved.
  - d. Every effort be made to limit interfund activity in the future and liquidate all interfunds by the end of the year especially those interfunds due to the Current Fund.
4. Animal Control Fund receipts be deposited within 48 hours as per State statute.
5. Board of Health and Zoning collections are deposited within 48 hours of receipt as per State statute and that Board of Health applications are available for audit review.

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