

**TOWNSHIP OF FRANKLIN
COUNTY OF WARREN
STATE OF NEW JERSEY**

**REPORT OF AUDIT
DECEMBER 31, 2015**

TOWNSHIP OF FRANKLIN

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PART I

REPORT ON EXAMINATION OF FINANCIAL STATEMENTS

DECEMBER 31, 2015

AUDITORS' REPORTS



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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Members of the Township Committee
Township of Franklin
P.O. Box 547
County of Warren
Broadway, New Jersey 08808

Report on the Financial Statements

We have audited the accompanying financial statements-regulatory basis, which comprise the comparative balance sheets-regulatory basis of the various funds of the Township of Franklin, County of Warren, State of New Jersey (the "Township"), as of December 31, 2015 and 2014, and the related comparative statements of operations and changes in fund balance-regulatory basis for the years then ended, and the related statement of revenues-regulatory basis, and statement of expenditures-regulatory basis of the various funds, and the related notes to the financial statements for the year ended December 31, 2015, which collectively comprise the Township's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit 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; 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 of 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

-Continued-

the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 1 to the financial statements, the Township prepares its financial statements in conformity with regulatory basis accounting practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting 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 Township's policy to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above 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, 2015 and 2014, or the results of its operations and changes in its fund balances for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements-regulatory basis referred to above present fairly, in all material respects, the financial position-regulatory basis of the various funds of the Township, as of December 31, 2015 and 2014, and the results of operations and changes in fund balance-regulatory basis of such funds for the years then ended and the statement of revenues-regulatory basis and statement of expenditures-regulatory basis of the various funds for the years then ended, in conformity with accounting principals and practices as described in Note 1 to the financial statements.

Other Matters

Report on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements-regulatory basis. The supplementary information listed in the table of contents is presented for purposes of additional analysis as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and is not a required part of the basic financial statements-regulatory basis.

The supplementary information exhibits are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements-regulatory basis. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements-regulatory basis and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements-regulatory basis, or to the basic financial statements-regulatory basis themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

-Continued-

In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements-regulatory basis taken as a whole, on the basis of accounting described in Note 1 to the financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2016, 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, 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 the 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.

ARDITO & CO., LLP



Frenchtown, New Jersey
March 15, 2016



Certified Public Accountant
Registered Municipal Accountant No.524
ARDITO & CO., LLP
Frenchtown, New Jersey
March 15, 2016

FINANCIAL STATEMENTS

CURRENT FUND
COMPARATIVE BALANCE SHEET

A
Sheet 1

ASSETS	<u>REF.</u>	<u>BALANCE</u> <u>12/31/15</u>	<u>BALANCE</u> <u>12/31/14</u>
Cash and Cash Equivalents:			
Cash - Treasurer	A-4	\$ 2,015,593	\$ 1,775,782
Receivables And Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	A-6	308,741	361,667
Tax Title Liens Receivable	A-7	39,373	93,170
Penalties & Interest on Taxes	A	-	6,333
Property Acquired for Taxes - Assessed Valuation	A-8	454,100	289,300
Revenue Accounts Receivable	A-9	-	3,665
Subtotal		<u>802,214</u>	<u>754,135</u>
		<u>2,817,807</u>	<u>2,529,917</u>
Federal And State Grant Fund:			
Due Current Fund	A	40,237	51,911
Federal And State Grants Receivable	A-20	<u>118,693</u>	<u>73,254</u>
Subtotal		<u>158,930</u>	<u>125,165</u>
TOTAL ASSETS		<u>\$ 2,976,737</u>	<u>\$ 2,655,082</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
COMPARATIVE BALANCE SHEET

A
Sheet 2

LIABILITIES, RESERVES AND FUND BALANCE	<u>REF.</u>	<u>BALANCE</u> <u>12/31/15</u>	<u>BALANCE</u> <u>12/31/14</u>
Liabilities:			
Appropriation Reserves	A-3:10	\$ 38,482	\$ 58,284
Reserve For Encumbrances	A-11	56	56
Accounts Payable	A	2,780	2,331
Amount Due From Grant Fund	A	40,237	51,911
Amount Due To Dog Fund	B	143	-
Amount Due To Other Trust Fund	B	174,852	116,116
Amount Due To General Capital Fund	C	166,007	1,041
Taxes Collected In Advance	A-12	48,971	34,311
Tax Overpayments	A-13	23,526	87,286
County Taxes Payable-Added/Omitted	A-14	-	-
Local District School Taxes Payable	A-15	40,531	46,234
Regional High School Taxes Payable	A-16	598,932	477,590
Municipal Open Space Tax - Due Other Trust Fund	A-17	455	-
Amount Due To State Of New Jersey For Senior Citizens And Veterans Deductions	A-18	2,690	2,690
Reserve - Joint Court	A-19	<u>7,905</u>	<u>7,905</u>
Subtotal		<u>1,145,567</u>	<u>885,755</u>
 Reserve For Receivables And Other Assets	 A	 802,214	 754,135
Fund Balance	A-1	<u>870,026</u>	<u>890,027</u>
Subtotal		<u>2,817,807</u>	<u>2,529,917</u>
 Federal And State Grant Fund:			
Due Current Fund	A	-	-
Reserve For State Grants - Unappropriated	A-22	12,945	12,220
Reserve For State Grants	A-21	<u>145,985</u>	<u>112,945</u>
Subtotal		<u>158,930</u>	<u>125,165</u>
 TOTAL LIABILITIES, RESERVES AND FUND BALANCE		 <u>\$ 2,976,737</u>	 <u>\$ 2,655,082</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND
CHANGE IN FUND BALANCE

A-1

<u>REVENUE AND OTHER INCOME REALIZED</u>	<u>REF.</u>	<u>YEAR</u> <u>2015</u>	<u>YEAR</u> <u>2014</u>
Fund Balance Utilized	A-2	\$ 763,650	\$ 777,000
Miscellaneous Revenue Anticipated	A-2	532,418	437,500
Receipts From Delinquent Taxes	A-2	362,180	349,850
Receipts from Current Taxes	A-2	11,884,046	11,469,198
Non-Budget Revenues	A-2	123,483	45,772
Other Credits To Income:			
Unexpended Balance Of Appropriation Reserves	A-10	29,715	153,959
Tax Overpaid Canceled	A-13	58,062	-
Interfund Returns	A	<u>1,800</u>	<u>34,662</u>
TOTAL INCOME		<u>13,755,354</u>	<u>13,267,941</u>

EXPENDITURES

Budget and Emergency Appropriations:			
Appropriations Within "CAP":			
Operations:			
Salaries and Wages	A-3	496,212	480,400
Other Expenses	A-3	616,316	614,800
Deferred Charges and Statutory Expenditures	A-3	91,048	90,571
Appropriations Excluded From "CAP":			
Operations:			
Salaries and Wages			
Other Expenses	A-3	27,689	65,545
Capital Improvements	A-3	280,000	115,000
Debt Service	A-3	236,600	239,335
Deferred Charges and Statutory Expenditures	A-3	-	-
County Taxes	A-14	3,024,775	2,959,255
Amount Due County For Added and Omitted Taxes	A-14	8,205	3,010
Local District School Taxes	A-15	3,949,960	3,962,960
Regional High School Taxes	A-16	4,115,045	3,872,361
Municipal Open Space Tax	A-6	<u>165,855</u>	<u>165,724</u>
TOTAL EXPENDITURES		<u>13,011,705</u>	<u>12,568,961</u>
Statutory Excess To Fund Balance		743,649	698,980
Fund Balance January 1	A	<u>890,027</u>	<u>968,047</u>
		1,633,676	1,667,027
Decreased by:			
Utilization as Anticipated Revenue	A-1	<u>763,650</u>	<u>777,000</u>
Fund Balance December 31	A	<u>\$ 870,026</u>	<u>\$ 890,027</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
STATEMENT OF REVENUES

A-2
Sheet 1

	<u>REF.</u>	<u>ANTICIPATED BUDGET</u>	<u>REALIZED</u>	<u>EXCESS OR DEFICIT</u>
Fund Balance Anticipated	A-2	\$ 763,650	\$ 763,650	-
Miscellaneous Revenues				
Local Revenues:				
Licenses:				
Alcoholic Beverages	A-9	2,500	3,138	\$ 638
Fees and Permits	A-9	750	11,897	11,147
Fines and Costs:				
Interest and Costs on Taxes	A-5	68,000	74,624	6,624
Interest on Investments and Deposits	A-9	<u>1,500</u>	<u>1,482</u>	<u>(18)</u>
Total Local Revenues		<u>72,750</u>	<u>91,141</u>	<u>18,391</u>
State Aid:				
Energy Receipts Tax	A-9	255,591	255,591	
Garden State Trust Fund	A-9	<u>5,099</u>	<u>5,099</u>	-
Total State Aid		<u>260,690</u>	<u>260,690</u>	-
Dedicated Uniform Construction Code Fees				
Offset with Appropriations:				
Uniform Construction Code Fees	A-9	<u>22,000</u>	<u>49,571</u>	<u>27,571</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
STATEMENT OF REVENUES

A-2
Sheet 2

	<u>REF.</u>	<u>ANTICIPATED BUDGET</u>	<u>REALIZED</u>	<u>EXCESS OR DEFICIT</u>
Special Items Of Revenue Anticipated With Prior Written Consent of Local Government Services- Public and Private Revenues:				
NJ DOT Grant - Good Springs Road - Sec 2	A-22	115,000	115,000	
Clean Communities Program	A-22	10,657	10,657	
Municipal Alliance on Alcoholism and Drug Abuse	A-20	3,796	3,796	
Recycling Tonnage Grant	A-22	<u>1,563</u>	<u>1,563</u>	-
Total Public and Private Revenues		<u>131,016</u>	<u>131,016</u>	-
Total Miscellaneous Revenue		<u>486,456</u>	<u>532,418</u>	<u>45,962</u>
Receipts From Delinquent Taxes	A-2	<u>180,000</u>	<u>362,180</u>	<u>182,180</u>
Local Tax for Municipal Purposes	A-2	<u>944,368</u>	<u>1,246,815</u>	<u>302,447</u>
Total General Revenues		2,374,474	2,905,063	530,589
Non-Budget Revenues:				
Other Non-Budget Revenues	A-2	<u>-</u>	<u>123,483</u>	<u>123,483</u>
		<u>\$ 2,374,474</u>	<u>\$ 3,028,546</u>	<u>\$ 654,072</u>

REF.

A-3

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
STATEMENT OF REVENUES

A-2
Sheet 3

REF.

ANALYSIS OF REALIZED REVENUES

Allocation Of Current Tax Collections:

Revenue from Collections	A-6	\$ 11,856,796
State of New Jersey, Senior Citizens and Veterans Deductions	A-6	<u>27,250</u>
	A-6	11,884,046

Allocated To:

School, County, and Municipal Open Space Taxes	A-1	<u>11,263,840</u>
Deficiency Supported by Municipal Revenues		620,206
Add(Decreased) by Appropriation: "Reserve For Uncollected Taxes"	A-3	<u>626,609</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u>\$ 1,246,815</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
STATEMENT OF REVENUES

A-2
Sheet 4

ANALYSIS OF NON-BUDGET REVENUES

Miscellaneous Revenue Not Anticipated:

Treasurer:

Miscellaneous	\$ 5,533	
Lease of Farmlands	28,304	
In Lieu Taxes	2,000	
Court	2,890	
Comcast	20,000	
Sale of Assets	9,756	
Excess Imprest Payroll	<u>55,000</u>	
Total Miscellaneous Revenue Not Anticipated	A-4	<u>\$ 123,483</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
STATEMENT OF EXPENDITURES

A-3
Sheet 1

<u>OPERATIONS within "CAPS"</u>	<u>BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>EXPENDED PAID OR CHARGED</u>	<u>RESERVED</u>
GENERAL GOVERNMENT:				
General Administration:				
Salaries and Wages	\$ 10,935	\$ 10,935	\$ 10,400	\$ 535
Other Expenses:				
Other Professional, Consul. and Spec. Serv.-Codification	5,000	5,000	5,000	
Miscellaneous Other Expenses	20,000	12,015	11,931	84
Human Resources (Personnel):				
Education Program for Employees	1,500	1,500	498	1,002
Mayor and Council:				
Salaries and Wages	16,540	16,540	16,538	2
Municipal Clerk:				
Salaries and Wages	56,850	56,850	56,850	
Financial Administration(Treasury):				
Salaries and Wages	30,610	30,610	30,524	86
Other Expenses	3,500	3,500	3,500	
Audit Services:				
Other Expenses	25,000	25,000	24,927	73
Revenue Administration(Tax Collection):				
Salaries and Wages	27,429	27,429	27,428	1
Other Expenses	2,000	2,185	2,185	
Tax Assessment Administration:				
Salaries and Wages	31,950	31,950	31,950	
Other Expenses	6,000	6,000	5,970	30
Legal Services(Legal Dept.):				
Other Expenses	26,000	30,300	29,377	923
Engineering Services:				
Other Expenses	30,000	30,000	29,695	305
Historical Sites office:				
Other Expenses	2,500	2,500	70	2,430

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
STATEMENT OF EXPENDITURES

A-3
Sheet 2

<u>OPERATIONS within "CAPS"</u>	<u>BUDGET</u>	<u>APPROPRIATION BUDGET AFTER MODIFICATION</u>	<u>EXPENDED PAID OR CHARGED</u>	<u>RESERVED</u>
LAND USE ADMINISTRATION:				
Planning Board:				
Salaries and Wages	20,062	20,062	20,062	
Other Expenses	11,000	11,000	9,150	1,850
Zoning Board Of Adjustment:				
Salaries and Wages	23,514	23,514	23,514	
Other Expenses	900	900	331	569
CODE ENFORCEMENT AND ADMINISTRATION:				
Construction Official:				
Salaries and Wages	54,671	54,671	49,205	5,466
Other Expenses	500		-	
INSURANCE:				
Liability and Other Insurance	92,000	92,000	89,041	2,959
Unemployment Insurance	3,200	3,200	2,804	396
Workers Compensation Insurance	3,000	3,000	3,000	
Employee Group Insurance	56,216	51,716	51,647	69
PUBLIC SAFETY FUNCTIONS:				
Office of Emergency Management:				
Salaries and Wages	14,400	14,400	14,400	
Other Expenses	300	300		300
Aid to Volunteer Fire Companies	54,200	54,200	50,242	3,958
First Aid Organization-Contributions	7,500	7,500	7,500	
Fire Department:				
Other Expenses:				
Fire Hydrant Service	13,000	13,000	9,598	3,402

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
STATEMENT OF EXPENDITURES

A-3
Sheet 3

<u>OPERATIONS within "CAPS"</u>	<u>APPROPRIATION</u> <u>BUDGET</u>	<u>BUDGET AFTER</u> <u>MODIFICATION</u>	<u>EXPENDED</u> <u>PAID OR</u> <u>CHARGED</u>	<u>RESERVED</u>
PUBLIC WORKS FUNCTIONS:				
Streets and Road Maintenance:				
Salaries and Wages	169,000	191,500	191,291	209
Other Expenses	170,000	161,000	155,248	5,752
Solid Waste Collection:				
Salaries and Wages	9,031	9,031	8,768	263
Buildings and Grounds:				
Other Expenses	49,500	49,500	48,056	1,444
HEALTH AND HUMAN SERVICES FUNCTIONS:				
Animal Control Services(Dog Regulation):				
Salaries and Wages	8,720	8,720	8,195	525
PARK AND RECREATION FUNCTIONS:				
Recreation Services and Programs:				
Other Expenses	7,000	7,000	7,000	
UTILITY EXPENSES AND BULK PURCHASES:				
Electricity	12,000	12,000	11,383	617
Street Lighting	15,000	15,000	15,000	
Gasoline	22,000	17,000	16,682	318

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
STATEMENT OF EXPENDITURES

A-3
Sheet 4

<u>OPERATIONS within "CAPS"</u>	<u>BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>EXPENDED PAID OR CHARGED</u>	<u>RESERVED</u>
Total Operations within "CAPS"	1,112,528	1,112,528	1,078,960	33,568
Contingent				
Total Operations including contingent within "CAPS"	1,112,528	1,112,528	1,078,960	33,568
Detail:				
Salaries and Wages	473,712	496,212	489,125	7,087
Other Expenses	638,816	616,316	589,835	26,481
DEFERRED CHARGES AND STATUTORY EXPENDITURES within "CAPS":				
Statutory Expenditures:				
Social Security System (O.A.S.I.)	39,100	39,100	36,984	2,116
Contribution To:				
PERS	51,948	51,948	51,948	
Total Deferred Charges and Statutory Expenditures within "CAPS"	91,048	91,048	88,932	2,116
Total General Appropriations within "CAPS"	1,203,576	1,203,576	1,167,892	35,684

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
STATEMENT OF EXPENDITURES

A-3
Sheet 5

	<u>BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>EXPENDED PAID OR CHARGED</u>	<u>RESERVED</u>
Operations Excluded from "CAPS":				
Insurance:				
Employee Insurance	1,784	1,784	1,784	
Total Operations Excluded from "CAPS":	1,784	1,784	1,784	
Interlocal Municipal Service Agreements:				
Municipal Court (Knowlton Township):				
Other Expenses	8,000	8,000	5,202	2,798
Total Interlocal Municipal Service Agreements	8,000	8,000	5,202	2,798
 PUBLIC AND PRIVATE PROGRAMS OFFSET BY APPROPRIATIONS- EXCLUDED FROM "CAPS":				
Federal and State Grants:				
Municipal Alliance On Alcoholism and Drug Abuse:				
Other Expenses:				
Federal Share	3,796	3,796	3,796	
Local Share	1,889	1,889	1,889	
Clean Communities Program:				
Other Expenses	10,657	10,657	10,657	
Recycling Tonnage Grant:				
Other Expenses	1,563	1,563	1,563	
Total Public and Private Programs Offset by Revenues	17,905	17,905	17,905	
Total Operations Excluded from "CAPS"	27,689	27,689	24,891	2,798
Detail:				
Salaries and Wages				
Other Expenses	27,689	27,689	24,891	
 CAPITAL IMPROVEMENTS:				
Capital Improvement Fund	125,000	125,000	125,000	
Improvements to Building	30,000	30,000	30,000	
Recreation Equipment	10,000	10,000	10,000	
Transportation Trust Fund Authority				
Good Springs Road	115,000	115,000	115,000	
Total Capital Improvements	280,000	280,000	280,000	-

The accompanying Notes to the Financial Statements are an integral part of this statement.

TRUST FUND
COMPARATIVE BALANCE SHEET

B

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE</u> <u>12/31/15</u>	<u>BALANCE</u> <u>12/31/14</u>
Dog License Fund:			
Cash and Cash Equivalents:			
Cash - Treasurer	B-2	\$ 202	\$ 3,734
Amount Due Current Fund	B-5	<u>143</u>	<u>-</u>
Total Dog License Fund		<u>345</u>	<u>3,734</u>
Other Trust Funds:			
Cash and Cash Equivalents:			
Cash - Treasurer	B-2	449,372	306,203
Amount Due Current Fund	B-6	<u>175,307</u>	<u>116,116</u>
Total Other Trust Funds		<u>624,679</u>	<u>422,319</u>
TOTAL ASSETS		<u>\$ 625,024</u>	<u>\$ 426,053</u>

LIABILITIES, RESERVES AND FUND BALANCE

Dog License Fund:			
Reserve for Dog Fund Expenditures	B-3	\$ 175	\$ 3,683
Due State of New Jersey	B-4	<u>170</u>	<u>51</u>
Total Dog License Fund		<u>345</u>	<u>3,734</u>
Other Trust Fund:			
Reserve for Planning Board Escrow Deposits	B-7	106,450	48,894
Reserve for Road Opening Deposits	B-8	500	500
Reserve for COAH Deposits	B-9	50,415	50,386
Reserve for Tax Sale Premiums	B-10	203,284	144,484
Reserve for Municipal Open Space Tax	B-11	258,335	172,296
Reserve for Recreation Trust	B-12	<u>5,695</u>	<u>5,759</u>
Total Other Trust Fund		<u>624,679</u>	<u>422,319</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		<u>\$ 625,024</u>	<u>\$ 426,053</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET

C

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE</u> <u>12/31/15</u>	<u>BALANCE</u> <u>12/31/14</u>
Cash - Treasurer	C-2	\$ 345,959	\$ 345,925
Accounts Receivable	C-4	250,560	250,560
Amount Due Current Fund	C-3	166,007	1,041
Deferred Charges To Future Taxation: Unfunded	C-5	<u>2,491,535</u>	<u>1,790,601</u>
TOTAL ASSETS		<u>\$3,254,061</u>	<u>\$ 2,388,127</u>

LIABILITIES, RESERVES AND FUND BALANCE

Various Reserves	C-7	112,625	72,625
Bond Anticipation Notes	C-9	1,187,700	1,434,866
Capital Improvement Fund	C-6	385,592	310,492
Capital Fund Balance	C-1	20,792	20,792
Improvement Authorizations - Unfunded	C-8	1,262,187	314,087
Improvement Authorizations - Funded	C-8	<u>285,165</u>	<u>235,265</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		<u>\$3,254,061</u>	<u>\$ 2,388,127</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

PUBLIC ASSISTANCE FUND
COMPARATIVE BALANCE SHEET

E

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE</u> <u>12/31/15</u>	<u>BALANCE</u> <u>12/31/14</u>
Cash and Cash Equivalents:			
Cash - Treasurer	E-1	\$ 3,066	\$ 3,065
TOTAL ASSETS		<u>\$ 3,066</u>	<u>\$ 3,065</u>

LIABILITIES AND RESERVES

Reserve for Public Assistance		\$ 3,066	\$ 3,065
TOTAL LIABILITIES AND RESERVES		<u>\$ 3,066</u>	<u>\$ 3,065</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

GENERAL FIXED ASSETS
STATEMENT OF GENERAL FIXED ASSETS
DECEMBER 31, 2015

F

	<u>BALANCE</u> <u>12/31/15</u>	<u>BALANCE</u> <u>12/31/14</u>
General Fixed Assets:		
Land	\$ 3,246,819	\$ 3,246,819
Buildings	1,023,423	1,023,423
Machinery and Equipment	<u>1,834,644</u>	<u>1,834,644</u>
Total General Fixed Assets	<u>\$ 6,104,886</u>	<u>\$ 6,104,886</u>
 Investment In General Fixed Assets	 <u>\$ 6,104,886</u>	 <u>\$ 6,104,886</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

PAYROLL AGENCY FUND
COMPARATIVE BALANCE SHEET

G

<u>ASSETS</u>	BALANCE <u>12/31/15</u>	BALANCE <u>12/31/14</u>
Cash and Cash Equivalents:		
Cash - Treasurer	\$ <u>19,587</u>	\$ <u>70,480</u>
TOTAL ASSETS	<u>\$ 19,587</u>	<u>\$ 70,480</u>

LIABILITIES AND RESERVES

Imprest Balances	\$ <u>19,587</u>	\$ <u>70,480</u>
TOTAL LIABILITIES AND RESERVES	<u>\$ 19,587</u>	<u>\$ 70,480</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

GASB Statement No.14 established criteria to be used to determine which component units should be included in the financial statements of the oversight entity. The Division requires the financial statements of the Township to be reported separately.

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, as The financial statements of the Township do not include the operations of the Board of Education.

B. Description of Funds

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB Codification establishes fund types and account groups to be used by governmental units when reporting financial position and results of operations in accordance with accounting principles generally accepted in the United States of America (GAAP).

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. 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, which differ from the fund structure required by GAAP.

Current Fund

Resources and expenditures for governmental operations of a general nature, including State grants for operations.

Trust Funds

Records the receipts, disbursement and custodianship of monies in accordance with the purpose for which each account was established.

General Capital Fund

The receipts and disbursement of funds for the acquisition of general infrastructure and other capital facilities, other than those acquired in the Current Fund. General bonds and notes payable are recorded in this fund offset by deferred charges to future taxation.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Description of Funds (Continued)

Public Assistance Fund

Receipt and disbursements of funds that provide assistance to certain residents of the Township pursuant to the provisions of Title 44 of New Jersey statutes.

General Fixed Assets Reporting

To account for all fixed assets of the Township. The Township's infrastructure is not reported in the group.

C. Basis of Accounting

The accounting principles and practices prescribed for municipalities by the State of New Jersey differ in certain respects from generally accepted accounting principles applicable to local government units. The more significant policies in New Jersey follow.

A modified accrual basis of accounting is followed with minor exceptions.

Revenues--are recorded as received in cash except for certain amounts which are due from other governmental units. Receipts from State grants are realized as revenue when anticipated in the Township budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the Township's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due the Township which are susceptible of accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received.

Expenditures--are recorded on the "budgetary" basis of accounting. Generally expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the Encumbrance Accounting System. Outstanding encumbrances at December 31, are reported as a cash liability in the financial statements and constitute part of the Township's statutory Appropriation Reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31st 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. Appropriations for principal payments on outstanding general capital and utility bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis, whereas interest on utility indebtedness is on the accrual basis.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

Property Tax Revenue--Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, Open Space and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1 and November 1.

The amounts of the first and second installments are determined as one quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally.

If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of June 30, of each fiscal year. County taxes are paid to the County by the Township quarterly on February 15, May 15, August 15 and November 15. The Open Space Levy is paid quarterly to the Township's other trust funds on February 15, May 15, August 15 and November 15.

When unpaid taxes or any municipal lien, or part thereof, on real property remains in arrears after the eleventh day of the eleventh month in the year in which they are due, the collector in the municipality shall, subject to provisions of the New Jersey Statutes, enforce the lien by placing the property on a tax sale. Annual in rem tax foreclosure proceedings are instituted to enforce the tax collection or acquisition of title to the property by the Township.

In accordance with the accounting Principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the taxes receivable and tax title liens that are uncollectible. GAAP required tax revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

Deferred School Taxes--A portion of the school taxes collected at December 31 relating to the period January 1 to June 30 of the subsequent year have been included in fund balance. GAAP requires such revenue to be deferred and recognized in the accounting period when it becomes susceptible to accrual.

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.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

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 are not included on the various balance sheets.

General Fixed Assets--In accordance with Technical Accounting Directive No. 85-2, Accounting for Governmental Fixed Assets, as promulgated by the Division of Local Government Services, which differs in certain respects from generally accepted accounting principles, the municipality develops a fixed asset accounting and reporting system.

Fixed assets used in governmental operations (general fixed assets) are accounted for in the General Fixed Assets Account Group. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available except for land which is valued at estimated market value.

No depreciation is to be provided for in the financial statements. Expenditures for construction in progress are recorded in the Capital Funds until such time as the construction is completed and put into operation.

Expenditures for construction in progress are recorded in the Capital Funds until such time as the construction is completed and put into operation.

Fixed assets acquired through grants in aid or contributed capital have not been accounted for separately.

Budget and Budgetary Procedures--The foundation of the New Jersey local finance system is the annual cash basis budget required under the Local Budget Law (N.J.S.A.40A:4-1, et seq.). Every local unit must adopt a budget in the form required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Certain items of revenue and appropriation are regulated by law and the proposed budget must be certified by the Director of the Division ("Director") prior to final adoption. The normal budget calendar begins early in the fiscal year with introduction, public advertisement and after state approval, budget adoption. The cash basis for revenues and budgetary basis for expenditures is the budget basis of accounting.

The Township is not required to adopt budgets for the following funds:

**General Capital Fund
Public Assistance Fund
Trust Fund**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

The governing body shall introduce and approve the annual budget not later than February 10, of the fiscal year. The budget shall be adopted not later than March 20, and prior to adoption, must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board, may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year.

The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. Emergency appropriations, those made after the adoption of the budget and determination of the tax rate, may be authorized by the governing body of the municipality. During the last two months of the fiscal year, the governing body may, by a 2/3 vote, amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the Government Body. Expenditures may not legally exceed budgeted appropriations at the line item level.

Expenditures--Are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with an encumbrance accounting system. Outstanding encumbrances at December 31, are reported as a cash liability in the financial statements. Unexpended or uncommitted appropriations at December 31, are reported as expenditures through the establishment of appropriations reserves unless cancelled by the governing body. GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which should be recognized when due.

Tax Appeals and Other Contingent Losses--Losses which arise from tax appeals and other contingent losses are recognized at the time an unfavorable decision is rendered by an administrative or judicial body.

Deferred Charges to Future Taxation Funded and Unfunded--Upon the authorization of capital projects, the Township establishes deferred charges for the costs of the capital projects to be raised by future taxation. Funded deferred charges relate to permanent debt issued, whereas unfunded deferred charges relate to temporary or non-funding of the authorized cost of capital projects. According to N.J.S.A.40A:2-4, the Township may levy taxes on all taxable property within the local unit to repay the debt. Annually, the Township raises the debt requirements for that particular year in the current budget. As the funds are raised by taxation, the deferred charges are reduced.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

Comparative Data - Comparative data for the prior year has been presented in the accompanying balance sheets and statements of operations in order to provide an understanding of changes in the municipality's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

Use of Estimates--The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates.

Departures from Generally Accepted Accounting Principles--The accounting principles and practices followed by the Township differ generally accepted accounting principles applicable to local government units. The more significant differences are as follows:

- Taxes and other receivables are fully reserved.
- Interfund receivables in the Current Fund are fully reserved.
- Unexpended and uncommitted appropriations are reflected as expenditures.
- Overexpended appropriations and emergency appropriations are deferred to the succeeding years' operations.
- Undetermined contributions to state-administered pension plans applicable to the six months ended December 31 are not accrued.
- Estimated losses arising from tax appeals and other contingencies are not recorded when it is probable that a loss has been incurred and the amount of such loss can be reasonably estimated.

It was not practicable to determine the effect of such difference.

Statutory-Basis Financial Statements--The GASB Codification also defines the financial statements of a governmental unit to be presented to be in accordance with GAAP. The Township presents the financial statements listed in the table of contents which are required by the Division and which differ from the financial statements required by GAAP. In addition, the Division requires the financial statements listed in the table of contents to be referenced to the supplementary schedules. This practice differs from GAAP.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 2: CASH AND CASH EQUIVALENTS

Deposits:

New Jersey statutes require that the governing body deposit public funds in public depositories located in New Jersey, which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. The governing body is 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 depository insurance limits as follows:

The market value of the collateral must equal at least 5% of the average daily balance of collected public funds on deposit.

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 of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the municipality's accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the municipality would not be able to recover the value of its deposits or investment). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. At December 31, 2015, all of the municipality's deposits were collateralized by securities held in its name and, accordingly, not exposed to custodial credit risk. The municipality does not have a policy for custodial credit risk.

As of December 31, 2015, cash and cash equivalents of the municipality consisted of the following:

	Cash and Cash <u>Equivalents</u>	<u>Total</u>
Checking	\$ 2,267,411	\$ 2,267,411
Certificates of Deposit	566,368	566,368
	<u>\$ 2,833,779</u>	<u>\$ 2,833,779</u>

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 2: CASH AND CASH EQUIVALENTS - (Continued)

The carrying amount of the municipality's cash and cash equivalents at December 31, 2015, was \$2,833,779 and the bank balance was \$2,848,678. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes. Of these bank balances, \$356,450 was covered by federal depository insurances and \$2,492,228 was covered by collateral pool.

Note 3: LONG-TERM DEBT

	Beginning Balance	Issued	Paid	Ending Balance
Long Term Debt:				
Bond Anticipation Notes	\$ 1,434,866		\$ 247,166	\$ 1,187,700
Compensated absences payable	None			None
Total Long-Term Debt	\$ 1,434,866	-	\$ 247,166	\$ 1,187,700

The Local Bond Law governs the issuance of bonds and notes to finance general municipal expenditures. All bonds issued by the Township are general obligation bonds, backed by the full faith and credit of the Township. Bond anticipation notes, which are issued by temporarily finance capital projects, must be paid off within ten years or retired by issuance of bonds.

The Township debt is summarized as follows:

Summary of Municipal Debt

	YEAR <u>2015</u>	YEAR <u>2014</u>	YEAR <u>2013</u>
<u>Issued</u>			
Net Debt Issued	\$ 1,187,700	\$ 1,434,866	\$ 1,944,530
<u>Authorized But Not Issued</u>			
Total Authorized But Not Issued	1,303,835	355,735	355,735
Net Bonds and Notes Issued and Authorized But Not Issued	\$ 2,491,535	\$ 1,790,601	\$ 2,300,265

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 3: LONG-TERM DEBT (Continued)

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 0.65%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Regional School municipality Debt	\$ 3,436,140	\$ 3,436,140	-
Local School municipality Debt	1,115,000	1,115,000	-
General Debt	<u>2,491,535</u>	<u>-</u>	<u>\$ 2,491,535</u>
	<u>\$ 7,042,675</u>	<u>\$ 4,551,140</u>	<u>\$ 2,491,535</u>

Net Debt \$2,491,535 Divided by Equalized Valuation Basis per
N.J.S.A. 40A:2-2 as amended, \$ 383,201,634 equals 0.650%

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

3 1/2% of Equalized Valuation Basis (Municipal)	\$ 13,412,057
Net Debt	<u>2,491,535</u>
Remaining Borrowing Power	<u>\$ 10,920,522</u>

Bond Anticipation Notes

The Township has outstanding at December 31, 2015, a bond anticipation note in the amount of \$119,700 payable to PNC Bank, N.A. This note matures on October 13, 2016. The interest rate on the note was 1.03%. Principal and interest on this note is paid from the current fund budget and municipal open space trust fund reserve of the Township.

The Township has outstanding at December 31, 2015, a bond anticipation note in the amount of \$1,068,000 payable to PNC Bank, N.A.. This note matures on February 17, 2016. The interest rate on the note was 0.89%. Principal and interest on this note is paid from the current fund budget.

	<u>Debt</u>
	<u>Outstanding</u>
Total General Capital Loans Above	<u>\$ 1,187,700</u>

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 4: GENERAL FIXED ASSETS

The following is a summary of changes in the general fixed assets:

	Balance Beginning of Year	<u>Additions</u>	Adjustments/ <u>Deletions</u>	Balance <u>End of Year</u>
Land	\$ 3,246,819	-		\$ 3,246,819
Buildings and Improvements	1,023,423	-		1,023,423
Machinery and Equipment	<u>1,834,644</u>	<u>\$ -</u>	<u>-</u>	<u>1,834,644</u>
	<u>\$ 6,104,886</u>	<u>\$ -</u>	<u>-</u>	<u>\$ 6,104,886</u>

See Note 1 for municipal policy on General Fixed Assets.

Note 5: FUND BALANCES APPROPRIATED

Fund Balances at December 31, 2015, which were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2016, were as follows:

Current Fund - \$751,650 (Introduced)

Note 6: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2015, the Township had no deferred charges that are required to be included in subsequent year's budgets

The appropriations in the 2016 Budget are not less than that required by statute.

Note 7: SCHOOL TAXES

Local municipality Tax and Regional High School Tax have been raised and liabilities deferred by statute (under provisions of C.63, P.L.1991, as amended), resulting in the school taxes payable set forth in the Current Fund liabilities as follows:

	TOTAL DEFERRED TAX <u>12/31/15</u>	LOCAL municipality SCHOOL TAX BALANCE <u>12/31/15</u>	BALANCE <u>12/31/14</u>	TOTAL DEFERRED TAX <u>12/31/14</u>	REGIONAL HIGH SCHOOL TAX BALANCE <u>12/31/15</u>	BALANCE <u>12/31/14</u>
Balance of Tax		\$ 1,698,905	\$ 1,704,608		\$ 2,057,522	\$ 1,936,180
Deferred		<u>1,658,374</u>	<u>1,658,374</u>		<u>1,458,590</u>	<u>1,458,590</u>
Tax Payable		<u>\$ 40,531</u>	<u>\$ 46,234</u>		<u>\$ 598,932</u>	<u>\$ 477,590</u>
Tax Deferred	<u>\$ 3,116,964</u>			<u>\$ 3,116,964</u>		

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 8: PENSION PLANS

Description of Plans - All required employees of the municipality are covered by either the Public Employees' Retirement System (PERS) or the Defined Contribution Retirement Plan (DCRP) which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System. These reports may be obtained by writing to the Division of Pension and Benefits, PO Box 295, Trenton, New Jersey, 08625 or on the internet at <http://www.state.nj.us/treasury/pensions/annrpts.shtml>.

Public Employees' Retirement System (PERS) - The Public Employees' Retirement System (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school municipality, or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction.

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

The following represents the membership tiers for PERS:

Tier Definition

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

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 8: PENSION PLANS - (Continued)

The PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Contribution Requirements - The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 (PERS) requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provides for employee contributions of 6.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in the PERS. The current PERS rate is 6.5% of covered payroll.

Summary of Significant Accounting Policies - New Jersey's municipalities and counties do not follow GAAP accounting principles and, as such, do not follow GASB requirements with respect to recording the net pension liability or related deferred outflows or inflows of resources on their balance sheets, or related plan pension expense. However, N.J.A.C. 5:30-6.1(c)(2) requires municipalities and counties to disclose GASB 68 information in the Notes to the Financial Statements. Accordingly, the municipality's portion of the net pension liability, related outflows and inflows of resources, and pension expense are for disclosure purposes only and do not effect the municipality's regulatory basis fund balance, statement of revenues and expenditures, or operations. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense as required by GASB No. 68, information about the fiduciary net position of the PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the municipality disclosed a liability of \$1,179,798 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. The municipality's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2014 and 2013. At June 30, 2014, the municipality's proportion was 0.00630% which was an increase of 0.00007% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the municipality's portion of the plan's pension expense was \$62,842. At June 30, 2015, deferred outflows of resources and deferred inflows of resources for PERS relating to the municipality's proportionate share are from the following sources:

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 8: PENSION PLANS (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	-	-
Changes of assumptions	\$ 37,099	
Net difference between projected and actual earnings on pension plan investments		\$ 70,310
Changes in proportion and differences between municipality contributions and proportionate share of contributions	11,890	
municipality contributions subsequent to the measurement date	51,948	
Total	\$ 100,937	\$ 70,310

\$51,948 disclosed as deferred outflows of resources related to pensions resulting from municipality contributions subsequent to the measurement date (i.e. Contributions for calendar year 2015 were made after the the plan measurement date of June 30, 2014) will be shown as a reduction of the net pension liability measured as of June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense of the plan as follows:

	<u>Year Ended June 30:</u>	
	<u>6/30/2013</u>	<u>6/30/2014</u>
2015	(\$6,906)	
2016	(\$6,906)	
2017	(\$6,906)	
2018	(\$6,906)	
2019	\$4,378	
Thereafter	<u>\$1,926</u>	
Total	<u>(\$21,321)</u>	
Collective deferred outflows of resources	-	\$952,194,675
Collective deferred inflows of resources	-	1,479,224,662
Collective net pension liability (Non State - Local Group)	\$19,111,986,911	\$18,722,735,003
municipality's proportionate share of net pension liability	\$1,190,251	\$1,179,798
municipality's proportion %	0.00622777%	0.00630142%

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 8: PENSION PLANS (Continued)

Actuarial assumptions . The total pension liability in the July 1, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	3.01%
<u>Salary Increases:</u>	
2012-2021	2.15%-4.40% based on age
Therafter	3.15%-5.40% based on age
Investment Rate of Return:	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 Based on Projection Scale AA.

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	6.00%	0.80%
Core Bonds	1.00%	2.49%
Bonds	11.20%	2.26%
Mortgages	2.50%	2.17%
High Yield Bonds	5.50%	4.82%
Inflation-Indexed	2.50%	3.51%
Broad US Equities	25.90%	8.22%
Developed Foreign	12.70%	8.12%
Emerging Market	6.50%	9.91%
Private Equity	8.25%	13.02%
Absolute Return	12.25%	4.92%
Real Estate (Property)	3.20%	5.80%
Commodities	2.50%	5.35%

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 8: PENSION PLANS (Continued)

Discount rate. The discount rate used to measure the total pension liability was 5.39% and 5.55% as of June 30, 2014 and 2013, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 4.29% and 4.63% as of June 30, 2014 and 2013, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions.

Based on those assumptions, the plan’s fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the municipality’s proportionate share of the net pension liability to changes in the discount rate. The following presents the municipality’s proportionate share of the net pension liability measured as of June 30, 2014, calculated using the discount rate of 5.39%, as well as what the municipality’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.39%) or 1-percentage-point higher (6.39%) than the current rate:

	<u>1% Decrease</u>	<u>Current</u> <u>Discount Rate</u>	<u>1% Increase</u>
	<u>(4.39%)</u>	<u>(5.39%)</u>	<u>(6.39%)</u>
Municipality's proportionate share of the net pension liability	\$ 1,484,226	\$1,179,798	\$ 924,156

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at <http://www.nj.gov/treasury/pensions/financial-rprts-home.shtml>.

Defined Contribution Retirement Plan (DCRP) - The Defined Contribution Retirement Program (DCRP) was established as of July 1, 2007 under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et seq.). The DCRP is a cost-sharing multiple-employer defined contribution pension fund. The DCRP provides eligible members, and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N. J.S.A. 43:15C-1 et. seq.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 8: PENSION PLANS (Continued)

The contribution requirements of plan members are determined by state statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. The State Treasurer has the right under current law to make temporary reductions in member rates based on the existence of surplus plan assets in the retirement system; however statute also requires the return to the normal rate when such surplus pension assets no longer exist.

Significant Legislation - Chapter 78, P.L. 2011, effective June 28, 2011 made various changes to the manner in which the Public Employees' Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS) operate and to the benefit provisions of those systems.

Chapter 78's provisions impacting employee pension and health benefits include:

- New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of ¼ of 1% for each month that the member is under age 65. □ The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members. □ The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. □ Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years; PFRS active member rate increase from 8.5% to 10%. For fiscal year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates for PES members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law. □ New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary. □ In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

Three-Year Trend Information for PERS

<u>Year</u>	<u>Annual</u> <u>Pension</u> <u>Contributions</u>	<u>Percentage</u> <u>of Contribution</u> <u>Paid</u>
2015	\$51,948	100%
2014	\$46,925	100%
2013	\$41,782	100%

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 9: POST-RETIREMENT BENEFITS

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2014, there were 103,432 retirees receiving post-retirement medical benefits, and the State contributed \$1.04 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$165.8 million toward Chapter 126 benefits for 18,122 eligible retired members in Fiscal Year 2014.

GASB Statement #45 requires certain disclosures relating to governmental entities obligations for other post-employment benefits (OPEB), which are post-employment benefits other than pensions. The Municipality does not provide post-employment benefits other than pension.

Note 10: LEASES

The Township has not entered into any long-term lease agreements except for equipment which can be capitalized as installment purchases of fixed assets in accordance with Technical Accounting Directive No. 85-2.

Note 11: ACCRUED SICK AND VACATION BENEFITS

As discussed in Note 1 and in accordance with accounting principles prescribed by the State of New Jersey, the cash basis of accounting is followed for recording the liability related to unused sick pay.

The Township has permitted employees to accrue unused sick pay, which may be otherwise resolved at a later date. There is no provision for accruing of vacation days if not currently used. The amount of such accrual as of December 31, 2015, is -0-.

In accordance with New Jersey principles, the amount is not reported as an expenditure or liability in the financial statements.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 12: CONTINGENT LIABILITIES

GRANT PROGRAMS

The Township participated in a number of state assisted grant programs administered at the state level. These programs, exclusive of the single audit concept, can be subject to program compliance audits by the grantors or their representatives. Accordingly, the Township's compliance with certain applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the Township expects such amounts, if any, to be immaterial.

LITIGATION

There are no pending lawsuits against the Township.

Note 13: OTHER REQUIRED DISCLOSURES

Individual fund interfund receivable and payable balances. All interfund receivable and payable balances outstanding at the beginning of the fiscal period were fully liquidated during the fiscal period, with the following exceptions outstanding at December 31, 2015:

<u>FUND</u>	<u>DUE FROM OTHER FUNDS</u>	<u>DUE TO OTHER FUNDS</u>
Current Fund	-	\$ 381,694
Federal/State Grants Fund	\$ 40,237	-
Dog Fund	143	-
Other Trust Funds	175,307	-
General Capital Fund	166,007	-
	<u>\$ 381,694</u>	<u>\$ 381,694</u>

Note 14: RISK FINANCING

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage. There were no significant reductions in insurance coverage from coverage in the prior year.

PART II
SUPPLEMENTARY INFORMATION

CURRENT FUND SCHEDULES

CURRENT FUND
SCHEDULE OF CASH -TREASURER

A-4

	<u>REF.</u>	<u>CURRENT FUND</u>
Balance December 31, 2014	A	\$ 1,775,782
Increased by Receipts:		
Collector	A-5	\$ 12,339,499
Miscellaneous Revenue Not Anticipated	A-2	123,483
Revenue Accounts Receivable	A-9	328,008
Municipal Open Space	A-17	33,623
Amount Due State of N.J. for Senior Citizens/Veterans Deductions	A-18	27,250
State Grant Funds	A-20	73,357
State Grant Funds	A-22	12,945
Interfund Returns - Other Trust	B	<u>58,736</u>
		<u>12,996,901</u>
		14,772,683
Decreased by Disbursements:		
2014 Appropriation Reserves	A-10	28,569
Reserve for Encumbrances	A-11	1,410,350
Tax Overpayments	A-13	36,937
County Taxes	A-14	3,032,980
Local District School Tax	A-15	3,955,663
Regional High School Tax	A-16	3,993,703
Municipal Open Space	A-17	199,023
State Grant Funds	A-21	<u>99,865</u>
		<u>12,757,090</u>
Balance December 31, 2015	A	<u>\$ 2,015,593</u>

CURRENT FUND
SCHEDULE OF CASH - COLLECTOR

A-5

	<u>REF.</u>		
Received:			
Interest and Costs on Taxes	A-2	\$ 74,624	
Taxes Receivable	A-6	12,163,022	
Tax Title Liens	A-7	1,320	
2015 Prepaid Taxes	A-12	48,971	
Tax Overpayments	A-13	<u>51,562</u>	<u>\$ 12,339,499</u>
Decreased by Disbursements:			
Payments to Treasurer	A-4		<u>\$ 12,339,499</u>

CURRENT FUND
SCHEDULE OF TAX TITLE LIENS

A-7

	<u>REF.</u>		
Balance December 31, 2014	A		\$ 93,170
Increased by:			
Interest and Costs		\$ 1,705	
Transfers from Taxes Receivable	A-6	<u>9,077</u>	<u>10,782</u>
			103,952
Decreased by:			
Canceled		318	
Transfer to Foreclosed Property	A-8	62,941	
Paid	A-5	<u>1,320</u>	<u>64,579</u>
Balance December 31, 2015	A		<u>\$ 39,373</u>

CURRENT FUND
SCHEDULE OF PROPERTY ACQUIRED FOR TAXES -
ASSESSED VALUATION

A-8

	<u>REF.</u>		
Balance December 31, 2014	A		\$ 289,300
Increased by:			
Transfer from Municipal Tax Title Liens	A-7	\$ 62,941	
Adjustment to Assessed Valuation Amount		<u>101,859</u>	<u>164,800</u>
			454,100
 Balance December 31, 2015	 A		 <u>\$ 454,100</u>

CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

A-9

		BALANCE	ACCRUED	COLLECTED BY		BALANCE
	<u>REF.</u>	<u>12/31/14</u>	<u>IN 2015</u>	<u>TREASURER</u>		<u>12/31/15</u>
Clerk:						
Licenses:						
Alcoholic Beverages	A-2		\$ 3,138	\$ 3,138		
Fees and Permits	A-2		11,897	11,897		
Municipal Court:						
Fines and Costs	A-2			1,230		
Interest on Investments and Deposits	A-2		1,482	1,482		
Uniform Construction Code Fees	A-2	\$ 3,665	45,906	49,571		
Energy Receipts Tax	A-2		255,591	255,591		
Garden State Trust Fund	A-2		5,099	5,099		
Totals		\$ 3,665	\$ 323,113	\$ 328,008		-
	REF.	A		A-4		A

CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - 2014

A-10

	<u>BALANCE</u> <u>12/31/14</u>	<u>BALANCE</u> <u>AFTER</u> <u>TRANSFERS</u>	<u>PAID</u> <u>OR</u> <u>CHARGED</u>	<u>BALANCE</u> <u>LAPSED</u>
General Administration:				
Other Expenses	\$ 3,838	\$ 3,838	\$ 2,070	\$ 1,768
Financial Administration:				
Other Expenses	82	285	284	1
Tax Assessment:				
Other Expenses	877	877	232	645
Legal Services:				
Other Expenses	1,237	2,087	2,083	4
Engineering Services:				
Other Expenses	4,082	1,082	968	114
Land Use Board:				
Other Expenses	15	1,015	957	58
Zoning Board:				
Other Expenses	626	626	128	498
Employee Group Insurance	7,444	4,444	-	4,444
Aid to Volunteer Fire Companies	3,385	3,385	3,177	208
Streets and Road Maintenance:				
Salary and Wages	-	98	98	-
Other Expenses	13,749	13,749	12,627	1,122
Buildings and Grounds:				
Other Expenses	896	4,745	4,449	296
Electricity	1,127	1,127	798	329
Gasoline	2,327	2,327	698	1,629
Other Accounts - No Change	18,599	18,599		18,599
TOTALS	\$ 58,284	\$ 58,284	\$ 28,569	\$ 29,715

REF.	A	A-4	A-1
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CURRENT FUND
SCHEDULE OF RESERVE FOR ENCUMBRANCES

A-11

	<u>REF.</u>		
Balance December 31, 2014	A	\$	56
Increased by:			
Budget Encumbrances Appropriated	A-3	\$ 1,411,478	
Additional Encumbrances		<u> -</u>	<u>1,411,478</u>
			1,411,534
Decreased by:			
Prior Year Encumbrances Canceled	A-1	1,128	
Encumbrances Paid	A-4	<u>1,410,350</u>	<u>\$ 1,411,478</u>
Balance December 31, 2015	A	<u>\$</u>	<u>56</u>

CURRENT FUND
SCHEDULE OF TAXES COLLECTED IN ADVANCE

A-12

	<u>REF.</u>	
Balance December 31, 2014	A	\$ 34,311
Increased by:		
2016 Taxes Collected in Advance	A-5	<u>48,971</u> 83,282
Decreased by:		
Applied to 2015 Taxes Receivable	A-6	<u>34,311</u>
Balance December 31, 2015	A	<u>\$ 48,971</u>

CURRENT FUND
SCHEDULE OF TAX OVERPAYMENTS

A-13

	<u>REF.</u>	
Balance December 31, 2014	A	\$ 87,286
Increased by:		
Tax Overpayments	A-5	<u>51,562</u>
		138,848
Decreased by:		
Applied to Taxes	A-6	\$ 20,323
Canceled	A-1	58,062
Refunds	A-4	<u>36,937</u> <u>115,322</u>
Balance December 31, 2015	A	<u>\$ 23,526</u>

CURRENT FUND
SCHEDULE OF COUNTY TAXES PAYABLE

A-14

REF.

Increased by:

2015 Levy:		
County Taxes	\$ 2,666,944	
County Library Taxes	208,267	
County Open Space Tax	149,564	
Prior Year Added and Omitted Taxes	<u>8,205</u>	
	A-1:6	<u>\$ 3,032,980</u>
		3,032,980

Decreased by:

Payments	A-4	<u>\$ 3,032,980</u>
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CURRENT FUND
SCHEDULE OF LOCAL DISTRICT SCHOOL TAX PAYABLE

A-15

	<u>REF.</u>		
Balance December 31, 2014:			
School Tax Payable	A	\$ 46,234	
School Tax Deferred		<u>1,658,374</u>	\$ 1,704,608
Increased by:			
Levy - School Year July 1, 2015 to June 30, 2016	A-6		<u>3,949,960</u>
			5,654,568
Decreased by:			
Payments	A-4		<u>3,955,663</u>
Balance December 31, 2015:			
School Tax Payable	A	40,531	
School Tax Deferred		<u>1,658,374</u>	<u>\$ 1,698,905</u>
2015 Liability for Local District School Tax:			
Tax Paid			\$ 3,955,663
Tax Payable 12/31/15			<u>1,698,905</u>
			5,654,568
Less -- Tax Deferred for 2015			-
Less -- Tax Payable 12/31/14			<u>1,704,608</u>
Amount Charged to 2015 Operations	A-1		<u>\$ 3,949,960</u>

CURRENT FUND
SCHEDULE OF REGIONAL HIGH SCHOOL TAX PAYABLE

A-16

	<u>REF.</u>		
Balance December 31, 2014:			
School Tax Payable	A	\$ 477,590	
School Tax Deferred		<u>1,458,590</u>	\$1,936,180
Increased by:			
Levy - School Year July 1, 2015 to June 30, 2016	A-6	<u>4,115,045</u>	<u>6,051,225</u>
Decreased by:			
Payments	A-4	<u>3,993,703</u>	
Balance December 31, 2015:			
School Tax Payable	A	598,932	
School Tax Deferred		<u>1,458,590</u>	<u>\$2,057,522</u>
2015 Liability for Regional High School Tax:			
Tax Paid			\$3,993,703
Tax Payable 12/31/15			<u>2,057,522</u>
			6,051,225
Less -- Tax Deferred for 2015			-
Less -- Tax Payable 12/31/14			<u>1,936,180</u>
Amount Charged to 2015 Operations	A-1		<u>\$4,115,045</u>

CURRENT FUND
SCHEDULE OF MUNICIPAL OPEN SPACE TAX PAYABLE

A-17

REF.

Increased by:

Interfund Returned	A-4	\$ 33,623	
2015 Municipal Open Space Tax, Including Added/Omitted	A-6	<u>165,855</u>	\$ <u>199,478</u>
			199,478

Decreased by:

Debt Service	A-4	24,564	
Transfer Levy to Open Space Trust Account	A-4	165,400	
Operating Expenses Paid by Current Fund	A-4	3,959	
Salary & Wages Paid by Current Fund	A-4	<u>5,100</u>	<u>199,023</u>

Balance December 31, 2015	A		<u><u>455</u></u>
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CURRENT FUND
SCHEDULE OF AMOUNT DUE TO STATE OF NEW JERSEY FOR
SENIOR CITIZENS AND VETERANS DEDUCTIONS

A-18

	<u>REF.</u>	
Balance December 31, 2014	A	\$ 2,690
Increased by:		
Received in Cash from State	A-4	<u>27,250</u>
		29,940
Decreased by:		
Senior Citizens and Veterans Deductions per Tax Billings		<u>27,250</u>
Balance December 31, 2015	A	<u>\$ 2,690</u>

CURRENT FUND
SCHEDULE OF RESERVE FOR JOINT COURT

A-19

	<u>REF.</u>	
Balance December 31, 2014	A	<u>\$ 7,905</u>
Balance December 31, 2015	A	<u>\$ 7,905</u>

CURRENT FUND
SCHEDULE OF STATE GRANTS RECEIVABLE

A-20

<u>PURPOSE</u>	<u>BALANCE</u> <u>12/31/14</u>	<u>RECEIVABLE</u>	<u>RECEIVED</u>	<u>BALANCE</u> <u>12/31/15</u>
Storm Water Grant	\$ 5,000			\$ 5,000
Municipal Alliance	11,388	\$ 3,796		15,184
DOT Grant - Good Springs Road - Sec 2	-	115,000	\$ 73,357	41,643
DOT Grant - Asbury Historic Pedestrian	37,866			37,866
Storm Water Grant	<u>19,000</u>	<u>-</u>	<u>-</u>	<u>19,000</u>
Totals	<u>\$ 73,254</u>	<u>\$ 118,796</u>	<u>\$ 73,357</u>	<u>\$ 118,693</u>
REF.	A	A-2	A-4	A

CURRENT FUND
SCHEDULE OF STATE GRANTS

A-21

	<u>BALANCE</u> <u>12/31/14</u>	TRANSFER FROM 2015 BUDGET <u>APPROPRIATIONS</u>	<u>EXPENDED</u>	<u>BALANCE</u> <u>12/31/15</u>
Clean Communities - CY 14		\$ 10,657	\$ 462	\$ 10,195
Clean Communities - CY 13	\$ 11,360		11,360	-
Clean Communities - CY 12	5,249		5,249	-
Storm Water Grant	23,800		665	23,135
Municipal Alliance - State	15,999	3,796	892	18,903
Municipal Alliance - Local	819	1,889		2,708
Solid Waste and Stormwater Grant	3,251			3,251
Tonnage Grant	10,629	1,563		12,192
ANJEC Open Space Grant	11,500			11,500
Highland Grant	7,428			7,428
Volunteer Fire Grant	344			344
DOT Grant - Good Springs Road - Sec 2		115,000	81,237	33,763
DOT Grant - Asbury Historic Pedestrian	22,566			22,566
Totals	<u>\$ 112,945</u>	<u>\$ 132,905</u>	<u>\$ 99,865</u>	<u>\$ 145,985</u>
REF.	A	A-3	A-4	A

CURRENT FUND
SCHEDULE OF UNAPPROPRIATED RESERVE FOR STATE GRANTS

A-22

	<u>BALANCE</u> <u>12/31/14</u>	<u>RECEIVED</u>	<u>TRANSFER</u> <u>TO BUDGET</u>	<u>BALANCE</u> <u>12/31/15</u>
Clean Communities Grant:				
CY2015	\$ 10,657	\$ 12,945	\$ 10,657	\$ 12,945
Recycling Grant	1,563		1,563	-
	<u>\$ 12,220</u>	<u>\$ 12,945</u>	<u>\$ 12,220</u>	<u>\$ 12,945</u>
REF.	A	A-4	A-2	A

TRUST FUND SCHEDULES

TRUST FUND
SCHEDULE OF CASH - TREASURER

B-2

		<u>DOG</u>	
	<u>REF.</u>	<u>LICENSES</u>	<u>OTHER</u>
Balance December 31, 2014	B	\$ 3,734	\$ 306,203
Increased by Receipts:			
Dog License Fees	B-3	4,120	
State Dog License Fees	B-4	734	
Amount Due Current Fund	B-6		165,400
Planning Board Deposits	B-7		171,355
COAH Deposits	B-10		29
Open Space Deposits	B-12	-	216
Total Receipts		<u>4,854</u>	<u>337,000</u>
		<u>8,588</u>	<u>643,203</u>
Decreased by Disbursements:			
Expenditures Under R. S. 4:19-15.11	B-3	7,071	
State Dog License Fees Paid	B-4	615	
Amount Due Current Fund	B-5	700	
Amount Due Current Fund	B-6		44,692
Planning Board Escrow Returns	B-7		113,799
Open Space Payments	B-12	-	35,340
Total Disbursements		<u>8,386</u>	<u>193,831</u>
Balance December 31, 2015	B	<u>\$ 202</u>	<u>\$ 449,372</u>

TRUST FUND
SCHEDULE OF RESERVE FOR DOG FUND EXPENDITURES

B-3

	<u>REF.</u>	
Balance December 31, 2014	B	\$ 3,683
Increased by:		
Dog License Fees Collected	B-2	<u>4,120</u>
		7,803
Decreased by:		
Administrative Expenditures Paid By Current Fund	B-5	\$ 557
Administrative Expenditures	B-2	<u>7,071</u> <u>7,628</u>
Balance December 31, 2015	B	<u>\$ 175</u>

DOG LICENSE FEES COLLECTED

CY 2014		\$ 2,992
CY 2013		<u>3,263</u>
		<u>\$ 6,255</u>

TRUST FUND
SCHEDULE OF AMOUNT DUE TO STATE OF
NEW JERSEY DEPARTMENT OF HEALTH

B-4

	<u>REF.</u>	
Balance December 31, 2014	B	\$ 51
Increased by:		
Collected in 2015:		
State Board of Health Fees	B-2	\$ 734
		<u>785</u>
Decreased by:		
Payments	B-2	<u>615</u>
Balance December 31, 2015	B	<u>\$ 170</u>
		2013 \$ 35
		2015 <u>135</u>
		<u>\$ 170</u>

TRUST FUND
SCHEDULE OF AMOUNT DUE CURRENT FUND
DOG LICENSE FUND

B-5

REF.

Increased by:

Interfund Advanced to Current Fund	B-2	\$ 700
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Decreased by:

Dog Fund Expenditures Paid by Current Fund	B-3	<u>557</u>
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Balance December 31, 2015	B	<u>\$ 143</u>
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TRUST FUND
SCHEDULE OF AMOUNT DUE FROM CURRENT FUND
OTHER TRUST FUND

B-6

	<u>REF.</u>		<u>DUE FROM/(TO)</u>
Balance December 31, 2014	B		\$ 116,116
Increased by:			
Open Space Interfund Returned to Current Fund	B-2	\$ 44,692	
Open Space Levy	B-11	165,855	
Tax Sale Premiums Received in Current Fund	B-10	126,600	
Recreation Receipts Received in Current Fund	B-12	<u>58,791</u>	<u>395,938</u>
			512,054
Decreased by:			
Open Space Levy Transferred to Trust	B-2	165,400	
Tax Sale Premiums Refunded from Current Fund	B-10	67,800	
Open Space Expenses Paid from Current Fund	B-11	44,692	
Recreation Expenses Paid from Current Fund	B-12	<u>58,855</u>	<u>336,747</u>
Balance December 31, 2015	B		<u>\$ 175,307</u>
<u>Detail:</u>			
COAH			\$ (32,535)
Open Space Added Omitted Taxes			455
Recreation			5,695
Tax Sale Premiums			<u>201,692</u>
			<u>\$ 175,307</u>

TRUST FUND
SCHEDULE OF RESERVE FOR PLANNING BOARD DEPOSITS

B-7

	<u>REF.</u>	
Balance December 31, 2014	B	\$ 48,894
Increased by:		
Planning Board Deposits	B-2	<u>171,355</u>
		220,249
Decreased by:		
Escrow Expenditures	B-2	<u>113,799</u>
Balance December 31, 2015	B	<u>\$ 106,450</u>

TRUST FUND
SCHEDULE OF RESERVE FOR ROAD OPENING DEPOSITS

B-8

	<u>REF.</u>	
Balance December 31, 2014	B	<u>\$ 500</u>
Balance December 31, 2015	B	<u>\$ 500</u>

TRUST FUND
SCHEDULE OF RESERVE FOR COAH DEPOSITS

B-9

	<u>REF.</u>	
Balance December 31, 2014	B	\$ 50,386
Increased by:		
COAH Receipts	B-2	<u> 29</u> 50,415
Balance December 31, 2015	B	<u>\$ 50,415</u>

TRUST FUND
SCHEDULE OF RESERVE FOR TAX SALE PREMIUMS

B-10

	<u>REF.</u>	
Balance December 31, 2014	B	\$144,484
Increased by:		
Tax Sale Premium Receipts	B-6	<u>126,600</u>
		271,084
Decreased by:		
Tax Sale Premium Refunds	B-6	<u>67,800</u>
Balance December 31, 2015	B	<u>\$203,284</u>

TRUST FUND
SCHEDULE OF RESERVE FOR MUNICIPAL OPEN SPACE TAX

B-11

	<u>REF.</u>		
Balance December 31, 2014	B		\$ 172,296
Increased by:			
Tax Levy	B-6	\$ 165,855	
Interest Credits	B-2	<u>216</u>	<u>166,071</u>
			338,367
Decreased by:			
Open Space Expenses Paid by Current Fund - Debt Service & Wages	B-6	44,692	
Land Conservancy of New Jersey	B-2	9,000	
Open Space Expenses	B-2	<u>26,340</u>	<u>80,032</u>
Balance December 31, 2015	B		<u>\$ 258,335</u>

TRUST FUND
SCHEDULE OF RESERVE FOR RECREATION TRUST DEPOSITS

B-12

	<u>REF.</u>	
Balance December 31, 2015	B	\$ 5,759
Increased by:		
Recreation Deposits Received by Current Fund	B-6	<u>58,791</u> 64,550
Decreased by:		
Recreation Expenses Paid by Current Fund	B-6	<u>58,855</u>
Balance December 31, 2015	B	<u>\$ 5,695</u>

GENERAL CAPITAL FUND SCHEDULES

GENERAL CAPITAL FUND
SCHEDULE OF CASH -TREASURER

C-2

	<u>REF.</u>	
Balance December 31, 2014	C	\$ 345,925
Increased by Receipts:		
Interest Credits	C-3	<u>34</u>
		345,959
Decreased by Disbursements:		
Improvements Authorizations Paid	C-8	<u>-</u>
Balance December 31, 2015	C	<u>\$ 345,959</u>

GENERAL CAPITAL FUND
SCHEDULE OF AMOUNT DUE CURRENT FUND

C-3

	<u>REF.</u>		
Balance December 31, 2014	C	\$	1,041
Increased by:			
Current Fund Budgeted Appropriation - Capital Improvement Fund	C-6	\$ 125,000	
Current Fund Budgeted Appropriation - Other Reserves	C-7	<u>40,000</u>	<u>165,000</u>
			166,041
Decreased by:			
Interest Credits Due Current Fund	C-2		<u>34</u>
Balance December 31, 2015	C	\$	<u>166,007</u>

GENERAL CAPITAL FUND
SCHEDULE OF ACCOUNTS RECEIVABLE

C-4

	<u>REF.</u>	
Balance December 31, 2014	C	<u>\$ 250,560</u>
Balance December 31, 2015	C	<u>\$ 250,560</u>

	<u>Original</u>	<u>Prior Years Receipts</u>	<u>Current Year Receipts</u>	<u>Balance</u>
<u>Detail:</u>				
Due fom Developer's - Mountain Road	\$ 19,560			\$ 19,560
State of New Jersey - DOT Grant - Morris Canal	200,000	-		200,000
State of New Jersey - DOT Grant - Stewartsville/Millbrook/Willowgrove Roads	<u>181,000</u>	<u>\$ 150,000</u>	-	<u>31,000</u>
	<u>\$ 400,560</u>	<u>\$ 150,000</u>	<u>-</u>	<u>\$ 250,560</u>

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

C-5

<u>IMPROVEMENT DESCRIPTION</u>	<u>BALANCE</u> <u>12/31/14</u>	<u>2015</u> <u>AUTHORIZATIONS</u>	<u>PAID BY</u> <u>OPEN SPACE</u> <u>TRUST BUDGET</u>	<u>PAID BY</u> <u>CURRENT</u> <u>BUDGET</u>	<u>ANALYSIS OF BALANCE</u>		
					<u>BALANCE</u> <u>12/31/15</u>	<u>DEBT</u> <u>AUTHORIZED</u> <u>NOT ISSUED</u>	<u>BONDS/</u> <u>NOTES</u>
Millbrook and Other Road Improvements	\$ 16,000			\$ 16,000	-		-
Halfway House/Good Springs Rds.Improvements	5,000			5,000	-		-
Mountain View Road	149,235				\$ 149,235	\$ 149,235	
Open Space Acquisition	24,566		\$ 24,566		-		-
Restoration of Morris Canal	66,500				66,500	66,500	-
Acquisition of Real Property	133,000			66,500	66,500		\$ 66,500
Road Improvements	79,800			26,600	53,200		53,200
Paving, Fire Pumper, Township Building Improvements.	1,316,500			108,500	1,208,000	140,000	1,068,000
Road Improvments and resurfacing, Fire Truck, Dump truck, Roller, Salt Shed, Windows Replacement	-	\$ 948,100			948,100	948,100	-
	\$1,790,601	\$ 948,100	\$ 24,566	\$ 222,600	\$2,491,535	\$ 1,303,835	\$ 1,187,700
REF.	C	C-8	C-9	C-9	C		C-9

GENERAL CAPITAL FUND
STATEMENT OF CAPITAL IMPROVEMENT FUND

C-6

	<u>REF.</u>	
Balance December 31, 2014	C	\$ 310,492
Increased by:		
General Fund Budget Appropriation - Capital Improvement Fund	C-3	<u>125,000</u>
		435,492
Decreased by:		
Improvement Authorizations	C-8	<u>49,900</u>
Balance December 31, 2015	C	<u>\$ 385,592</u>

GENERAL CAPITAL FUND
SCHEDULE OF VARIOUS RESERVES FOR IMPROVEMENTS

C-7

	<u>REF.</u>	
Balance December 31, 2014	C	\$ 72,625
Increased by:		
General Fund Budget Appropriation - Building Improvements	C-3	\$ 30,000
General Fund Budget Appropriation - Recreation Equipment	C-3	<u>10,000</u>
		<u>40,000</u> 112,625
Balance December 31, 2015	C	<u>\$ 112,625</u>
 <u>Detail:</u>		
Road Improvements		\$ 32,625
Building Improvements		60,000
Recreation Equipment		<u>20,000</u>
		<u>\$ 112,625</u>

GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

C-8

<u>IMPROVEMENT DESCRIPTION</u>	<u>NUMBER</u>	<u>ORDINANCE</u>		<u>BALANCE</u> <u>12/31/14</u>		<u>Deferred</u> <u>Charges to</u> <u>Future</u> <u>Taxation</u>	<u>CAPITAL</u> <u>IMPROVEMENT</u> <u>FUND</u>	<u>PAID OR</u> <u>CHARGED</u>	<u>BALANCE</u> <u>12/31/15</u>	
		<u>DATE</u>	<u>AMOUNT</u>	<u>FUNDED</u>	<u>UNFUNDED</u>				<u>FUNDED</u>	<u>UNFUNDED</u>
Purchase Fire/First Aid/Road Equipment and Land Acquisition	99-15	7-26-99	\$ 600,000		\$ 17,128				\$	17,128
Restoration of Morris Canal	06-08	9-11-06	270,000	\$ 202,101	66,500			\$	202,101	66,500
Road Improvements - Stewartville Rd, Millbrook Road, Willow Grove Rd	07-14	9-10-07	461,000		62,651					62,651
Paving, Fire Pumper, Township Building Improvements.	10-10	8-2-10	1,500,000		167,808					167,808
Recreation Equipment for Community Center	10-15	12-6-10	9,000	5,200					5,200	
Repairs and Construction of Sidewalks	11-4	3-7-11	9,000	9,000					9,000	
New DPW Dump Truck and Accessories	11-05	3-7-11	66,000	893					893	
Various Building Improvements- Security/Surveillance, Equipment and Building Furniture	12-07	5-7-12	22,250	9,461					9,461	
Municipal Building Network Attached Storage Devise and Server	13-6	6-3-13	9,870	1,110					1,110	
Amended	13-13	12-2-13								
New Computer Equipment for Various Township Departments	14-5	8-4-14	7,500	7,500					7,500	
Road Improvments and resurfacing, Fire Truck, Dump truck, Roller, Salt Shed, Windows Replacement	15-8	11-2-15	998,000			\$ 948,100	\$ 49,900		49,900	948,100
				\$ 235,265	\$ 314,087	\$ 948,100	\$ 49,900	-	\$ 285,165	\$ 1,262,187
REF.				C	C	C-5	C-6	C-2	C	C

GENERAL CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES

C-9

<u>Ordinance</u>	<u>PURPOSE</u>	<u>ORIGINAL ISSUE</u>	<u>ORIGINAL DATE OF ISSUE</u>	<u>DATE OF ISSUE</u>	<u>DATE OF MATURITY</u>	<u>INTEREST RATE</u>	<u>BALANCE 12/31/14</u>	<u>DECREASED</u>	<u>BALANCE 12/31/15</u>
04-14	Halfway House/Good Springs Road	\$ 70,000	3-04-05	10-16-14	10-15-15	1.04%	\$ 5,000	\$ 5,000	-
04-03	Millbrook Road	160,000	3-04-05	10-16-14	10-15-15	1.04%	16,000	16,000	-
05-12	Open Space	810,000 400,000	11-28-05 12-29-06	10-16-14 10-16-14	10-15-15 10-15-15	1.04% 1.04%	24,566	24,566	-
06-13	Acquisition of Real Property	665,000	12-29-06	10-16-14	10-13-16	1.03%	133,000	66,500	\$ 66,500
07-14	Road Improvements	266,000	10-25-07	10-16-14	10-13-16	1.03%	79,800	26,600	53,200
10-10	Paving, Fire Pumper, Township Building Improvements.	350,000	2-22-11	2-19-14	2-17-16	0.89%	315,000	35,000	280,000
10-10	Paving, Fire Pumper, Township Building Improvements.	735,000	9-7-11	2-19-14	2-17-16	0.89%	661,500	73,500	588,000
10-10	Paving, Fire Pumper, Township Building Improvements.	200,000	2-20-13	2-19-14	2-17-16	0.89%	200,000		200,000
							\$ 1,434,866	\$ 247,166	\$ 1,187,700

REF.

C

C-5

C

Municipal Open Space Trust Fund Reserve	\$ 24,564
Current Fund Budget	<u>222,600</u>
	<u>\$ 247,164</u>

PUBLIC ASSISTANCE FUND SCHEDULES

PUBLIC ASSISTANCE FUND
SCHEDULE OF CASH - TREASURER

E-1

	<u>REF.</u>	<u>P.A.T.F.</u> <u>#1</u>	<u>P.A.T.F.</u> <u>#2</u>	<u>FUND</u> <u>TOTAL</u>
Balance December 31, 2014	E	<u>\$ 3,065</u>	<u>\$ -</u>	<u>\$ 3,065</u>
Increased by Receipts:				
Transfer				
Interest Credits		1		1
Total Receipts		<u>1</u>	<u>-</u>	<u>1</u>
		<u>3,066</u>	<u>-</u>	<u>3,066</u>
Decreased by Disbursements:				
Transfer to Warren County				-
		<u>-</u>	<u>-</u>	<u>-</u>
Balance December 31, 2015	E	<u>\$ 3,066</u>	<u>-</u>	<u>\$ 3,066</u>

SCHEDULE OF GENERAL FIXED ASSETS

GENERAL FIXED ASSETS
DECEMBER 31, 2015
SCHEDULE OF ADDITIONS AND RETIREMENTS

F-1

	<u>BALANCE</u> <u>12/31/14</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>12/31/15</u>
General Fixed Assets:				
Land	\$ 3,246,819			\$ 3,246,819
Buildings and Improvements	1,023,423			1,023,423
Machinery and Equipment	<u>1,834,644</u>	-	-	<u>1,834,644</u>
 Total General Fixed Assets	 <u>\$ 6,104,886</u>	 <u>-</u>	 <u>-</u>	 <u>\$ 6,104,886</u>
 Investment In General Fixed Assets	 <u>\$ 6,104,886</u>	 <u>\$ -</u>	 <u>-</u>	 <u>\$ 6,104,886</u>

**PART III
SUPPLEMENTARY INFORMATION**

General Comments

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

Schedule of Federal/State Awards

Status of Prior Audit Findings

Schedule of Findings and Responses

GENERAL COMMENTS

Scope of Audit

The audit of the financial statements of the Township of Franklin, County of Warren, New Jersey, as required by the Division of Local Government Services, covered the financial transactions of the Treasurer, Tax Collector, the activities of the Township and the records of the various outside departments.

Contracts and Agreements Requiring Advertisement for Bids

Effective April 17, 2000, N.J.S.A.40A:11-1 et.seq (Local Public Contracts Law) was revised by P.L.1999,c.440 (originally known as Assembly Bill No. 3519). Rules and regulations pertaining to the amended law are to be promulgated by the Division of Local Government Services.

N.J.S.A. 40A:11-3 is amended to read as follows:

- a. When the cost or price of any contract awarded by the purchasing agent in the aggregate, does not exceed in the contract year the total sum of \$17,500, the contract may be awarded by a purchasing agent when so authorized by resolution of the governing body without public advertising for bids and bidding therefore, except that the governing body may adopt a 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. (pending before the Legislature as section 15 of this bill) of section 9 of P.L.1971,c.198(C.40A:11-9) the governing body 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 paragraph (i) of paragraph (a) of subsection (1) of Section 5 of P.L.1971, C.198(C.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. Commencing in the fifth year after the year in which P.L.1999,c.440 takes effect, and every five years thereafter, the Governor, in consultation with the Department of Treasury, shall 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 N.J.S.18A:18A-2(pending before the Legislature as section 50 of this bill), and shall round the adjustment to the nearest \$1,000. The Governor shall notify all municipal units of the adjustment no later than June 1 of every fifth year. The adjustment shall become effective on July 1 of the year in which it is made.

N.J.S.A.40A:11-4 (as amended) states, "Every contract or agreement 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 to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this chapter or specifically by any other law."

Effective July 1, 2015, the bid threshold in accordance with N.J.S.A.40A:11-3(c) (as amended) is increased to \$40,000 for Qualified Purchasing Agents (QPA), and \$17,500 for units without QPA's.

The governing body of the municipality has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds 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 indicate that resolutions were adopted and advertised authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.40A:11-5.

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 determine whether any clear-cut violations existed.

My examination of expenditures did not reveal any individual payments, contracts or agreements in excess of the statutory thresholds "for the performance of any work or the furnishing or hiring of any materials or supplies" other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of N.J.S.40A:11-6.

Collection of Interest on Delinquent Taxes and Assessments

The statute provides the method of authorizing interest and the maximum rates to be charged for the nonpayment of taxes or assessments on or before the date when they would become delinquent.

The governing body, on January 5, 2015, adopted the following resolution authorizing interest to be charged on delinquent taxes.

RESOLUTION 2015-17 RESOLUTION OF THE TOWNSHIP OF FRANKLIN, COUNTY OF WARREN, STATE OF NEW JERSEY, FIXING THE RATE OF INTEREST TO BE CHARGED ON DELINQUENT TAXES OF THE ASSESSMENTS

"**WHEREAS**, N.J.S.A. 54:4-67 permits the governing body of each municipality to fix the rate of interest to be charged for non-payment of taxes or assessments subject to any abatement or discount for the late payment of taxes as provided by law; and,

WHEREAS, N.J.S.A. 54:4-67 has been amended to permit the fixing of said rate of 8% per annum on the first \$1,500. of the delinquency and 18% per annum on any amount in excess of \$1,500. and allows an additional penalty of 6% be collected against a delinquency in excess of \$10,000. on properties that fail to pay the delinquency prior to the end of the calendar year.

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Township Committee of the Township of Franklin, County of Warren, State of New Jersey as follows:

The Tax Collector is hereby authorized and directed to charge 8% per annum on the first \$1,500. of taxes becoming delinquent after due date and 18% per annum on any amount of taxes in excess of \$1,500. becoming delinquent after due date and if a delinquency is in excess of \$10,000. and remains in arrears beyond December 31st, an additional penalty of 6% shall be charged against the delinquency.

Effective January 1, 2015, there will be a ten (10) day grace period of quarterly tax payments made by cash, check or money order.

Any payments not made in accordance with paragraph two of this resolution shall be charged interest from due date as set forth in paragraph one of this resolution."

Under provisions of C.75, P.L. 1991 (amending N.J.S. 54:4-67), enacted March 28, 1991, the definition of tax delinquency was defined as the sum of all taxes and municipal charges due on a given parcel or property covering any number of quarters or years. In addition, the governing body may also fix a penalty to be charged to a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the calendar year. The penalty so fixed shall not exceed six (6%) per cent of the amount of the delinquency.

The governing body included in the above resolution, provisions enabling the \$10,000. delinquency penalty provisions.

The audit of the Collector's records on a test basis indicated no differences between the amount of interest payable on delinquent tax payments, based on our calculations, and the amount of interest charged.

Delinquent Taxes and Tax Title Liens

The delinquent taxes at December 31, 2015, include only real property items on the 2013, 2014 and 2015 tax levies.

The last tax sale was held on November 23, 2015 and was complete.

Inspection of tax sale certificates on file revealed that all tax sale certificates from tax sales were available for audit.

The following comparison is made of the number of tax title liens receivable on December 31 of the last three years:

<u>Year</u>	<u>Number of Liens</u>
2015	13
2014	11
2013	9

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.

Verification of Delinquent Taxes and Other Charges

Verification notices were mailed to confirm balances as of November 15, 2015. The items that were returned were compared to and are in agreement with the Township's records. For items not returned, alternative procedures were performed.

A test verification of delinquent charges and current payments was made in accordance with verification procedures approved by the Division of Local Government Services. A summary of such verification is as follows:

Type of Receivable - Real Property Tax				
Date of Circulars - November 15, 2015				
Verification Type	Request Form	Total No. of Items	Total No. of Circular	Total No. Returned
2015 Property Tax	Positive	1,750	60	23
2016 Property Tax	Positive	1,750	60	23
2015 Delinquent Tax	Negative	664	25	6

Technical Accounting Directives

During the calendar year 1984, the Division of Local Government Services initiated as part of the Single Audit Law, a planned revision of the Requirements of Audit to provide new accounting requirements mandated for most local government units. The revision to the Requirements of Audit and Accounting would be in order to improve fiscal accountability for all local governments, satisfy federal-state audit requirements and enhance the credibility for New Jersey municipal accounting practices with federal-state funding sources and bond rating agencies. The new requirements for most local units started January 1, 1986, unless exemption, based upon amount of federal aid received and population size, was formally secured. The Division in 1988 notified those exempted municipal units of a transition requirement for fully implementation of all accounting directives beginning in the 1989 fiscal periods. The identity and compliance status of the Township of Franklin to these new directives are as follows:

<u>Requirement</u>	FY 2015 Required <u>Implementation</u>	
	<u>Yes</u>	<u>No</u>
A. General Ledger Accounting System	X	
B. Encumbrance Accounting	X	
C. Purchase Order System	X	
D. Fixed Asset Accounting and Reporting System	X	

COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE-
CURRENT FUND

REVENUE AND OTHER INCOME REALIZED

	<u>YEAR 2015</u>	<u>%</u>	<u>YEAR 2014</u>	<u>%</u>
Fund Balance Utilized	\$ 763,650	5.55%	\$ 777,000	5.86%
Miscellaneous - From Other Than				
Local Property Tax Levies	745,478	5.42%	671,893	5.06%
Collection of Delinquent Taxes and				
Tax Title Liens	362,180	2.63%	349,850	2.64%
Collection of Current Tax Levy	<u>11,884,046</u>	<u>86.40%</u>	<u>11,469,198</u>	<u>86.44%</u>
Total Income	<u>13,755,354</u>	<u>100.00%</u>	<u>13,267,941</u>	<u>100.00%</u>

EXPENDITURES

Budget Expenditures:				
Municipal Purposes	1,747,865	13.43%	1,605,651	12.77%
County Taxes	3,032,980	23.31%	2,962,265	23.57%
Local and Regional Taxes	8,065,005	61.98%	7,835,321	62.34%
Municipal Open Space Tax	165,855	1.27%	165,724	1.32%
Total Expenditures	<u>\$13,011,705</u>	<u>100.00%</u>	<u>\$ 12,568,961</u>	<u>100.00%</u>

Statutory Excess To Fund Balance	743,649		698,980	
Fund Balance January 1	890,027		968,047	
Less:				
Utilization as Anticipated Revenue	<u>763,650</u>		<u>777,000</u>	
Fund Balance December 31	<u>\$ 870,026</u>		<u>\$ 890,027</u>	

Comparative Schedule of Tax Rate Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>Tax Rate</u>	<u>\$2.950</u>	<u>\$2.859</u>	<u>\$2.817</u>
<u>Apportionment of Tax Rate:</u>			
Municipal	\$0.228	\$0.210	\$0.183
Municipal Open Space Tax	\$0.039	\$0.040	\$0.040
County	\$0.733	\$0.716	\$0.686
Local School	\$0.955	\$0.958	\$0.965
Regional High School	\$0.995	\$0.935	\$0.943

Assessed Valuation:

<u>Year</u>	<u>Amount</u>
2015	\$413,679,781
2014	\$413,887,023
2013	\$414,333,111

Comparison of Tax Levies and Collection Currently

A study of this 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>Collections</u>	<u>Percentage of Collections</u>
2015	\$12,235,885	\$11,884,046	97.12%
2014	\$11,844,159	\$11,464,518	96.79%
2013	\$11,685,755	\$11,321,279	96.88%

Delinquent Taxes and Tax Title Liens

This tabulation includes a comparison, expressed in percentage, of the total of delinquent taxes and tax title liens, in relation to the tax levies of the last three years.

<u>Dec.31 Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2015	\$39,373	\$308,741	\$348,114	2.85%
2014	\$93,170	\$361,667	\$454,837	3.84%
2013	\$85,277	\$341,012	\$426,289	3.65%

Property Acquired by Tax Title Lien Liquidation

The value of property acquired by liquidation of tax title liens on Decemer 31, on the basis of the last assessed valuation of such properties, was as follows:

<u>Year</u>	<u>Amount</u>
2015	\$454,100
2014	\$289,300
2013	\$289,300

Comparitive Schedule of Fund Balances

<u>Year</u>	<u>Balance December 31</u>	<u>Regular</u>	<u>Utilized In Budget of Succeeding Year</u>	<u>Defer School Tax (C.63, P.L.1991)</u>
2015	\$ 870,026	\$ 751,650		NONE
2014	\$ 890,027	\$ 763,650		NONE
2013	\$ 968,047	\$ 627,000		\$150,000
2012	\$ 961,080	\$ 502,000		\$350,000
2011	\$ 925,713	\$ 793,000		\$130,000
2010	\$ 929,674	\$ 753,212		\$170,000
2009	\$ 990,953	\$ 480,000		\$510,000

Officials in Office and Surety Bonds

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

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>	<u>Name Of Corporate Surety</u>
Bonnie Butler	Mayor		
Michael Toretta	Committeeperson		
Jacob Pence	Committeeperson		
Joe Flynn	Committeeperson		
Jeffery DeAngelis	Committeeperson		
Denise L. Becton	Clerk; Registrar of Vital Statistics; Assessment Search Officer		
Karin Kneafsey	Collector; Tax Search Officer	\$1,000,000	MEL/JIF Blanket Coverage

Officials in Office and Surety Bonds (Continued)

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>	<u>Name Of Corporate Surety</u>
Dawn Stanchina	Certified Municipal Finance Officer	\$1,000,000	MEL/JIF Blanket Coverage
Peggy Houseman	Land Use Board Secretary; Open Space Secretary; Dog Licensing Official		
Eloise Hagaman	Assessor		
James Onembo	Zoning Officer		
Walter VanLieu	Construction Official		
Dominick C. Santini	Magistrate		
Roseanne McPartland	Court Administrator		
Betty and Gary Wysocki	Animal Control Officer		

The minimum bond coverage for the Tax Collector based on prior year tax levies is as follows:

<u>Year</u>	<u>Tax Collector</u>
2015	\$109,110

Employee bonds were not maintained for the Franklin Municipal Court for 2015 as the court is part of an inter-local service provided by Knowlton Township.

There is a public employees' blanket bond in the amount of \$50,000 provided by the Municipal Excess Liability Joint Insurance Fund for coverage of those positions not otherwise bonded by

All the bonds were examined and were properly executed.



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**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 Auditor's Report

The Honorable Mayor and
Members of the Township Committee
Township of Franklin
P.O. Box 547
County of Warren, New Jersey
Broadway, New Jersey 08808

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Local Governments Services, Department of Community Affairs, State of New Jersey, the regulatory-basis financial statements of the Township of Franklin in the County of Warren, State of New Jersey, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Township of Franklin's basic financial statements, and have issued our report thereon dated March 15, 2016, which indicated that the financial statements have been prepared in conformity with accounting practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

-Continued-

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 entity'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 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. 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.

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*.

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 results 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

ARDITO & CO., LLP



Frenchtown, New Jersey
March 15, 2016



Certified Public Accountant
Registered Municipal Accountant No.524
ARDITO & CO., LLP
Frenchtown, New Jersey
March 15, 2016

SCHEDULE OF FEDERAL/STATE AWARDS

SCHEDULE OF STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

<u>STATE GRANTOR/PROGRAM TITLE</u>	<u>ACCOUNT NUMBER</u>	<u>PROGRAM OR AWARD AMOUNT</u>	<u>GRANT PERIOD</u>	<u>FUND REF.</u>	<u>CASH ACCRUED OR DEFERRED REVENUE BALANCE AT 1/1/15</u>	<u>RECEIPTS</u>		<u>DISBURSEMENTS</u>		<u>CASH ACCRUED OR DEFERRED REVENUE BALANCE AT 12/31/15</u>
						<u>PROGRAM</u>	<u>OTHER</u>	<u>PROGRAM</u>	<u>OTHER</u>	
<u>DEPT. OF COMMUNITY AFFAIRS</u>										
Municipal Alliance Program										
N.J.S.40A:11-5(a)	N/A	\$ 3,796	2015	A	-					-
		\$ 3,796	2010	A	\$ 3,796			\$ 77		\$ 3,719
		\$ 3,868	2008	A	401			401		-
		\$ 3,435	2009	A	414			414		-
<u>DEPT. OF ENVIR. PROTECTION</u>										
Solid Waste Admin.-Clean	4900-765-178900	\$ 12,945	2015	A		\$ 12,945				12,945
Communities Program		\$ 10,657	2014	A	10,657			462		10,195
		\$ 11,360	2013	A	11,360			11,360		-
		\$ 9,676	2012	A	5,249			5,249		-
<u>DEPT. OF TRANSPORTATION</u>										
NJ Transportation Fund Authority Act										
Good Spring Road - Sec 2	N/A	\$ 115,000	2015	A			73,357		81,237	(7,880)
Asbury Historic Pedestrian	N/A	\$ 104,770	2011	A	(15,300)					(15,300)
<u>DEPT. OF HUMAN SERVICES</u>										
Payments to Municipalities for Cost of General Assistance (State Share)	75050-150-158010-60	N/A	N/A	E	3,065		\$ 1			3,066
<u>OTHER STATE AIDS</u>										
Storm Water Drainage Grant	N/A	\$ 5,000	2006	A	3,051			665		2,386
Storm Water Drainage Grant	N/A	\$ 19,000	2014	A	-					-
ANJEC Open Space Grant	N/A	\$ 6,000	2006	A	11,500					11,500
Highlands Grant	N/A	\$ 7,500	2006	A	7,428					7,428
Recycling Grant	N/A	\$ 508	2006	A	508					508
Recycling Grant	N/A	\$ 404	2007	A	404					404
Recycling Grant	N/A	\$ 928	2008	A	928					928
Recycling Grant	N/A	\$ 1,694	2009	A	1,694					1,694
Recycling Grant	N/A	\$ 3,331	2010	A	3,331					3,331
Recycling Grant	N/A	\$ 2,264	2012	A	2,264					2,264
Recycling Grant	N/A	\$ 1,500	2013	A	1,500					1,500
Recycling Grant	N/A	\$ 1,563	2014	A	1,563					1,563
TOTAL STATE ASSISTANCE					\$ 53,813	\$ 86,302	1	\$ 99,865	-	\$ 40,251

Note: This Schedule was not subject to an audit in accordance with NJOMB Circular 04-04 or 15-08.
The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule.

TOWNSHIP OF FRANKLIN

NOTES TO THE SCHEDULES OF FEDERAL AND STATE AWARDS
DECEMBER 31, 2015

NOTE 1. GENERAL

The accompanying Schedules of Expenditures of State Awards present the activity of all state award programs of the Township of Franklin. The Township of Franklin is defined in Note 1 to the Township's financial statements. All state awards received directly from federal and state agencies, as well as federal and state awards passed through other government agencies, are included on the schedules of expenditures of federal and state awards. There were no federal awards for the current period.

NOTE 2. BASIS OF ACCOUNTING

The accompanying Schedules of Expenditures of State Awards are presented using the modified accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of federal OMB Uniform Guidance, Audits of States, Local Governments and Nonprofit Organizations. However, the Township was not subject to the single audit provisions of Federal OMB Uniform Guidance or New Jersey OMB Circular NJOMB 04-04/15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid for 2015 as grant expenditures were less than the single audit thresholds of \$750,000, identified in the Circulars.

NOTE 3. RELATIONSHIP TO THE FINANCIAL STATEMENTS

The accompanying Schedules of Expenditures of Federal and State Awards are presented using the modified accrual basis of accounting. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the financial statements.

STATUS OF PRIOR AUDIT FINDINGS

STATUS OF PRIOR AUDIT FINDINGS

CY
Occurrence

2014-1 We recommend that the township investigate the disposition of aged grant receivables and reserves.

STATUS - Finding is repeated in CY 2015.

2014-2 We recommend that the township refund, cancel, or apply aged tax overpayments to current taxes, as deemed appropriated by the tax collector.

STATUS - Finding is corrected in CY 2015.

2014-3 We recommend that the township return any remaining idle cash in the payroll agency account to the current fund.

STATUS - Finding is corrected in CY 2015.

SCHEDULE OF FINDINGS AND RESPONSES
GENERAL FINDINGS

SCHEDULE OF FINDINGS AND RESPONSES

GENERAL FINDINGS

YEAR ENDED DECEMBER 31, 2015

Summary of Auditor's Results

The Township prepares its financial statements in conformity with accounting practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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 Uniform Guidance or New Jersey OMB Circular NJOMB 04-04/15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid for 2015 as grant expenditures were less than the single audit thresholds of \$750,000, identified in the Circulars.

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

Finding

Federal and State Grants:

Various aged grant receivables and spending reserve balances exist as of December 31, 2015.

2015-1 * We recommend that the township investigate the disposition of aged grant receivables and reserves.

(*) Prior Year Finding