

*TOWNSHIP OF FRANKLIN*

*COUNTY OF HUNTERDON*

*REPORT OF AUDIT*

*2012*

*NISIVOCIA LLP  
CERTIFIED PUBLIC ACCOUNTANTS*

TOWNSHIP OF FRANKLIN  
COUNTY OF HUNTERDON  
REPORT OF AUDIT  
2012

TOWNSHIP OF FRANKLIN  
TABLE OF CONTENTS  
YEAR ENDED DECEMBER 31, 2012

<u>Part I – Financial Statements and Supplementary Data</u>	<u>Page</u>
Independent Auditors’ Report	1-3
<u>Financial Statements</u>	<u>Exhibit</u>
<u>Current Fund</u>	
Comparative Balance Sheet	A
Comparative Statement of Operations and Change in Fund Balance	A-1
Statement of Revenue	A-2
Statement of Expenditures	A-3
<u>Trust Funds</u>	
Comparative Balance Sheet	B
Statement of Fund Balance – Assessment Trust Fund (Not Applicable)	B-1
Statement of Revenue – Assessment Trust Fund (Not Applicable)	B-2
Statement of Expenditures – Assessment Trust Fund (Not Applicable)	B-3
<u>General Capital Fund</u>	
Comparative Balance Sheet	C
Statement of Fund Balance	C-1
<u>Water Utility Fund (Not Applicable)</u>	D
<u>Sewer Utility Fund (Not Applicable)</u>	E
<u>Public Assistance Fund (Not Applicable)</u>	F
<u>Bond and Interest Fund (Not Applicable)</u>	G
<u>General Fixed Assets Account Group (Unaudited)</u>	
Comparative Balance Sheet (Unaudited)	H
Notes to Financial Statements	<u>Page</u> 1-13
<u>Supplementary Data</u>	<u>Schedule</u>
Officials in Office and Surety Bonds	1
<u>Current Fund</u>	
Schedule of Cash	A-4
Schedule of Cash – Collector	A-5
Schedule of Cash – Federal and State Grant Fund	A-6
Schedule of Taxes Receivable and Analysis of Property Tax Levy	A-7
Schedule of Tax Title Liens	A-8
Schedule of Revenue Accounts Receivable	A-9
Schedule of Grants Receivable – Federal and State Grant Fund	A-10
Schedule of 2011 Appropriation Reserves	A-11
Schedule of Local School District Taxes Payable	A-12
Schedule of Regional High School District Taxes Payable	A-13
Schedule of Appropriated Reserves – Federal and State Grant Fund	A-14
Schedule of Unappropriated Reserves – Federal and State Grant Fund	A-15
<u>Trust Funds</u>	
Schedule of Cash – Treasurer	B-4
Analysis of Cash – Assessment Trust Fund (Not Applicable)	B-5
Schedule of Reserve for Animal Control Fund Expenditures – Animal Control Fund	B-6

TOWNSHIP OF FRANKLIN  
TABLE OF CONTENTS  
YEAR ENDED DECEMBER 31, 2012  
(Continued)

Part I (Cont'd)

Supplementary Data (Cont'd)

General Capital Fund

	<u>Schedule</u>
Schedule of Cash – Treasurer	C-2
Analysis of Cash	C-3
Schedule of Deferred Charges to Future Taxation – Unfunded	C-4
Schedule of Improvement Authorizations	C-5
Schedule of Capital Improvement Fund	C-6
Schedule of Bond Anticipation Notes Payable	C-7
Schedule of Serial Bonds Payable (Not Applicable)	C-8
Schedule of New Jersey Green Trust Loans Payable	C-9
Schedule of Bonds and Notes Authorized but not Issued	C-10

Part II – Single Audit

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

Part III – Comments and Recommendations

Comments and Recommendations	1-6
Summary of Recommendations	7

TOWNSHIP OF FRANKLIN

PART I

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2012



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

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

## Independent Auditors' Report

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

### ***Report on the Financial Statements***

We have audited the financial statements – *regulatory basis* - of the various funds of the Township of Franklin, in the County of Hunterdon (the "Township") as of and for the year ended December 31, 2012, and the related notes to the financial statements, as listed in the foregoing 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 principles prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey ("Division") which demonstrate compliance with the modified accrual basis, with certain exceptions, and the budget laws of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America as described in Note 1 to the financial statements. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. Except as discussed in the eighth paragraph, we conducted our audit 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1, these financial statements have been prepared in conformity with accounting principles prescribed by the Division, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to demonstrate compliance with the modified accrual basis, with certain exceptions, and the budget laws of New Jersey. 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 in the first paragraph do not present fairly in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2012, or the changes in financial position thereof, for the year then ended.

***Basis for Qualified Opinion***

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

***Opinion on Regulatory Basis of Accounting***

In our qualified opinion, the financial statements – *regulatory basis* - referred to above, present fairly, in all material respects, the financial position of the various funds of the Township of Franklin at December 31, 2012, and the results of operations and changes in fund balance, where applicable, of such funds, thereof for the year then ended, on the basis of the financial reporting provisions prescribed by the Division, as described in Note 1.

***Other Matters***

The financial statements of the Township as of December 31, 2011 were audited by other auditors whose report dated April 17, 2012 expressed an unmodified opinion on those statements.

***Supplementary Information***

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

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

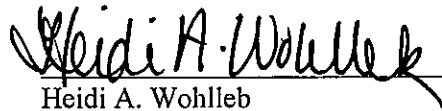
The supplementary data schedules and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2013 on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

Mount Arlington, New Jersey  
May 23, 2013

NISIVOCCIA LLP



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



TOWNSHIP OF FRANKLIN  
COUNTY OF HUNTERDON  
2012  
CURRENT FUND

TOWNSHIP OF FRANKLIN  
CURRENT FUND  
COMPARATIVE BALANCE SHEET

	Ref.	December 31,	
		2012	2011
<u>ASSETS</u>			
Regular Fund:			
Cash and Cash Equivalents:			
Treasurer	A-4	\$ 2,853,963.24	\$ 3,082,607.76
Change Fund		25.00	25.00
		<u>2,853,988.24</u>	<u>3,082,632.76</u>
Due from State of New Jersey:			
Senior Citizens and Veterans Deductions		7,107.44	7,833.47
		<u>2,861,095.68</u>	<u>3,090,466.23</u>
Receivables and Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	A-7	235,295.66	122,618.08
Tax Title Liens Receivable	A-8	41,011.18	27,096.94
Revenue Accounts Receivable	A-9		4,951.75
Property Acquired for Taxes		400.00	400.00
Due from:			
Other Trust Funds	B	19,953.08	
General Capital Fund	C	79,813.75	630.26
Total Receivables and Other Assets with Full Reserves		<u>376,473.67</u>	<u>155,697.03</u>
Deferred Charges:			
Emergency Authorization			30,000.00
Total Deferred Charges			<u>30,000.00</u>
Total Regular Fund		<u>3,237,569.35</u>	<u>3,276,163.26</u>
Federal and State Grant Fund:			
Cash and Cash Equivalents	A-6	38,008.10	31,200.03
Due from Current Fund	A		4,400.00
Total Federal and State Grant Fund		<u>38,008.10</u>	<u>35,600.03</u>
<b>TOTAL ASSETS</b>		<u><u>\$ 3,275,577.45</u></u>	<u><u>\$ 3,311,763.29</u></u>

TOWNSHIP OF FRANKLIN  
CURRENT FUND  
COMPARATIVE BALANCE SHEET  
(Continued)

	Ref.	December 31,	
		2012	2011
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Regular Fund:			
Appropriation Reserves:			
Encumbered	A-3;A-11	\$ 30,193.89	\$ 3,440.99
Unencumbered	A-3;A-11	246,759.02	158,483.09
		<u>276,952.91</u>	<u>161,924.08</u>
Due to:			
Federal and State Grant Fund	A		4,400.00
Other Trust Funds	B		253,402.43
Animal Control Fund	B		104.91
Regional High School Taxes Payable	A-13	1,249,592.36	1,196,641.02
Local School Tax Payable	A-12		0.89
County Tax Payable		4,060.86	4,255.60
Special District Taxes Payable		5,391.75	
Prepaid Taxes		312,657.87	208,090.65
County and State Fees Payable		349.00	6,106.00
Accounts Payable - Vendors		3,258.00	
Tax Overpayments		35,590.47	5,161.77
Due to Other Municipalities			109.30
		<u>1,887,853.22</u>	<u>1,840,196.65</u>
Reserve for Receivables and Other Assets	A	376,473.67	155,697.03
Fund Balance	A-1	973,242.46	1,280,269.58
Total Regular Fund		<u>3,237,569.35</u>	<u>3,276,163.26</u>
Federal and State Grant Fund:			
Appropriated Reserves	A-14	36,008.10	35,600.03
Unappropriated Reserves	A-15	2,000.00	
Total Federal and State Grant Fund		<u>38,008.10</u>	<u>35,600.03</u>
<b>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</b>		<u><u>\$ 3,275,577.45</u></u>	<u><u>\$ 3,311,763.29</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

	Ref.	Year Ended December 31,	
		2012	2011
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized		\$ 413,300.00	\$ 477,525.00
Miscellaneous Revenue Anticipated		1,176,429.15	725,563.00
Receipts from:			
Delinquent Taxes		112,341.15	203,044.00
Current Taxes		12,844,413.47	12,675,391.00
Nonbudget Revenue		54,899.28	9,175.58
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		138,693.87	215,834.00
Interfunds Returned			30,439.00
Outside Police Services Administrative Fees			2,575.00
Statutory Excess in Animal Control Fund			5,870.00
Cancellation of Overpayments			21.00
		<u>14,740,076.92</u>	<u>14,345,437.58</u>
<u>Expenditures</u>			
Budget Appropriations - Municipal Purposes		2,855,546.32	2,534,801.00
Municipal Open Space Taxes		271,519.42	278,571.00
County Taxes		2,043,231.99	1,993,298.00
County Added and Omitted Taxes		4,060.86	4,255.00
Regional High School Taxes		3,436,045.08	3,330,143.00
Local District School Taxes		5,616,369.25	5,435,308.00
Special District Taxes		303,591.75	298,200.00
Refund of Prior Year Taxes		4,302.80	
Prior Year Senior Citizens' Deductions Disallowed			250.00
Interfunds Advanced		99,136.57	
		<u>14,633,804.04</u>	<u>13,874,826.00</u>
Excess in Revenue		106,272.88	470,611.58
Adjustments before Fund Balance:			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Year			30,000.00
Statutory Excess to Fund Balance		106,272.88	500,611.58
Balance January 1		<u>1,280,269.58</u>	<u>1,257,183.00</u>
		1,386,542.46	1,757,794.58
Decreased by:			
Utilized as Anticipated Revenue		413,300.00	477,525.00
Balance December 31	A	<u>\$ 973,242.46</u>	<u>\$ 1,280,269.58</u>

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

TOWNSHIP OF FRANKLIN  
CURRENT FUND  
STATEMENT OF REVENUE  
YEAR ENDED DECEMBER 31, 2012

	<u>Budget</u>	<u>Added by NJSA 40A:4-87</u>	<u>Realized</u>	<u>Excess or Deficit*</u>
Fund Balance Anticipated	\$ 413,300.00		\$ 413,300.00	
Miscellaneous Revenue:				
Licenses:				
Alcoholic Beverages	4,500.00		4,920.00	\$ 420.00
Fees and Permits	7,500.00		9,753.09	2,253.09
Fines and Costs:				
Municipal Court	75,000.00		60,298.03	14,701.97 *
Interest and Costs on Taxes	35,000.00		46,087.74	11,087.74
Interest on Investments and Deposits	4,000.00		6,118.63	2,118.63
NJ Hotel Occupancy Tax	75,000.00		85,525.25	10,525.25
Consolidated Municipal Property Tax Relief Aid	6,476.00		6,476.00	
Energy Receipts Tax	253,068.00		253,068.00	
Uniform Construction Code Fees	85,000.00		107,393.35	22,393.35
General Capital Fund Balance	64,197.00		64,197.00	
Reserve for Open Space Trust to Offset				
Deferred Charges	516,000.00		516,000.00	
Recycling Tonnage Grant		\$ 6,504.98	6,504.98	
Body Armor Grant		937.83	937.83	
Clean Communities Grant		8,899.25	8,899.25	
Walmart Grant		250.00	250.00	
	<u>1,125,741.00</u>	<u>16,592.06</u>	<u>1,176,429.15</u>	<u>34,096.09</u>
Receipts from Delinquent Taxes	<u>120,000.00</u>		<u>112,341.15</u>	<u>7,658.85 *</u>
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes	<u>1,429,914.66</u>		<u>1,419,595.12</u>	<u>10,319.54 *</u>
Budget Totals	<u>3,088,955.66</u>	<u>16,592.06</u>	<u>3,121,665.42</u>	<u>16,117.70</u>
Nonbudget Revenue			<u>54,899.28</u>	<u>54,899.28</u>
	<u>\$ 3,088,955.66</u>	<u>\$ 16,592.06</u>	<u>\$ 3,176,564.70</u>	<u>\$ 71,016.98</u>

TOWNSHIP OF FRANKLIN  
CURRENT FUND  
STATEMENT OF REVENUE  
YEAR ENDED DECEMBER 31, 2012  
(Continued)

Allocation of Current Tax Collections:

Revenue from Collection of Current Taxes		\$ 12,844,413.47
Allocated to:		
County, Special District, Local School and Regional School Taxes	\$ 11,403,298.93	
Municipal Open Space Taxes	271,519.42	
		11,674,818.35
Balance for Support of Municipal Budget		1,169,595.12
Add: Appropriation "Reserve for Uncollected Taxes"		250,000.00
		\$ 1,419,595.12

Analysis of Interest on Investments:

Cash Received in Current Fund	\$ 5,647.73	
Due from General Capital Fund	15.49	
Due from Other Trust Funds	455.41	
		\$ 6,118.63

Analysis of Reserve for Open Space Trust to Offset Deferred Charges:

Cash Received in Current Fund	\$ 399,332.00	
Due from General Capital Fund	116,668.00	
		\$ 516,000.00

Analysis of Nonbudget Revenue:

Treasurer:		
Cable TV Franchise Fees	\$ 2,270.09	
FEMA Reimbursements - Hurricane Irene - 2011	26,575.73	
FEMA Reimbursements - Snow Storm - 2011	13,080.94	
FEMA Reimbursements - Hurricane	3,975.06	
Police Outside Service Administrative Fees	5,147.80	
Senior Citizens' and Veterans' Deductions		
Administrative Reimbursement	550.00	
Sale of Municipal Assets	628.42	
Other Miscellaneous Revenue	1,228.39	
		\$ 53,456.43
Tax Collector:		
Other Miscellaneous		1,442.85
		\$ 54,899.28

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

TOWNSHIP OF FRANKLIN  
CURRENT FUND  
STATEMENT OF EXPENDITURES  
YEAR ENDED DECEMBER 31, 2012

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended Balance Canceled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Operations Within "CAPS":					
GENERAL GOVERNMENT:					
Mayor and Council:					
Salaries and Wages	\$ 18,100.00	\$ 18,100.00	\$ 17,808.40	\$ 291.60	
Other Expenses	28,000.00	26,500.00	22,828.50	3,671.50	
Municipal Clerk:					
Salaries and Wages	95,676.00	95,676.00	91,256.93	4,419.07	
Other Expenses	29,000.00	28,499.00	19,495.28	9,003.72	
Elections:					
Other Expenses	2,300.00	2,300.00	2,286.20	13.80	
Financial Administration (Treasury):					
Salaries and Wages	33,660.00	37,091.00	37,090.93	0.07	
Other Expenses	12,750.00	24,750.00	21,178.64	3,571.36	
Annual Audit	22,000.00	27,500.00	27,500.00		
Technology Consultant					
Other Expenses	30,000.00	18,000.00	14,000.00	4,000.00	
Revenue Administration (Tax Collection):					
Salaries and Wages	15,000.00	14,700.00	11,650.90	3,049.10	
Other Expenses	2,250.00	2,550.00	2,305.29	244.71	
Tax Assessment Administration:					
Salaries and Wages	26,183.40	26,183.40	25,670.04	513.36	
Other Expenses	500.00	500.00	351.04	148.96	
Preperation of Master Plan	300.00	300.00		300.00	
Revision of Tax Map	4,000.00	4,000.00	362.50	3,637.50	
Legal Services & Costs:					
Other Expenses	110,000.00	92,857.00	76,844.11	16,012.89	

TOWNSHIP OF FRANKLIN  
CURRENT FUND  
STATEMENT OF EXPENDITURES  
YEAR ENDED DECEMBER 31, 2012  
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended Balance Canceled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Operations Within "CAPS" (Continued):					
LAND USE ADMINISTRATION:					
Municipal Land Use Law (NJSA 40:55D-1):					
Planning Board:					
Salaries and Wages	\$ 10,000.00	\$ 9,000.00	\$ 8,646.21	\$ 353.79	
Other Expenses	3,700.00	4,510.00	4,044.31	465.69	
Zoning Official:					
Salaries and Wages	6,492.30	6,492.30	6,492.30		
Environmental Commission:					
Salaries and Wages	100.00	100.00		100.00	
Other Expenses	500.00	500.00	416.94	83.06	
INSURANCE:					
Other Liability Insurance Premiums (Disability)	1,000.00	1,000.00	579.40	420.60	
General Liability	110,000.00	110,000.00	100,645.00	9,355.00	
Volunteer Insurance Policy	300.00	300.00		300.00	
Employee Group Health	132,000.00	132,000.00	128,009.80	3,990.20	
Health Benefits Waiver	9,100.00	9,100.00		9,100.00	
PUBLIC SAFETY:					
Police:					
Salaries and Wages	483,300.00	490,300.00	486,671.24	3,628.76	
Other Expenses	41,750.00	41,750.00	33,016.08	8,733.92	
Emergency Management Services:					
Salaries and Wages	1,291.32	1,291.32	1,282.23	9.09	
Other Expenses	2,000.00	2,000.00	937.63	1,062.37	
First Aid Organization Contribution	14,500.00	14,500.00	12,805.00	1,695.00	
Municipal Prosecutor:					
Salaries and Wages	13,432.00	13,433.00	13,432.32	0.68	
Public Defender:					
Salaries and Wages	5,645.00	5,645.00	5,644.16	0.84	



TOWNSHIP OF FRANKLIN  
CURRENT FUND  
STATEMENT OF EXPENDITURES  
YEAR ENDED DECEMBER 31, 2012  
(Continued)

	Appropriations		Expended By		Unexpended Balance Canceled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS" (Continued):					
PUBLIC WORKS (Continued):					
Road Repairs and Maintenance:					
Salaries and Wages	\$ 221,800.00	\$ 224,800.00	\$ 223,375.82	\$ 1,424.18	
Other Expenses	53,170.00	50,170.00	36,803.57	13,366.43	
Solid Waste Collection:					
Salaries and Wages	20,000.00	20,000.00	7,384.07	12,615.93	
Other Expenses	46,500.00	46,500.00	13,561.82	32,938.18	
Public Buildings & Grounds:					
Salaries and Wages	6,008.82	6,008.82	5,891.04	117.78	
Other Expenses	3,700.00	8,950.00	4,059.35	4,890.65	
HEALTH AND HUMAN SERVICES:					
Board of Health:					
Salaries and Wages	4,600.00	4,600.00	2,964.78	1,635.22	
Other Expenses	400.00	400.00		400.00	
Animal Control:					
Other Expenses	3,000.00	3,000.00		3,000.00	
PARK AND RECREATION:					
Recreation:					
Other Expenses	6,500.00	6,500.00	6,500.00		
Senior Citizen Contribution	6,500.00	6,500.00	6,500.00		
UNIFORM CONSTRUCTION CODE:					
Sub-Code Official:					
Construction Official:					
Salaries and Wages	82,508.82	79,508.82	79,404.09	104.73	
Other Expenses	2,300.00	2,300.00	1,144.67	1,155.33	

TOWNSHIP OF FRANKLIN  
CURRENT FUND  
STATEMENT OF EXPENDITURES  
YEAR ENDED DECEMBER 31, 2012  
(Continued)

	Appropriations		Expended By		Unexpended Balance Canceled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS" (Continued):					
UTILITIES AND BULK PURCHASES:					
Electricity	\$ 12,000.00	\$ 12,000.00	\$ 5,311.21	\$ 6,688.79	
Street Lighting	7,000.00	7,000.00	6,076.21	923.79	
Telephone	22,000.00	22,000.00	7,887.28	14,112.72	
Gasoline (Natural or Propane)	20,600.00	20,600.00	10,800.79	9,799.21	
Fuel Oil	15,000.00	15,000.00	8,238.54	6,761.46	
Total Operations Within "CAPS"	<u>1,798,417.66</u>	<u>1,797,265.66</u>	<u>1,599,154.62</u>	<u>198,111.04</u>	
Contingent	<u>1,000.00</u>	<u>1,000.00</u>		<u>1,000.00</u>	
Detail:					
Salaries and Wages	1,043,797.66	1,052,929.66	1,024,665.46	28,264.20	
Other Expenses	<u>755,620.00</u>	<u>745,336.00</u>	<u>574,489.16</u>	<u>170,846.84</u>	
Deferred Charges and Statutory Expenditures - Municipal Within "CAPS":					
Statutory Expenditures:					
Contribution to :					
Public Employees' Retirement System	50,585.00	50,585.00	50,585.00		
Social Security (O.A.S.I)	82,546.00	82,546.00	77,991.16	4,554.84	
Police and Fireman's Retirement System	111,010.00	111,010.00	111,010.00		
Unemployment Compensation Insurance	<u>42,000.00</u>	<u>42,000.00</u>		<u>42,000.00</u>	
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	<u>286,141.00</u>	<u>286,141.00</u>	<u>239,586.16</u>	<u>46,554.84</u>	
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>\$ 2,085,558.66</u>	<u>\$ 2,084,406.66</u>	<u>\$ 1,838,740.78</u>	<u>\$ 245,665.88</u>	

TOWNSHIP OF FRANKLIN  
CURRENT FUND  
STATEMENT OF EXPENDITURES  
YEAR ENDED DECEMBER 31, 2012  
(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":					
Affordable Housing Administration (N.J.S.A.40A:45.3T):					
Salaries and Wages	\$ 2,000.00	\$ 2,500.00	\$ 2,499.98	\$ 0.02	
Other Expenses	100.00	100.00	7.00	93.00	
Shared Services Agreements:					
Municipal Court:					
Other Expenses - Contractual	140,000.00	140,652.00	140,651.88	0.12	
Public and Private Programs Offset by Revenue:					
Matching Funds for Grants	1,000.00	1,000.00		1,000.00	
Recycling Tonnage Grant		6,504.98	6,504.98		
Walmart Grant		250.00	250.00		
Body Armor Grant		937.83	937.83		
Clean Communities Grant		8,899.25	8,899.25		
<b>Total Operations Excluded from "CAPS"</b>	<b>143,100.00</b>	<b>160,844.06</b>	<b>159,750.92</b>	<b>1,093.14</b>	
Detail:					
Salaries & Wages	2,000.00	2,500.00	2,499.98	0.02	
Other Expenses	141,100.00	158,344.06	157,250.94	1,093.12	
Municipal Debt Service:					
Payment of Bond Anticipation Notes and Capital Notes	14,500.00	14,500.00	14,500.00		
Interest on Notes	10,948.00	10,948.00	10,947.50		\$ 0.50
Loan Repayments for Principal and Interest	38,749.00	38,749.00	38,748.10		0.90
<b>Total Municipal Debt Service</b>	<b>64,197.00</b>	<b>64,197.00</b>	<b>64,195.60</b>		<b>1.40</b>

TOWNSHIP OF FRANKLIN  
CURRENT FUND  
STATEMENT OF EXPENDITURES  
YEAR ENDED DECEMBER 31, 2012  
(Continued)

	Appropriations		Expended By		Unexpended Balance Canceled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Excluded from "CAPS": (Cont'd)					
Capital Improvements:					
Capital Improvement Fund	\$ 100.00	\$ 100.00	\$ 100.00		
Total Capital Improvements	100.00	100.00	100.00		
Deferred Charges- Municipal- Excluded from "CAPS":					
Emergency Authorizations	30,000.00	30,000.00	30,000.00		
Deferred Charges to Future Taxation - Unfunded:					
Acquisition of Real Property #07-08	141,668.00	141,668.00	141,668.00		
Acquisition of Development Easements #05-02	374,332.00	374,332.00	374,332.00		
Total Deferred Charges- Excluded from "CAPS"	546,000.00	546,000.00	546,000.00		
Total General Appropriations for Municipal Purposes	2,838,955.66	2,855,547.72	2,608,787.30	\$ 246,759.02	\$ 1.40
Reserve for Uncollected Taxes	250,000.00	250,000.00	250,000.00		
Total General Appropriations	\$ 3,088,955.66	\$ 3,105,547.72	\$ 2,858,787.30	\$ 246,759.02	\$ 1.40

Ref.

A

TOWNSHIP OF FRANKLIN  
CURRENT FUND  
STATEMENT OF EXPENDITURES  
YEAR ENDED DECEMBER 31, 2012  
(Continued)

	<u>Ref.</u>	<u>Analysis of</u>	
		<u>Budget After</u>	<u>Paid or</u>
		<u>Modification</u>	<u>Charged</u>
Adopted Budget		\$ 3,088,955.66	
Add by:			
N.J.S.A. 40A:4-87		<u>16,592.06</u>	
		<u>\$ 3,105,547.72</u>	
Reserve for Uncollected Taxes			\$ 250,000.00
Reserve for Encumbrances	A		30,193.89
Transfer to Federal and State Grant Fund			16,592.06
Deferred Charges - Emergency Authorization			30,000.00
Cash Disbursed			<u>2,570,325.75</u>
			2,897,111.70
Less: Appropriation Refunds			<u>38,324.40</u>
			<u>\$ 2,858,787.30</u>

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

TOWNSHIP OF FRANKLIN  
COUNTY OF HUNTERDON  
2012  
TRUST FUNDS

TOWNSHIP OF FRANKLIN  
COMPARATIVE BALANCE SHEET - TRUST FUNDS

	Ref.	December 31,	
		2012	2011
<u>ASSETS</u>			
Animal Control Fund:			
Cash and Cash Equivalents:			
Treasurer	B-4	\$ 6,624.91	\$ 12,272.69
Due From Current Fund			104.91
		<u>6,624.91</u>	<u>12,377.60</u>
Other Trust Funds:			
Cash and Cash Equivalents	B-4	1,698,705.34	1,681,214.24
Due From Current Fund	A		253,402.43
Due From Payroll Accounts		29.69	
Fair Housing Loan Receivable		36,000.00	36,000.00
		<u>1,734,735.03</u>	<u>1,970,616.67</u>
<b>TOTAL ASSETS</b>		<u><u>\$ 1,741,359.94</u></u>	<u><u>\$ 1,982,994.27</u></u>
<u>LIABILITIES AND RESERVES</u>			
Animal Control Fund:			
Due State Board of Health		\$ 2.40	
Reserve for Animal Control Expenditures	B-6	6,622.51	\$ 12,377.60
		<u>6,624.91</u>	<u>12,377.60</u>
Other Trust Funds:			
Due to Current Fund	A	19,953.08	
Accounts Payable			3,412.63
Reserve for:			
Council on Affordable Housing Development Fees		296,880.32	291,090.08
Developers Escrow		255,543.10	259,854.36
Fair Housing Program		558,891.74	557,832.72
Police Outside Duties		3,075.00	707.50
State Unemployment Insurance Compensation		24,123.68	30,664.91
Recreation Commission		22,504.00	21,693.80
Open Space Preservation		428,056.04	683,272.51
Stormwater Management		18,000.00	18,000.00
Payroll			4,008.04
Fair Housing Loan Receivable		36,000.00	36,000.00
Tax Sale Premium		52,200.00	52,100.00
DARE Escrow		4,629.00	4,833.00
DEA Equitable Trust		5,326.52	2,272.02
Recycling Trust		9,552.55	4,875.10
		<u>1,734,735.03</u>	<u>1,970,616.67</u>
<b>TOTAL LIABILITIES AND RESERVES</b>		<u><u>\$ 1,741,359.94</u></u>	<u><u>\$ 1,982,994.27</u></u>

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

TOWNSHIP OF FRANKLIN  
ASSESSMENT TRUST FUND  
STATEMENT OF FUND BALANCE  
YEAR ENDED DECEMBER 31, 2012

NOT APPLICABLE

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



TOWNSHIP OF FRANKLIN  
ASSESSMENT TRUST FUND  
STATEMENT OF REVENUE  
YEAR ENDED DECEMBER 31, 2012

NOT APPLICABLE

TOWNSHIP OF FRANKLIN  
ASSESSMENT TRUST FUND  
STATEMENT OF EXPENDITURES  
YEAR ENDED DECEMBER 31, 2012

NOT APPLICABLE

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

TOWNSHIP OF FRANKLIN  
COUNTY OF HUNTERDON  
2012  
GENERAL CAPITAL FUND

TOWNSHIP OF FRANKLIN  
GENERAL CAPITAL FUND  
COMPARATIVE BALANCE SHEET

	Ref.	December 31,	
		2012	Adjusted 2011
<u>ASSETS</u>			
Cash and Cash Equivalents	C-2	\$ 659,061.30	\$ 427,884.38
Deferred Charges to Future Taxation:			
Funded		365,336.26	396,312.26
Unfunded	C-4	2,062,631.73	2,745,144.77
<b>TOTAL ASSETS</b>		<u>\$ 3,087,029.29</u>	<u>\$ 3,569,341.41</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Bond Anticipation Notes Payable	C-7	\$ 623,832.00	\$ 755,000.00
Green Acres Loan Payable	C-9	365,336.26	396,312.26
Due to Current Fund	A	79,813.75	630.26
Improvement Authorizations:			
Funded	C-5	144,304.22	218,959.54
Unfunded			433,879.17
Encumbrances Payable	C-5	13,521.90	
Capital Improvement Fund	C-6	395,311.00	665,456.00
Reserve for:			
Acquisition, Development and Easement for Farmland			
Development		105,785.00	105,785.00
Purchase of Emergency Medical Service Equipment			10,000.00
Payment of Debt Service		728,614.13	409,248.00
Preliminary Expenses		14,000.00	
Fund Balance	C-1	616,511.03	574,071.18
<b>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</b>		<u>\$ 3,087,029.29</u>	<u>\$ 3,569,341.41</u>

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

TOWNSHIP OF FRANKLIN  
GENERAL CAPITAL FUND  
STATEMENT OF FUND BALANCE

	<u>Ref.</u>		
Balance December 31, 2011	C		\$ 574,071.18
Increased by:			
Prior Year Adjustment		\$ 12,026.78	
Improvement Authorizations Cancelled		<u>94,610.07</u>	
			<u>106,636.85</u>
			680,708.03
Decreased by:			
Anticipated as Revenue in Current Fund Budget			<u>64,197.00</u>
Balance December 31, 2012	C		<u><u>\$ 616,511.03</u></u>

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

TOWNSHIP OF FRANKLIN  
COUNTY OF HUNTERDON  
2012  
WATER UTILITY FUND

NOT APPLICABLE

TOWNSHIP OF FRANKLIN  
COUNTY OF HUNTERDON  
2012  
SEWER UTILITY FUND

NOT APPLICABLE

TOWNSHIP OF FRANKLIN  
COUNTY OF HUNTERDON  
2012  
PUBLIC ASSISTANCE FUND

NOT APPLICABLE

TOWNSHIP OF FRANKLIN  
COUNTY OF HUNTERDON  
2012  
BOND AND INTEREST FUND

NOT APPLICABLE



TOWNSHIP OF FRANKLIN  
COUNTY OF HUNTERDON  
2012  
GENERAL FIXED ASSETS ACCOUNT GROUP  
(UNAUDITED - 2012)

TOWNSHIP OF FRANKLIN  
GENERAL FIXED ASSETS ACCOUNT GROUP  
COMPARATIVE BALANCE SHEET

	December 31,	
	2012	2011
	(UNAUDITED)	
<u>ASSETS</u>		
Land	\$ 6,149,577.00	\$ 6,149,577.00
Buildings and Improvements	480,400.00	498,769.00
Equipment	1,305,734.00	1,305,734.00
TOTAL ASSETS	\$ 7,935,711.00	\$ 7,954,080.00
 <u>RESERVES</u>		
Reserve for Fixed Assets	\$ 7,935,711.00	\$ 7,954,080.00
TOTAL RESERVES	\$ 7,935,711.00	\$ 7,954,080.00

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

TOWNSHIP OF FRANKLIN  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2012

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Description of Funds

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

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

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

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

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

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.

TOWNSHIP OF FRANKLIN  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2012  
 (Continued)

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

C. Basis of Accounting (Cont'd)

The accounting policies of the Township of Franklin conform to the accounting principles applicable to municipalities which have been prescribed by the Division which differ in certain respects from accounting principles generally accepted in the United States of America applicable to local governmental units. The more significant 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 Capital Funds when improvements are authorized. The amounts recorded as property taxes and consumer accounts receivable have not been included in revenue. Amounts that are due to the municipality, which are susceptible of accrual, are recorded as receivables with offsetting reserves in the Current Fund.

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

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

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

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

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

- D. Deferred Charges to Future Taxation – The 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, 2012  
(Continued)

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

E. Other significant accounting policies include:

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

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

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

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

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

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

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

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

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

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

General fixed assets recorded in the general fixed assets account group may also be recorded in the Current and General Capital Funds. The values recorded in the 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. Capital assets are reviewed for impairment.

TOWNSHIP OF FRANKLIN  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2012  
(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,		
	2012	2011	2010
<u>Issued</u>			
General:			
Loans and Notes	\$ 989,168	\$ 1,151,312	\$ 1,226,678
Net Debt Issued	989,168	1,151,312	1,226,678
<u>Authorized but not Issued:</u>			
Bonds and Notes	1,438,800	1,990,145	2,187,645
	2,427,968	3,141,457	3,414,323
Less:			
General:			
Reserve to Pay Debt Service	728,614	409,248	371,748
Net Bonds and Notes Issued and Authorized but not Issued	\$ 1,699,354	\$ 2,732,209	\$ 3,042,575

Summary of Municipal Debt Issued and Outstanding – Prior Year

	Balance 12/31/10	Additions	Retirements	Balance 12/31/11
Bond Anticipation Notes:				
General Capital Fund	\$ 800,000		\$ 45,000	\$ 755,000
Loans Payable:				
General Capital Fund:				
Green Trust Loans	426,678		30,366	396,312
Total	\$ 1,226,678	\$ -0-	\$ 75,366	\$ 1,151,312

TOWNSHIP OF FRANKLIN  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2012  
(Continued)

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

Summary of Municipal Debt Issued and Outstanding – Current Year

	<u>Balance</u> <u>12/31/11</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/12</u>
Bond Anticipation Notes:				
General Capital Fund	\$ 755,000	\$ 623,832	\$ 755,000	\$ 623,832
Loans Payable:				
General Capital Fund:				
Green Trust Loans	<u>396,312</u>	<u>                    </u>	<u>30,976</u>	<u>365,336</u>
Total	<u>\$ 1,151,312</u>	<u>\$ 623,832</u>	<u>\$ 785,976</u>	<u>\$ 989,168</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 Revised Annual Debt Statement and indicates a statutory net debt of 0.295%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General Debt	\$ 2,427,967.73	\$ 728,614.13	\$ 1,699,353.60
Local School District Debt	6,634,113.00	6,634,113.00	
Regional High School Debt	<u>231,575.16</u>	<u>231,575.16</u>	
General Debt	<u>\$ 9,293,655.89</u>	<u>\$ 7,594,302.29</u>	<u>\$ 1,699,353.60</u>

Net Debt of \$1,699,353.60 divided by Equalized Valuation Basis per N.J.S. 40A:2-2, \$575,095,520 = 0.295%.

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

3-1/2% Average Equalized Valuation of Real Property	\$ 20,128,343.20
Net Debt	<u>1,699,353.60</u>
Remaining Borrowing Power	<u>\$ 18,428,989.60</u>

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

TOWNSHIP OF FRANKLIN  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2012  
(Continued)

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

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

<u>General Capital Bond Anticipation Notes</u>		
<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2012</u>
8/23/13	0.75%	<u>\$ 623,832.00</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, 2012</u>
Acquisition of Land and Easements	3/14/2023	2.00%	<u>\$ 365,336.26</u>
Total Debt Issued and Outstanding			<u><u>\$ 989,168.26</u></u>

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

<u>Year</u>	<u>General</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2013	\$ 31,598.59	\$ 7,149.52	\$ 38,748.11
2014	32,233.73	6,514.39	38,748.12
2015	32,881.63	5,866.49	38,748.12
2016	33,542.54	5,205.56	38,748.10
2017	34,216.75	4,531.37	38,748.12
2018-2022	181,680.79	12,059.80	193,740.59
2023	19,182.23	191.82	19,374.05
	<u>\$ 365,336.26</u>	<u>\$ 41,518.95</u>	<u>\$ 406,855.21</u>

Green Acres Loan

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



TOWNSHIP OF FRANKLIN  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2012  
(Continued)

Note 3: Fund Balances Appropriated

The amount of fund balance at December 31, 2012, which has been included in the adopted Current Fund budget for the year ending December 31, 2013, is \$371,000.

Note 4: Pension Plans

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

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

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

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The employee contributions for PFRS are 10.00% of employees' annual compensation, as defined. For PERS, the contribution rate was 6.5% of base salary from October 1, 2011 thru June 30, 2012 and increased to 6.64% effective July 1, 2012. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1<sup>st</sup> to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018. Employers are required to contribute at an actuarially determined rate in both funds. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits.

Township contributions to PERS amounted to \$50,585, \$56,436 and \$43,488 for 2012, 2011 and 2010, respectively. Township contributions to PFRS amounted to \$111,010, \$115,982 and \$97,770 for 2012, 2011 and 2010, respectively.

Note 5: Local and Regional School District Taxes

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

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

Note 6: Accrued Sick and Vacation Benefits

The Township permits employees to accrue a limited amount of unused vacation and sick pay, which may be taken as time off or paid at a later date at an agreed-upon rate. It is estimated that the current cost of such unpaid compensation would approximate \$191,252 at December 31, 2012. This amount is not reported

TOWNSHIP OF FRANKLIN  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2012  
(Continued)

Note 6: Accrued Sick and Vacation Benefits (Cont'd)

either as expenditure or a liability. It is expected that the cost of such unpaid compensation would be included in the Township's budget operating expenditures in the year in which it is used.

Note 7: Selected Tax Information

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

Comparative Schedule of Tax Rate Information

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<u>Tax Rate</u>	<u>\$ 2.361</u>	<u>\$ 2.300</u>	<u>\$ 2.280</u>
<u>Apportionment of</u> <u>Tax Rate</u>			
Municipal	0.312	0.360	0.360
County	0.379	0.360	0.370
Local School	1.036	0.980	0.980
Regional High School	0.634	0.600	0.570
<u>Assessed Valuations</u>			
2012	<u>\$ 542,127,988.00</u>		
2011		<u>\$ 556,723,154.00</u>	
2010			<u>\$ 559,740,725.00</u>

Comparison of Tax Levies and Collection Currently

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

<u>Year</u>	<u>Tax Levy</u>	<u>Currently</u>	
		<u>Cash</u> <u>Collections</u>	<u>Percentage of</u> <u>Collection</u>
2012	\$ 13,129,128.01	\$ 12,844,413.47	97.83%
2011	12,808,841.00	12,675,391.00	98.95%
2010	12,756,097.00	12,556,692.00	98.43%

TOWNSHIP OF FRANKLIN  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2012  
 (Continued)

Note 7: Selected Tax Information (Cont'd)

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

Note 8: Cash and Cash Equivalents

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

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

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

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

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

Deposits:

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

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

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

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

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

Investments:

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;

TOWNSHIP OF FRANKLIN  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2012

(Continued)

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

Investments:(Cont'd)

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

As of December 31, 2012, 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	\$ 2,853,963.24	\$ 2,853,988.24
Animal Control		6,624.91	6,624.91
Other Trust		1,698,705.34	1,698,705.34
General Capital		659,061.30	659,061.30
	<u>\$ 25.00</u>	<u>\$ 5,218,354.79</u>	<u>\$ 5,218,379.79</u>

During the period ended December 31, 2012, the Township did not hold any investments. The carrying amount of the Township of Franklin's cash and cash equivalents at December 31, 2012, was \$5,218,379.79 and the bank balance was \$4,776,990.53.

TOWNSHIP OF FRANKLIN  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2012  
(Continued)

Note 9: Risk Management

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

Property, Liability and Workers' Compensation

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

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

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

The December 31, 2012 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, 2011 is as follows:

	<u>Statewide Insurance Fund</u>
Total Assets	\$ 34,778,489
Net Position	\$ 4,594,316
Total Revenue	\$ 23,111,650
Total Expenses	\$ 18,517,334
Change in Net Position	\$ 4,594,316
Member Dividends	\$ -0-

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

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

TOWNSHIP OF FRANKLIN  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2012

(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:

Year	Township/ Employee Contributions	Interest Earned	Amount Reimbursed	Ending Balance
2010	\$ 21,843	\$ 13	\$ 19,316	\$ 3,162
2011	37,690	13	10,200	30,665
2012	649	38	7,228	24,124

Note 10: Interfund Receivables and Payables

The following interfund balances remained on the balance sheet at December 31, 2012:

Fund	Interfund Receivable	Interfund Payable
Current Fund	\$ 99,766.83	
Other Trust Funds		\$ 19,953.08
General Capital Fund		79,813.75
	<u>\$ 99,766.83</u>	<u>\$ 99,766.83</u>

The interfund payable in the General Capital Fund and the interfund receivable in the Current Fund is comprised of current year interest earnings of \$15.49, an interfund advanced by the Current Fund of \$116,668 plus a prior year interfund of \$630.26 offset by a grant receipt in the Current Fund of \$37,500. The interfund receivable in the Current Fund and the interfund payable in the Other Trust Funds is comprised of interest earnings due to the Current Fund of \$455.41 and an interfund advanced of \$25,597.67 offset by tax sale premiums receipts in the Current Fund of \$6,100 due to the Other Trust Funds.

Note 11: Contingent Liabilities

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

TOWNSHIP OF FRANKLIN  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2012  
(Continued)

Note 11: Contingent Liabilities (Cont'd)

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

Note 12: Economic Dependency

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

Note 13: Open Space Trust Fund

The Township adopted an ordinance in 2009 to establish a "Municipal Open Space, Recreation, and Farmland and Historic Preservation Trust Fund," permitting the Township to collect a tax of five (\$.05) cents per \$100.00 assessed valuation for the Open Space Trust Fund. The 2012 Open Space tax levy was five (\$.05) cents or \$271,519.42 including added and omitted taxes. The balance in the Reserve for Open Space at December 31, 2012 was \$428,056.04.

Note 14: Deferred Compensation Plan

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

Note 15: Adjustments to 2011 Financial Statements

Certain immaterial adjustments were made to the 2011 financial statements.

TOWNSHIP OF FRANKLIN

SUPPLEMENTARY DATA



TOWNSHIP OF FRANKLIN  
OFFICIALS IN OFFICE AND SURETY BONDS  
YEAR ENDED DECEMBER 31, 2012

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

Name	Title	Amount of Bond	Name of Corporate or Personal Surety
Susan Campbell	Mayor		
Bruce Polkowitz	Deputy Mayor		
Vigdis Austad	Committeewoman		
Scott Bauman	Committeeman		
Dan Connor	Committeeman (from 2/23/12)		
Steve Tarshis	Committeeman (to 1/11/12)		
Diane Laudenbach	Chief Financial Officer	*	*
Rebecca Neuman	Tax Collector (from 7/9/12)	*	*
Linda Swackhammer	Tax Collector (to 3/31/12)	*	*
Ursula Stryker	Clerk	*	*
Mary Mastro	Tax Assessor	*	*
Michael Selvaggi	Attorney		
Maser Consulting	Engineer		
Clark, Caton & Hintz	Planner		

\* An excess crime bond pool issued by Statewide Insurance Fund covers all Township employees in the amount of \$1,000,000.

TOWNSHIP OF FRANKLIN  
COUNTY OF HUNTERDON  
2012  
CURRENT FUND

TOWNSHIP OF FRANKLIN  
CURRENT FUND  
SCHEDULE OF CASH

	<u>Ref.</u>	
Balance December 31, 2011	A	\$ 3,082,607.76
Increased by Receipts:		
Tax Collector		\$ 13,167,041.75
Revenue Accounts Receivable		990,962.72
Miscellaneous Revenue Not Anticipated		53,456.43
Interest on Investments and Deposits		5,647.73
Due to General Capital Fund:		
NJ Department of Transportation Grant - West Sydney Road		37,500.00
County and State Fees Payable		3,875.00
Due from State of New Jersey:		
Senior Citizens' and Veterans' Deductions		27,250.00
Appropriation Refunds		38,324.40
		14,324,058.03
		17,406,665.79
Decreased by Disbursements:		
2012 Appropriation Expenditures		2,570,325.75
2011 Appropriation Reserve Expenditures		19,972.21
Local School District Taxes		5,616,370.14
Regional High School Taxes Payable		3,383,093.74
County Taxes		2,047,487.59
Special District Taxes		298,200.00
Due to Federal and State Grant Fund:		
Interfund Returned		4,400.00
Due to Open Space Trust Fund:		
Open Space Tax Levy		271,519.42
Due Other Trust Funds:		
Interfund Returned		253,402.43
Interfund Advanced		25,597.67
Due to Animal Control Fund:		
Interfund Returned		104.91
County and State Fees Payable		9,632.00
Third Party Tax Title Liens		42,329.63
Refund of Tax Overpayments		5,854.96
Due to Other Municipality		109.30
Refund of Prior Year Revenue:		
Prior Year Tax Revenue		4,302.80
		14,552,702.55
Balance December 31, 2012	A	\$ 2,853,963.24

TOWNSHIP OF FRANKLIN  
CURRENT FUND  
SCHEDULE OF CASH - COLLECTOR  
YEAR ENDED DECEMBER 31, 2012

Increased by Receipts:		
Taxes Receivable	\$ 12,722,140.00	
Interest and Costs on Taxes	46,087.74	
2013 Prepaid Taxes	312,657.87	
Tax Overpayments	36,283.66	
Third Party Tax Title Liens	42,329.63	
Due to Other Trust Funds:		
Tax Sale Premiums	6,100.00	
Miscellaneous Revenue Not Anticipated	1,442.85	
	<hr/>	\$ 13,167,041.75
Decreased by:		
Payments to Municipal Treasurer		<u><u>\$ 13,167,041.75</u></u>

TOWNSHIP OF FRANKLIN  
FEDERAL AND STATE GRANT FUND  
SCHEDULE OF CASH

	<u>Ref.</u>	
Balance December 31, 2011	A	\$ 31,200.03
Increased by Receipts:		
Settlement of Prior Year Interfund	\$ 4,400.00	
Unappropriated Reserves	2,000.00	
Grant Funds Receivable	16,592.06	
	<hr/>	22,992.06
		<hr/>
		54,192.09
Decreased by Disbursements:		
Appropriated Reserves		<hr/>
		16,183.99
		<hr/>
Balance December 31, 2012	A	<u><u>\$ 38,008.10</u></u>

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

Year	Balance	2012 Levy	Collections		State of NJ Veterans' and Senior Citizens' Deductions	Canceled	Transferred to Tax Title Liens	Balance
	Dec. 31, 2011		2011	2012				Dec. 31, 2012
2011	\$ 122,618.08			\$ 112,341.15		\$ 5,067.27	\$ 5,209.66	
2012		\$ 13,129,128.01	\$ 208,090.65	12,609,798.85	\$ 26,523.97	41,839.16	7,579.72	\$ 235,295.66
	<u>\$ 122,618.08</u>	<u>\$ 13,129,128.01</u>	<u>\$ 208,090.65</u>	<u>\$ 12,722,140.00</u>	<u>\$ 26,523.97</u>	<u>\$ 46,906.43</u>	<u>\$ 12,789.38</u>	<u>\$ 235,295.66</u>

Ref. A

A

Analysis of 2012 Property Tax Levy

Tax Yield:

General Purpose Taxes	\$ 12,799,641.80
Special District Taxes	303,591.75
Added and Omitted Taxes	25,894.46
	<u>\$ 13,129,128.01</u>

Tax Levy:

Local School District Taxes	\$ 5,616,369.25
Regional High School Taxes	3,436,045.08
Special District Taxes	303,591.75
County Taxes:	
General Purpose Taxes	\$ 1,699,169.53
Library	169,758.57
Open Space	174,303.89
Due County for Added and Omitted Taxes	4,060.86
	<u>2,047,292.85</u>
	11,403,298.93
Local Tax for Municipal Purposes	1,429,914.66
Municipal Open Space Taxes	270,993.24
Additional Open Space - Municipal	526.18
Add: Additional Tax Levied	24,395.00
	<u>1,725,829.08</u>
	<u>\$ 13,129,128.01</u>

TOWNSHIP OF FRANKLIN  
CURRENT FUND  
SCHEDULE OF TAX TITLE LIENS

	<u>Ref.</u>	
Balance December 31, 2011	A	\$ 27,096.94
Increased by:		
Transfer from Taxes Receivable		\$ 12,789.38
Interest and Costs Accrued at Tax Sale		<u>1,124.86</u>
		<u>13,914.24</u>
Balance December 31, 2012	A	<u>\$ 41,011.18</u>

TOWNSHIP OF FRANKLIN  
CURRENT FUND  
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE  
YEAR ENDED DECEMBER 31, 2012

	<u>Balance</u> <u>Dec. 31, 2011</u>	<u>Accrued In</u> <u>2012</u>	<u>Collected by</u> <u>Treasurer</u>
Licenses:			
Alcoholic Beverages		\$ 4,920.00	\$ 4,920.00
Fees and Permits		9,753.09	9,753.09
Fines and Costs:			
Municipal Court	\$ 4,951.75	55,346.28	60,298.03
Energy Receipts Tax		253,068.00	253,068.00
Consolidated Municipal Property Tax Relief Aid		6,476.00	6,476.00
General Capital Fund Balance		64,197.00	64,197.00
Reserve for Open Space Trust to Offset			
Deferred Charges		399,332.00	399,332.00
NJ Hotel Occupancy Tax		85,525.25	85,525.25
Uniform Construction Code Fees		107,393.35	107,393.35
	<u>\$ 4,951.75</u>	<u>\$ 986,010.97</u>	<u>\$ 990,962.72</u>

TOWNSHIP OF FRANKLIN  
FEDERAL AND STATE GRANT FUND  
SCHEDULE OF GRANTS RECEIVABLE  
YEAR ENDED DECEMBER 31, 2012

	2012 Budget Revenue Realized	Cash Received
	<hr/>	<hr/>
Recycling Tonnage Grant	\$ 6,504.98	\$ 6,504.98
Walmart	250.00	250.00
Clean Communities Grant	8,899.25	8,899.25
Body Armor Grant	937.83	937.83
	<hr/>	<hr/>
	\$ 16,592.06	\$ 16,592.06
	<hr/> <hr/>	<hr/> <hr/>



TOWNSHIP OF FRANKLIN  
CURRENT FUND  
SCHEDULE OF 2011 APPROPRIATION RESERVES  
YEAR ENDED DECEMBER 31, 2012

	<u>Balance</u> <u>Dec. 31, 2011</u>	<u>Budget After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
<b>Municipal Clerk:</b>				
Salaries and Wages	\$ 13.00	\$ 13.00		\$ 13.00
Other Expenses	3,305.46	3,305.46	\$ 685.61	2,619.85
Printing & Advertising	55.85	55.85		55.85
Postage	199.00	199.00		199.00
Central Office Supplies	350.05	350.05		350.05
Election	584.80	584.80		584.80
<b>Financial Administration:</b>				
Salaries and Wages	1,324.22	1,324.22		1,324.22
Other Expenses	1,245.38	1,245.38	1,060.40	184.98
<b>Revenue Administration (Tax Collection):</b>				
Other Expenses	1,072.47	1,072.47	30.00	1,042.47
<b>Tax Assessment Administration:</b>				
Other Expenses	850.00	850.00		850.00
Preparation of Master Plan	300.00	300.00	180.00	120.00
Revision of Tax Map	2,303.50	2,303.50		2,303.50
<b>Legal Services &amp; Costs:</b>				
Other Expenses	42,028.08	42,028.08	7,338.85	34,689.23
<b>Municipal Prosecutor:</b>				
Salaries and Wages	520.00	520.00		520.00
<b>Municipal Land Use Law (NJSA 40:55D-1):</b>				
<b>Planning Board:</b>				
Other Expenses	1,258.31	1,258.31	1,257.34	0.97
<b>Environmental Commission:</b>				
Other Expenses	120.00	120.00		120.00
<b>Insurance:</b>				
Other Insurance Premiums	190.27	190.27	190.00	0.27
General Liability	44.00	44.00		44.00
Group Insurance & Health Benefits (N.J.S.A. 43:21-3 et seq.)	9,144.63	9,144.63		9,144.63
<b>Police:</b>				
Salaries and Wages	28,168.95	28,168.95		28,168.95
Other Expenses	5,658.97	5,658.97	5,658.97	
<b>Emergency Management Services:</b>				
Other Expenses	989.13	989.13		989.13

TOWNSHIP OF FRANKLIN  
CURRENT FUND  
SCHEDULE OF 2011 APPROPRIATION RESERVES  
YEAR ENDED DECEMBER 31, 2012  
(Continued)

	<u>Balance</u> <u>Dec. 31, 2011</u>	<u>Budget After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
Road Repairs and Maintenance:				
Salaries and Wages	\$ 5,297.87	\$ 5,297.87		\$ 5,297.87
Other Expenses	3,352.45	3,352.45	\$ 1,178.32	2,174.13
Snow Removal:				
Salaries and Wages	3,398.61	3,398.61		3,398.61
Other Expenses	648.87	648.87		648.87
Solid Waste Collection:				
Salaries and Wages	714.61	714.61		714.61
Other Expenses	3,843.48	3,843.48	2,722.64	1,120.84
Public Buildings & Grounds:				
Other Expenses	154.54	154.54		154.54
Vehicle Maintenance:				
Other Expenses	1,363.26	1,363.26		1,363.26
Recycling:				
Salaries and Wages	1,751.99	1,751.99		1,751.99
Other Expenses	127.97	127.97		127.97
Hurricane Irene & Lee:				
Other Expenses	12,770.50	12,770.50		12,770.50
Board of Health:				
Salaries and Wages	4,057.96	4,057.96		4,057.96
Other Expenses	305.00	305.00		305.00
Other Expenses - Social Services Donation	500.00	500.00		500.00
Animal Control:				
Other Expenses	909.25	909.25		909.25
Recreation:				
Senior Citizen Contribution	6,500.00	6,500.00		6,500.00
UNIFORM CONSTRUCTION CODE:				
Sub-Code Official:				
Construction Official:				
Salaries and Wages	3,008.72	3,008.72		3,008.72
Other Expenses	715.61	715.61	52.00	663.61
Utility and Bulk Purchases:				
Electricity	2,651.53	2,651.53		2,651.53
Street Lighting	806.58	806.58		806.58
Telephone	2,081.89	2,081.89	591.02	1,490.87
Gasoline and Diesel Fuel	1,068.42	1,068.42	1,045.88	22.54
Heating Oil	1,091.84	1,091.84	939.14	152.70
Statutory Expenditures:				
Contribution to:				
Social Security System (OASI)	3,125.26	3,125.26		3,125.26

TOWNSHIP OF FRANKLIN  
CURRENT FUND  
SCHEDULE OF 2011 APPROPRIATION RESERVES  
YEAR ENDED DECEMBER 31, 2012  
(Continued)

	<u>Balance</u> <u>Dec. 31, 2011</u>	<u>Budget After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
Affordable Housing Administration:				
Salaries and Wages	\$ 300.04	\$ 300.04	\$ 300.04	
Other Expenses	100.00	100.00		\$ 100.00
Shared Service Agreements:				
Joint Municipal Court:				
Other Expenses - Contractual	551.76	551.76		551.76
Public and Private Programs Offset by Revenues:				
Matching Funds for Grants	<u>1,000.00</u>	<u>1,000.00</u>		<u>1,000.00</u>
	<u>\$ 161,924.08</u>	<u>\$ 161,924.08</u>	<u>\$ 23,230.21</u>	<u>\$ 138,693.87</u>

Ref.

Analysis of Balance December 31, 2011:

Unencumbered	A	\$ 158,483.09
Encumbered	A	<u>3,440.99</u>
		<u>\$ 161,924.08</u>

Cash Disbursed	\$ 19,972.21
Accounts Payable- Vendors	<u>3,258.00</u>
	<u>\$ 23,230.21</u>

TOWNSHIP OF FRANKLIN  
CURRENT FUND  
SCHEDULE OF LOCAL SCHOOL DISTRICT TAXES PAYABLE  
YEAR ENDED DECEMBER 31, 2012

Balance December 31, 2011	A	\$ 0.89
Increased by:		
Levy - Calendar Year 2012		5,616,369.25
		<u>5,616,370.14</u>
Decreased by:		
Payments to Local School District		<u>\$ 5,616,370.14</u>

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

	<u>Ref.</u>	
Balance December 31, 2011	A	\$ 1,196,641.02
Increased by:		
Levy - School Year July 1, 2012 thru June 30, 2013		3,436,045.08
		<u>4,632,686.10</u>
Decreased by:		
Payments to Regional High School		<u>3,383,093.74</u>
Balance December 31, 2012	A	<u>\$ 1,249,592.36</u>

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

	Balance Dec. 31, 2011	Transferred from 2012 Budget Appropriations	Expended	Prior Year Adjustment	Balance Dec. 31, 2012
Body Armor Grant- 2010	\$ 799.00				\$ 799.00
Body Armor Grant- 2011	926.35				926.35
Body Armor Grant- 2012		\$ 937.83			937.83
Clean Communities Program - 2012	3,001.49	8,899.25	\$ 10,006.23		1,894.51
Drunk Driving Enforcement Fund - 2009	1,064.00		200.00	\$ (200.00)	664.00
Drunk Driving Enforcement Fund - 2010	2,964.17		200.00	(2,164.00)	600.17
Drunk Driving Enforcement Fund - 2011	1,803.40			2,364.00	4,167.40
State Police Emergency Management Assistance - 2011	970.78				970.78
Recycling Tonnage Grant	18,170.84	6,504.98	5,518.31		19,157.51
Emergency Management Grant	5,000.00				5,000.00
Walmart Donations Police Department - Equipment Purchase	900.00	250.00	259.45		890.55
	<u>\$ 35,600.03</u>	<u>\$ 16,592.06</u>	<u>\$ 16,183.99</u>	<u>\$ -0-</u>	<u>\$ 36,008.10</u>
<u>Ref.</u>	A				A
State		\$ 16,342.06	\$ 15,924.54		
Local		250.00	259.45		
		<u>\$ 16,592.06</u>	<u>\$ 16,183.99</u>		

TOWNSHIP OF FRANKLIN  
FEDERAL AND STATE GRANT FUND  
SCHEDULE OF UNAPPROPRIATED RESERVES  
YEAR ENDED DECEMBER 31, 2012

	<u>Cash Received</u>	<u>Balance Dec. 31, 2012</u>
Walmart Donations Police Department - Equipment Purchase	<u>\$ 2,000.00</u>	<u>\$ 2,000.00</u>
	<u><u>\$ 2,000.00</u></u>	<u><u>\$ 2,000.00</u></u>
<u>Ref.</u>		A

TOWNSHIP OF FRANKLIN  
COUNTY OF HUNTERDON  
2012  
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, 2011	B	\$ 12,272.69	\$ 1,681,214.24
Increased by Receipts:			
License Fees Collected		\$ 4,568.40	
Late Fees		340.00	
State Registration Fees		768.60	
Miscellaneous		31.15	
Due From Current Fund:			
Interfund Returned		104.91	\$ 253,402.43
Interfund Advanced			25,597.67
Interest Earned Due Current Fund			455.41
Developers Escrow			34,371.53
Recreation			13,329.87
Fair Housing Program Deposits			1,059.02
D.A.R.E. Receipts			900.00
DEA Equitable Receipts			23,544.50
Council on Affordable Housing Development			13,467.53
Police Outside Duties Deposits			5,239.60
Open Space:			
2012 Tax Levy			271,519.42
Interest Earned			1,064.31
Recycling			4,903.10
State Unemployment Insurance Compensation:			
Interest Earned			37.82
Employee Withholdings			648.61
		<u>5,813.06</u>	<u>649,540.82</u>
		18,085.75	2,330,755.06
Decreased by Disbursements:			
Due to State Board of Health		766.20	
Expenditures Under R.S. 4:19-15.11		10,694.64	
Accounts Payable			3,412.63
Tax Sale Premium			6,000.00
Developers Escrow			38,682.79
Recreation Expenditures			12,519.67
D.A.R.E. Expenditures			1,104.00
DEA Equitable			20,490.00
Council on Affordable Housing Development			7,677.29
Police Outside Duties Expenditures			2,872.10
Open Space			527,800.20
Recycling			225.65
State Unemployment Insurance Compensation			7,227.66
Payroll Accounts			4,037.73
		<u>11,460.84</u>	<u>632,049.72</u>
Balance December 31, 2012	B	<u>\$ 6,624.91</u>	<u>\$ 1,698,705.34</u>



TOWNSHIP OF FRANKLIN  
ASSESSMENT TRUST FUND  
ANALYSIS OF CASH  
YEAR ENDED DECEMBER 31, 2012

NOT APPLICABLE

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

	<u>Ref.</u>	
Balance December 31, 2011	B	\$ 12,377.60
Increased by:		
Dog License Fees Collected		\$ 4,568.40
Late Fees		340.00
Miscellaneous		31.15
		4,939.55
		17,317.15
Decreased by:		
Expenditures Under R.S. 4:19-15.11		10,694.64
		10,694.64
Balance December 31, 2012	B	\$ 6,622.51

License Fees Collected

<u>Year</u>	<u>Amount</u>
2010	\$ 5,569.00
2011	6,608.00
	6,608.00
Maximum Allowable Reserve	\$ 12,177.00

TOWNSHIP OF FRANKLIN  
COUNTY OF HUNTERDON  
2012  
GENERAL CAPITAL FUND

TOWNSHIP OF FRANKLIN  
GENERAL CAPITAL FUND  
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	
Balance December 31, 2011	C	\$ 427,884.38
Increased by Receipts:		
2012 Budget Appropriation:		
Deferred Charges to Future Taxation - Unfunded:		
Ordinance # 05-02 Acquire Development Easements	\$ 374,332.00	
Capital Improvement Fund	100.00	
Reserve for Payment of Debt Service:	25,000.00	
Capital Improvement Fund:		
Reimbursement from Open Space Trust Fund	4,300.00	
Due to Current Fund:		
Interfund Advanced	116,668.00	
Interest Earned	15.49	
	520,415.49	948,299.87
Decreased by:		
Improvement Authorizations	220,741.57	
Fund Balance Anticipated as Revenue in Current Fund Budget	64,197.00	
Reserve for Preliminary Expenses	4,300.00	
	289,238.57	289,238.57
Balance December 31, 2012	C	\$ 659,061.30

TOWNSHIP OF FRANKLIN  
GENERAL CAPITAL FUND  
ANALYSIS OF CASH

	Adjusted Balance/ (Deficit) Dec. 31, 2011	Receipts		Disbursements		Transfers		Balance/ (Deficit) Dec. 31, 2012	
		Budget Appropriation	Miscellaneous	Improvement Authorizations	Miscellaneous	From	To		
Capital Fund Balance	\$ 574,071.18				\$ 64,197.00		\$ 106,636.85	\$ 616,511.03	
Capital Improvement Fund	665,456.00	\$ 100.00	\$ 4,300.00			\$ 275,300.00	755.00	395,311.00	
Due to Current Fund	630.26		116,683.49			37,500.00		79,813.75	
Encumbrances Payable							13,521.90	13,521.90	
Reserve for:									
Acquisition Development and Easement for Farmland Preservation	105,785.00							105,785.00	
Purchase of Emergency Medical Service Equipment	10,000.00					10,000.00			
Payment of Debt Service	409,248.00	25,000.00					294,366.13	728,614.13	
Preliminary Expenses					4,300.00		18,300.00	14,000.00	
<u>Ord. Date</u>	<u>Improvement Description</u>								
01-01	Purchase of Real Estate (Frazee Farm)		36,177.98			36,177.98			
01-02	Purchase of Real Estate (Griffin)		(267,415.90)					(267,415.90)	
02-01	Acquisition of Real Property (Frontage Road)		(241,074.96)					(241,074.96)	
03-01	Acquisition of Real Property (Cherryville Farm)		58,432.09			58,432.09			
05-02	Acquisition of Development Easements	(1,122,995.86)	374,332.00					(748,663.86)	
07-08	Acquisition of Real Property (Summit Manor)		179,543.92			179,543.92			
08-01	Acquisition of Office Furniture and Fixtures		29,788.98	\$ 357.50				29,431.48	
08-09	Hogback Road Drainage Improvements		41,582.20	2,399.65		12,026.78		27,155.77	
08-12	Acquisition of Real Property for Affordable Housing or Other Municipal Purposes (Stryker Property)		77,322.21			77,322.21			
09-05	Acquisition of Real Property for Affordable Housing or Other Municipal Purposes (Sampaio Property)		(26,183.01)					(26,183.01)	
09-08	Reconstruction and Rehabilitation of Mathew Drive		52,223.29					52,223.29	
10-04	Improvements to West Sydney Road		(155,462.00)					(155,462.00)	
10-05	Replacement of an Alamo Boom Mower Head		755.00			755.00			
12-07	Rebuild of Ambulance #1 With New Engine, Chassis, Drivetrain & Cab			10,000.00			10,000.00		
12-12	Asphalt Overlay for Baker Road and Lower Oak Grove Rd.			127,568.66			140,000.00	12,431.34	
12-13	Chip and Seal of Various Roads			80,415.76			85,000.00	4,584.24	
12-17	Acquisition of Server, Computers and Workstations, and Related Equip.					13,521.90	32,000.00	18,478.10	
		<u>\$ 427,884.38</u>	<u>\$ 399,432.00</u>	<u>\$ 120,983.49</u>	<u>\$ 220,741.57</u>	<u>\$ 68,497.00</u>	<u>\$ 700,579.88</u>	<u>\$ 700,579.88</u>	<u>\$ 659,061.30</u>

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

Ord. No.	Improvement Description	Adjusted Balance Dec. 31, 2011	Paid by Budget Appropriation	Improvement Authorizations Cancelled	Balance Dec. 31, 2012	Analysis of Balance Dec. 31, 2012		
						Bond Anticipation Notes	Expenditures	Unexpended Improvement Authorizations
01-02	Purchase Real Estate (Griffin Property)	\$ 285,000.00		\$ 17,584.10	\$ 267,415.90		\$ 267,415.90	
02-01	Purchase Real Estate (8 Frontage Road)	251,750.00		10,675.04	241,074.96		241,074.96	
05-02	Acquire Development Easements	1,235,000.00	\$ 374,332.00	112,004.14	748,663.86		748,663.86	
	Acquisition of Real Property for Affordable Housing or Other Municipal Purposes (Sampaio Property)	52,800.00		26,616.99	26,183.01		26,183.01	
07-08	Acquire Real Property (Summit Manor)	400,094.77	116,668.00	94.77	283,332.00	\$283,332.00		
08-09	Hogback Road Drainage Improvements	89,000.00	11,000.00		78,000.00	78,000.00		
	Acquisition of Real Property for Affordable Housing or Other Municipal Purposes (Stryker Property)	276,000.00	3,500.00	10,000.00	262,500.00	262,500.00		
10-04	Imps to West Sydney Road	155,500.00		38.00	155,462.00		155,462.00	
		<u>\$2,745,144.77</u>	<u>\$ 505,500.00</u>	<u>\$ 177,013.04</u>	<u>\$2,062,631.73</u>	<u>\$623,832.00</u>	<u>\$ 1,438,799.73</u>	<u>\$ -0-</u>
	<u>Ref.</u>	C			C			

TOWNSHIP OF FRANKLIN  
GENERAL CAPITAL FUND  
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord. No.	Improvement Description	Ordinance		Balance Dec. 31, 2011		2012 Authorizations Various Funding Sources	Paid or Charged	Prior Year Adjustment	Improvement Authorizations Canceled	Balance Dec. 31, 2012 Funded
		Date	Amount	Funded	Unfunded					
01-01	Purchase of Real Estate (Frazee Farm)	05/17/01	\$ 1,100,000.00	\$ 36,177.98					\$ 36,177.98	
01-02	Purchase of Real Estate (Griffin Property)	09/02/01	300,000.00		\$ 17,584.10				17,584.10	
02-01	Acquisition of Real Property (8 Frontage Road)	03/14/02	265,000.00		10,675.04				10,675.04	
03-01	Acquisition of Real Property (Cherryville Farm)	06/30/03	3,300,000.00	58,432.09					58,432.09	
07-08	Acquisition of Real Property (Summit Manor)	11/08/07	1,900,000.00		179,638.69				179,638.69	
05-02	Acquisition of Development Easements	11/28/05	1,300,000.00		112,004.14				112,004.14	
08-01	Acquisition of Office Furniture and Fixtures	03/13/08	40,500.00	29,788.98			\$ 357.50			\$ 29,431.48
08-09	Hogback Road Drainage Improvements	11/13/08	116,000.00	41,582.20			2,399.65	\$ 12,026.78		27,155.77
08-12	Acquisition of Real Property for Affordable Housing or Other Municipal Purposes (Stryker Property)	07/10/08	300,000.00		87,322.21				87,322.21	
09-05	Acquisition of Real Property for Affordable Housing or Other Municipal Purposes (Sampaio Property)	05/28/09	200,000.00		26,616.99				26,616.99	
09-08	Reconstruction and Rehabilitation of Mathew Drive	07/09/09	175,000.00	52,223.29						52,223.29
10-04	Improvements to West Sydney Road	06/10/10	350,000.00		38.00				38.00	
10-05	Replacement of an Alamo Boom Mower Head	06/10/10	12,000.00	755.00					755.00	
12-07	Rebuild of Ambulance #1 With a New Engine, Chassis Drivetrain and Cab.	06/28/12	10,000.00			\$ 10,000.00	10,000.00			
12-12	Asphalt Overlay for Baker Road and Lower Oak Grove Rd	07/26/12	140,000.00			140,000.00	127,568.66			12,431.34
12-13	Chip and Seal of Various Roads	07/26/12	85,000.00			85,000.00	80,415.76			4,584.24
12-17	Acquisition of Server, Computers and Workstations, and Related Equipment	08/23/12	32,000.00			32,000.00	13,521.90			18,478.10
				<u>\$ 218,959.54</u>	<u>\$ 433,879.17</u>	<u>\$ 267,000.00</u>	<u>\$ 234,263.47</u>	<u>\$ 12,026.78</u>	<u>\$ 529,244.24</u>	<u>\$ 144,304.22</u>
		<u>Ref.</u>		C	C					C
							Capital Fund Balance	<u>\$ 12,026.78</u>		
	Capital Improvement Fund					\$ 257,000.00				
	Purchase of Emergency Medical Service Equipment					<u>10,000.00</u>				
						<u>\$ 267,000.00</u>				
	Capital Improvement Fund							\$ 755.00		
	Deferred Charges to Future Taxation - Unfunded							177,013.04		
	Reserve to Pay Debt Service							256,866.13		
	Capital Fund Balance							<u>94,610.07</u>		
								<u>\$ 529,244.24</u>		
						Cash Disbursed	\$ 220,741.57			
						Encumbrances Payable	<u>13,521.90</u>			
							<u>\$ 234,263.47</u>			

TOWNSHIP OF FRANKLIN  
GENERAL CAPITAL FUND  
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2011	C	\$ 665,456.00
Increased by:		
2012 Budget Appropriation		\$ 100.00
Funding of Preliminary Costs by Open Space Trust Fund		4,300.00
Improvement Authorizations Canceled		755.00
		<u>5,155.00</u>
Decreased by:		<u>670,611.00</u>
Appropriated to Finance:		
Improvement Authorizations		257,000.00
Preliminary Expenses - Survey Costs - Block 29, Lot 50		4,300.00
Preliminary Expenses - Comprehensive Review of Municipal Building		14,000.00
		<u>275,300.00</u>
Balance December 31, 2012	C	<u>\$ 395,311.00</u>



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

Ord. No.	Improvement Description	Original Note	Date of		Interest Rate	Balance Dec. 31, 2011	Issued	Retired or Matured	Balance Dec. 31, 2012
			Issue	Maturity					
07-08	Acquisition of Real Property (Summit Manor)	11/8/2007	8/24/2011	8/24/2012	1.45%	\$ 400,000.00	\$ 283,332.00	\$ 400,000.00	\$ 283,332.00
			8/24/2012	8/23/2013	0.75%				
08-09	Hogback Road Drainage Improvements	11/8/2007	8/24/2011	8/24/2012	1.45%	89,000.00	78,000.00	89,000.00	78,000.00
			8/24/2012	8/23/2013	0.75%				
08-12	Acquisition of Real Property for Affordable Housing or Other Municipal Purposes (Stryker Property)	7/10/2008	8/24/2011	8/24/2012	1.45%	266,000.00	262,500.00	266,000.00	262,500.00
			8/24/2012	8/23/2013	0.75%				
						<u>\$ 755,000.00</u>	<u>\$ 623,832.00</u>	<u>\$ 755,000.00</u>	<u>\$ 623,832.00</u>
						Ref. C			C
							\$ 623,832.00	\$ 623,832.00	
								131,168.00	
							<u>\$ 623,832.00</u>	<u>\$ 755,000.00</u>	

Renewals  
Funded by Budget Appropriation

TOWNSHIP OF FRANKLIN  
GENERAL CAPITAL FUND  
SCHEDULE OF SERIAL BONDS PAYABLE  
YEAR ENDED DECEMBER 31, 2012

NOT APPLICABLE

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

	<u>Ref.</u>	
Balance December 31, 2011	C	\$ 396,312.26
Decreased by:		
Principal Matured		30,976.00
Balance December 31, 2002	C	\$ 365,336.26

Schedule of Principal and Interest Payments Outstanding December 31, 2012

Payment Number	Due Date	Interest	Principal	Loan Balance
				\$ 365,336.26
10	3/14/13	\$ 3,653.36	\$ 15,720.69	349,615.56
11	9/14/13	3,496.16	15,877.90	333,737.66
12	3/14/14	3,337.38	16,036.68	317,700.98
13	9/14/14	3,177.01	16,197.05	301,503.94
14	3/14/15	3,015.04	16,359.02	285,144.92
15	9/14/15	2,851.45	16,522.61	268,622.31
16	3/14/16	2,686.22	16,687.83	251,934.48
17	9/14/16	2,519.34	16,854.71	235,079.77
18	3/14/17	2,350.80	17,023.26	218,056.51
19	9/14/17	2,180.57	17,193.49	200,863.02
20	3/14/18	2,008.63	17,365.43	183,497.59
21	9/14/18	1,834.98	17,539.08	165,958.51
22	3/14/19	1,659.59	17,714.47	148,244.04
23	9/14/19	1,482.44	17,891.62	130,352.42
24	3/14/20	1,303.52	18,070.53	112,281.89
25	9/14/20	1,122.82	18,251.24	94,030.65
26	3/14/21	940.31	18,433.75	75,596.90
27	9/14/21	755.97	18,618.09	56,978.81
28	3/14/22	569.79	18,804.27	38,174.55
29	9/14/22	381.75	18,992.31	19,182.23
30	3/14/23	191.82	19,182.23	0.00
		\$ 41,518.95	\$ 365,336.26	

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

Ordinance No.	Improvement Description	Balance Dec. 31, 2011	Funded by Budget Appropriation	Bond Anticipation Notes Redeemed	Bond Anticipation Notes Issued	Improvement Authorizations Canceled	Balance Dec. 31, 2012
01-01	Purchase of Real Estate (Griffin Property)	\$ 285,000.00				\$ 17,584.10	\$ 267,415.90
01-02	Purchase of Real Estate (8 Frontage Road)	251,750.00				10,675.04	241,074.96
07-08	Acquisition of Real Property (Summit Manor)	94.77	\$ 116,668.00	\$ 400,000.00	\$ 283,332.00	94.77	
05-02	Acquisition of Development Easement	1,235,000.00	374,332.00			112,004.14	748,663.86
08-09	Hogback Road Drainage Improvements		11,000.00	89,000.00	78,000.00		
08-12	Acquisition of Real Property for Affordable Housing or Other Municipal Purposes (Stryker Property)	10,000.00	3,500.00	266,000.00	262,500.00	10,000.00	
09-05	Acquisition of Real Property for Affordable Housing or Other Municipal Purposes (Sampaio Property)	52,800.00				26,616.99	26,183.01
10-04	Improvements to West Sydney Road	155,500.00				38.00	155,462.00
		<u>\$1,990,144.77</u>	<u>\$ 505,500.00</u>	<u>\$ 755,000.00</u>	<u>\$ 623,832.00</u>	<u>\$ 177,013.04</u>	<u>\$ 1,438,799.73</u>

TOWNSHIP OF FRANKLIN

PART II

SINGLE AUDIT

YEAR ENDED DECEMBER 31, 2012

TOWNSHIP OF FRANKLIN  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED DECEMBER 31, 2012

Name of Federal Agency or Department	Name of Program	C.F.D.A. Account Number	State Account Number	Grant Period		Grant Award Amount	Amount Received	Amount of Expenditures	Cumulative Expenditures
				From	To				
U.S. Department of Homeland Security: (Passed through Federal Emergency Management Agency)	Disaster Grants - Public Assistance - F.E.M.A.	97.036	N/A	01/01/11	12/31/11	\$ 43,631.73	\$ 43,631.73	\$ 43,631.73 *	\$ 43,631.73
Total Department of Homeland Security							43,631.73	43,631.73	43,631.73
U.S. Department of Transportation: (Passed through New Jersey Department of Transportation)	West Sidney Road	20.205	480-078-6320-6010	01/01/08	12/31/11	150,000.00	37,500.00		150,000.00
Total Department of Transportation							37,500.00		150,000.00
TOTAL FEDERAL AWARDS							\$ 81,131.73	\$ 43,631.73	\$ 193,631.73

N/A - Not Available

\* - Expended in 2011.

TOWNSHIP OF FRANKLIN  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
YEAR ENDED DECEMBER 31, 2012

Name of State Agency or Department	Name of Program	Name of Project	Grant I.D. No.	Grant Period		Grant Award Amount	Amount Received	Amount of Expenditures	Cumulative Expenditures
				From	To				
Department of Law and Public Safety	Drunk Driving Enforcement Fund	Drunk Driving Enforcement Fund	100-078-6400- 260-YYYY	01/01/09	12/31/13	\$ 1,334.00		\$ 200.00	\$ 670.00
				01/01/10	12/31/13	2,964.00		200.00	2,363.83
							400.00	3,033.83	
	Body Armor Replacement Program	Body Armor Replacement Program	718-066-1020-001 YCJS-6120	01/01/12	12/31/13	937.83	\$ 937.83		
Total Department of Law and Public Safety							937.83	400.00	3,854.83
Department of Environmental Protection	Clean Communities Program	Clean Communities Program	765-042-4900- 004-V42Y-6020	01/01/11	12/31/12	9,014.00		3,002.00	9,014.00
				01/01/12	12/31/13	8,899.25	8,899.25	7,004.23	7,004.74
							8,899.25	10,006.23	16,018.74
	Recycling Tonnage Grant	Recycling Tonnage Grant	752-042-4900- 001-V42Y-6020	01/01/09	12/31/12	4,298.00		4,139.00	4,298.00
			01/01/11	12/31/13	14,032.00		1,379.31	1,379.31	
			01/01/12	12/31/13	6,504.98	6,504.98			
Total Department of Environmental Protection							6,504.98	5,518.31	5,677.31
TOTAL STATE AWARDS							15,404.23	15,524.54	21,696.05
TOTAL STATE AWARDS							\$ 16,342.06	\$ 15,924.54	\$ 25,550.88

TOWNSHIP OF FRANKLIN  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
YEAR ENDED DECEMBER 31, 2012

A. General

The accompanying Schedules of Expenditures of Federal and State Awards present the activity of all federal and state awards of Township of Franklin. The Township is defined in Note 1 to the Township's financial statements. All federal and state financial awards received directly from federal and state agencies, as well as federal and state financial awards passed through other government agencies are included on the schedules of expenditures of federal and state awards.

B. Basis of Accounting

The accompanying Schedules of Expenditures of Federal and State Awards are presented on the cash basis of accounting. The information in these schedules is presented in accordance with the requirements of Federal OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

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, 2012:

Green Trust Loan Payable	\$ <u>365,336</u>
--------------------------	-------------------

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





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

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

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

Independent Auditors' Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements - *regulatory basis* - of the various funds of the Township of Franklin, in the County of Hunterdon (the "Township") as of and for the year ended December 31, 2012, and the related notes to the financial statements and have issued our report thereon dated May 23, 2013. These financial statements have been prepared in conformity with accounting principles prescribed by the Division, which is a basis of accounting other than accounting principles generally accepted in the United States of America. That qualified report also indicated that we did not audit the general fixed assets account group.

**Internal Control Over Financial Reporting**

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

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as Finding 2012-01, that we consider to be a significant deficiency.

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

### **Compliance and Other Matters**

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

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

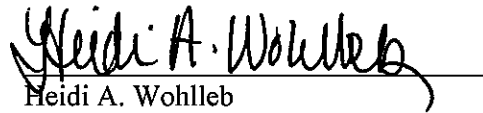
The Township's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. The Township's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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 23, 2013

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, 2012

Summary of Auditors' Results:

- A qualified report was issued on the Township's financial statements prepared in conformity with accounting principles prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as the general fixed assets account group was not audited.
- The audit did not disclose any material weaknesses in the internal controls of the Township.
- The audit did not disclose any noncompliance that is material to the financial statements of the Township.
- The Township was not subject to the single audit provisions of Federal OMB Circular A-133 and New Jersey's OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* for 2012 as grant expenditures were less than the single audit thresholds of \$500,000 identified in the Circulars.

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

- The audit did not disclose any findings required to be reported under Generally Accepted Government Auditing Standards, except as follows:

Finding 2012-1

Segregation of Duties

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

Management's Response

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

Findings and Questioned Costs for Federal Awards:

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

Findings and Questioned Costs for State Awards:

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

TOWNSHIP OF FRANKLIN  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED DECEMBER 31, 2012

There were no prior year findings.

TOWNSHIP OF FRANKLIN

PART III

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2012

TOWNSHIP OF FRANKLIN  
COMMENTS AND RECOMMENDATIONS

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

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

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

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

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

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

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

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

TOWNSHIP OF FRANKLIN  
COMMENTS AND RECOMMENDATIONS  
(Continued)

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

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

Collection of Interest on Delinquent Taxes and Utility Charges

On January 4, 2012, the governing body adopted the following resolution authorizing interest to be charged on delinquent taxes:

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

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

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

Delinquent Taxes and Tax Title Liens

The last tax sale was held on October 27, 2012, 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>
2012	7
2011	5
2010	5

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

TOWNSHIP OF FRANKLIN  
COMMENTS AND RECOMMENDATIONS  
(Continued)

Verification of Delinquent Taxes and Other Charges

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

<u>Type</u>	<u>Number Mailed</u>
Payments of 2013 Taxes	20
Payments of 2012 Taxes	20
Delinquent Taxes Receivable	20
Tax Title Liens Receivable	3

Verification notices were mailed to confirm balances receivable as of December 31, 2012. 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.

Technical Accounting Directives

The Division of Local Government Services has established three (3) technical accounting directives which are prescribed by the revision of 1987 draft "Requirements of Audit and Accounting". They are as follows:

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

The Township currently complies with these technical directives.

Segregation of Duties

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

Management's Response

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



TOWNSHIP OF FRANKLIN  
COMMENTS AND RECOMMENDATIONS  
(Continued)

Deposits

It was noted that collections were not being deposited within forty-eight hours of receipt. When these receipts were collected, they were stored in an unlocked drawer where there was access to other employees for all receipts.

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

Management's Response

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

Outside Departments

It was noted that the cashbooks maintained for the Board of Health and Zoning Board did not indicate the amount of receipt collected for each license or permit issued. Also, collections for the various outside departments were not reconciled with collections per the Finance Office on a monthly basis.

1. It is recommended that the Board of Health and Zoning Board cashbooks indicate the amount of receipt collected for each license or permit issued.
2. It is recommended that collections from the various outside departments are reconciled with collections per the Finance Office on a monthly basis.

Management's Response

The Board of Health and Zoning Board cashbooks indicate the amount of receipt collected for each license or permit issued. Also, collections from the various outside departments will be reconciled with collections per the Finance Office on a monthly basis.

Signature on Vouchers

It was noted that the Chief Financial Officer is not signing the vouchers to certify the availability of funds. It is recommended that the Chief Financial Officer signs all vouchers to certify the availability of funds.

Management's Response

The Chief Financial Officer will begin to sign each voucher in order to certify the availability of funds.

Accrued Sick and Vacation Time

It was noted that there are not formal written agreements in place for certain Department of Public Works employees regarding the accrual of sick and vacation pay. It is recommended that any agreements with Department of Public Works employees for the accrual of sick and vacation pay be formalized in a written agreement.

TOWNSHIP OF FRANKLIN  
COMMENTS AND RECOMMENDATIONS  
(Continued)

Management's Response

The District will formalize the agreements with Department of Public Works employees where necessary for the accrual of sick and vacation pay.

Other Trust Funds

During our review of the Other Trust Funds, we noted the following:

1. The checkbook and accounting records for the Subdivision Escrow Account are in the custody of and are maintained by the Township Clerk.
2. A Dedication by Rider was not obtained for the Police Outside Services, Unemployment Compensation Trust, Stormwater Management, D.A.R.E Escrow and DEA Equitable Other Trust Fund reserves.

It is recommended that:

1. The checkbook and accounting records for the Subdivision Escrow Account be in the custody of and be maintained by the Chief Financial Officer.
2. A Dedication by Rider be obtained for the State Unemployment Compensation Insurance, Police Outside Services, Stormwater Management, D.A.R.E Escrow and DEA Equitable Other Trust Fund reserves.

Management's Response

The checkbook and accounting records for the Subdivision Escrow Account will be transferred to the custody of and be maintained by the Chief Financial Officer. A Dedication by Rider will be obtained for the State Unemployment Compensation Insurance, Police Outside Services, Stormwater Management, D.A.R.E Escrow and DEA Equitable Other Trust Fund reserves.

General Capital Fund

Several ordinances have deficit cash balances at December 31, 2012. This situation arises when expenditures are made from an ordinance without the respective debt being issued. Management is aware of this situation and plans to address how to fund this debt in 2013. No formal recommendation is judged to be warranted.

Payroll

It was noted that the amount paid to one Township employee was less than authorized by the Township's salary resolution by \$429.18. It is suggested that in the future greater care be taken in the processing of payroll checks to prevent errors in payroll processing. No formal recommendation is judged to be warranted.

Management Suggestions

There were approximately 100 less dog licenses issued in 2012 than in 2011. Consideration should be given to pursuing the reason for the decrease in dog licenses issued.

TOWNSHIP OF FRANKLIN  
COMMENTS AND RECOMMENDATIONS  
(Continued)

Corrective Action Plan

The Township has initiated a corrective action plan to resolve the comments and recommendations from the 2011 Audit Report. The prior year recommendations with respect to the Pay to Play forms and business registration certificates were resolved during the current year.

TOWNSHIP OF FRANKLIN  
SUMMARY OF RECOMMENDATIONS

It is recommended that:

1. Consideration be given to providing for a more adequate segregation of duties with respect to the recording and treasury functions.
2. Deposits:
  - a. All collections be deposited within forty-eight hours of receipt in accordance with state statute.
  - b. All collections be stored in a locked drawer or safe with limited access.
3. Outside Departments:
  - a. The Board of Health and Zoning Board cashbooks indicate the amount of receipt collected for each license or permit issued.
  - b. Collections from the various outside departments are reconciled with collections per the Finance Office on a monthly basis.
4. The Chief Financial Officer signs all vouchers to certify the availability of funds.
5. Any agreements with Department of Public Works employees for the accrual of sick and vacation pay be formalized in a written agreement.
6. Other Trust Funds:
  - a. The checkbook and accounting records for the Subdivision Escrow Account be in the custody of and be maintained by the Chief Financial Officer.
  - b. A Dedication by Rider be obtained for the State Unemployment Compensation Insurance, Police Outside Services, Stormwater Management, D.A.R.E Escrow and DEA Equitable Other Trust Fund reserves.

\* \* \* \* \*