

TOWNSHIP OF FRANKLIN

COUNTY OF HUNTERDON

REPORT OF AUDIT

2019

NISIVOCCIA LLP
CERTIFIED PUBLIC ACCOUNTANTS

TOWNSHIP OF FRANKLIN
COUNTY OF HUNTERDON
REPORT OF AUDIT
2019

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TOWNSHIP OF FRANKLIN

PART I

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2019

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, 2019 and 2018, 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, 2019 and 2018, or the changes in financial position where applicable thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the various funds and account group of the Township of Franklin as of December 31, 2019 and 2018, and the results of operations and changes in fund balance, where applicable, of such funds, thereof for the years then ended on the basis of the accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, as described in Note 1.

Other Matters

Supplementary Information

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

The 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.

The Honorable Mayor and Members
of the Township Committee
Township of Franklin
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2020 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 20, 2020

NISIVOCIA LLP

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

TOWNSHIP OF FRANKLIN
COUNTY OF HUNTERDON
2019
CURRENT FUND

TOWNSHIP OF FRANKLIN
CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	<u>Ref.</u>	<u>December 31,</u>	
		<u>2019</u>	<u>2018</u>
<u>ASSETS</u>			
Regular Fund:			
Cash and Cash Equivalents:			
Treasurer	A-4	\$ 1,659,160.23	\$ 929,110.04
Clerk	A-4a		1,098.68
Tax Collector	A-5	688,945.23	1,176,763.76
Change Fund		25.00	25.00
		<u>2,348,130.46</u>	<u>2,106,997.48</u>
Due from State of New Jersey:			
Senior Citizens and Veterans Deductions		4,857.44	6,357.44
		<u>2,352,987.90</u>	<u>2,113,354.92</u>
Receivables and Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	A-7	197,666.06	294,950.45
Tax Title Liens Receivable	A-8	22,436.46	20,091.25
Property Acquired for Taxes - Assessed Valuation		400.00	400.00
Revenue Accounts Receivable	A-9	6,704.22	2,729.26
Due from:			
Federal and State Grant Fund	A	10,781.54	9,601.85
Animal Control Fund	B	5,348.87	4,617.12
Other Trust Funds	B	37,380.59	59,045.81
General Capital Fund	C	237,942.64	233,977.30
Payroll Account		41,795.06	34,821.97
Total Receivables and Other Assets with Full Reserves		<u>560,455.44</u>	<u>660,235.01</u>
Total Regular Fund		<u>2,913,443.34</u>	<u>2,773,589.93</u>
Federal and State Grant Fund:			
Cash and Cash Equivalents	A-6	90,831.53	66,919.53
Grants Receivable	A-10	5,407.33	5,407.33
Total Federal and State Grant Fund		<u>96,238.86</u>	<u>72,326.86</u>
TOTAL ASSETS		<u>\$ 3,009,682.20</u>	<u>\$ 2,845,916.79</u>

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

	<u>Ref.</u>	<u>December 31,</u>	
		<u>2019</u>	<u>2018</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Regular Fund:			
Appropriation Reserves:			
Encumbered	A-3;A-11	\$ 6,139.05	
Unencumbered	A-3;A-11	270,668.39	\$ 310,615.95
		<u>276,807.44</u>	<u>310,615.95</u>
Other Encumbrances		951.49	
Regional High School Taxes Payable	A-13	744,071.50	693,450.82
County Tax Payable		12,544.41	11,735.73
Prepaid Taxes		249,766.55	231,920.37
County and State Fees Payable		7,190.00	6,891.00
Tax Overpayments		93,221.53	2,009.54
		<u>1,384,552.92</u>	<u>1,256,623.41</u>
Reserve for Receivables and Other Assets	A	560,455.44	660,235.01
Fund Balance	A-1	968,434.98	856,731.51
		<u>2,913,443.34</u>	<u>2,773,589.93</u>
Federal and State Grant Fund:			
Due to Current Fund	A	10,781.54	9,601.85
Appropriated Reserves	A-14	54,889.04	49,948.13
Unappropriated Reserves	A-15	30,568.28	12,776.88
		<u>96,238.86</u>	<u>72,326.86</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		<u><u>\$ 3,009,682.20</u></u>	<u><u>\$ 2,845,916.79</u></u>

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

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

	Ref.	Year Ended December 31,	
		2019	2018
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized		\$ 400,000.00	\$ 400,000.00
Miscellaneous Revenue Anticipated		873,918.26	906,474.30
Receipts from:			
Delinquent Taxes		284,656.25	195,813.89
Current Taxes		14,378,650.75	13,918,085.52
Nonbudget Revenue		41,263.54	36,284.33
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		289,493.47	192,335.74
Interfunds Returned		29,300.26	
Cancellation of Special District Taxes		1,666.40	3,215.36
Cancellation of Tax Overpayments			499.51
Total Income		<u>16,298,948.93</u>	<u>15,652,708.65</u>
<u>Expenditures</u>			
Budget Appropriations - Municipal Purposes		3,020,990.31	2,868,063.02
Municipal Open Space Taxes		27,642.93	27,682.65
County Taxes		2,148,336.28	2,163,448.58
County Added and Omitted Taxes		12,544.41	11,735.73
Regional High School Taxes		3,637,505.00	3,485,643.00
Local District School Taxes		6,410,425.00	6,254,950.00
Special District Taxes		343,666.40	341,965.36
Refund of Prior Year Taxes		7,700.22	
Interfunds Advanced		178,434.91	318,990.24
Total Expenditures		<u>15,787,245.46</u>	<u>15,472,478.58</u>
Excess in Revenue		511,703.47	180,230.07
Balance January 1		856,731.51	1,076,501.44
		<u>1,368,434.98</u>	<u>1,256,731.51</u>
Decreased by:			
Utilized as Anticipated Revenue		400,000.00	400,000.00
Balance December 31	A	<u>\$ 968,434.98</u>	<u>\$ 856,731.51</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, 2019

	<u>Budget</u>	<u>Added by NJSA 40A:4-87</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	25,300.00		21,316.49	3,983.51 *
Fines and Costs:				
Municipal Court	55,600.00		47,184.81	8,415.19 *
Interest and Costs on Taxes	35,700.00		57,888.49	22,188.49
Interest on Investments and Deposits	30,000.00		49,362.67	19,362.67
NJ Hotel Occupancy Tax	100,000.00		112,800.12	12,800.12
Energy Receipts Tax	259,544.00		259,544.00	
Uniform Construction Code Fees	75,000.00		97,174.80	22,174.80
General Capital Fund Balance	50,100.00		50,100.00	
Due from General Capital Fund	157,950.00		157,950.00	
Reserve to Pay Debt Service	2,900.00		2,900.00	
Reserve for Clean Communities Program	11,176.88		11,176.88	
Reserve for Drunk Driving Enforcement Fund	1,600.00		1,600.00	
	<u>809,770.88</u>		<u>873,918.26</u>	<u>64,147.38</u>
Receipts from Delinquent Taxes	<u>250,000.00</u>		<u>284,656.25</u>	<u>34,656.25</u>
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes	<u>1,938,324.42</u>		<u>2,173,530.73</u>	<u>235,206.31</u>
Budget Totals	3,398,095.30		3,732,105.24	334,009.94
Nonbudget Revenue			<u>41,263.54</u>	<u>41,263.54</u>
	<u>\$ 3,398,095.30</u>	<u>\$ -0-</u>	<u>\$ 3,773,368.78</u>	<u>\$ 375,273.48</u>

TOWNSHIP OF FRANKLIN
CURRENT FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019
(Continued)

Allocation of Current Tax Collections:

Revenue from Collection of Current Taxes		\$ 14,378,650.75
Allocated to:		
County, Special District, Local School and Regional School Taxes	\$ 12,552,477.09	
Municipal Open Space Taxes	27,642.93	
		12,580,120.02
Balance for Support of Municipal Budget		1,798,530.73
Add: Appropriation "Reserve for Uncollected Taxes"		375,000.00
		\$ 2,173,530.73

Analysis of Interest on Investments:

Cash Received - Treasurer	\$ 15,696.70	
Cash Received - Collector	18,586.59	
Due from Federal and State Grant Fund	1,179.69	
Due from Animal Control Fund	207.35	
Due from Other Trust Funds	5,927.71	
Due from General Capital Fund	7,764.63	
		\$ 49,362.67

Analysis of Nonbudget Revenue:

Treasurer:		
Clothing Bin	\$ 100.00	
Cable TV Franchise Fee	14,736.36	
Farm Rents	1,650.00	
Hunting Lease	1,200.00	
Insurance Refunds	12,427.00	
Newspaper Advertisement Refund	2,523.74	
Prior Year Voided Checks	1,014.49	
Senior Citizens' and Veterans' Deductions		
Administrative Reimbursement	390.00	
Vacant Property Fees	1,000.00	
Other Miscellaneous Revenue	6,171.95	
		\$ 41,213.54
Due from Other Trust Funds:		
Miscellaneous		50.00
		\$ 41,263.54

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, 2019

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended Balance Canceled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Operations Within "CAPS":					
GENERAL GOVERNMENT:					
Municipal Clerk:					
Salaries and Wages	\$ 124,799.00	\$ 124,799.00	\$ 110,945.29	\$ 13,853.71	
Other Expenses	59,000.00	81,174.72	77,427.12	3,747.60	
Mayor and Council:					
Salaries and Wages	18,832.00	18,832.00	16,528.25	2,303.75	
Other Expenses	5,000.00				
Elections:					
Other Expenses	3,000.00	3,000.00	2,355.23	644.77	
Financial Administration (Treasury):					
Salaries and Wages	96,000.00	98,520.09	98,520.09		
Other Expenses	30,775.00	6,080.19	100.00	5,980.19	
Annual Audit	25,500.00	28,200.00	28,200.00		
Technology:					
Other Expenses	10,000.00	10,317.71	10,317.71		
Other Expenses - Technology Consultant	10,000.00	10,000.00	7,845.00	2,155.00	
Revenue Administration (Tax Collection):					
Salaries and Wages	15,000.00	20,111.88	20,111.88		
Other Expenses	8,000.00	2,045.76		2,045.76	
Tax Assessment Administration:					
Salaries and Wages	27,787.86	27,787.86	23,802.88	3,984.98	
Other Expenses	2,550.00	2,550.00	2,020.00	530.00	
Revision of Tax Map	4,000.00	4,000.00		4,000.00	
Legal Services & Costs:					
Other Expenses	77,000.00	84,910.17	84,910.17		
LAND USE ADMINISTRATION:					
Municipal Land Use Law (NJSA 40:55D-1):					
Planning Board:					
Salaries and Wages	9,511.00	10,035.65	10,035.65		
Other Expenses	22,300.00	11,689.83	3,000.00	8,689.83	

TOWNSHIP OF FRANKLIN
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019
(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	\$ 5,660.92	\$ 1,094.08	
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	117,504.00	115,154.00	2,350.00	
Employee Group Health	268,887.24	268,887.24	176,644.58	92,242.66	
Health Benefits Waiver (N.J.S.A. 43:21-3 et seq.)	5,000.00	10,000.00	10,000.00		
PUBLIC SAFETY:					
Police:					
Salaries and Wages	627,663.68	627,663.68	614,096.39	13,567.29	
Other Expenses	61,550.00	61,550.00	30,365.13	31,184.87	
Emergency Management Services:					
Salaries and Wages	3,060.00	3,060.00		3,060.00	
Other Expenses	2,250.00	2,250.00		2,250.00	
First Aid Organization Contribution	26,000.00	26,000.00	26,000.00		
PUBLIC WORKS:					
Road Repairs and Maintenance:					
Salaries and Wages	303,960.00	312,062.31	312,062.31		
Other Expenses	91,667.00	98,928.21	98,928.21		
Snow Removal:					
Salaries and Wages	40,000.00	24,545.40	16,578.69	7,966.71	
Other Expenses	60,000.00	60,000.00	59,051.07	948.93	
Public Buildings & Grounds:					
Salaries and Wages	6,129.00	6,220.08	6,220.08		
Other Expenses	12,000.00	12,000.00	1,660.56	10,339.44	

TOWNSHIP OF FRANKLIN
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019
(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):					
HEALTH AND HUMAN SERVICES:					
Board of Health:					
Salaries and Wages	\$ 8,160.00	\$ 8,160.00	\$ 5,937.14	\$ 2,222.86	
Other Expenses	400.00	400.00		400.00	
Animal Control:					
Other Expenses	5,000.00	5,000.00	3,178.00	1,822.00	
PARKS AND RECREATION:					
Recreation Services:					
Other Expenses	6,500.00	6,500.00	2,335.08	4,164.92	
Senior Citizen Contribution	6,500.00	6,500.00	6,500.00		
UNIFORM CONSTRUCTION CODE:					
Construction Official:					
Salaries and Wages	84,676.64	84,676.64	84,650.46	26.18	
Other Expenses	4,955.00	4,955.00	2,002.28	2,952.72	
UTILITIES AND BULK PURCHASES:					
Utility and Fuel Expense	72,000.00	72,000.00	58,919.80	13,080.20	
Total Operations Within "CAPS"	<u>2,372,272.42</u>	<u>2,372,272.42</u>	<u>2,132,063.97</u>	<u>240,208.45</u>	
Contingent	<u>500.00</u>	<u>500.00</u>		<u>500.00</u>	
Total Operations Including Contingent Within "CAPS"	<u>2,372,772.42</u>	<u>2,372,772.42</u>	<u>2,132,063.97</u>	<u>240,708.45</u>	
Detail:					
Salaries and Wages	1,372,334.18	1,373,229.59	1,325,150.03	48,079.56	
Other Expenses	1,000,438.24	999,542.83	806,913.94	192,628.89	

TOWNSHIP OF FRANKLIN
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019
(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):					
Deferred Charges and Statutory Expenditures - Municipal Within "CAPS":					
Statutory Expenditures:					
Contribution to :					
Public Employees' Retirement System	\$ 64,078.00	\$ 64,078.00	\$ 64,078.00		
Social Security (O.A.S.I)	105,000.00	105,000.00	94,212.56	\$ 10,787.44	
Police and Fireman's Retirement System	130,084.00	130,084.00	130,084.00		
Unemployment Compensation Insurance	2,000.00	2,000.00		2,000.00	
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	<u>301,162.00</u>	<u>301,162.00</u>	<u>288,374.56</u>	<u>12,787.44</u>	
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>2,673,934.42</u>	<u>2,673,934.42</u>	<u>2,420,438.53</u>	<u>253,495.89</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	72,827.50	12,172.50	
Public and Private Programs Offset by Revenue:					
Reserve for Clean Communities Grant	11,176.88	11,176.88	11,176.88		
Reserve for Drunk Driving Enforcement Fund	1,600.00	1,600.00	1,600.00		
Total Operations Excluded from "CAPS"	<u>102,776.88</u>	<u>102,776.88</u>	<u>85,604.38</u>	<u>17,172.50</u>	

TOWNSHIP OF FRANKLIN
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended Balance Canceled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Operations Excluded from "CAPS":					
Detail:					
Salaries & Wages	\$ 5,000.00	\$ 5,000.00		\$ 5,000.00	
Other Expenses	97,776.88	97,776.88	\$ 85,604.38	12,172.50	
Capital Improvements:					
Capital Improvement Fund	140,000.00	140,000.00	140,000.00		
Total Capital Improvements	140,000.00	140,000.00	140,000.00		
Municipal Debt Service:					
Payment of Bond Anticipation Notes and Capital Notes	50,500.00	50,500.00	50,500.00		
Interest on Notes	8,384.00	8,384.00	6,299.29		\$ 2,084.71
Capital Lease Obligations	47,500.00	47,500.00	47,479.72		20.28
Total Municipal Debt Service	106,384.00	106,384.00	104,279.01		2,104.99
Total General Appropriations for Municipal Purposes	3,023,095.30	3,023,095.30	2,750,321.92	270,668.39	2,104.99
Reserve for Uncollected Taxes	375,000.00	375,000.00	375,000.00		
Total General Appropriations	<u>\$ 3,398,095.30</u>	<u>\$ 3,398,095.30</u>	<u>\$ 3,125,321.92</u>	<u>\$ 270,668.39</u>	<u>\$ 2,104.99</u>

Ref.

A

TOWNSHIP OF FRANKLIN
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019
(Continued)

	<u>Ref.</u>	Analysis of	
		Budget After Modification	Paid or Charged
Adopted Budget		\$ 3,398,095.30	
		\$ 3,398,095.30	
Cash Disbursed			\$ 2,745,353.84
Reserve for Uncollected Taxes			375,000.00
Reserve for Encumbrances	A		6,139.05
Transfer to Federal and State Grant Fund			12,776.88
Due to General Capital Fund			56,799.29
			3,196,069.06
Less: Appropriation Refunds - Cash Received			62,116.72
Less: Appropriation Refund - Due from Payroll Fund			8,630.42
			\$ 3,125,321.92

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

TOWNSHIP OF FRANKLIN
COUNTY OF HUNTERDON
2019
TRUST FUNDS

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

	Ref.	December 31,	
		2019	2018
<u>ASSETS</u>			
Animal Control Fund:			
Cash and Cash Equivalents:			
Treasurer	B-4	\$ 13,729.47	\$ 12,762.12
		<u>13,729.47</u>	<u>12,762.12</u>
Other Trust Funds:			
Cash and Cash Equivalents	B-4	1,999,251.63	2,123,351.65
Fair Housing Loan Receivable		24,000.00	24,000.00
		<u>2,023,251.63</u>	<u>2,147,351.65</u>
TOTAL ASSETS		<u><u>\$ 2,036,981.10</u></u>	<u><u>\$ 2,160,113.77</u></u>
<u>LIABILITIES AND RESERVES</u>			
Animal Control Fund:			
Due to Current Fund	A	\$ 5,348.87	\$ 4,617.12
Due to State Board of Health		997.20	660.60
Reserve for Animal Control Expenditures	B-5	7,383.40	7,484.40
		<u>13,729.47</u>	<u>12,762.12</u>
Other Trust Funds:			
Due to Current Fund	A	37,380.59	59,045.81
Reserve for:			
Council on Affordable Housing		412,931.58	383,407.01
Developers Escrow		459,868.15	505,666.10
Fair Housing Program		492,941.21	490,692.79
Police Outside Duties		33,064.77	27,519.77
Unemployment Compensation		89,246.52	87,970.61
Recreation Commission		30,589.03	34,305.81
Open Space Preservation		283,538.00	413,055.79
Developers Escrow - Stormwater Management		18,000.00	18,000.00
Fair Housing Loan Receivable		24,000.00	24,000.00
Tax Sale Premiums		79,000.00	31,300.00
Municipal Alliance		3,540.56	2,828.56
DEA Equitable Trust (Forfeited Assets)		1,800.21	1,800.21
Recycling Trust		1,400.49	1,400.49
Flexible Spending Trust		813.01	1,715.96
Accumulated Absences		54,937.51	64,442.74
Public Defender		200.00	200.00
		<u>2,023,251.63</u>	<u>2,147,351.65</u>
TOTAL LIABILITIES AND RESERVES		<u><u>\$ 2,036,981.10</u></u>	<u><u>\$ 2,160,113.77</u></u>

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

TOWNSHIP OF FRANKLIN
COUNTY OF HUNTERDON
2019
GENERAL CAPITAL FUND

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

	Ref.	December 31,	
		2019	2018
<u>ASSETS</u>			
Cash and Cash Equivalents	C-2	\$ 451,393.89	\$ 646,254.10
Deferred Charges to Future Taxation:			
Funded		130,352.42	165,958.51
Unfunded	C-4	319,681.79	370,181.79
TOTAL ASSETS		\$ 901,428.10	\$ 1,182,394.40
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Bond Anticipation Notes Payable	C-7	\$ 319,500.00	\$ 370,000.00
Green Acres Loan Payable	C-8	130,352.42	165,958.51
Improvement Authorizations:			
Funded	C-5	67,975.26	22,162.26
Unfunded	C-5	3,601.45	196,700.00
Capital Improvement Fund	C-6	116,108.35	116,108.35
Due to Current Fund	A	237,942.64	233,977.30
Reserve for:			
Debt Service			2,900.00
Fund Balance	C-1	25,947.98	74,587.98
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		\$ 901,428.10	\$ 1,182,394.40

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, 2018	C	\$ 74,587.98
Increased by:		
Premium on Bond Anticipation Notes Issued		1,460.00
		<u>76,047.98</u>
Decreased by:		
Anticipated as Revenue in Current Fund Budget		50,100.00
		<u>50,100.00</u>
Balance December 31, 2019	C	<u>\$ 25,947.98</u>

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

TOWNSHIP OF FRANKLIN
COUNTY OF HUNTERDON
2019
WATER UTILITY FUND

NOT APPLICABLE

TOWNSHIP OF FRANKLIN
COUNTY OF HUNTERDON
2019
SEWER UTILITY FUND

NOT APPLICABLE

TOWNSHIP OF FRANKLIN
COUNTY OF HUNTERDON
2019
PUBLIC ASSISTANCE FUND

NOT APPLICABLE

TOWNSHIP OF FRANKLIN
COUNTY OF HUNTERDON
2019
BOND AND INTEREST FUND

NOT APPLICABLE

TOWNSHIP OF FRANKLIN
COUNTY OF HUNTERDON
2019
GENERAL FIXED ASSETS ACCOUNT GROUP

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

	December 31,	
	2019	(Restated) 2018
<u>ASSETS</u>		
Land	\$ 5,908,001.00	\$ 5,908,001.00
Buildings and Improvements	13,150.00	13,150.00
Equipment	1,557,734.00	1,255,296.00
TOTAL ASSETS	\$ 7,478,885.00	\$ 7,176,447.00
 <u>RESERVES</u>		
Reserve for Fixed Assets	\$ 7,478,885.00	\$ 7,176,447.00
TOTAL RESERVES	\$ 7,478,885.00	\$ 7,176,447.00

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

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

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 – 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, 2019
(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, 2019
(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 - General fixed assets are recorded at cost or estimated historical cost based on estimation procedures. 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, 2019
(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,		
	2019	2018	2017
<u>Issued</u>			
General:			
Loans and Notes	\$ 449,852.42	\$ 535,958.51	\$ 363,363.02
Total Issued	449,852.42	535,958.51	363,363.02
<u>Authorized but not Issued:</u>			
General:			
Bonds and Notes	181.79	181.79	139.79
Total Authorized but not Issued	181.79	181.79	139.79
Less:			
General:			
Reserve to Pay Debt Service		2,900.00	
Net Bonds and Notes Issued and Authorized but not Issued	\$ 450,034.21	\$ 533,240.30	\$ 363,502.81

Summary of Municipal Debt Issued and Outstanding – Prior Year

	Balance 12/31/17	Additions	Retirements	Balance 12/31/18
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	200,863.02		34,904.51	165,958.51
Total	\$ 363,363.02	\$ 370,000.00	\$ 197,404.51	\$ 535,958.51

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(Continued)

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

Summary of Municipal Debt Issued and Outstanding – Current Year

	<u>Balance</u> <u>12/31/18</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/19</u>
Bond Anticipation Notes:				
General Capital Fund	\$ 370,000.00	\$ 319,500.00	\$ 370,000.00	\$ 319,500.00
Loans Payable:				
General Capital Fund:				
Green Trust Loans	<u>165,958.51</u>		<u>35,606.09</u>	<u>130,352.42</u>
Total	<u>\$ 535,958.51</u>	<u>\$ 319,500.00</u>	<u>\$ 405,606.09</u>	<u>\$ 449,852.42</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 0.079%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General Debt	\$ 181.79		\$ 181.79
Local School District Debt	3,405,000.00	\$ 3,405,000.00	
Regional High School Debt	<u>592,328.50</u>	<u>592,328.50</u>	
General Debt	<u>\$ 3,997,510.29</u>	<u>\$ 3,997,328.50</u>	<u>\$ 181.79</u>

Net Debt of \$450,034.21 divided by Equalized Valuation Basis per N.J.S. 40A:2-2, \$567,116,815.67 = 0.079%.

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

3-1/2% Average Equalized Valuation of Real Property	\$ 19,849,088.55
Net Debt	<u>181.79</u>
Remaining Borrowing Power	<u>\$ 19,848,906.76</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, 2019
(Continued)

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

At December 31, 2019 the Township has the following debt outstanding:

<u>General Capital Bond Anticipation Notes</u>			
<u>Purpose</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2019</u>
Improvements to West Sidney Road	4/29/2020	3.00%	\$ 61,500.00
Acquisition of Equipment for the Department of Public Works	4/29/2020	3.00%	<u>258,000.00</u>
			<u>\$ 319,500.00</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, 2019</u>
Acquisition of Land and Easements	3/14/2023	2.00%	<u>\$ 130,352.42</u>
Total Debt Issued and Outstanding			<u>\$ 449,852.42</u>

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

<u>Year</u>	<u>General</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
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	<u>19,182.23</u>	<u>191.82</u>	<u>19,374.05</u>
	<u>\$ 130,352.42</u>	<u>\$ 5,265.98</u>	<u>\$ 135,618.40</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 was to finance the acquisition of open space lands and easements.

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(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. In 2018, the Township entered into a \$50,541.31 capital lease purchase agreement, with a 5 year term, for a police SUV vehicle. In 2019, the Township entered into two capital lease purchase agreements for \$41,344.08 and \$44,738.17, respectively, with 5 year terms for each of the two police vehicles.

As of December 31, 2019, \$46,149.65 of the dump body truck, \$20,274.17 of the 2018 police SUV vehicle, \$9,022.88 for one of the 2019 police vehicles and \$9,705.73 for the other 2019 police vehicle capital lease purchase agreements have matured and been repaid. The following is a schedule of the future minimum lease payments under the capital leases and the present value of the net minimum lease payments at December 31, 2019.

Year	Amount
2020	\$ 47,479.72
2021	47,479.72
2022	30,140.49
2023	18,923.94
	144,023.87
Less: Amount Representing Interest	(14,366.74)
Present Value Net of Minimum Lease Payments	\$ 129,657.13

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

Note 3: Fund Balances Appropriated

The amount of fund balance at December 31, 2019, which is included in the adopted budget for the Current Fund for the year ending December 31, 2020 is as follows:

Current Fund	\$ 450,000.00
--------------	---------------

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).

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.

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(Continued)

Note 4: Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS)

Benefits Provided

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

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

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

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members.

The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability 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 \$64,078 for 2019.

The employee contribution rate was 7.50% effective July 1, 2018.

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(Continued)

Note 4: Pension Plans (Cont'd)

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

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. The Township has rolled forward the net pension liability as of June 30, 2018 with no adjustments. The State of New Jersey Public Employees' Retirement System (PERS)' valuation cycle is July 1 instead of December 31. The roll forward methodology puts them a year in arrears in terms of valuation. The Division of Local Government Services, Department of Community Affairs, State of New Jersey is permitting municipalities to include the June 30, 2018 pension information in the Notes to the Financial Statements as the June 30, 2019 pension information has not been released as of the date of this audit.

For the year ended December 31, 2019, the Township recognized actual pension expense in the amount of \$64,078.

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. 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).

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(Continued)

Note 4: Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS) (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, 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, 2019

(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 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.

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(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, 2019
(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 \$130,084 for the year ended December 31, 2019. 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 a decrease of 0.0001% from its proportion measured as of June 30, 2017. The Township has rolled forward the net pension liability as of June 30, 2018 with no adjustments. The State of New Jersey Police and Firemen's Retirement System (PFRS)' valuation cycle is July 1 instead of December 31. The roll forward methodology puts them a year in arrears in terms of valuation. The Division of Local Government Services, Department of Community Affairs, State of New Jersey is permitting municipalities to include the June 30, 2018 pension information in the Notes to the Financial Statements as the June 30, 2019 pension information has not been released as of the date of this audit.

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.

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(Continued)

Note 4: Pension Plans (Cont'd)

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

Pension Liabilities and Pension Expense (Cont'd)

At June 30, 2018, the State's proportion was 0.0133%, which was a decrease of 0.0001% from its proportion measured as of June 30, 2017 which is the same proportion as the Township's. The Township has rolled forward the net pension liability as of June 30, 2018 with no adjustments. The State of New Jersey Police and Firemen's Retirement System (PFRS)' valuation cycle is July 1 instead of December 31. The roll forward methodology puts them a year in arrears in terms of valuation.

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

For the year ended December 31, 2019, the Township recognized total pension expense of \$130,084.

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.

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.

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

(Continued)

Note 4: Pension Plans (Cont'd)

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

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%

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.

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(Continued)

Note 4: Pension Plans (Cont'd)

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

Discount Rate – PFRS (Cont'd)

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

Pension Plan Fiduciary Net Position – PFRS

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

Note 5: 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 \$117,810.49 at December 31, 2019. 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 \$54,937.51 in a Reserve for Accumulated Absences on the Trust Funds balance sheet at December 31, 2019.

Note 6: 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.

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(Continued)

Note 6: Local and Regional High School District Taxes (Cont'd)

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

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

	Regional High School Tax	
	Balance 12/31/2019	Balance 12/31/2018
Balance of Tax	\$ 1,212,501.50	\$ 1,161,880.82
Deferred	468,430.00	468,430.00
Tax Payable	\$ 744,071.50	\$ 693,450.82

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

	2019	2018	2017
<u>Tax Rate</u>	\$ 2.599	\$ 2.546	\$ 2.496
<u>Apportionment of Tax Rate</u>			
Municipal (Including Open Space)	0.360	0.352	0.344
County	0.395	0.398	0.378
Local School	1.177	1.153	1.172
Regional High School	0.667	0.643	0.602
<u>Assessed Valuations</u>			
2019	\$ 544,897,500.00		
2018		\$ 542,800,876.00	
2017			\$ 543,186,235.00

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(Continued)

Note 7: Selected Tax Information (Cont'd)

Comparison of Tax Levies and Collection Currently

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

<u>Year</u>	<u>Tax Levy</u>	<u>Currently</u>	
		<u>Cash Collections</u>	<u>Percentage of Collection</u>
2019	\$ 14,587,340.31	\$ 14,378,650.75	98.56%
2018	14,237,157.98	13,918,085.52	97.75%
2017	13,919,599.85	13,685,784.71	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.

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 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.

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(Continued)

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

Deposits: (Cont'd)

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;
- (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

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(Continued)

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

Investments: (Cont'd)

- (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.

As of December 31, 2019, 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	\$ 2,348,105.46	\$ 2,348,130.46
Federal and State Grant		90,831.53	90,831.53
Animal Control		13,729.47	13,729.47
Other Trust		1,999,251.63	1,999,251.63
General Capital		451,393.89	451,393.89
	<u>\$ 25.00</u>	<u>\$ 4,903,311.98</u>	<u>\$ 4,903,336.98</u>

During the year ended December 31, 2019, the Township did not hold any investments. The carrying amount of the Township of Franklin's cash and cash equivalents at December 31, 2019, was \$4,903,336.98 and the bank balance was \$5,261,170.82.

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.

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(Continued)

Note 9: Risk Management (Cont'd)

Property, Liability and Workers' Compensation

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

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

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

The December 31, 2019 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, 2018 is as follows:

	<u>Statewide Insurance Fund</u>
Total Assets	\$ 48,828,931
Net Position	<u>\$ 13,407,234</u>
Total Revenue	<u>\$ 25,482,958</u>
Total Expenses	<u>\$ 25,415,027</u>
Change in Net Position	<u>\$ 67,931</u>
Member Dividends	<u>\$ 47,282</u>

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

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(Continued)

Note 9: Risk Management (Cont'd)

New Jersey Unemployment Compensation Insurance

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

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

<u>Year</u>	<u>Township/ Employee Contributions</u>	<u>Interest Earned</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2017	\$ 5,799.66	\$ 613.81	\$ 230.12	\$ 86,823.40
2018	1,065.35	283.22	201.36	87,970.61
2019	-0-	1,275.91	-0-	89,246.52

Note 10: Interfund Receivables and Payables

The following interfund balances remained on the balance sheet at December 31, 2019:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$ 291,453.64	
Federal and State Grant Fund		\$ 10,781.54
Animal Control Fund		5,348.87
Other Trust Funds		37,380.59
General Capital Fund		237,942.64
	<u>\$ 291,453.64</u>	<u>\$ 291,453.64</u>

The interfund receivable in the Current Fund consists of prior year interfunds due from the Federal and State Grant Fund, Animal Control Fund, Other Trust Funds and General Capital Fund not fully settled, Animal Control Fund expenditures paid by the Current Fund, anticipated revenue due from the General Capital Fund, receipts deposited in the Other Trust Funds in error 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 the interest on the bond anticipation notes paid by the General Capital Fund and the current year Open Space tax levy and Open Space added and omitted due to the Other Trust Funds.

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(Continued)

Note 11: Contingent Liabilities

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

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

Note 12: Economic Dependency

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

Note 13: Open Space Trust Fund

The Township adopted an ordinance in 2009 to establish a "Municipal Open Space, Recreation, and Farmland and Historic Preservation Trust Fund," permitting the Township to collect a tax of up to five (\$.05) cents per \$100.00 assessed valuation for the Open Space Trust Fund. The 2019 Open Space tax levy was \$.005 cents or \$27,642.93 including added and omitted taxes. The balance in the Reserve for Open Space at December 31, 2019 was \$283,538.00.

Note 14: Deferred Compensation Plan

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

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(Continued)

Note 15: Fixed Assets

	(Restated)			
	Balance			Balance
	Dec. 31, 2018	Additions	Deletions	Dec. 31, 2019
Land	\$ 5,908,001.00			\$ 5,908,001.00
Buildings	13,150.00			13,150.00
Machinery and Equipment	1,255,296.00	\$ 302,438.00		1,557,734.00
	<u>\$ 7,176,447.00</u>	<u>\$ 302,438.00</u>	<u>\$ - 0 -</u>	<u>\$ 7,478,885.00</u>

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>.

Benefits Provided

The Plan provides medical and prescription drug coverage to retirees and their covered dependents of the participating 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

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(Continued)

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

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

Benefits Provided (Cont'd)

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.

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.

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(Continued)

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

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

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, 2017 through June 30, 2018. Employer and nonemployer allocation percentages were rounded for presentation purposes; therefore, amounts presented in the schedule of OPEB amounts by employer and nonemployer may result in immaterial differences.

OPEB Expense

The total OPEB liability as of June 30, 2019 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, 2018 was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018.

The State's proportionate share of the net OPEB liability attributable to the Township at June 30, 2018 was \$1,312,053. At June 30, 2018, the State's proportion related to the Township was .021115%. This is the percentage of the total State Share of the net OPEB liability of the Plan.

During the year ended June 30, 2018, the State of New Jersey's OPEB expense related to the Township was \$39,717.

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.

TOWNSHIP OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(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 (Cont'd)

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, 2017 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.

100% of active members are considered to participate in the Plan upon retirement.

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially is 5.8% and decreases to a 5.0% long term trend rate after eight years. For self-insured post 65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long term rate after seven years. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount Rate

The discount rate for June 30, 2018 was 3.87%. 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.

Note 17: Subsequent Event

The COVID-19 outbreak in the United States and specifically in New Jersey has caused disruption of the Township's normal financial operations with the municipal office closed to the public and minimal staff working on site. Though the impact on the Township's operations cannot be reasonably estimated at this date, it is likely that there will be an impact on tax collections as well as other revenue in the Current Fund.

TOWNSHIP OF FRANKLIN

SUPPLEMENTARY DATA

TOWNSHIP OF FRANKLIN
OFFICIALS IN OFFICE AND SURETY BONDS
YEAR ENDED DECEMBER 31, 2019

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

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>	<u>Name of Corporate or Personal Surety</u>
Craig Repmann	Mayor		
Diane Burgess	Deputy Mayor		
Sebastian Donaruma	Committeeman		
Michael Homulak	Committeeman		
Philip Koury	Committeeman		
Christine Burke	Clerk (from 5/23/19)	*	*
Ursula Stryker	Clerk (to 1/31/19)	*	*
Cameron Keng	Chief Financial Officer	*	*
Cameron Keng	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
2019
CURRENT FUND

TOWNSHIP OF FRANKLIN
CURRENT FUND
SCHEDULE OF CASH

	<u>Ref.</u>	
Balance December 31, 2018	A	\$ 929,110.04
Increased by Receipts:		
Tax Collector	\$ 15,342,363.73	
Clerk	1,098.68	
Revenue Accounts Receivable	542,940.22	
Miscellaneous Revenue Not Anticipated	41,213.54	
Interest on Investments and Deposits	15,696.70	
Due from Payroll Account:		
Prior Year Interfund Returned	1,657.33	
County and State Fees Payable:		
Due to County of Hunterdon	4,000.00	
Due to State of New Jersey:		
Marriage License Fees	600.00	
State Training Fees	7,000.00	
Due from State of New Jersey - Senior Citizens' and Veterans' Deductions	19,500.00	
Appropriation Refunds:		
Current Year Budget	62,116.72	
	<hr/>	16,038,186.92
		<hr/>
		16,967,296.96
Decreased by Disbursements:		
2019 Appropriation Expenditures	2,745,353.84	
2018 Appropriation Reserves	21,122.48	
Local School District Taxes	6,410,425.00	
Regional High School Taxes Payable	3,586,884.32	
County Taxes	2,160,072.01	
Special District Taxes	342,000.00	
Due from Animal Control Fund:		
Due to State Board of Health payments	524.40	
County and State Fees Payable:		
Due to County of Hunterdon	2,575.00	
Due to State of New Jersey:		
Marriage License Fees	575.00	
State Training Fees	8,151.00	
Refunds of Prior Year Taxes	6,748.73	
Refund of Third Party Liens	23,704.95	
	<hr/>	15,308,136.73
		<hr/>
Balance December 31, 2019	A	<u>\$ 1,659,160.23</u>

TOWNSHIP OF FRANKLIN
CURRENT FUND
SCHEDULE OF CASH - CLERK

Balance December 31, 2018	<u>Ref.</u>	\$ 1,098.68
Decreased by:		
Payments to Municipal Treasurer		<u>1,098.68</u>
Balance December 31, 2019	A	<u><u>\$ -0-</u></u>

TOWNSHIP OF FRANKLIN
CURRENT FUND
SCHEDULE OF CASH - COLLECTOR
YEAR ENDED DECEMBER 31, 2019

	<u>Ref.</u>	
Balance December 31, 2018		\$ 1,176,763.76
Increased by Receipts:		
Taxes Receivable	\$ 14,413,386.63	
Interest and Costs on Taxes	57,888.49	
2020 Prepaid Taxes	249,766.55	
Third Party Liens	23,704.95	
Tax Overpayments	91,211.99	
Interest on Investments and Deposits	18,586.59	
		14,854,545.20
		16,031,308.96
Decreased by:		
Payments to Municipal Treasurer		15,342,363.73
Balance December 31, 2019	A	\$ 688,945.23

TOWNSHIP OF FRANKLIN
FEDERAL AND STATE GRANT FUND
SCHEDULE OF CASH

	<u>Ref.</u>	
Balance December 31, 2018	A	\$ 66,919.53
Increased by Receipts:		
Due to Current Fund:		
Interest Earned	\$ 1,179.69	
Unappropriated Reserves	30,568.28	
		31,747.97
		98,667.50
Decreased by Disbursements:		
Appropriated Reserves		7,835.97
Balance December 31, 2019	A	\$ 90,831.53

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

Year	Balance	2019 Levy	Collections		State of NJ Veterans' and Senior Citizens' Deductions	Cancelled	Transferred to Tax Title Liens	Balance
	Dec. 31, 2018		2018	2019				Dec. 31, 2019
2018	\$ 294,950.45			\$ 284,656.25		\$ 10,294.20		
	294,950.45			284,656.25		10,294.20		
2019		\$ 14,587,340.31	\$ 231,920.37	14,128,730.38	\$ 18,000.00	8,678.29	\$ 2,345.21	\$ 197,666.06
	\$ 294,950.45	\$ 14,587,340.31	\$ 231,920.37	\$ 14,413,386.63	\$ 18,000.00	\$ 18,972.49	\$ 2,345.21	\$ 197,666.06
<u>Ref.</u>	A							A

Analysis of 2019 Property Tax Levy

Tax Yield:

General Purpose Taxes	\$ 14,161,886.80
Special District Taxes	343,666.40
Added and Omitted Taxes	81,787.11
	<u>\$ 14,587,340.31</u>

Tax Levy:

Local School District Taxes	\$ 6,410,425.00
Regional High School Taxes	3,637,505.00
Special District Taxes	343,666.40
Municipal Open Space Taxes	\$ 27,174.70
Municipal Open Space Taxes - Added and Omitted Taxes	468.23
County Taxes:	
General Purpose Taxes	2,148,336.28
Due County for Added and Omitted Taxes	12,544.41
	<u>2,188,523.62</u>
	12,580,120.02
Local Tax for Municipal Purposes	1,938,324.42
Add: Additional Tax Levied	68,895.87
	<u>2,007,220.29</u>
	<u>\$ 14,587,340.31</u>

TOWNSHIP OF FRANKLIN
CURRENT FUND
SCHEDULE OF TAX TITLE LIENS

	<u>Ref.</u>	
Balance December 31, 2018	A	\$ 20,091.25
Increased by:		
Transfer from Taxes Receivable		<u>2,345.21</u>
Balance December 31, 2019	A	<u><u>\$ 22,436.46</u></u>

TOWNSHIP OF FRANKLIN
CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE
YEAR ENDED DECEMBER 31, 2019

	<u>Balance</u> <u>Dec. 31, 2018</u>	<u>Accrued In</u> <u>2019</u>	<u>Collected by</u> <u>Treasurer</u>	<u>Balance</u> <u>Dec. 31, 2019</u>
Licenses:				
Alcoholic Beverages		\$ 4,920.00	\$ 4,920.00	
Fees and Permits		21,316.49	21,316.49	
Fines and Costs:				
Municipal Court	\$ 2,729.26	51,159.77	47,184.81	\$ 6,704.22
Energy Receipts Tax		259,544.00	259,544.00	
NJ Hotel Occupancy Tax		112,800.12	112,800.12	
Uniform Construction Code Fees		97,174.80	97,174.80	
	<u>\$ 2,729.26</u>	<u>\$ 546,915.18</u>	<u>\$ 542,940.22</u>	<u>\$ 6,704.22</u>

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

	<u>Balance</u> <u>Dec. 31, 2018</u>	<u>2019 Budget</u> <u>Revenue</u> <u>Realized</u>	<u>Transferred</u> <u>from</u> <u>Unappropriated</u> <u>Reserves</u>	<u>Balance</u> <u>Dec. 31, 2019</u>
Clean Communities - 2018		\$ 11,176.88	\$ 11,176.88	
Drunk Driving Enforcement Fund - 2018		1,600.00	1,600.00	
Sustainable Jersey Grant	\$ 5,000.00			\$ 5,000.00
Statewide Insurance Fund - Bulletproof Vest	407.33			407.33
	<u>\$ 5,407.33</u>	<u>\$ 12,776.88</u>	<u>\$ 12,776.88</u>	<u>\$ 5,407.33</u>
	A			A

TOWNSHIP OF FRANKLIN
CURRENT FUND
SCHEDULE OF 2018 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2019

	<u>Balance</u> <u>Dec. 31, 2018</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	\$ 1,438.25	\$ 1,438.25		\$ 1,438.25
Other Expenses	4,800.05	4,800.05		4,800.05
Municipal Clerk:				
Salaries and Wages	171.79	171.79		171.79
Elections:				
Other Expenses	628.86	628.86		628.86
Financial Administration:				
Other Expenses	4,024.52	4,024.52	\$ 2,700.00	1,324.52
Annual Audit Services	500.00	500.00		500.00
Technology:				
Other Expenses	8,159.34	8,159.34		8,159.34
Other Expenses - Technology Consultant	5,172.50	5,172.50		5,172.50
Revenue Administration (Tax Collection):				
Salaries and Wages	6,098.41	6,098.41		6,098.41
Tax Assessment Administration:				
Salaries and Wages	4,699.25	4,699.25		4,699.25
Revision of Tax Map	2,294.00	2,294.00		2,294.00
Master Plan Preparation	12,357.00	12,357.00	9,057.00	3,300.00
Legal Services & Costs:				
Other Expenses	8,392.70	8,392.70		8,392.70
Municipal Land Use Law (NJSA 40:55D-1):				
Planning Board:				
Salaries and Wages	77.32	77.32		77.32
Other Expenses	12,208.30	12,208.30		12,208.30
Zoning Official:				
Salaries and Wages	1,184.18	1,184.18		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
Employee Group Health	34,609.47	34,609.47		34,609.47
Health Benefit Waiver	1,869.42	1,869.42		1,869.42
Police:				
Salaries and Wages	2,330.74	2,330.74		2,330.74
Other Expenses	14,317.44	14,317.44		14,317.44
Emergency Management Services:				
Salaries and Wages	2,847.50	2,847.50		2,847.50
Other Expenses	1,855.51	1,855.51		1,855.51
Road Repairs and Maintenance:				
Salaries and Wages	5,837.84	5,837.84		5,837.84
Other Expenses	27,287.43	27,287.43		27,287.43

TOWNSHIP OF FRANKLIN
CURRENT FUND
SCHEDULE OF 2018 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2019
(Continued)

	<u>Balance</u> <u>Dec. 31, 2018</u>	<u>Budget After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
Snow Removal:				
Salaries and Wages	\$ 15,870.33	\$ 15,870.33		\$ 15,870.33
Other Expenses	24,468.44	24,468.44		24,468.44
Public Buildings & Grounds:				
Salaries and Wages	168.10	168.10		168.10
Other Expenses	7,693.20	7,693.20	\$ 1,865.48	5,827.72
Board of Health:				
Salaries and Wages	2,102.91	2,102.91		2,102.91
Other Expenses	250.00	250.00		250.00
Animal Control:				
Other Expenses	1,143.66	1,143.66	1,000.00	143.66
Senior Citizen Contribution	6,500.00	6,500.00	6,500.00	
UNIFORM CONSTRUCTION CODE:				
Construction Official:				
Other Expenses	13,797.00	13,797.00		13,797.00
Utility and Bulk Purchases:				
Electricity	7,430.03	7,430.03		7,430.03
Telephone	10,836.75	10,836.75		10,836.75
Heating Oil	1,778.93	1,778.93		1,778.93
Accumulated Absences	20,391.60	20,391.60		20,391.60
Contingent	500.00	500.00		500.00
Statutory Expenditures:				
Contribution to:				
Social Security System (OASI)	2,258.38	2,258.38		2,258.38
Unemployment Compensation Insurance	2,000.00	2,000.00		2,000.00
Defined Contribution Retirement Plan	750.00	750.00		750.00
Affordable Housing Administration:				
Salaries and Wages	5,000.00	5,000.00		5,000.00
Shared Service Agreements:				
Joint Municipal Court:				
Other Expenses - Contractual	13,600.00	13,600.00		13,600.00
Capital Improvements:				
Road Improvements	8,314.80	8,314.80		8,314.80
	<u>\$ 310,615.95</u>	<u>\$ 310,615.95</u>	<u>\$ 21,122.48</u>	<u>\$ 289,493.47</u>

Analysis of Balance December 31, 2018

Unencumbered	\$ 310,615.95
Encumbered	-0-
	<u>\$ 310,615.95</u>

TOWNSHIP OF FRANKLIN
CURRENT FUND
SCHEDULE OF LOCAL SCHOOL DISTRICT TAXES PAYABLE
YEAR ENDED DECEMBER 31, 2019

Increased by:		
Levy - Calendar Year 2019		<u>\$ 6,410,425.00</u>
Decreased by:		
Payments to Local School District		<u><u>\$ 6,410,425.00</u></u>

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

	<u>Ref.</u>	
Balance December 31, 2018		
Regional High School Taxes Payable	A	\$ 693,450.82
Regional High School Taxes Deferred		468,430.00
		<u>1,161,880.82</u>
Increased by:		
Levy - School Year July 1, 2019 thru June 30, 2020		3,637,505.00
		<u>4,799,385.82</u>
Decreased by:		
Payments to Regional High School		<u>3,586,884.32</u>
Balance December 31, 2019		
Regional High School Taxes Payable	A	744,071.50
Regional High School Taxes Deferred		468,430.00
		<u><u>\$ 1,212,501.50</u></u>

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

	Balance Dec. 31, 2018	Transferred from 2019 Budget Appropriations	Expended	Balance Dec. 31, 2019
Body Armor Grant:				
2014	\$ 587.88			\$ 587.88
2015	920.97			920.97
2016	981.19			981.19
2017	982.07			982.07
Clean Communities Program:				
2016	12,577.77		\$ 7,835.97	4,741.80
2017	11,569.29			11,569.29
2018		\$ 11,176.88		11,176.88
Emergency Management Assistance:				
2011	942.78			942.78
2012	11.50			11.50
Recycling Tonnage Grant				
2018	83.16			83.16
Drunk Driving Enforcement Fund				
2015	1,898.93			1,898.93
2016	3,500.00			3,500.00
2017	3,500.00			3,500.00
2018		1,600.00		1,600.00
Click It or Ticket	1,631.05			1,631.05
Distracted Driving Incentive:				
2017	3,644.12			3,644.12
Private Donations - Police Department	3,169.92			3,169.92
Walmart Donation - Police Equipment	2,500.00			2,500.00
Sustainable Jersey Grant	1,447.50			1,447.50
	<u>\$ 49,948.13</u>	<u>\$ 12,776.88</u>	<u>\$ 7,835.97</u>	<u>\$ 54,889.04</u>
<u>Ref.</u>	A			A
State		<u>\$ 12,776.88</u>	<u>\$ 7,835.97</u>	
		<u>\$ 12,776.88</u>	<u>\$ 7,835.97</u>	

TOWNSHIP OF FRANKLIN
FEDERAL AND STATE GRANT FUND
SCHEDULE OF UNAPPROPRIATED RESERVES
YEAR ENDED DECEMBER 31, 2019

	Balance Dec. 31, 2018	Cash Received	Transferred to 2019 Budget Revenue	Balance Dec. 31, 2019
Drunk Driving Enforcement Fund	\$ 1,600.00		\$ 1,600.00	
Clean Communities Grant	11,176.88	\$ 12,477.52	11,176.88	\$ 12,477.52
Body Armor Fund		1,045.99		1,045.99
Recycling:				
2019		4,835.31		4,835.31
2020		6,103.47		6,103.47
Distracted Driving Crackdown		3,351.74		3,351.74
Private Donation - Lead Grant		1,254.25		1,254.25
Walmart Donation		1,500.00		1,500.00
	<u>\$ 12,776.88</u>	<u>\$ 30,568.28</u>	<u>\$ 12,776.88</u>	<u>\$ 30,568.28</u>

Ref. A

A

TOWNSHIP OF FRANKLIN
COUNTY OF HUNTERDON
2019
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, 2018	B	\$ 12,762.12	\$ 2,123,351.65
Increased by Receipts:			
License Fees Collected		\$ 3,466.80	
Late Fees		105.00	
State Registration Fees - Current Fund		580.20	
State Registration Fees - Prior Year Voided Check		288.00	
Due Current Fund:			
Miscellaneous Revenue Not Anticipated			\$ 50.00
Interest Earned		207.35	5,927.71
Tax Sale Premiums			62,200.00
Developers' Escrow			46,334.60
Recreation			7,525.00
Council on Affordable Housing			16,137.78
Municipal Alliance Receipts			1,800.00
Fair Housing Program Deposits			3,545.92
Police Outside Duties Deposits			25,690.10
Open Space:			
Interest Earned			4,928.76
State Unemployment Insurance Compensation:			
Interest Earned			1,275.91
Flexible Spending Receipts			600.00
		<u>4,647.35</u>	<u>176,015.78</u>
		17,409.47	2,299,367.43
Decreased by Disbursements:			
Due to State Board of Health		7.20	
Expenditures Under R.S. 4:19-15.11		3,672.80	
Developers' Escrow			92,132.55
Tax Sale Premiums			14,500.00
Recreation Expenditures			11,241.78
Municipal Alliance Expenditures			1,088.00
Fair Housing Program Expenditures			1,297.50
Council on Affordable Housing Expenditures			6,758.31
Open Space			162,089.48
Accumulated Absences			9,505.23
Flexible Spending Expenditures			1,502.95
		<u>3,680.00</u>	<u>300,115.80</u>
Balance December 31, 2019	B	<u>\$ 13,729.47</u>	<u>\$ 1,999,251.63</u>

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

	<u>Ref.</u>		
Balance December 31, 2018	B		\$ 7,484.40
Increased by:			
Dog License Fees Collected		\$ 3,466.80	
Late Fees		105.00	
			3,571.80
			11,056.20
Decreased by:			
Expenditures Under R.S. 4:19-15.11			3,672.80
Balance December 31, 2019	B		\$ 7,383.40

License Fees Collected

<u>Year</u>	<u>Amount</u>
2017	\$ 4,082.40
2018	3,877.20
Maximum Allowable Reserve	\$ 7,959.60

TOWNSHIP OF FRANKLIN
COUNTY OF HUNTERDON
2019
GENERAL CAPITAL FUND

TOWNSHIP OF FRANKLIN
GENERAL CAPITAL FUND
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	
Balance December 31, 2018	C	\$ 646,254.10
Increased by Receipts:		
2019 Budget Appropriation:		
Capital Improvement Fund	\$ 140,000.00	
Bond Anticipation Notes Issued	319,500.00	
Premium on Bond Anticipation Notes Issued	1,460.00	
Due to Current Fund:		
Interest Earned	7,764.63	
		468,724.63
		1,114,978.73
Decreased by:		
Improvement Authorizations	287,285.55	
Fund Balance Anticipated as Revenue in Current Fund Budget		
Bond Anticipation Notes Matured	370,000.00	
Due from Current Fund:		
Interest on Bond Anticipation Notes	6,299.29	
		663,584.84
Balance December 31, 2019	C	\$ 451,393.89

TOWNSHIP OF FRANKLIN
GENERAL CAPITAL FUND
ANALYSIS OF CASH

	Balance/ (Deficit) Dec. 31, 2018	Receipts			Disbursements			Transfers		Balance/ (Deficit) Dec. 31, 2019	
		Budget Appropriation	Bond		Improvement Authorizations	Bond		From	To		
			Anticipation Notes	Miscellaneous		Anticipation Notes	Miscellaneous				
Fund Balance	\$ 74,587.98			\$ 1,460.00				\$ 50,100.00		\$ 25,947.98	
Capital Improvement Fund	116,108.35	\$ 140,000.00						140,000.00		116,108.35	
Due to Current Fund	233,977.30			7,764.63			\$ 6,299.29	50,500.00	\$ 53,000.00	237,942.64	
Reserve for:											
Debt Service	2,900.00							2,900.00			
<u>Ord. Date</u>	<u>Improvement Description</u>										
08-12	Acquisition of Real Property for Affordable Housing or Other Municipal Purposes (Stryker Property)	(77.79)					\$ 23,458.00		23,458.00	(77.79)	
10-04	Improvements to West Sydney Road	(62.00)	\$ 61,500.00				88,542.00		27,042.00	(62.00)	
15-02	Chip and Seal of Various Roads	262.52								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	4,965.11								4,965.11	
17-05	Chip & Seal Various Roads	120.61								120.61	
17-06	Drain & Overlay Old Franklin Road	16,792.02								16,792.02	
18-10	Acquisition of Equipment for the Department of Public Works	196,658.00	258,000.00		\$ 193,098.55	258,000.00				3,559.45	
19-06	Various Capital Improvements				94,187.00				140,000.00	45,813.00	
		<u>\$ 646,254.10</u>	<u>\$ 140,000.00</u>	<u>\$ 319,500.00</u>	<u>\$ 9,224.63</u>	<u>\$ 287,285.55</u>	<u>\$ 370,000.00</u>	<u>\$ 6,299.29</u>	<u>\$ 243,500.00</u>	<u>\$ 243,500.00</u>	<u>\$ 451,393.89</u>

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

Ord. No.	Improvement Description	Balance Dec. 31, 2018	Paid by Budget Appropriation	Balance Dec. 31, 2019	Analysis of Balance Dec. 31, 2019	
					Bond Anticipation Notes	Expenditures
08-12	Acquisition of Real Property for Affordable Housing or Other Municipal Purposes (Stryker Property)	\$ 23,535.79	\$ 23,458.00	\$ 77.79		\$ 77.79
10-04	Improvements to West Sydney Road	88,604.00	27,042.00	61,562.00	\$ 61,500.00	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>\$ 370,181.79</u>	<u>\$ 50,500.00</u>	<u>\$ 319,681.79</u>	<u>\$ 319,500.00</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, 2018		2019 Authorizations	Paid or Charged	Balance Dec. 31, 2019	
		Date	Amount	Funded	Unfunded	Capital Improvement Fund		Funded	Unfunded
15-02	Chip and Seal of Various Roads	09/24/15	\$ 85,000.00	\$ 262.52				\$ 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	4,965.11				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	16,792.02				16,792.02	
18-10	Acquisition of Equipment for the Department of Public Works	04/26/18	270,945.00		\$ 196,700.00		\$ 193,098.55		\$ 3,601.45
19-06	Various Capital Improvements	08/08/19	140,000.00			\$ 140,000.00	94,187.00	45,813.00	
				<u>\$ 22,162.26</u>	<u>\$ 196,700.00</u>	<u>\$ 140,000.00</u>	<u>\$ 287,285.55</u>	<u>\$ 67,975.26</u>	<u>\$ 3,601.45</u>
		<u>Ref.</u>		C	C			C	C

TOWNSHIP OF FRANKLIN
GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2018	C	\$ 116,108.35
Increased by:		
2019 Budget Appropriation		<u>140,000.00</u>
		256,108.35
Decreased by:		
Appropriated to Finance Improvement Authorizations		<u>140,000.00</u>
Balance December 31, 2019	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, 2018	Issued	Retired or Matured	Balance Dec. 31, 2019
		Original Note	Issue	Maturity					
08-12	Acquisition of Real Property for Affordable Housing or Other Municipal Purposes (Stryker Property)	7/10/2008	8/16/2018	5/1/2019	2.65%	\$ 23,458.00		\$ 23,458.00	
10-04	Improvements to West Sydney Road	8/23/2013	8/16/2018 4/30/2019	5/1/2019 4/29/2020	2.65% 3.00%	88,542.00	\$ 61,500.00	88,542.00	\$ 61,500.00
18-10	Acquisition of Equipment for the Department of Public Works	7/6/2018	7/6/2018 4/30/2019	6/28/2019 4/29/2020	2.49% 3.00%	258,000.00	258,000.00	258,000.00	258,000.00
						<u>\$ 370,000.00</u>	<u>\$ 319,500.00</u>	<u>\$ 370,000.00</u>	<u>\$ 319,500.00</u>
					<u>Ref.</u>	C			C
			Renewals				\$ 319,500.00	\$ 319,500.00	
			Funded by Budget Appropriation:						
			Payment of Bond Anticipation Notes					50,500.00	
							<u>\$ 319,500.00</u>	<u>\$ 370,000.00</u>	

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

	<u>Ref.</u>	
Balance December 31, 2018	C	\$ 165,958.51
Decreased by:		
Principal Matured		35,606.09
Balance December 31, 2019	C	\$ 130,352.42

Schedule of Principal and Interest Payments Outstanding December 31, 2019

<u>Payment Number</u>	<u>Due Date</u>	<u>Interest</u>	<u>Principal</u>	<u>Loan Balance</u>
				\$ 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-
		\$ 5,265.98	\$ 130,352.42	

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

Ordinance No.	Improvement Description	Balance Dec. 31, 2018	Funded by Budget Appropriation	Bond Anticipation Notes Matured	Bond Anticipation Notes Issued	Balance Dec. 31, 2019
08-12	Acquisition of Real Property for Affordable Housing or Other Municipal Purposes (Stryker Property)	\$ 77.79	\$ 23,458.00	\$ 23,458.00		\$ 77.79
10-04	Improvements to West Sydney Road	62.00	27,042.00	88,542.00	\$ 61,500.00	62.00
18-10	Acquisition of Equipment for the Department of Public Works	42.00		258,000.00	258,000.00	42.00
		<u>\$ 181.79</u>	<u>\$ 50,500.00</u>	<u>\$ 370,000.00</u>	<u>\$ 319,500.00</u>	<u>\$ 181.79</u>

TOWNSHIP OF FRANKLIN
PART II
SINGLE AUDIT
YEAR ENDED DECEMBER 31, 2019

TOWNSHIP OF FRANKLIN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2019

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>U.S. Department of Transportation</u> (Passed through New Jersey Department of Law and Public Safety)	National Priority Safety Programs: Distracted Driving Incentive	100-066-1160 158-031030	20.616	01/01/19	12/31/20	\$ 3,351.74	\$ 3,351.74			
Total Federal Awards							<u>\$ 3,351.74</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

TOWNSHIP OF FRANKLIN
SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED DECEMBER 31, 2019

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:							
2016	765-042-4900	01/01/16	12/31/20	\$ 13,617.94		\$ 7,835.97	\$ 8,876.14
2019	004-178910	01/01/19	12/31/20	12,477.52	\$ 12,477.52		
					<u>12,477.52</u>	<u>7,835.97</u>	<u>8,876.14</u>
Recycling Tonnage Grant:							
2019	100-042-4910	01/01/19	12/31/20	4,835.31	4,835.31		
2020	224-238490	01/01/20	12/31/20	6,103.47	6,103.47		
					<u>10,938.78</u>		
Total Department of Environmental Protection					<u>23,416.30</u>	<u>7,835.97</u>	<u>8,876.14</u>
<u>Department of Law and Public Safety:</u>							
Body Armor Grant:							
2019	718-066-1020 001-090160	01/01/19	12/31/20	1,045.99	1,045.99		
					<u>1,045.99</u>		
Total Department of Law and Public Safety					<u>1,045.99</u>		
Total State Awards					<u>\$ 24,462.29</u>	<u>\$ 7,835.97</u>	<u>\$ 8,876.14</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, 2019

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, 2019. 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, 2019:

Green Trust Loan Payable	<u>\$ 130,352.42</u>
--------------------------	----------------------

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, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated May 20, 2020. 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.

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 2019-001, that we consider to be a significant deficiency.

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 20, 2020

NISIVOCCIA LLP

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

TOWNSHIP OF FRANKLIN
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2019

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified 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.
- 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, 2019 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 2019-001

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, 2019
(Continued)

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

Finding 2019-001 (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 is 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, 2019

The prior year finding regarding segregation of duties has not been resolved due to budgetary constraints and is included as current year Finding 2019-001.

TOWNSHIP OF FRANKLIN
PART III
COMMENTS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2019

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)

The result of our examination indicated overall compliance except that the Township did not obtain formal approval for the purchase of goods or services through a cooperative purchase agreement. However, as the Township has ensured this is occurring in 2020, no formal recommendation is judged to be warranted.

Collection of Interest on Delinquent Taxes and Utility Charges

On January 3, 2019, 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 December 9, 2019, 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>
2019	4
2018	4
2017	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 2019 Taxes	20
Payments of 2020 Taxes	20
Delinquent Taxes Receivable	20
Tax Title Liens Receivable	2

Verification notices were mailed to confirm balances receivable as of December 31, 2019. 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 2019 is as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>Dec. 31, 2018</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Dec. 31, 2019</u>
State of New Jersey	\$ 2,219.24			\$ 2,219.24
County	1,149.50			1,149.50
Municipality	2,729.26			2,729.26
Municipality - POAA				
Conditional Discharge	80.00			80.00
Public Defender				
Weights and Measures				
Fish and Game				
Local Park				
Restitution				
Bail	1,501.87			1,501.87
Interest	1.30			1.30
	<u>\$ 7,681.17</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,681.17</u>

General Capital Fund

Three ordinances have small deficit cash balances at December 31, 2019. 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 several years and will fund the remainder of this debt in the 2021 budget. No formal recommendation is judged to be warranted.

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 is 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.) While an analysis of the activity for the payroll agency account was prepared, there is an unallocated balance of approximately \$10,700 which should be reviewed.
- 2.) The pensionable salary for certain employees was not accurately reported on the quarterly the State of New Jersey Public Employee's Retirement System (PERS) and Police and Firemen's Retirement System (PFRS) reports.
- 3.) There are a number of reconciling items on the bank reconciliations for the Current Fund, tax collector, several of the individual Other Trust Fund accounts, net payroll and payroll agency bank accounts at December 31, 2019 that have not been resolved in a timely manner.

TOWNSHIP OF FRANKLIN
COMMENTS AND RECOMMENDATIONS
(Continued)

Financial Records (Cont'd)

During our review of the Township's financial records, we noted the following: (Cont'd)

- 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.

It is recommended that:

- 1.) The unallocated balance in the payroll agency account is reviewed.
- 2.) Employees' pensionable salaries are accurately reported on the quarterly State of New Jersey Public Employee's Retirement System (PERS) and Police and Firemen's Retirement System (PFRS) reports.
- 3.) The reconciling items on the various bank reconciliations are investigated and resolved in a timely manner.
- 4.) Every effort is 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 unallocated balance in the payroll agency account. Also, the Township will make every effort to ensure that salaries are accurately reported on the quarterly State of New Jersey PERS and PFRS reports. Additionally, the Township will investigate and resolve all reconciling items included on the various bank reconciliations. 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.

Animal Control Fund

Our audit procedures revealed that deposits for the Animal Control Fund were not always made in a timely manner. Also, State dog license fees were not always remitted in a timely manner.

It is recommended that Animal Control Fund receipts are deposited within 48 hours as per State statute and State dog license fees are remitted in a timely manner.

Management's Response

The Township will ensure that Animal Control Fund receipts are deposited within 48 hours as per State statute and State dog license fees remitted in a timely manner.

TOWNSHIP OF FRANKLIN
COMMENTS AND RECOMMENDATIONS
(Continued)

Management Suggestions

Confirmation of Payroll Taxes Paid by Payroll Service Provider

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

Older Federal and State Grant Reserves and Receivables

There are various older federal and state grant appropriated reserves and receivables in the Federal and State Grant Fund which have been on the Township's records for several years. It is suggested that these older grant appropriated reserve and receivable balances be reviewed for possible cancellation.

Review of Prior Year Recommendations

The Township has initiated a corrective action plan to resolve the comments and recommendations from the 2018 Audit Report. The prior year recommendations regarding the formal approval of purchase of goods or services through a cooperative purchasing agreement, employees being paid in accordance with the related contract or salary ordinance, Board of Health and Zoning collections being deposited within 48 hours of receipt as per State statute and Board of Health and Zoning applications being available for audit review were resolved. The prior year recommendation regarding reviewing the individual withholding balances included in the analysis of balance for the Payroll Agency account for accuracy and making any necessary adjustments was resolved except that the unallocated balance in the payroll agency account needs to be reviewed and resolved. The prior year recommendations regarding providing for a more adequate segregation of duties, the older reconciling items on the tax collector bank reconciliation being investigated and resolved, making every effort to limit interfund activity and liquidating interfunds by the end of the year and Animal Control Fund receipts being deposited within 48 hours as per State statute were not resolved and are included in the current year comments and recommendations.

TOWNSHIP OF FRANKLIN
SUMMARY OF RECOMMENDATIONS

It is recommended that:

1. Consideration is given to providing for a more adequate segregation of duties with respect to the recording and treasury functions.
2. Financial Records:
 - a. The unallocated balance for the payroll agency account is reviewed.
 - b. Employees' pensionable salaries are accurately reported on the quarterly State of New Jersey Public Employee's Retirement System (PERS) and Police and Firemen's Retirement System (PFRS) reports.
 - c. The reconciling items on the various bank reconciliations are investigated and resolved in a timely manner.
 - d. Every effort is 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.
3. Animal Control Fund receipts are deposited within 48 hours as per State statute and State dog license fees are remitted in a timely manner.

* * * * *