

NEW ISSUE

RATING: "Aaa" Moody's (see "RATING" herein)

In the opinion of Chiesa, Shahinian & Giantomasi PC, West Orange, New Jersey, Bond Counsel, assuming continuing compliance by the Borough with certain tax covenants described herein, under existing law, interest on the Bonds is not includable for federal income tax purposes in the gross income of the owners thereof pursuant to Section 103 of the Internal Revenue Code of 1986, as amended ("Code"), and is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax. In the case of certain corporations that own the Bonds, the interest thereon will be included in the calculation of the alternative minimum tax as a result of the inclusion of interest on the Bonds in "adjusted current earnings". In addition, interest on the Bonds may be subject to the branch profits tax imposed on certain foreign corporations and to the tax on "excess net passive income" imposed on S corporations. Interest on the Bonds and any gain from the sale thereof are not includable in the gross income of owners thereof under the New Jersey Gross Income Tax Act. See "TAX EXEMPTION" herein.

**BOROUGH OF FRANKLIN LAKES
COUNTY OF BERGEN, NEW JERSEY**

\$4,400,000

General Obligation Refunding Bonds, Series 2017

Dated: Date of Delivery

Due: March 1, as shown on the inside front cover

(Non-Callable) (Bank-Qualified) (Book-Entry Only)

Payment Terms: The General Obligation Refunding Bonds, Series 2017 (the "Bonds") are general obligations of the Borough of Franklin Lakes, in the County of Bergen, New Jersey (the "Borough") and are secured by a pledge of the full faith and credit of the Borough for the payment of the principal of and interest thereon. The Bonds are payable, if not paid from other sources, from ad valorem taxes levied upon all taxable real property within the Borough without limitation as to rate or amount.

The Bonds will be issued as fully-registered Bonds in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"), which will maintain a book-entry system for recording ownership interests of DTC Participants. Individual purchases of beneficial ownership interests in the Bonds may be made in book-entry form only on the records of DTC and its Participants and only in the principal amount of \$5,000 or any integral multiple thereof. Beneficial Owners of the Bonds will not receive certificates representing their interests in the Bonds. As long as Cede & Co. is the registered owner, as nominee of DTC, references in this Official Statement to the registered owners shall mean Cede & Co., and not the Beneficial Owners of the Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein.

Principal of the Bonds is payable on March 1 as shown below and interest on the Bonds is payable on March 1 and September 1 commencing September 1, 2017. As long as DTC or its nominee Cede & Co. is the registered owner of the Bonds, payment of the principal of and interest on the Bonds will be made by the Borough directly to DTC or its nominee, Cede & Co. Principal of and interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC on the record date of February 15 and August 15 for the Bonds.

Redemption: The Bonds are not subject to redemption prior to their stated maturity.

Purpose: The Bonds are being issued to (i) advance refund certain maturities of the Borough's General Bonds, Series 2008 dated March 12, 2008 in the amount of \$4,585,000 and (ii) pay certain costs of issuance. See "AUTHORIZATION AND PURPOSE OF THE REFUNDING BONDS" herein.

Security: The Bonds will be general obligations of the Borough, and the Borough has pledged its full faith and credit for the payment of the principal of and interest on the Bonds. The Borough is required by law to levy ad valorem taxes upon all the taxable real property within the Borough for the payment of the principal of and interest on the Bonds, without limitation as to rate or amount. See "PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT" herein.

MATURITY SCHEDULE, INTEREST RATES AND YIELDS OR PRICES

<u>Year</u> <u>March 1,</u>	<u>Amount</u> <u>Maturing</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>
2019	\$795,000	4.00%	1.07%
2020	845,000	4.00%	1.24%
2021	890,000	4.00%	1.41%
2022	935,000	4.00%	1.61%
2023	935,000	4.00%	1.82%

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire official statement, including the Appendices, to obtain information essential to the making of an informed investment decision.

The Bonds are offered for delivery when, as and if issued and subject to the approving opinion of the law firm of Chiesa, Shahinian & Giantomasi PC, West Orange, New Jersey, Bond Counsel. It is expected that the Bonds will be available for delivery in definitive form through DTC in New York, New York, on or about March 13, 2017.

**BOROUGH OF FRANKLIN LAKES
IN THE COUNTY OF BERGEN
NEW JERSEY**

Borough Hall
480 De Korte Drive
Franklin Lakes, New Jersey 07417

MAYOR

Frank Bivona

BOROUGH COUNCIL

Ann Swist, President
Joseph Cadicina
Charles J.X. Kahwaty
Joseph F. Kelly
Thomas G. Lambrix
Paulette Ramsey

CHIEF FINANCIAL OFFICER

William G. Pike

BOROUGH ADMINISTRATOR

Gregory C. Hart

BOROUGH CLERK

Sally Bleeker

TAX COLLECTOR

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Franklin Lakes, New Jersey

BOROUGH AUDITOR

Lerch, Vinci & Higgins, LLP
Fair Lawn, New Jersey

BOND COUNSEL

Chiesa, Shahinian & Giantomasi PC
West Orange, New Jersey

No broker, dealer, salesperson or other person has been authorized by the Borough to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Borough. The information contained herein has been obtained from the Borough and other sources that are believed to be reliable; however, such information is not guaranteed as to accuracy or completeness and is not to be construed as a representation or warranty of the Borough. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in any of the information herein since the date hereof or the date as of which such information is given, if earlier. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the Federal Securities Law as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information and the expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder under any circumstances shall create any implication that there has been no change in any of the information herein since the date hereof or since the date as of which such information is given, if earlier.

References in this Official Statement to laws, rules, regulations, ordinances, resolutions, agreements, reports and documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein, and copies of which may be inspected at the offices of the Borough during normal business hours.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than as contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the Borough or the Underwriter.

The order and placement of materials in this Official Statement, including the Appendices, are not deemed to be a determination of relevance, materiality or importance, and this Official Statement, including the Appendices, must be considered in its entirety.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE BOROUGH AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

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SUMMARY STATEMENT

This Summary Statement is subject in all respects to more complete information in this Official Statement. No person is authorized to detach this Summary Statement from this Official Statement or otherwise use it without the entire Official Statement.

Issuer	Borough of Franklin Lakes in the County of Bergen, New Jersey.
Bonds	\$4,400,000 General Obligation Refunding Bonds (the “Bonds”), dated as of their date of delivery. The Bonds will mature on March 1 in the years set forth on the cover page. Interest on the Refunding Bonds will be payable on March 1 and September 1 commencing September 1, 2017.
Redemption	The Refunding Bonds are not subject to redemption prior to maturity. See “Redemption Provisions” herein.
Form	Book-entry only.
Security	The Bonds are general obligations of the Borough, secured by a pledge of its full faith, credit and taxing power.
Rating	Moody’s: “Aaa”, see “Rating” herein.
Section 265(b)(3)	The Borough has designated the Bonds as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

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**BOROUGH OF FRANKLIN LAKES
COUNTY OF BERGEN, NEW JERSEY**

**\$4,400,000
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2017
DATED: DATE OF DELIVERY
DUE: MARCH 1, AS SHOWN ON THE INSIDE FRONT COVER**

INTRODUCTION

This Official Statement, which includes the cover page and the Appendices attached hereto, has been prepared by the Borough of Franklin Lakes, in the County of Bergen, New Jersey (the "Borough"), and provides certain information regarding the financial and economic condition of the Borough in connection with the issuance and sale of the Borough's \$4,400,000 General Obligation Refunding Bonds, Series 2017 (the "Bonds"). This Official Statement has been executed by and on behalf of the Borough by the Chief Financial Officer of the Borough.

THE BONDS

General Description

The Bonds will be dated and bear interest from their date of delivery and will mature on March 1 in the years and in the principal amounts as set forth on the cover page of this Official Statement. Interest on the Bonds is payable on each March 1 and September 1, commencing September 1, 2017, in each year until maturity at the respective interest rates set forth on the cover page of this Official Statement. Principal of and interest on the Bonds will be paid to The Depository Trust Company, New York, New York ("DTC"), acting as securities depository, by the Chief Financial Officer, as "Bond Registrar/Paying Agent". Interest on the Bonds will be credited to the DTC Participants (as hereinafter defined) as listed on the records of DTC as of the fifteenth business day of the month preceding the month in which such interest payment occurs.

The Bonds are issuable as fully registered book-entry bonds in the form of one certificate for each maturity and in the principal amount of such maturity. The Bonds will be issued in book-entry form only. Purchases of the Bonds will be made in book-entry form, in the principal amount of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in Bonds purchased. So long as DTC or its nominee, Cede & Co. (or any successor or assign), is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the Bond Registrar/Paying Agent directly to Cede & Co. (or any successor or assign), as nominee for DTC, which will remit such payments to the participants of DTC which will in turn remit such payments to the owners of beneficial interests in the Bonds. See "Book-Entry Only System" herein.

Security and Source of Payment

The Bonds will be general obligations of the Borough, and the Borough has pledged its full faith and credit for the payment of the principal of and interest on the Bonds. The Borough is required by law to levy ad valorem taxes upon all the taxable real property within the Borough for the payment of the principal of and interest on the Bonds, without limitation as to rate or amount. See "PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT" herein.

Redemption

The Bonds are not subject to redemption prior to their stated maturity.

AUTHORIZATION AND PURPOSE OF THE BONDS

The Bonds are authorized and are to be issued pursuant to the Local Bond Law of the State of New Jersey, N.J.S.A. 40A:2-1 *et seq.*, as amended (the "Local Bond Law"). The Bonds are also authorized by a refunding bond ordinance of the Borough finally adopted October 18, 2016 (the "Refunding Bond Ordinance"), and a resolution adopted by the Borough Council of the Borough on November 22, 2016 (the "Resolution").

The Refunding Bond Ordinance was published in full after adoption along with the statement required by the Local Bond Law that the twenty (20) day period of limitation within which a suit, action or proceeding questioning the validity of the bond ordinance can be commenced, began to run from the date of the first publication of such estoppel statement. The Local Bond Law provides that after issuance, all obligations shall be conclusively presumed to be fully authorized and issued by all laws of the State, and any person shall be estopped from questioning the sale or the execution or the delivery of the Refunding Bonds by the Borough.

The Refunding Bonds are being issued to (i) advance refund \$4,585,000 aggregate principal amount of the Borough's outstanding General Bonds of 2008 dated March 12, 2008 and maturing from 2019 to 2023 (the "Refunded Bonds"), at par plus any unpaid accrued interest to March 1, 2018, the date fixed for redemption (the "Redemption Date") and (ii) pay the costs and expenses incurred by the Borough in connection with the issuance and delivery of the Refunding Bonds.

A portion of the proceeds of the Refunding Bonds will be deposited upon delivery thereof in an escrow account (the "Escrow Account") for the Refunding Bonds with TD Bank, NA, Cherry Hill, New Jersey (the "Escrow Agent"), and such proceeds will be sufficient to pay, when due, the principal of and interest on the Refunded Bonds. The Borough will give irrevocable instructions to the Escrow Agent on the delivery date to have the Refunded Bonds called for redemption on the Redemption Date.

Estimated Sources and Uses of Funds

The following table sets forth the estimated sources and uses of funds, in connection with the issuance of the Refunding Bonds:

Sources of Funds:	
Principal Amount of Refunding Bonds	\$ 4,400,000.00
Original Issue Premium	<u>422,526.55</u>
Total Sources of Funds	<u>\$ 4,822,526.55</u>
Uses of Funds:	
Deposit to Escrow Fund	\$ 4,755,923.82
Costs of Issuance (1)	<u>66,602.73</u>
Total Uses of Funds	<u>\$ 4,822,526.55</u>

- (1) Includes, *inter alia*, legal, underwriter's discount, printing, escrow agent, verification agent, rounding amount and other miscellaneous fees and expenses associated with the Refunding Bonds.

BOOK-ENTRY-ONLY SYSTEM

The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal and interest, and other payments on the Bonds to DTC Participants or Beneficial Owners defined below, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, DTC Participants and Beneficial Owners, is based on certain information furnished by DTC to the Borough. Accordingly, the Borough does not make any representations concerning these matters.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One

fully-registered Security certificate will be issued for the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time.

Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

The Borough may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the Borough believes to be reliable, but the Borough takes no responsibility for the accuracy thereof.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee does not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Borough as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Discontinuation of Book-Entry Only System

In the event that the book-entry system is discontinued and the Beneficial Owners become registered owners of the Bonds, the following provisions apply: (i) the Bonds may be exchanged for an equal aggregate principal amount of Bonds in other authorized denominations and of the same maturity, upon surrender thereof at the office of the Borough/Paying Agent; (ii) the transfer of any Bonds may be registered on the books maintained by the Paying Agent for such purposes only under the surrender thereof to the Borough/Paying Agent together with the duly executed assignment in form satisfactory to the Borough/Paying Agent; and (iii) for every exchange or registration of transfer of Bonds, the Borough/Paying Agent may make a charge sufficient to reimburse for any tax or other governmental charge required to be paid to such exchange or registration of transfer of the Bonds. Interest on the Bonds will be payable by check or draft, mailed on the Maturity Date to the registered owners thereof as of the closing of business on the fifteenth day, whether or not a business day, preceding the Maturity Date.

PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT

Local Bond Law (N.J.S.A. 40A:2-1 et seq.)

The Bonds are issued pursuant to the provisions of the Local Bond Law, N.J.S.A. 40A:2-1 et seq. The Local Bond Law governs the issuance of bonds and notes by municipalities to finance certain general municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects bonded and that bonds must be retired in serial installments. A 5% cash down payment is generally required toward the financing of expenditures for municipal purposes. All bonds and notes issued by the Borough are general full faith and credit obligations.

Local Budget Law (N.J.S.A. 40A:4-1 et seq.)

The foundation of the New Jersey local finance system is the annual cash basis budget. Every local unit must adopt an annual operating budget in the form required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Items of revenue and appropriation are regulated by law and the proposed operating budget must be certified by the Director of the Division (the "Director") prior to final adoption. The Local Budget Law requires the Borough to appropriate sufficient funds for payment of current debt service, and the Director is required to review the adequacy of such appropriations, among others, for certification.

Tax anticipation notes are limited in amount by law and must be paid off in full within 120 days of the close of the fiscal year.

The Director has no authority over individual operating appropriations, unless a specific amount is required by law, but the review functions, focusing on anticipated revenue, serve to protect the solvency of the Borough. The Borough budget by law and regulation of the Division must be in balance, on a cash basis, i.e., the total of anticipated revenues must equal the total of appropriations (N.J.S.A. 40A:4-22). If in any year a local unit's expenditures exceed its realized revenues for that year, then such excess must be raised in the succeeding year's budget.

Capital Budget

In accordance with the Local Budget Law, the Borough must adopt a statement of capital undertakings underway or projected for a period not greater than the next ensuing six years as a general improvement program. The capital budget, when adopted, does not constitute the approval or appropriation of funds, but sets forth a plan of the possible capital expenditures which the local unit may contemplate over the six years. Expenditures for capital purposes may be made either by ordinances adopted by the governing body setting forth the items and the method of financing or from the annual operating budget if the terms were detailed.

Operation of Utilities

Municipal public utilities are supported, in addition to the general taxing power upon real property, by the revenues generated by the respective operations of the utilities. For each utility, there is established a separate budget. The anticipated revenues and appropriations for each utility are set forth in the separate budget. The budget is required to be balanced and to provide fully for debt service. The regulations regarding anticipation of revenues and deferral of charges apply equally to the budget of the utilities. Deficits or anticipated deficits in utility operations that cannot be provided for from utility surplus, if any, are required to be raised in the "Current" or operating budget.

Municipal "Cap" Law

A provision of law known as the New Jersey "Cap Law" (N.J.S.A. 40A:4-45.1 et seq.) imposes limitations on increases in municipal appropriations subject to various exceptions. The payment of debt service is an exception from this limitation. The Cap formula is somewhat complex, but basically, it permits a municipality to increase its overall appropriations by the lesser of 2.5% or the "Index Rate" if the index rate is greater than 2.5%. The "Index Rate" is the rate of annual percentage increase, rounded to the nearest one-half percent, in the Implicit Price Deflator for State and Local Government purchases of goods and services computed by the U.S. Department of Commerce. Exceptions to the limitations imposed by the Cap Law also exist for other things including capital expenditures; extraordinary expenses approved by the Local Finance Board for implementation of an interlocal services agreement; expenditures mandated as a result of certain emergencies; and certain expenditures for services mandated by law. Counties are also prohibited from increasing their tax levies by more than the lesser of 2.5% or the Index Rate subject to certain exceptions.

Municipalities by ordinance approved by a majority of the full membership of the governing body may increase appropriations up to 3.5% over the prior year's appropriation and counties by resolution approved by a majority of the full membership of the governing body may increase the tax levy up to 3.5% over the prior years' tax levy in years when the Index Rate is 2.5% or less.

Additionally, new legislation constituting P.L. 2007, c.62, effective April 3, 2007, imposes a 4% cap on the tax levy of a municipality, county, fire district or solid waste collection district, with certain exceptions and subject to a number of adjustments. The exclusions from the limit include increases required to be raised for debt service and certain lease payments to county improvement authorities, increases to replace certain lost state aid, increases in certain pension contributions, increases in the reserve for uncollected taxes required for municipalities, and certain increases in health care costs over 4%. The Local Finance Board may approve waivers for certain extraordinary costs identified by the statute, and voters may approve increases above 4% not otherwise permitted by a vote of 60% of the voters voting on a public question.

This legislation has now been amended by P.L. 2010, c. 44, approved July 13, 2010 and applicable to the next local budget year following enactment to limit tax levy increases for those local units to 2% with exceptions only for capital expenditures including debt service, increases in pension contributions and accrued liability for pension contributions in excess of 2%, certain healthcare increases, extraordinary costs directly related to a declared emergency and amounts approved by a simple majority of voters voting at a special election. Chapter 44 eliminates the process for obtaining waivers for additional spending under the tax levy limitation.

Neither the tax levy limitation nor the "Cap Law" limits the obligation of the Borough to levy ad valorem taxes upon all taxable real property within the Borough to pay debt service on its bonds or notes.

Real Estate Taxes

N.J.S.A. 40A:4-29 of the Local Budget Law governs anticipation of delinquent tax collections: "The maximum which may be anticipated is the sum produced by the multiplication of the amount of delinquent taxes unpaid and owing to the local unit on the first day of the current fiscal year by the percentage of collection of delinquent taxes for the year immediately preceding the current fiscal year".

N.J.S.A. 40A:4-41 of the Local Budget Law provides with regard to current taxes that: "Receipts from the collection of taxes levied or to be levied in a municipality or, in the case of a county, for general county purposes and payable in a fiscal year, shall be anticipated in an amount which is not in excess of the percentage of taxes levied and payable during the next preceding fiscal year which was received in cash by the last day of the preceding fiscal year."

This provision and N.J.S.A. 40A:4-40 require that an additional amount (the "Reserve for Uncollected Taxes") be added to the tax levy to balance the budget so that when the percentage of the prior year's tax collection is applied to the combined total, the product will be at least equal to the tax levy required to balance the budget. The reserve for uncollected taxes requirement is calculated as follows:

The tax levy required to balance this budget, divided by the prior year's percentage of current tax collections (or lesser percentage) levied, will equal the total taxes to be levied for the current fiscal year.

Miscellaneous Revenues

N.J.S.A. 40A:4-26 in the Local Budget Law provides that: "No miscellaneous revenues from any source shall be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the Director shall determine upon application by the governing body that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and shall certify such determination, in writing, to the local unit".

No budget or amendment thereof shall be adopted unless the Director shall have previously certified his approval thereof, with the exception of inclusion of categorical grants-in-aid contracts for their face amount with an offsetting appropriation. The fiscal years for such grants rarely coincide with a local governmental unit's calendar fiscal year. Grant revenue is generally not realized until received in cash.

Deferral of Current Expenses

Emergency appropriations (those made after the adoption of the budget and determination of the tax rate) may be authorized by the Borough Council. With minor exceptions, however, such appropriations must be included in full in the following year's budget. Under the Cap Law, any emergency appropriation must be declared by resolution in accordance with the Local Budget Law, must be approved by at least two-thirds of the Borough Council and must be approved by the Director. When such appropriations exceed 3% of the adopted operating budget, consent of the Director must be obtained.

The exceptions are certain enumerated quasi-capital projects ("special emergencies") such as ice, snow, and flood damage to streets, roads, and bridges which may be amortized over three years; and tax map preparation, re-evaluation programs, revision and codification of ordinances, master plan preparations, and drainage map preparation for flood control purposes which may be amortized over five years.

Budget Transfers

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between major appropriation accounts are prohibited until the last two months of the year. Although sub-accounts within an appropriation account are not subject to the same year-end transfer restriction, they are subject to internal review and approval.

Local Fiscal Affairs Law (N.J.S.A. 40A:5-1 et seq.)

This law regulates the non-budgetary financial activities of local governments. An annual, independent audit of the local unit's accounts for the previous year must be performed by a licensed Registered Municipal Accountant. The audit, conforming to the Division of Local Government Services "Requirements of Audit", includes recommendations for improvement of the local unit's financial procedures and must be filed with the Clerk of the local governmental unit and with the Director within six (6) months after the close of the local unit's fiscal year, unless the Director extends the time to complete and file the audit. A synopsis of the audit report, together with all recommendations made, must be published in a local newspaper within 30 days of its completion.

The Finance Officer of every local unit must file annually with the Director a verified statement of the financial condition of the local unit. The entire annual audit report is filed with the Municipal Clerk and is available for review during business hours.

Debt Limit

The authorized bonded indebtedness of the Borough is limited by statute, subject to the exceptions noted below, to an amount equal to 3-1/2% of its stated equalized valuation basis. The stated equalized valuation basis of the Borough is set by statute as the average for the last three years of the equalized value of all taxable real property and improvements and certain Class II railroad property within its boundaries as annually determined by the State Board of Taxation. Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit.

The Bonds are included in the computation of debt for the purpose of the statutory debt limit. The issuance of the Bonds will not cause the Borough's indebtedness to exceed the statutory limit. At December 31, 2016 (Unaudited), the Borough's statutory net debt as a percentage of average equalized valuation was 0.33%. As noted above, the statutory limit is 3-1/2%.

Exceptions to Debt Limit

The Borough may exceed its debt limit with the approval of the Local Finance Board. If all or any part of the proposed debt authorization would exceed its debt limit, the Borough must apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the credit of the Borough or substantially reduce the ability of the Borough to meet its obligations or to provide essential services or make other statutory determinations, approval is granted. In addition to the aforesaid, debt in excess of the debt limit may be issued to fund certain notes, to provide for self-liquidating purposes and, in each fiscal year, to provide for purposes in an amount not exceeding two-thirds of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of obligations issued for utility or assessment purposes).

School Debt

State law permits local school districts, upon approval of the voters, to authorize school district debt, including debt in excess of its independent debt limitation by using the available borrowing capacity of the Borough. If such debt is in excess of the school district debt limit and the remaining borrowing capacity of the Borough, the State Department of Education and the Local Finance Board must approve the proposed debt authorization before it is submitted to the voters.

Short-Term Financing

The Borough may issue bond anticipation notes to temporarily finance a capital improvement or project in anticipation of the issuance of bonds, if the bond ordinance or subsequent resolution so provides. Bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount specified in the ordinance, as amended and supplemented, creating such capital expenditure less, generally, a cash down payment of 5%. Bond anticipation notes may be issued and renewed for one-year periods, with the final maturity not exceeding ten years plus the period from the notes' maturity to the end of the fiscal year in which the notes mature plus four months in the next following fiscal year from the date of original issuance. Beginning in the third year, the amount of notes that may be issued is decreased by the minimum amount required for the first year's principal payment for a bond issue.

Pension Plan

Employees of the Borough who are eligible for a pension plan are enrolled in one of two pension systems administered by the Division of Pensions, Treasury Department of the State of New Jersey. The two state-administered plans are: The Public Employees' Retirement System and the Police and Firemen's Retirement System. The plans are funded annually based on the projected benefit method with aggregate level, normal cost and frozen initial unfunded accrued liability. The plans, which cover public employees throughout the state, do not maintain separate records for each reporting unit.

TAX EXEMPTION

In the opinion of Chiesa, Shahinian & Giantomasi PC, West Orange, New Jersey, Bond Counsel to the Borough, assuming continuing compliance by the Borough with the tax covenants described below, under existing law, interest on the Bonds, will not be includable for federal income tax purposes in gross income pursuant to Section 103 of the Internal Revenue Code of 1986, as amended ("Code"), and will not constitute a specific item of tax preference under Section 57 of the Code for purposes of calculating the alternative minimum tax imposed on individuals or corporations pursuant to Section 55 of the Code.

The adjustment for "adjusted current earnings" set forth in Section 56(g) of the Code is required in determining certain corporation's alternative minimum taxable income. Alternative minimum taxable income is increased by seventy-five percent (75%) of the excess, if any, of (i) the "adjusted current earnings" of such corporation over (ii) the alternative minimum taxable income (determined without regard to this adjustment or the alternative tax net operating loss deduction). Interest on tax-exempt obligations, including the Bonds, would generally be included in computing a corporation's "adjusted current earnings." Accordingly, a portion of the interest on the Bonds received or accrued by such corporation that owns the Bonds will be included in computing such corporation's alternative minimum taxable income for such year.

Section 884 of the Code imposes on certain foreign corporations a branch profits tax equal to thirty percent (30%) of the "dividend equivalent amount" for the taxable year. Interest on the Bonds received or accrued by a foreign corporation subject to the branch profits tax may be included in computing the "dividend equivalent amount" of such corporation.

In addition, passive investment income, including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for any corporation that has Subchapter C earnings and profits at the close of the taxable year, if more than twenty-five percent (25%) of the gross receipts of such corporation is passive investment income.

In rendering its opinion, Bond Counsel has relied on the Borough's covenants, contained in the Arbitrage Certificate, that it will comply with the applicable requirements of the Code, relating to, inter alia, the use and

investment of proceeds of the Bonds and rebate to the United States Treasury of specified arbitrage earnings, if any. Failure of the Borough to comply with such covenants could result in the interest on the Bonds being subject to federal income tax from the date of issue. Bond Counsel has not undertaken to monitor compliance with such covenants or to advise any party as to changes in the law after the date of issuance of the Bonds that may affect the tax-exempt status of the interest.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers including, without limitation, life insurance companies, holders of an interest in a financial asset securitization investment trust, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits and individuals who otherwise qualify for the earned income credit. The Code denies the earned income credit to an individual who is otherwise eligible if the aggregate amount of disqualified income of the taxpayer for the taxable year exceeds certain limits set forth in Sections 32(i) and (j) of the Code. Interest on the Bonds will constitute disqualified income for this purpose. The Code also provides that for years beginning after December 31, 2010 the earned income credit is phased out if the modified adjusted gross income of the taxpayer exceeds certain amounts. Interest on the Bonds will be included in determining the modified adjusted gross income of the taxpayer.

The Borough has designated the Bonds as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code.

Owners of the Bonds should consult their own tax advisors as to the applicability and effect on their federal income taxes of the alternative minimum tax, the branch profits tax and the tax on passive investment income of corporations, as well as the applicability and effect of any other collateral federal income tax consequences.

Bond Counsel is also of the opinion that interest on the Bonds and any gain from the sale thereof are not includable in the gross income of the owners thereof under the New Jersey Gross Income Tax Act, as presently enacted and construed.

Possible Tax Law Changes

Federal, state or local legislation, administrative pronouncements or court decisions may affect the tax-exempt status of interest on the Bonds, gain from the sale or other disposition of the Bonds, the market value of the Bonds, or the marketability of the Bonds. Prospective purchasers of the Bonds should consult their own tax advisers regarding such matters.

RATING

Moody’s Investors Service (“Moody’s”) has assigned a rating of “Aaa” to the Bonds.

An explanation of the significance of such credit rating may be obtained from Moody’s, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007. The Borough furnished Moody’s with certain information and materials concerning the Bonds and the Borough. Generally, Moody’s bases its ratings on such information and materials and also on such investigations, studies and assumptions that it may undertake independently. The rating is not a recommendation to buy, sell or hold the Bonds and there can be no assurance that such rating will be maintained for any given period of time or that such rating may not be raised, lowered or withdrawn entirely if, in Moody’s judgment, circumstances so warrant. Any downward change in or withdrawal of such rating may have an adverse effect on the marketability or market price of the Bonds.

MUNICIPAL BANKRUPTCY

The undertakings of the Borough should be considered with reference to Chapter IX of the Bankruptcy Act, 11 U.S.C.A. Section 401 *et. seq.*, as amended by Public Law 94-260, approved April 8, 1976, the Bankruptcy Reform Act of 1978, effective October 1, 1979, Public Law 100-597, effective November 3, 1988, the Bankruptcy Reform Act of 1994, effective October 22, 1994 and other bankruptcy laws affecting creditors’ rights and municipalities in general. The amendments of P.L. 94-260 replace former Chapter IX and permit the State or any political subdivision, public agency, or instrumentality that is insolvent or unable to meet its debts to file a petition in a court of bankruptcy for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of petitioner’s

creditors; provides that a petition filed under this chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; grants priority to debt owed for services or materials actually provided within three months of the filing of the petition; directs a petitioner to file a plan for the adjustment of its debts; and provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds in amount or more than one-half in number of the listed creditors. The 1976 Amendments were incorporated in to the Bankruptcy Reform Act of 1978 with only minor changes.

Reference should also be made to N.J.S.A. 52:27-40 et seq., which provides that a municipality or school district has the power to file a petition in bankruptcy provided that approval of the Municipal Finance Commission has been obtained. The powers of the Municipal Finance Commission have been vested in the Local Finance Board. The Bankruptcy Act specifically provides that Chapter IX does not limit or impair the power of a state to control, by legislation or otherwise, the procedures that a municipality or school district must follow in order to take advantage of the provisions of the Bankruptcy Act. This reference to the Bankruptcy Act or the State Statute should not create any implication that the Borough expects to utilize the benefits of this provision.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, issuance, sale and delivery of the Bonds are subject to the approval of Chiesa, Shahinian & Giantomasi PC, West Orange, New Jersey, Bond Counsel, whose approving legal opinion will be delivered with the Bonds substantially in the form set forth in Appendix "C" hereto. Certain legal matters will be passed upon for the Borough by the Borough Attorney, William T. Smith, Esq., Franklin Lakes, New Jersey.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

UNDERWRITING

The Bonds are being purchased from the Borough by Raymond James & Associates, New York, New York ("Underwriter") at a price of \$4,806,088.15. The purchase price of the Bonds reflects an original issue premium of \$422,526.55 and an Underwriter's discount of \$16,438.40. The Underwriter is obligated to purchase all of the Bonds if any Bonds are purchased.

The offering prices may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter may offer and sell Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at prices lower than the public offering prices set forth on the cover page of this Official Statement, and such public offering prices may be changed, from time to time, by the Underwriter without prior notice.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The accuracy of the arithmetic computations supporting the conclusions that the proceeds of the Bonds are sufficient to pay, when due, interest accrued on the Refunded Bonds to the Redemption Date and the redemption price of the Refunded Bonds on the Redemption Date will be independently verified by Lerch, Vinci & Higgins, LLP, Fair Lawn, New Jersey.

LITIGATION

There is no litigation pending or, to the knowledge of the Borough Attorney, threatened, restraining or enjoining the issuance, sale or the delivery of the Bonds or the levy or the collection of any taxes to pay the principal of and the interest on the Bonds or in any manner questioning the authority or the proceedings for the issuance, sale or delivery of the Bonds or for the levy or the collection of said taxes, or contesting the corporate existence or the boundaries of the Borough or the title of any of its present officers. There is no pending or threatened litigation that would have a material adverse impact on the financial condition of the Borough if adversely decided. A certificate to such effect will be executed by the Borough Attorney and delivered to the purchaser of the Bonds at the closing.

LEGALITY FOR INVESTMENT

The state and public officers, municipalities, counties, political subdivisions and public bodies, and agencies thereof, all banks, bankers, trust companies, savings and loan associations, savings banks and institutions, building and loan associations, investment companies, and other persons carrying on banking business, all insurance companies, and all executors, administrators, guardians, trustees, and other fiduciaries may legally invest any sinking funds, moneys or other funds belonging to them or within their control in any bonds or notes of the Borough, including the Bonds, and such bonds or notes are authorized security for any and all public deposits.

SECONDARY MARKET DISCLOSURE

The Borough has agreed, pursuant to a resolution adopted on November 22, 2016, to undertake for the benefit of the Bondholders and the beneficial owners of the Bonds to provide certain secondary market disclosure information pursuant to Rule 15c2-12 to the Municipal Securities Rulemaking Board (the "MSRB") in an electronic format, as prescribed by the MSRB. Specifically, the Borough will do the following for the benefit of the holders of the Bonds and the beneficial owners thereof:

(A) Not later than 240 days after the end of the Borough's fiscal year (presently December 31), commencing with the report for the fiscal year ending December 31, 2016, provide or cause to be provided, annual financial information with respect to the Borough consisting of (i) audited financial statements (or unaudited financial statements if audited financial statements are not then available by the date of filing, which audited financial statements will be delivered when and if available) of the Borough and (ii) certain financial information and operating data consisting of (a) information concerning the Borough's debt, overlapping indebtedness, tax rate, levy and collection data, property valuation and fund balance of the type contained under the headings "Budget Information", "Financial Information" and "Debt Information" in Appendix A hereof and (b) the Borough's most recent adopted budget. The audited financial statements will be prepared in accordance with mandated State statutory accounting principles, as in effect from time to time. Audited financial statements if not available by the filing date will be submitted separately when available.

(B) Provide or cause to be provided in a timely manner not in excess of ten days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the Bonds:

- (1) Principal or interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to the rights of Bondholders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution or sale of property which secures the repayment of the Bonds, if material;

- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the Borough (the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Borough in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Borough, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Borough);
- (13) The consummation of a merger, consolidation, or acquisition involving the Borough or the sale of all or substantially all of the assets of the Borough, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(C) Provide or cause to be provided, in a timely manner, notice of a failure of the Borough to provide required annual financial information on or before the date specified above.

All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

If the Borough fails to comply with the above-described undertaking, any Bondholder or beneficial owner of the Bonds may pursue an action for specific performance to enforce the rights of all Bondholders and beneficial owners with respect to such undertaking; *provided, however*, that failure to comply with such undertaking shall not be an event of default and shall not result in any acceleration of payment of the Bonds or any liability by the Borough for monetary damages. All actions shall be instituted, had and maintained in the manner provided in this paragraph for the benefit of all Bondholders and beneficial owners of the Bonds.

The Borough reserves the right to terminate its obligation to provide annual financial information and notice of material events, as set forth above, if and when the Borough no longer remains an "obligated person" with respect to the Bonds within the meaning of Rule 15c2-12.

The undertaking may be amended by the Borough from time to time, without the consent of the Bondholders or the beneficial owners of the Bonds, in order to make modifications required in connection with a change in legal requirements, a change in law or a change in identity, nature, type of operation or status of the Borough, which in the opinion of nationally recognized bond counsel complies with Rule 15c2-12 and does not, in such bond counsel's opinion, materially impair the interests of the Bondholders and the beneficial owners of the Bonds.

The Borough failed to file its 10 largest taxpayers as part of its annual financial and operating data for the years 2011 through 2013. This information was filed on October 14, 2014 and the failure to file notice was filed on October 15, 2014. As a result of updating the financial and operating data to include the 10 largest taxpayers, the filing dates on EMMA were changed to October 14, 2014 for some of the Borough's previous filings, which were made on time. The Borough failed to file its 2014 disclosure and 2015 adopted budget in a timely manner and has made such filings as well as the failure to file notice on October 13, 2015 and February 3, 2017, respectively. The Borough has hired Phoenix Advisors, LLC as dissemination agent.

NO DEFAULT

There is no record of default in the payment of the principal of or interest on the bonds or notes of the Borough.

PREPARATION OF OFFICIAL STATEMENT

The Borough hereby states that the descriptions and statements herein, including financial statements, are true and correct in all material respects and it will confirm to the purchaser of the Bonds, by a certificate signed by the Chief Financial Officer that, to his knowledge, such descriptions and statements, as of the date of the Official Statement and as of the date of closing, are true and correct in all material respects and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they are made, not misleading.

Lerch, Vinci & Higgins, LLP assisted in the preparation of information from the Borough and other sources which the Borough considers to be reliable, but the Borough makes no warranty, guaranty or other representation with respect to the accuracy and completeness of such information contained herein.

FINANCIAL STATEMENTS

The financial statements of the Borough as of December 31, 2016 (Unaudited), 2015 and 2014 have been audited by Lerch, Vinci & Higgins, LLP, independent certified public accountants, as stated in the Accountant's Compilation Report and the Independent Auditor's Report appearing in Appendix B hereto.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including any information additional to that contained herein, may be directed to William G. Pike, Chief Financial Officer, Borough of Franklin Lakes, 480 DeKorte Drive, Franklin Lakes, New Jersey 07417, telephone 201-891-0048 (extension 1215).

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between the Borough and the purchasers or holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of Bonds made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Borough since the date hereof.

BOROUGH OF FRANKLIN LAKES IN THE COUNTY OF BERGEN, NEW JERSEY

By: /s/ William G. Pike, Chief Financial Officer
William G. Pike, Chief Financial Officer

Date: February 23, 2017

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APPENDIX A

**ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO
THE BOROUGH OF FRANKLIN LAKES**

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GENERAL INFORMATION REGARDING THE BOROUGH

Size and Geographical Location

Franklin Lakes is a residential borough, of approximately 9.75 square miles in size, situated in picturesque western Bergen County. Neighboring communities include Mahwah, Oakland, Wyckoff and North Haledon. Franklin Lakes is within minutes of most of the main transportation corridors in the northeast and is within a thirty-minute ride to New York City.

The Borough's population of 10,590 lives in predominately single family homes. Franklin Lakes is considered an affluent community where the average house value is in excess of \$1 million, although many homes are valued at several million dollars. The Borough is home to two major corporate facilities. Becton Dickinson's corporate headquarters is located on 128 acres bordering State Highway 208 and Express Scripts maintains a campus facility on approximately 190 acres.

Form of Government

The Borough of Franklin Lakes was chartered in 1922 as a Borough Council form of government in which the mayor is elected to a four-year term and six council persons are elected at large to serve staggered three-year terms.

The Mayor and Council meet the first and third Tuesday of every month for regular meetings. Meetings are open to the public in compliance with New Jersey's Open Public Meetings Act. Residents are given the opportunity to speak on proposed ordinances and other matters of concern.

The Borough Administrator is appointed by the Borough Council and is responsible for the implementation of policies of the Mayor and Council, for the administration of all borough affairs and for the day to day operations of the Borough. The Borough Administrator is the chief administrative officer for the Borough.

The Mayor is the chief executive officer of the Borough, and as such presides over all public meetings, provides leadership in the development of community projects and makes appointment to various boards. The Borough Council exercises all legislative powers including financial adoption of the municipal budget and bond ordinances and confirmation of the Mayor's appointments, and all executive authority which is not specifically provided to the Mayor, by State law.

Recreation/Quality of Life

The Borough provides many active and passive recreation opportunities for the benefit of its residents. The 119 acres of active recreation fields located in the Borough are part of the 389 acres of open space. Recreational activities include playgrounds, tennis and basketball courts, and softball, baseball, lacrosse, football and soccer fields. The Franklin Lakes Recreation Department offers baseball, softball, soccer, football, lacrosse and cheerleading programs for the Borough's youth.

Borough residents have easy access to all of the necessities of modern life. There are several banks, two (2) super markets, dry cleaners, gas stations, restaurants, and pharmacies located within the Borough. Many others are located in surrounding communities. Franklin Lakes is within a short drive of the major retail shopping destinations of Northern New Jersey including, Paramus Park, Garden State Plaza, Riverside Square, Bergen Town Center, and the Willowbrook Mall. Residents have access to some of the finest medical facilities in the country. Several large hospitals are located near the Borough including, Valley Hospital, Hackensack University Medical Center at Pascack Valley, Wayne General Hospital, Hackensack University Medical Center and Holy Name Hospital. The world renowned teaching hospitals such as Columbia Presbyterian and New York Medical Center are less than an hour away. If necessary, they are

minutes away by air ambulances. Valley Hospital, Hackensack University Medical Center Pascack Valley and Hackensack University Medical Center are affiliated with the major New York City Medical Centers.

Several colleges and universities for higher education are located near the Borough including Montclair State University, William Paterson University, Fairleigh Dickinson University, Ramapo College and Bergen Community College.

Transportation

Franklin Lakes's location makes it an ideal area for corporations and residents. The Borough is strategically located only minutes away by automobile or mass transportation from New York City, Rockland County in New York State and all parts of New Jersey.

The Borough is adjacent to Route 208 and Route 287 which allows residents to access all major highways. New Jersey Transit provides bus service from the Borough to New York City and Rail passenger service on its Main Line/Bergen Line which runs through nearby towns, terminating in Hoboken where other convenient connections can be made via PATH to New York City, Newark and Jersey City.

There are many major interstate and local highways minutes away from Franklin Lakes in addition to Routes 208 and 287, including the Garden State Parkway, the New Jersey Turnpike, the New York State Thruway and Routes 4, 17, 46 and 80.

Library

The Franklin Lakes Free Public Library was founded in 1952. The Library circulates over 175,000 books, magazines, videotapes, DVDs, CDs and CD-ROMs each year. In addition, residents are able to access vast databases with thousands of full-text articles and numerous other research sources. Franklin Lakes Library cards may access materials from over 70 libraries belonging to the Bergen County Cooperative Library System. The Library staff offers special outreach programs to schools and various local organizations.

The expansion and renovation of the Library included construction of a community meeting room, two group-study rooms, a teen reading room, a quiet reading room, a local history room and expanded areas for new materials and children's collections. A state-of-the art reference resource center has a high-speed fiber-optic cable internet service for the public and staff. The Library is a community centerpiece for every resident to enjoy.

Public Safety

The Franklin Lakes Police Department patrols approximately ten square miles including portions of Routes 208 and 287. The department is currently staffed by 22 sworn Police Officers, 4 full time Communications Officers, and a full time Records Administrator. There are six divisions within the police department, Administration, Patrol, Detective, Traffic, Communications, and Records. The department operates 10 marked patrol units and 5 unmarked cars. The Franklin Lakes Police Department has adopted a strong community policing philosophy to strengthen relations between police and community, and takes an active role in all five borough schools.

The Borough's Volunteer Fire Department consists of approximately 45 active volunteer members. The central fire headquarters houses 4 pumpers, 1 ladder truck, 1 tanker truck and 1 rescue/pumper. Free ambulance and rescue service is provided to the public on a 24 hour a day basis by the Ambulance Corps which consists of approximately 45 active members.

Sanitation

The Borough contracts with a private scavenger for garbage collection and recycling pick-up.

The vast majority of homes in the Borough operate their own septic system. Electricity is supplied by Rockland Electric Co. and gas is supplied by Public Service Electric & Gas Company. Water is supplied to the Borough through private wells and by United Water of New Jersey.

Education

The Borough's local school district, coterminous with the Borough, is a type II school district, and is an independent legal entity administered by a nine member Board of Education elected by the voters of the school district. The school district is authorized by law to issue debt for school purposes upon vote of the electorate. The local school district provides for Kindergarten through 8th grade and is comprised of two elementary schools, and one middle school. The Borough is also a member of the Ramapo Indian Hills Regional High School District (grades 9 through 12) which consists of high school students residing in Franklin Lakes, Oakland and Wyckoff.

Employment and Unemployment Comparisons

According to the State of New Jersey, Department of Labor and Industry, the unemployment percentages for the years 2011 to 2015 (on an annual average basis) were as follows:

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>Borough of Franklin Lakes</u>				
2015	5,126	4,925	201	3.9%
2014	5,039	4,832	207	4.1%
2013	5,278	4,937	342	6.5%
2012	5,151	4,895	256	5.0%
2011	5,115	4,865	250	4.9%
<u>County of Bergen</u>				
2015	485,316	463,223	22,093	4.6%
2014	479,448	453,688	25,760	5.4%
2013	477,410	443,734	33,676	7.1%
2012	483,097	443,956	39,141	8.1%
2011	479,131	441,277	37,854	7.9%
<u>State of New Jersey</u>				
2015	4,543,800	4,288,800	255,000	5.6%
2014	4,521,000	4,153,000	369,000	6.6%
2013	4,537,800	4,166,000	371,800	8.2%
2012	4,595,500	4,159,300	436,200	9.5%
2011	4,556,200	4,131,800	424,400	9.3%

Source: New Jersey Department of Labor, Division of Planning & Research.

Population

<u>Area</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2015</u>
Borough of Franklin Lakes	8,769	9,873	10,422	10,602	10,899
County of Bergen	845,385	825,380	884,118	905,116	938,506
State of New Jersey	7,364,823	7,730,188	8,414,350	8,791,894	8,958,013

Source: Census Data

Per Capita Income

	Median Household Income	Median Family Income	Per Capita Income
Borough of Franklin Lakes	\$ 153,657	\$ 171,900	\$ 83,983
County of Bergen	83,686	102,429	43,194
State of New Jersey	72,062	87,999	36,359

Source: 2010-2014 American Community Survey 5-Year Estimates

Summary of the Borough of Franklin Lakes Budgets
Current Fund
(As Adopted)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Anticipated Revenues					
Fund Balance	\$ 1,413,207	\$ 875,000	\$ 750,000	\$ 750,000	\$ 1,265,000
Miscellaneous Revenues	3,898,989	3,978,248	3,818,940	4,071,013	3,754,902
Receipts from Delinquent Taxes	560,000	420,000	540,000	690,000	630,000
Amount to be Raised by Taxes for Support of Municipal Budget	<u>11,603,058</u>	<u>11,431,584</u>	<u>11,233,414</u>	<u>11,018,999</u>	<u>10,815,260</u>
	<u>\$ 17,475,254</u>	<u>\$ 16,704,832</u>	<u>\$ 16,342,354</u>	<u>\$ 16,530,012</u>	<u>\$ 16,465,162</u>
Appropriations					
Salaries and Wages	\$ 5,366,624	\$ 5,076,310	\$ 5,258,055	\$ 5,342,425	\$ 5,170,042
Other Expenses	7,210,946	7,435,422	7,047,995	6,786,288	7,045,835
Deferred Charges and Statutory Expenditures	1,170,000	1,139,100	1,171,804	1,150,953	1,642,185
Capital Improvement Fund	930,684	600,000	556,900	552,700	165,000
Municipal Debt Service	1,912,000	1,569,000	1,422,600	1,662,646	1,407,100
Reserve for Uncollected Taxes	<u>885,000</u>	<u>885,000</u>	<u>885,000</u>	<u>1,035,000</u>	<u>1,035,000</u>
	<u>\$ 17,475,254</u>	<u>\$ 16,704,832</u>	<u>\$ 16,342,354</u>	<u>\$ 16,530,012</u>	<u>\$ 16,465,162</u>

Source: Borough of Franklin Lakes

Comparative Schedule of Fund Balances
Current Fund

<u>Year</u>	<u>Fund Balance</u> <u>December 31</u>	<u>Utilized in Budget</u> <u>of Succeeding Year</u>
2016 (Unaudited)	\$ 3,643,000	\$ -
2015	3,756,397	1,413,207
2014	3,045,500	875,000
2013	2,365,544	750,000
2012	1,651,306	750,000

Source: Borough of Franklin Lakes 2016 Annual Financial Statement and Annual Audit Reports

Current Tax Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Collection During Year of Levy</u>	
		<u>Amount</u>	<u>Percent</u>
2016 (Unaudited)	\$ 68,227,010	\$ 67,402,494	98.79%
2015	66,310,778	65,698,123	99.07%
2014	65,030,276	64,477,503	99.14%
2013	63,945,920	63,246,864	98.90%
2012	62,827,114	62,061,838	98.78%

Source: Borough of Franklin Lakes 2016 Annual Financial Statement and Annual Audit Reports

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Levy</u>
2016 (Unaudited)	\$ 12,704	\$ 726,843	\$ 739,547	1.08%
2015	10,753	562,690	573,443	0.86%
2014	9,665	454,670	464,335	0.71%
2013	8,827	579,667	588,494	0.92%
2012	7,909	694,256	702,165	1.12%

Source: Borough of Franklin Lakes 2016 Annual Financial Statement and Annual Audit Reports

Ten Largest Taxpayers

The ten largest taxpayers in the Borough and their 2017 assessed valuations are listed below:

<u>Taxpayer</u>	<u>Assessment</u>
Becton Dickinson & Company	\$ 156,547,900
Medco Health Solutions	85,000,000
Urban Farms Acquisition	21,496,300
University Heights, LLC	20,000,000
1st Real Estate Investment Trust	19,784,900
Franklin Lakes Realty LLC	18,422,600
East Coast Horizon @ Franklin Lakes	18,139,400
FL Storage, LLC	8,700,000
LD Management LLC	6,964,100
Mathai-Davis, Wallace & Prema	6,923,600
	<u><u>\$ 361,978,800</u></u>

Source: Borough of Franklin Lakes Tax Assessor

**Assessed Valuations
Land and Improvements by Class**

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartment</u>	<u>Total</u>
2017	\$ 40,151,200	\$ 3,648,064,000	\$ 3,489,700	\$ 397,446,900	\$ 30,424,200	\$ 56,562,000	\$ 4,176,138,000
2016	56,235,500	3,609,749,700	3,489,700	381,718,500	30,724,200	38,139,400	4,120,057,000
2015	51,052,600	3,593,943,600	3,489,700	403,874,900	31,751,400	38,139,400	4,122,251,600
2014	48,992,100	3,584,962,000	3,489,700	403,843,900	31,751,400	38,139,400	4,111,178,500
2013	50,565,400	3,566,930,300	4,529,200	405,652,400	32,285,300	30,139,400	4,090,102,000

Source: Tax Duplicate

**Assessed Valuations
Net Valuation Taxable**

<u>Year</u>	<u>Real Property</u>	<u>Business Personal Property</u>	<u>Net Valuation Taxable</u>	<u>Ratio of Assessed Value to True Value of Real Property</u>	<u>Total True Value of Assessed Property</u>
2017	\$ 4,176,138,000	\$ -	\$ 4,176,138,000	N/A	N/A
2016	4,120,057,000	-	4,120,057,000	92.01%	4,482,738,039
2015	4,122,251,600	-	4,122,251,600	94.68%	4,358,772,529
2014	4,111,178,500	-	4,111,178,500	96.45%	4,267,544,280
2013	4,090,102,000	-	4,090,102,000	94.25%	4,344,917,974

Source: Abstract of Ratables of Bergen County.

**Apportionment of Tax Levy
Including School and County Purposes**

<u>Year</u>	<u>Total</u>	<u>Municipal</u>	<u>Local School</u>	<u>Regional School</u>	<u>County⁽¹⁾</u>
2016	\$ 68,227,010	\$ 12,150,579	\$ 25,739,848	19,235,201	\$ 11,101,382
2015	66,310,778	11,802,910	25,404,758	18,599,629	10,503,481
2014	65,030,276	11,579,093	25,201,908	18,237,500	10,011,775
2013	63,945,920	11,249,907	24,911,082	17,782,675	10,002,256
2012	62,827,114	10,959,948	24,605,340	17,476,381	9,785,445

Source: Tax Collector

(1) Includes County Open Space Tax

**Components of Real Estate Tax Rate
(Per \$100 of Assessment)**

<u>Year</u>	<u>Total</u>	<u>Municipal</u>	<u>Local School</u>	<u>Regional School</u>	<u>County⁽¹⁾</u>
2016	\$ 1.641	\$ 0.281	\$ 0.625	\$ 0.467	\$ 0.268
2015	1.599	0.277	0.617	0.451	0.254
2014	1.572	0.272	0.613	0.444	0.243
2013	1.557	0.269	0.610	0.434	0.244
2012	1.533	0.264	0.602	0.427	0.240

Source: Tax Collector

(1) Includes County Open Space Tax

DEBT INFORMATION ON THE BOROUGH

Debt Statements

The Borough must report all new authorizations of debt or changes in previously authorized debt to the Division of Local Government Services, Department of Community Affairs of the State of New Jersey. The Supplemental Debt Statement, as this report is known, must be submitted to the Division before final passage of any debt authorization. Before January 31, of each year, the Borough must file an Annual Debt Statement with the Division. This report is made under oath and states the authorized, issued and unissued debt of the Borough as of the previous December 31. Through the Annual and Supplemental Debt Statements, the Division monitors all local borrowing.

**Debt Incurring Capacity
As of December 31, 2016 (Unaudited)**

Municipal	
Equalized Valuation Basis (last 3 years average)	\$ 4,403,993,642
3 1/2% Borrowing Margin	154,139,777
Net Debt Issued, Outstanding and Authorized	14,521,203
Remaining Municipal Borrowing Capacity	139,618,574
Regional School	
3% Borrowing Margin	132,119,809
Debt, Issued, Outstanding and Authorized	7,617,169
Remaining School Borrowing Capacity	124,502,640
Local School	
3% Borrowing Margin	132,119,809
Debt Issued, Outstanding and Authorized	3,785,000
Remaining School Borrowing Capacity	128,334,809

**Gross and Statutory Net Debt
(Exclusive of Overlapping Debt)
as of December 31,**

<u>Year</u>	<u>Gross Debt Amount</u>	<u>Statutory Net Debt</u>	
		<u>Amount</u>	<u>Percentage</u>
2016 (Unaudited)	\$ 26,467,696	\$ 14,521,203	0.33%
2015	28,420,471	15,386,131	0.35%
2014	27,854,372	13,902,754	0.32%
2013	28,481,246	13,280,496	0.31%
2012	29,868,813	14,081,515	0.32%

Source: Borough of Franklin Lakes 2016 Annual Debt Statement and Audit Reports

**BOROUGH OF FRANKLIN LAKES
STATEMENT OF INDEBTEDNESS
AS OF DECEMBER 31, 2016 (UNAUDITED)**

GENERAL PURPOSES

Bonds Issued and Outstanding	\$ 11,260,000	
Bond Anticipation Notes	3,624,000	
Bonds and Notes Authorized But Not Issued	<u>181,527</u>	
		\$ 15,065,527

REGIONAL SCHOOL

Bonds Issued and Outstanding		7,617,169
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LOCAL SCHOOL

Bonds Issued and Outstanding		<u>3,785,000</u>
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		<u>\$ 26,467,696</u>
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STATUTORY DEDUCTIONS

Municipal Purpose	544,324	
Local School	3,785,000	
Regional School	<u>7,617,169</u>	
		<u>11,946,493</u>

		<u>\$ 14,521,203</u>
--	--	----------------------

OVERLAPPING DEBT

County of Bergen (Note 1)	<u>\$ 25,538,956</u>	
---------------------------	----------------------	--

		<u>\$ 25,538,956</u>
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GROSS DEBT

Per Capita (2015 Census -10,899)	\$	2,428
Percent of Net Valuation Taxable (2016 - \$4,120,057,000)		0.64%
Percent of Estimated True Value of Real Property (2016- \$4,482,738,039)		0.59%

NET MUNICIPAL DEBT

Per Capita (2015 Census -10,899)	\$	1,332
Percent of Net Valuation Taxable (2016 - \$4,120,057,000)		0.35%
Percent of Estimated True Value of Real Property (2016- \$4,482,738,039)		0.32%

OVERALL DEBT (Net and Overlapping Debt)

Per Capita (2015 Census -10,899)	\$	3,676
Percent of Net Valuation Taxable (2016 - \$4,120,057,000)		0.97%
Percent of Estimated True Value of Real Property (2016- \$4,482,738,039)		0.89%

Note (1) Overlapping debt was computed based upon the real property ratio of equalized valuations of the municipality to all municipalities within the County as provided in the 2015 Bergen County Abstract of Ratables published by the Bergen County Board of Taxation.

Source: Borough of Franklin Lakes 2016 Annual Debt Statement

APPENDIX B

**ACCOUNTANT'S COMPILATION REPORT,
INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS**

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LERCH, VINCI & HIGGINS, LLP
CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
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MARK SACO, CPA
SHERYL M. NICOLOSI, CPA

ACCOUNTANT'S COMPILATION REPORT

Honorable Mayor and Members
of the Borough Council
Borough of Franklin Lakes
Franklin Lakes, New Jersey

We have compiled the accompanying balance sheets – regulatory basis of the various funds and account group of the Borough of Franklin Lakes as of December 31, 2016 and the related statements of operations and changes in fund balances – regulatory basis for the year then ended and the related statements of revenues – regulatory basis and statements of expenditures – regulatory basis of the various funds for the year ended December 31, 2016. We have not audited or reviewed the accompanying financial statements – regulatory basis and accordingly, do not express such an opinion or provide any assurance about whether the financial statements are in accordance with the regulatory basis of accounting.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the regulatory basis of accounting and for designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist the management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

By/s/

LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants

Fair Lawn, New Jersey
February 9, 2016



LERCH, VINCI & HIGGINS, LLP
CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the Borough Council
Borough of Franklin Lakes
Franklin Lakes, New Jersey

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Borough of Franklin Lakes, as of December 31, 2015 and 2014, and the related statements of operations and changes in fund balance - regulatory basis, the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial accounting and reporting principles and practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity'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 of the financial statements, the financial statements are prepared by the Borough of Franklin Lakes on the basis of the financial accounting and reporting principles and practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the financial reporting requirements of the State of New Jersey for municipal government entities.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph above, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Borough of Franklin Lakes as of December 31, 2015 and 2014, or changes in financial position, or, where applicable, cash flows, for the years then ended.

Unmodified 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 and account group of the Borough of Franklin Lakes as of December 31, 2015 and 2014, and the results of operations and changes in fund balance – regulatory basis of such funds, the respective revenues – regulatory basis and expenditures – regulatory basis of the various funds for the years then ended in accordance with the financial accounting and reporting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 26, 2016 on our consideration of the Borough of Franklin Lakes' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and

compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Borough of Franklin Lakes' internal control over financial reporting and compliance.

By/s/

LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants

Fair Lawn, New Jersey
May 26, 2016

BOROUGH OF FRANKLIN LAKES
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2016 (UNAUDITED), 2015 AND 2014

ASSETS	<u>2016</u> (Unaudited)	<u>2015</u>	<u>2014</u>
Cash	\$ 6,099,760	\$ 5,731,589	\$ 4,937,508
Change Fund	700	700	700
Grants Receivable	<u>15,020</u>	<u>14,884</u>	<u>14,781</u>
	<u>6,115,480</u>	<u>5,747,173</u>	<u>4,952,989</u>
Receivables and Other Assets With Full Reserves			
Delinquent Property Taxes	726,843	562,690	454,670
Tax Title Liens	12,704	10,753	9,665
Revenue Accounts Receivable	-	10,861	9,606
Due from Animal Control Trust Fund	5,843	5,843	12,204
Due from Other Trust Fund	53	286	
Due from Assessment Trust Fund	18,427	16,697	14,495
Prepaid Payroll Advance	<u>-</u>	<u>-</u>	<u>190,000</u>
	<u>763,870</u>	<u>607,130</u>	<u>690,640</u>
Deferred Charges			
Special Emergency Authorization (N.J.S. 40A:4-53)	<u>-</u>	<u>-</u>	<u>16,000</u>
Total Assets	<u>\$ 6,879,350</u>	<u>\$ 6,354,303</u>	<u>\$ 5,659,629</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF FRANKLIN LAKES
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2016 (UNAUDITED), 2015 AND 2014
(Continued)

LIABILITIES, RESERVES AND FUND BALANCE	<u>2016</u> (Unaudited)	<u>2015</u>	<u>2014</u>
Appropriation Reserves	\$ 860,720	\$ 710,850	\$ 469,315
Encumbrances Payable	528,620	401,216	534,079
Accounts Payable	43,565	57,256	35,252
Reserve for Grants - Appropriated	208,692	92,809	116,815
Reserve for Grants- Unappropriated			16,196
Prepaid Taxes	661,013	601,102	634,289
Tax Overpayments	28,078	23,369	18,174
Due to County for Added & Omitted Taxes	100,482	62,900	62,506
Reserve for Tax Appeals	21,657	21,657	21,657
Fees Payable	-	14,631	8,060
Due to State of NJ - Senior Citizens/Veterans Deductions	2,943	1,443	3,142
Due to State of NJ - Fees Payable	13,496		
Reserve for Recreation Online Fees	3,214	3,543	4,004
	2,472,480	1,990,776	1,923,489
Reserve for Receivables and Other Assets	763,870	607,130	690,640
Fund Balance	3,643,000	3,756,397	3,045,500
 Total Liabilities, Reserves and Fund Balance	 \$ 6,879,350	 \$ 6,354,303	 \$ 5,659,629

BOROUGH OF FRANKLIN LAKES
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS - CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2016 (UNAUDITED), 2015 AND 2014

	<u>2016</u> (Unaudited)	<u>2015</u>	<u>2014</u>
REVENUE AND OTHER INCOME REALIZED			
Fund Balance Utilized	\$ 1,413,207	\$ 875,000	\$ 750,000
Miscellaneous Revenue Anticipated	4,255,604	4,316,690	4,372,112
Receipts from Delinquent Taxes	561,102	436,319	578,522
Receipts from Current Taxes	67,402,494	65,698,123	64,477,503
Non-Budget Revenue	229,715	118,291	187,642
Other Credits to Income:			
Unexpended Balances of Appropriation Reserves	606,238	391,560	320,714
Statutory Excess - Animal Control Trust Fund	-	5,843	12,204
Interfunds Liquidated	286	9,716	13,090
Liquidation of Prior Year Prepaid Expenditures	-	190,000	230,000
Cancellation of Prior Year Accounts Payable	40,865	14,349	-
	<u>74,509,511</u>	<u>72,055,891</u>	<u>70,941,787</u>
EXPENDITURES			
Budget Appropriations			
Operations			
Salaries and Wages	5,376,374	5,089,415	5,234,900
Other Expenses	7,503,637	7,531,225	7,542,533
Capital Improvements	930,684	600,000	556,900
Municipal Debt Service	1,907,700	1,568,982	1,302,477
Deferred Charges and Statutory Expenditures	1,170,000	1,139,100	1,101,804
County Taxes	11,000,900	10,440,581	9,949,169
Due County for Added Taxes	100,482	62,900	62,506
Local District School Taxes	25,739,848	25,404,758	25,201,908
Regional High School Tax	19,235,201	18,599,629	18,237,500
Interfund Advances Originated	1,783	5,843	26,699
Refund of Prior Year Revenue	9,323	13,990	8,703
Refund of Prior Year Taxes	233,769	12,821	96,732
Senior Citizens' and Veterans' Deductions Disallowed - Prior Year	-	750	
Reserve for Prepaid Expenditures	-	-	190,000
	<u>73,209,701</u>	<u>70,469,994</u>	<u>69,511,831</u>
Statutory Excess to Fund Balance	<u>1,299,810</u>	<u>1,585,897</u>	<u>1,429,956</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF FRANKLIN LAKES
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS - CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2016 (UNAUDITED), 2015 AND 2014
(Continued)

	<u>2016</u> (Unaudited)	<u>2015</u>	<u>2014</u>
Statutory Excess to Fund Balance (Carried Forward)	\$ 1,299,810	\$ 1,585,897	\$ 1,429,956
FUND BALANCE, January 1	<u>3,756,397</u>	<u>3,045,500</u>	<u>2,365,544</u>
	5,056,207	4,631,397	3,795,500
Decreased by:			
Utilized as Anticipated Revenue	<u>1,413,207</u>	<u>875,000</u>	<u>750,000</u>
FUND BALANCE, December 31	<u>\$ 3,643,000</u>	<u>\$ 3,756,397</u>	<u>\$ 3,045,500</u>

**BOROUGH OF FRANKLIN LAKES
COMPARATIVE STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2016 (UNAUDITED), 2015 AND 2014**

	<u>2016 (Unaudited)</u>		<u>2015</u>		<u>2014</u>	
	Budget After Modifications	Realized	Budget After Modifications	Realized	Budget After Modifications	Realized
FUND BALANCE ANTICIPATED	\$ 1,413,207	\$ 1,413,207	\$ 875,000	\$ 875,000	\$ 750,000	\$ 750,000
MISCELLANEOUS REVENUES						
Licenses						
Alcoholic Beverages	9,700	9,328	9,300	9,794	7,750	9,348
Other	20,500	14,294	23,410	21,071	20,000	27,220
Fees and Permits	99,310	95,119	97,675	96,841	88,000	99,314
Fines and Costs - Municipal Court	157,000	203,763	230,000	157,350	189,000	232,892
Interest and Costs on Taxes and Assessments	160,000	188,475	165,000	162,492	159,000	173,844
Interest on Investments and Deposits	16,000	19,555	13,000	17,148	6,500	13,393
Outside Police Employment	15,000	28,031	15,000	43,328	12,000	15,369
Community Center Fees					10,000	6,059
Uniform Construction Code Fees	600,000	519,500	510,800	722,306	480,000	514,836
Energy Receipts Tax	1,775,732	1,775,732	1,775,732	1,775,732	1,775,732	1,775,732
Watershed Moratorium Offset Aid	5,969	5,969	5,969	5,969	5,969	5,969
Public and Private Programs Offset with Appropriations						
Clean Communities Grant	33,665	33,665	29,436	29,436	46,414	46,414
Municipal Alliance Program	9,876	9,876	9,876	9,876	10,996	10,996
Drive Sober or Get Pulled Over	9,784	9,784	4,870	4,870	4,778	4,778
Click It or Ticket	4,929	4,929	3,878	3,878	3,762	3,762
Citizens Corp - Cert Trailers			700	700		
Drunk Driving Enforcement Grant	4,063	4,063	3,424	3,424	3,201	3,201
Recycling Tonnage Grant	13,862	13,862	14,446	14,446	14,403	14,403
Private Donations	15,718	15,718	18,350	18,350	15,800	15,800
Thomas W. Murphy, Jr. Fund			22,000	22,000	114,000	114,000
Thomas W. Murphy, Jr - Police Headquarters			100,000	100,000	50,000	50,000
Meyer Memorial Fund - Police Headquarters			50,000	50,000	100,000	100,000
Goldman OEM Building Improvements	25,000	25,000				
Murphy Grant - OEM Building Improvements	50,000	50,000				
Meyer Foundation - FLPD Vehicles	80,000	80,000				
Meyer Foundation 0 FLPD Camera System	80,000	80,000				
FLK Open Space Preservations					47,905	47,905

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF FRANKLIN LAKES
COMPARATIVE STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2016 (UNAUDITED), 2015 AND 2014**

	<u>2016 (Unaudited)</u>		<u>2015</u>		<u>2014</u>	
	<u>Budget After</u>	<u>Realized</u>	<u>Budget After</u>	<u>Realized</u>	<u>Budget After</u>	<u>Realized</u>
	<u>Modifications</u>		<u>Modifications</u>		<u>Modifications</u>	
Other Special Items of Revenue						
Uniform Fire Safety Act	13,750	12,478	16,000	13,885	13,900	16,039
Cable T.V. Franchise Fee	185,627	185,780	178,390	178,390	165,423	165,423
Lease of Land for Monopole- Sprint Co	94,300	97,729	91,000	116,564	92,000	82,983
Recreation Program Fees	195,500	196,370	189,000	196,376	182,000	189,009
Recycling Revenue	80,000	89,905	75,000	86,864	87,000	76,612
Sale of Municipal Assets					10,000	
VFW Parking Permits	15,700	15,945	14,900	15,744	12,000	14,977
Bravo - Housewives Fee	22,500	74,625	10,000	39,550	25,000	64,800
Library Reimbursement	210,000	199,564	220,000	213,431	220,000	227,633
Use of Recreation Fields		-			8,800	10,411
Library Return of Excess Funds	6,945	6,945			33,390	33,390
Rental Fees - Community Center / Field	6,000	4,600	10,000	6,875		
Reserve for Payment of Debt	185,000	185,000	180,000	180,000	205,600	205,600
Total Miscellaneous Revenues	<u>4,201,430</u>	<u>4,255,604</u>	<u>4,087,156</u>	<u>4,316,690</u>	<u>4,220,323</u>	<u>4,372,112</u>
RECEIPTS FROM DELINQUENT TAXES	\$ <u>560,000</u>	\$ <u>561,102</u>	\$ <u>420,000</u>	\$ <u>436,319</u>	\$ <u>540,000</u>	\$ <u>578,522</u>
AMOUNT TO BE RAISED BY TAXES FOR SUPPORT OF MUNICIPAL BUDGET						
Local Tax for Municipal Purposes	10,109,652	10,717,657	9,984,191	10,627,862	9,819,867	10,497,873
Minimum Library Tax	1,493,406	1,493,406	1,447,393	1,447,393	1,413,547	1,413,547
Total General Revenue	<u>\$ 17,777,695</u>	<u>\$ 18,440,976</u>	<u>\$ 16,813,740</u>	<u>\$ 17,703,264</u>	<u>\$ 16,743,737</u>	<u>\$ 17,612,054</u>

2016 STATEMENT OF EXPENDITURES
CURRENT FUND
(UNAUDITED)

**BOROUGH OF FRANKLIN LAKES
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016 (UNAUDITED)**

	<u>Appropriations</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Cancelled</u>
		<u>Modification</u>	<u>Charged</u>		
GENERAL APPROPRIATIONS					
Operations - Within "CAPS"					
GENERAL GOVERNMENT					
General Administration					
Salaries and Wages	\$ 248,860	\$ 248,860	\$ 248,377	\$ 483	
Other Expenses	101,100	107,100	106,243	857	
Mayor & Council					
Salaries and Wages	44,700	44,700	30,000	14,700	
Other Expenses	16,850	16,850	11,327	5,523	
Municipal Clerk					
Salaries and Wages	138,975	138,975	136,406	2,569	
Other Expenses	34,100	34,100	27,929	6,171	
Financial Administration					
Salaries and Wages	165,025	165,025	164,188	837	
Other Expenses	42,625	42,625	23,448	19,177	
Audit Services					
Other Expenses	46,000	46,000	40,838	5,162	
Revenue Administration (Tax Collection)					
Salaries and Wages	68,820	68,820	64,051	4,769	
Other Expenses	13,540	14,540	13,798	742	
Tax Assessment Administration					
Salaries and Wages	58,560	58,560	50,345	8,215	
Other Expenses	19,415	32,415	30,361	2,054	
Legal Services (Legal Department)					
Other Expenses	152,500	157,500	154,787	2,713	
Engineering Services and Costs					
Salaries and Wages	51,875	51,875	51,702	173	
Other Expenses	71,000	71,000	47,131	23,869	
Land Use Administration					
Planning Board					
Salaries and Wages	4,550	4,675	4,125	550	
Other Expenses	9,990	9,990	8,601	1,389	
Zoning Board of Adjustment					
Salaries and Wages	2,400	2,450	2,400	50	
Other Expenses	6,790	6,790	4,286	2,504	
Zoning Official					
Salaries and Wages	15,980	15,980	15,977	3	
Insurance					
Unemployment Insurance	2,500	2,500	-	2,500	
General Liability	189,600	189,600	181,246	8,354	
Worker's Compensation	217,200	217,200	210,637	6,563	
Employee Group Health	1,428,581	1,360,131	1,355,511	4,620	
Other Insurance Premiums	28,800	28,800	25,460	3,340	
Health Benefit Waiver	65,000	48,000	47,182	818	

BOROUGH OF FRANKLIN LAKES
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016 (UNAUDITED)
(Continued)

	<u>Appropriations</u>		<u>Expended</u>		<u>Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
GENERAL APPROPRIATIONS (Cont'd.)					
Operations - Within "CAPS" (Continued)					
PUBLIC SAFETY					
Police Department					
Salaries and Wages	\$ 2,880,352	\$ 2,880,352	\$ 2,636,315	\$ 244,037	
Other Expenses	223,300	223,300	211,652	11,648	
Office of Emergency Management					
Other Expenses	10,800	10,800	9,324	1,476	
Ambulance Service					
Other Expenses	76,620	76,620	49,132	27,488	
Fire Department					
Salaries and Wages	8,100	8,100	3,824	4,276	
Other Expenses	187,120	197,120	188,772	8,348	
Uniform Fire Safety					
Salaries and Wages	36,782	47,782	44,041	3,741	
Other Expenses	244,800	245,800	245,319	481	
Municipal Court					
Salaries and Wages	140,715	140,715	133,999	6,716	
Other Expenses	9,025	9,025	5,917	3,108	
Municipal Court Public Defender					
Salaries and Wages	5,300	5,300	5,014	286	
Municipal Prosecutor's Office					
Salaries and Wages	18,000	18,000	17,599	401	
PUBLIC WORKS					
Streets and Road Maintenance					
Salaries and Wages	987,380	987,380	917,280	70,100	
Other Expenses	428,454	428,454	304,994	123,460	
Solid Waste Collection					
Other Expenses	415,000	415,000	409,364	5,636	
Buildings and Grounds					
Other Expenses	207,375	227,375	219,397	7,978	
Vehicle Maintenance (including Police)					
Other Expenses	254,000	254,000	204,394	49,606	
Shade Tree					
Salaries and Wages	17,475	18,875	18,795	80	
Other Expenses	1,600	1,600	913	687	
HEALTH AND HUMAN SERVICES					
Board of Health					
Salaries and Wages	54,330	54,330	53,551	779	
Other Expenses	94,875	94,875	70,773	24,102	
Animal Control Services					
Other Expenses	15,000	15,000	13,440	1,560	
Reserve for Tax Appeals	100,000	100,000	100,000	-	
PARK AND RECREATION FUNCTIONS					
Recreation Services and Programs					
Salaries and Wages	132,035	132,035	130,927	1,108	
Other Expenses	241,000	241,000	228,399	12,601	
Senior Citizens Programs					
Other Expenses	14,000	14,000	14,000	-	

BOROUGH OF FRANKLIN LAKES
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016 (UNAUDITED)
(Continued)

	<u>Appropriations</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Cancelled</u>
		<u>Modification</u>	<u>Charged</u>		
GENERAL APPROPRIATIONS (Cont'd.)					
Operations - Within "CAPS" (Continued)					
Environment Commission					
Other Expenses	\$ 2,000	\$ 2,000	\$ 640	\$ 1,360	
Celebration of Public Events					
Other Expenses	4,500	4,500	4,236	264	
Cable T.V. Committee					
Other Expenses	2,520	2,520	-	2,520	
UNIFORM CONSTRUCTION CODE					
APPROPRIATIONS OFFSET BY					
DEDICATED REVENUES (NJAC5:23-4-17)					
CODE ENFORCEMENT AND ADMIN					
Uniform Construction Code Enforcement Functions					
Building Inspector					
Salaries and Wages	179,300	171,475	158,076	13,399	
Other Expenses	78,700	78,700	74,895	3,805	
Other Code Enforcement Functions					
Electrical Inspector					
Salaries and Wages	48,400	53,400	48,307	5,093	
Plumbing Inspector					
Salaries and Wages	24,115	24,115	24,112	3	
Fire Protection Official					
Salaries and Wages	34,595	34,595	25,708	8,887	
UNCLASSIFIED:					
UTILITY EXPENSES AND BULK PURCHASES					
Electricity	175,000	181,000	174,624	6,376	
Street Lighting	24,000	26,000	26,000	-	
Telephone	26,000	29,000	26,759	2,241	
Water	25,000	33,000	32,704	296	
Gasoline	70,000	70,000	51,543	18,457	
Landfill/Solid Waste Disposal Costs	288,800	288,800	269,184	19,616	
Telecommunications	7,000	7,000	5,583	1,417	-
Total Operations Within "CAPS"	11,038,704	11,038,004	10,215,862	822,142	-
Contingent	-	-	-	-	-
Total Operations including Contingent - Within "CAPS"	11,038,704	11,038,004	10,215,862	822,142	-
Detail:					
Salaries and Wages	5,366,624	5,376,374	4,985,119	391,255	-
Other Expenses	5,672,080	5,661,630	5,230,743	430,887	-

BOROUGH OF FRANKLIN LAKES
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016 (UNAUDITED)
(Continued)

	<u>Appropriations</u>		<u>Expended</u>		<u>Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
GENERAL APPROPRIATIONS (Cont'd.)					
DEFERRED CHARGES AND STATUTORY EXPENDITURES - MUNICIPAL WITHIN "CAPS"					
Statutory Charges					
Public Employees Retirement System	\$ 350,000	\$ 350,000	\$ 340,063	\$ 9,937	
Social Security System (O.A.S.I.)	245,000	245,000	233,143	11,857	
DCRP Employer Contribution	5,000	5,000	3,244	1,756	
Police & Firemen's Retirement System	<u>570,000</u>	<u>570,000</u>	<u>559,044</u>	<u>10,956</u>	-
Total Deferred Charges & Statutory Expenditures - Municipal Within "CAPS"	<u>1,170,000</u>	<u>1,170,000</u>	<u>1,135,494</u>	<u>34,506</u>	-
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>12,208,704</u>	<u>12,208,004</u>	<u>11,351,356</u>	<u>856,648</u>	-
OPERATIONS - EXCLUDED FROM "CAPS"					
EDUCATIONAL FUNCTIONS					
Municipal Library	1,493,410	1,493,410	1,493,406	4	
NJ DEP Stormwater Permit	<u>8,000</u>	<u>8,700</u>	<u>8,690</u>	<u>10</u>	-
Total Other Operations Excluded from "CAPS"	<u>1,501,410</u>	<u>1,502,110</u>	<u>1,502,096</u>	<u>14</u>	-
Interlocal Municipal Service Agreements					
Enhanced 911 Service - Northwest Bergen					
Central Dispatch					
Other Expenses	<u>8,000</u>	<u>8,000</u>	<u>7,973</u>	<u>27</u>	-
Total Interlocal Municipal Service Agreements	<u>8,000</u>	<u>8,000</u>	<u>7,973</u>	<u>27</u>	-

**BOROUGH OF FRANKLIN LAKES
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016 (UNAUDITED)
(Continued)**

	<u>Appropriations</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
GENERAL APPROPRIATIONS (Cont'd.)					
OPERATIONS - EXCLUDED FROM "CAPS" (Cont'd.)					
Public and Private Programs Offset by Revenues					
Clean Communities Grant		\$ 33,665	\$ 33,665		
Municipal Alliance on Alcoholism and Drug Abuse					
County Share	\$ 9,876	9,876	9,876		
Local Share	5,000	5,000	969	\$ 4,031	
Private Donations	718	65,718	65,718		
Recycling Tonnage Grant	13,862	13,862	13,862		
2014 Drive Sober/Get Pulled Over Grant		9,784	9,784		
Drunk Driving Enforcement Fund		4,063	4,063		
Click It or Ticket		4,929	4,929		
Goldman Donation - OEM Building Improv.		25,000	25,000		
Meyer Foundation - FLPD Vehicles		80,000	80,000		
Meyer Foundation - FLPD	-	80,000	80,000	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Public and Private Programs Offset by Revenues	<u>29,456</u>	<u>331,897</u>	<u>327,866</u>	<u>4,031</u>	<u>-</u>
Total Operations Excluded from "CAPS"	<u>1,538,866</u>	<u>1,842,007</u>	<u>1,837,935</u>	<u>4,072</u>	<u>-</u>
Detail					
Salaries & Wages					
Other Expenses	<u>1,538,866</u>	<u>1,842,007</u>	<u>1,837,935</u>	<u>4,072</u>	<u>-</u>
CAPITAL IMPROVEMENTS EXCLUDED FROM "CAPS"					
Capital Improvement Fund	<u>930,684</u>	<u>930,684</u>	<u>930,684</u>	<u>-</u>	<u>-</u>
Total Capital Improvements - Excluded from "CAPS"	<u>930,684</u>	<u>930,684</u>	<u>930,684</u>	<u>-</u>	<u>-</u>
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	1,220,000	1,220,000	1,220,000		
Payment of Bond Anticipation Notes	250,000	250,000	250,000		
Interest on Bonds	395,000	395,000	391,000		\$ 4,000
Interest on Notes	<u>47,000</u>	<u>47,000</u>	<u>46,700</u>	<u>-</u>	<u>300</u>
Total Municipal Debt Service - Excluded from "CAPS"	<u>1,912,000</u>	<u>1,912,000</u>	<u>1,907,700</u>	<u>-</u>	<u>4,300</u>
Total General Appropriations Excluded from "CAPS"	<u>4,381,550</u>	<u>4,684,691</u>	<u>4,676,319</u>	<u>4,072</u>	<u>4,300</u>

BOROUGH OF FRANKLIN LAKES
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016 (UNAUDITED)
(Continued)

	<u>Appropriations</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
Subtotal General Appropriations	\$ 16,590,254	\$ 16,892,695	\$ 16,027,675	\$ 860,720	\$ 4,300
Reserve for Uncollected Taxes	<u>885,000</u>	<u>885,000</u>	<u>885,000</u>	<u>-</u>	<u>-</u>
Total General Appropriations	<u>\$ 17,475,254</u>	<u>\$ 17,777,695</u>	<u>\$ 16,912,675</u>	<u>\$ 860,720</u>	<u>\$ 4,300</u>
Budget as Adopted		\$ 17,475,254			
Added by N.J.S. 40A:4-87		<u>302,441</u>			
		<u>\$ 17,777,695</u>			

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2015 STATEMENT OF EXPENDITURES
CURRENT FUND

**BOROUGH OF FRANKLIN LAKES
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Appropriations</u>		<u>Expended</u>		<u>Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
GENERAL APPROPRIATIONS					
Operations - Within "CAPS"					
GENERAL GOVERNMENT					
General Administration					
Salaries and Wages	\$ 224,475	\$ 224,475	\$ 223,873	\$ 602	
Other Expenses	84,150	84,150	62,243	21,907	
Mayor & Council					
Salaries and Wages	30,000	30,000	30,000		
Other Expenses	6,750	6,750	4,940	1,810	
Municipal Clerk					
Salaries and Wages	135,730	135,730	132,916	2,814	
Other Expenses	33,600	33,600	25,879	7,721	
Financial Administration					
Salaries and Wages	159,900	159,900	159,018	882	
Other Expenses	38,150	38,150	31,482	6,668	
Audit Services					
Other Expenses	45,000	45,000	43,505	1,495	
Revenue Administration (Tax Collection)					
Salaries and Wages	60,535	60,535	59,408	1,127	
Other Expenses	21,025	16,025	11,358	4,667	
Tax Assessment Administration					
Salaries and Wages	57,650	57,650	53,826	3,824	
Other Expenses	30,865	15,865	8,206	7,659	
Legal Services (Legal Department)					
Other Expenses	152,500	194,500	191,711	2,789	
Engineering Services and Costs					
Salaries and Wages	50,260	50,860	50,685	175	
Other Expenses	75,300	75,300	51,608	23,692	
Land Use Administration					
Planning Board					
Salaries and Wages	4,200	4,200	4,200	-	
Other Expenses	11,425	11,425	5,990	5,435	
Zoning Board of Adjustment					
Salaries and Wages	2,400	2,405	2,400	5	
Other Expenses	6,865	6,865	5,986	879	
Zoning Official					
Salaries and Wages	15,600	15,600	15,587	13	
Insurance					
Unemployment Insurance	5,000	5,000		5,000	
General Liability	188,825	188,825	186,340	2,485	
Worker's Compensation	216,580	216,580	216,558	22	
Employee Group Health	1,526,850	1,487,745	1,366,102	121,643	
Other Insurance Premiums	28,300	26,300	20,291	6,009	
Health Benefit Waiver	50,000	56,000	55,197	803	

BOROUGH OF FRANKLIN LAKES
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

	<u>Appropriations</u>		<u>Expended</u>		<u>Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
GENERAL APPROPRIATIONS (Cont'd.)					
Operations - Within "CAPS" (Continued)					
PUBLIC SAFETY					
Police Department					
Salaries and Wages	\$ 2,649,245	\$ 2,654,245	\$ 2,648,411	\$ 5,834	
Other Expenses	170,050	170,050	161,470	8,580	
Acquisition of Vehicles	35,000	35,000	34,437	563	
Office of Emergency Management					
Other Expenses	15,200	15,200	14,264	936	
Ambulance Service					
Other Expenses	66,600	74,600	70,593	4,007	
Fire Department					
Salaries and Wages	8,100	8,100	5,308	2,792	
Other Expenses	179,000	179,000	177,967	1,033	
Uniform Fire Safety					
Salaries and Wages	45,250	45,250	42,258	2,992	
Other Expenses	245,000	245,000	242,747	2,253	
Municipal Court					
Salaries and Wages	152,400	152,900	150,517	2,383	
Other Expenses	8,925	8,925	6,722	2,203	
Municipal Court Public Defender					
Salaries and Wages	4,800	4,800	4,500	300	
Municipal Prosecutor's Office					
Salaries and Wages	17,500	19,000	18,847	153	
PUBLIC WORKS					
Streets and Road Maintenance					
Salaries and Wages	998,880	998,880	954,723	44,157	
Other Expenses	497,275	497,275	387,975	109,300	
Solid Waste Collection					
Other Expenses	415,000	415,000	406,053	8,947	
Buildings and Grounds					
Other Expenses	174,500	174,500	173,302	1,198	
Vehicle Maintenance (including Police)					
Other Expenses	265,000	265,000	214,901	50,099	
Shade Tree					
Salaries and Wages	16,575	16,575	16,375	200	
Other Expenses	2,900	2,900	1,527	1,373	
HEALTH AND HUMAN SERVICES					
Board of Health					
Salaries and Wages	52,110	52,610	52,342	268	
Other Expenses	69,450	69,450	68,149	1,301	
Animal Control Services					
Other Expenses	14,000	14,000	13,620	380	
Reserve for Tax Appeals	100,000	100,000	100,000		
PARK AND RECREATION FUNCTIONS					
Recreation Services and Programs					
Salaries and Wages	132,485	132,485	128,552	3,933	
Other Expenses	241,500	241,500	218,557	22,943	
Senior Citizens Programs					
Other Expenses	14,000	14,000	14,000		

BOROUGH OF FRANKLIN LAKES
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDING DECEMBER 31, 2015
(Continued)

	<u>Appropriations</u>		<u>Expended</u>		<u>Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
GENERAL APPROPRIATIONS (Cont'd.)					
Operations - Within "CAPS" (Continued)					
Environment Commission					
Other Expenses	\$ 2,000	\$ 2,000	\$ 1,531	\$ 469	
Celebration of Public Events					
Other Expenses	4,000	4,000	3,701	299	
Cable T.V. Committee					
Other Expenses	2,520	2,520		2,520	
UNIFORM CONSTRUCTION CODE					
APPROPRIATIONS OFFSET BY					
DEDICATED REVENUES (NJAC5:23-4-17)					
CODE ENFORCEMENT AND ADMIN					
Uniform Construction Code Enforcement Functions					
Building Inspector					
Salaries and Wages	153,095	153,095	130,463	22,632	
Other Expenses	41,000	41,000	29,565	11,435	
Other Code Enforcement Functions					
Electrical Inspector					
Salaries and Wages	45,000	49,000	47,456	1,544	
Plumbing Inspector					
Salaries and Wages	26,520	26,520	17,999	8,521	
Fire Protection Official					
Salaries and Wages	33,600	34,600	34,147	453	
UNCLASSIFIED:					
UTILITY EXPENSES AND BULK PURCHASES					
Electricity	190,000	190,000	163,244	26,756	
Street Lighting	23,000	23,000	23,000	-	
Telephone	28,000	28,000	25,245	2,755	
Water	25,000	25,000	21,701	3,299	
Gasoline	100,000	92,000	66,011	25,989	
Landfill/Solid Waste Disposal Costs	335,000	335,000	255,808	79,192	
Telecommunications	7,000	7,000	5,791	1,209	-
	<u>10,868,415</u>	<u>10,868,415</u>	<u>10,173,088</u>	<u>695,327</u>	<u>-</u>
Total Operations Within "CAPS"	10,868,415	10,868,415	10,173,088	695,327	-
Contingent	-	-	-	-	-
Total Operations including Contingent - Within "CAPS"	<u>10,868,415</u>	<u>10,868,415</u>	<u>10,173,088</u>	<u>695,327</u>	<u>-</u>
Detail:					
Salaries and Wages	5,076,310	5,089,415	4,983,811	105,604	-
Other Expenses	5,792,105	5,779,000	5,189,277	589,723	-

BOROUGH OF FRANKLIN LAKES
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

	<u>Appropriations</u>		<u>Expended</u>		<u>Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
GENERAL APPROPRIATIONS (Cont'd.)					
DEFERRED CHARGES AND STATUTORY EXPENDITURES - MUNICIPAL WITHIN "CAPS"					
Statutory Charges					
Public Employees Retirement System	\$ 330,200	\$ 330,200	\$ 330,187	\$ 13	
Social Security System (O.A.S.I.)	240,000	240,000	232,423	7,577	
DCRP Employer Contribution	5,000	5,000	2,505	2,495	
Police & Firemen's Retirement System	<u>547,900</u>	<u>547,900</u>	<u>547,842</u>	<u>58</u>	<u>-</u>
Total Deferred Charges & Statutory Expenditures - Municipal Within "CAPS"	<u>1,123,100</u>	<u>1,123,100</u>	<u>1,112,957</u>	<u>10,143</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>11,991,515</u>	<u>11,991,515</u>	<u>11,286,045</u>	<u>705,470</u>	<u>-</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
EDUCATIONAL FUNCTIONS					
Municipal Library	1,447,395	1,447,395	1,447,393	2	
Employee Group Health Insurance	27,350	27,350	27,350		
NJ DEP Stormwater Permit	<u>7,500</u>	<u>7,500</u>	<u>7,305</u>	<u>195</u>	<u>-</u>
Total Other Operations Excluded from "CAPS"	<u>1,482,245</u>	<u>1,482,245</u>	<u>1,482,048</u>	<u>197</u>	<u>-</u>
Interlocal Municipal Service Agreements					
Enhanced 911 Service - Northwest Bergen					
Central Dispatch					
Other Expenses	<u>8,000</u>	<u>8,000</u>	<u>7,817</u>	<u>183</u>	<u>-</u>
Total Interlocal Municipal Service Agreements	<u>8,000</u>	<u>8,000</u>	<u>7,817</u>	<u>183</u>	<u>-</u>

BOROUGH OF FRANKLIN LAKES
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

	<u>Appropriations</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
GENERAL APPROPRIATIONS (Cont'd.)					
OPERATIONS - EXCLUDED FROM "CAPS" (Cont'd.)					
Public and Private Programs Offset by Revenues					
Clean Communities Grant		\$ 29,436	\$ 29,436		
Municipal Alliance on Alcoholism and Drug Abuse					
County Share	\$ 9,876	9,876	9,876		
Local Share	5,000	5,000		\$ 5,000	
Private Donations	1,750	18,350	18,350		
Recycling Tonnage Grant	14,446	14,446	14,446		
Citizen Corp		700	700		
2015 Drive Sober/Get Pulled Over Grant		4,870	4,870		
Drunk Driving Enforcement Fund		3,424	3,424		
Click It or Ticket		3,878	3,878		
Thomas W. Murphy, Jr. Fund	22,000	22,000	22,000		
Thomas W. Murphy, Jr. -Police Headquarters	100,000	100,000	100,000		
Meyer Foundation - Police Headquarters	-	50,000	50,000	-	-
	<u>153,072</u>	<u>261,980</u>	<u>256,980</u>	<u>5,000</u>	<u>-</u>
Total Public and Private Programs Offset by Revenues					
	<u>153,072</u>	<u>261,980</u>	<u>256,980</u>	<u>5,000</u>	<u>-</u>
Total Operations Excluded from "CAPS"	<u>1,643,317</u>	<u>1,752,225</u>	<u>1,746,845</u>	<u>5,380</u>	<u>-</u>
Detail					
Salaries & Wages					
Other Expenses	<u>1,643,317</u>	<u>1,752,225</u>	<u>1,746,845</u>	<u>5,380</u>	<u>-</u>
CAPITAL IMPROVEMENTS EXCLUDED FROM "CAPS"					
Capital Improvement Fund	<u>600,000</u>	<u>600,000</u>	<u>600,000</u>	<u>-</u>	<u>-</u>
Total Capital Improvements - Excluded from "CAPS"	<u>600,000</u>	<u>600,000</u>	<u>600,000</u>	<u>-</u>	<u>-</u>
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	1,160,000	1,160,000	1,160,000		
Interest on Bonds	<u>409,000</u>	<u>409,000</u>	<u>408,982</u>	<u>-</u>	<u>18</u>
Total Municipal Debt Service - Excluded from "CAPS"	<u>1,569,000</u>	<u>1,569,000</u>	<u>1,568,982</u>	<u>-</u>	<u>18</u>
DEFERRED CHARGES					
Special Emergency Authorization	<u>16,000</u>	<u>16,000</u>	<u>16,000</u>	<u>-</u>	<u>-</u>
Total Deferred Charges - Municipal Excluded from "CAPS"	<u>16,000</u>	<u>16,000</u>	<u>16,000</u>	<u>-</u>	<u>-</u>
Total General Appropriations Excluded from "CAPS"	<u>3,828,317</u>	<u>3,937,225</u>	<u>3,931,827</u>	<u>5,380</u>	<u>18</u>

BOROUGH OF FRANKLIN LAKES
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

	<u>Appropriations</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
Subtotal General Appropriations	\$ 15,819,832	\$ 15,928,740	\$ 15,217,872	\$ 710,850	\$ 18
Reserve for Uncollected Taxes	<u>885,000</u>	<u>885,000</u>	<u>885,000</u>	<u>-</u>	<u>-</u>
Total General Appropriations	<u>\$ 16,704,832</u>	<u>\$ 16,813,740</u>	<u>\$ 16,102,872</u>	<u>\$ 710,850</u>	<u>\$ 18</u>
Budget as Adopted		\$ 16,704,832			
Added by N.J.S. 40A:4-87		<u>108,908</u>			
		<u>\$ 16,813,740</u>			

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2014 STATEMENT OF EXPENDITURES
CURRENT FUND

BOROUGH OF FRANKLIN LAKES
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Appropriations</u>		<u>Expended</u>		<u>Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
GENERAL APPROPRIATIONS					
Operations - Within "CAPS"					
GENERAL GOVERNMENT					
General Administration					
Salaries and Wages	\$ 234,625	\$ 234,625	\$ 224,277	\$ 10,348	
Other Expenses	77,850	85,850	81,392	4,458	
Mayor & Council					
Salaries and Wages	30,000	30,000	30,000		
Other Expenses	6,250	6,250	5,407	843	
Municipal Clerk					
Salaries and Wages	129,435	129,435	125,581	3,854	
Other Expenses	34,950	34,950	29,526	5,424	
Financial Administration					
Salaries and Wages	157,625	157,625	151,134	6,491	
Other Expenses	32,800	62,800	52,443	10,357	
Audit Services					
Other Expenses	43,000	48,500	46,032	2,468	
Revenue Administration (Tax Collection)					
Salaries and Wages	58,940	58,940	58,059	881	
Other Expenses	18,360	13,360	12,361	999	
Tax Assessment Administration					
Salaries and Wages	56,095	56,095	54,523	1,572	
Other Expenses	32,290	12,290	9,088	3,202	
Legal Services (Legal Department)					
Other Expenses	152,000	140,500	132,460	8,040	
Engineering Services and Costs					
Salaries and Wages	48,850	48,850	48,850		
Other Expenses	109,700	114,700	112,254	2,446	
Land Use Administration					
Planning Board					
Salaries and Wages	4,200	4,200	2,800	1,400	
Other Expenses	10,410	10,410	9,511	899	
Zoning Board of Adjustment					
Salaries and Wages	2,400	2,405	2,400	5	
Other Expenses	10,865	10,865	5,887	4,978	
Zoning Official					
Salaries and Wages	15,290	15,290	14,639	651	
Insurance					
Unemployment Insurance	5,000				
General Liability	183,220	183,220	182,589	631	
Worker's Compensation	211,992	211,992	211,293	699	
Employee Group Health	1,573,125	1,494,625	1,445,457	49,168	
Other Insurance Premiums	30,500	24,655	24,655		

BOROUGH OF FRANKLIN LAKES
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)

	<u>Appropriations</u>		<u>Expended</u>		<u>Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
GENERAL APPROPRIATIONS (Cont'd.)					
Operations - Within "CAPS" (Continued)					
PUBLIC SAFETY					
Police Department					
Salaries and Wages	\$ 2,744,485	\$ 2,721,325	\$ 2,704,578	\$ 16,747	
Other Expenses	138,700	138,700	117,893	20,807	
Acquisition of Vehicles	29,000	29,000	27,597	1,403	
Office of Emergency Management					
Other Expenses	11,000	11,000	9,983	1,017	
Ambulance Service					
Other Expenses	70,600	70,600	43,592	27,008	
Fire Department					
Salaries and Wages	8,100	8,100	3,666	4,434	
Other Expenses	126,010	150,010	148,239	1,771	
Uniform Fire Safety					
Salaries and Wages	44,500	44,500	40,713	3,787	
Other Expenses	249,750	249,750	240,774	8,976	
Municipal Court					
Salaries and Wages	152,115	152,115	145,827	6,288	
Other Expenses	10,025	10,025	7,858	2,167	
Municipal Court Public Defender					
Salaries and Wages	4,800	4,800	4,500	300	
Municipal Prosecutor's Office					
Salaries and Wages	17,500	17,500	15,874	1,626	
PUBLIC WORKS					
Streets and Road Maintenance					
Salaries and Wages	1,049,930	1,049,930	1,034,927	15,003	
Other Expenses	491,400	543,900	481,081	62,819	
Solid Waste Collection					
Other Expenses	415,000	419,000	406,632	12,368	
Buildings and Grounds					
Other Expenses	149,300	168,300	168,266	34	
Vehicle Maintenance (including Police)					
Other Expenses	245,500	313,500	311,856	1,644	
Shade Tree					
Salaries and Wages	37,050	37,050	35,653	1,397	
Other Expenses	4,200	4,200	2,679	1,521	
HEALTH AND HUMAN SERVICES					
Board of Health					
Salaries and Wages	58,045	58,045	52,675	5,370	
Other Expenses	72,005	72,005	68,532	3,473	
Animal Control Services					
Other Expenses	13,000	13,000	12,355	645	
PARK AND RECREATION FUNCTIONS					
Recreation Services and Programs					
Salaries and Wages	155,000	155,000	146,284	8,716	
Other Expenses	250,300	250,300	237,150	13,150	
Senior Citizens Programs					
Other Expenses	14,000	14,000	14,000		

BOROUGH OF FRANKLIN LAKES
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDING DECEMBER 31, 2014
(Continued)

	<u>Appropriations</u>		<u>Expended</u>		<u>Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
GENERAL APPROPRIATIONS (Cont'd.)					
Operations - Within "CAPS" (Continued)					
Environment Commission					
Other Expenses	\$ 2,000	\$ 2,000	\$ 503	\$ 1,497	
Celebration of Public Events					
Other Expenses	4,000	4,000	2,035	1,965	
Cable T.V. Committee					
Other Expenses	2,520	2,520		2,520	
UNIFORM CONSTRUCTION CODE					
APPROPRIATIONS OFFSET BY					
DEDICATED REVENUES (NJAC5:23-4-17)					
CODE ENFORCEMENT AND ADMIN					
Uniform Construction Code Enforcement Functions					
Building Inspector					
Salaries and Wages	137,070	137,070	134,299	2,771	
Other Expenses	45,450	45,450	43,061	2,389	
Other Code Enforcement Functions					
Electrical Inspector					
Salaries and Wages	53,000	53,000	41,808	11,192	
Plumbing Inspector					
Salaries and Wages	26,000	26,000	22,950	3,050	
Fire Protection Official					
Salaries and Wages	33,000	33,000	32,925	75	
UNCLASSIFIED:					
UTILITY EXPENSES AND BULK PURCHASES					
Electricity	180,000	180,000	178,441	1,559	
Street Lighting	19,000	22,000	20,984	1,016	
Telephone	30,000	30,000	25,926	4,074	
Water	30,000	30,000	20,611	9,389	
Gasoline	130,000	130,000	93,864	36,136	
Landfill/Solid Waste Disposal Costs	335,000	335,000	312,847	22,153	
Telecommunications	7,000	7,000	5,461	1,539	-
Total Operations Within "CAPS"	10,865,127	10,935,127	10,491,517	443,610	-
Contingent	-	-	-	-	-
Total Operations including Contingent - Within "CAPS"	10,865,127	10,935,127	10,491,517	443,610	-
Detail:					
Salaries and Wages	5,258,055	5,234,900	5,128,942	105,958	-
Other Expenses	5,607,072	5,700,227	5,362,575	337,652	-

BOROUGH OF FRANKLIN LAKES
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)

	<u>Appropriations</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
GENERAL APPROPRIATIONS (Cont'd.)					
DEFERRED CHARGES AND STATUTORY					
EXPENDITURES - MUNICIPAL WITHIN					
"CAPS"					
Statutory Charges					
Public Employees Retirement System	\$ 332,380	\$ 299,380	\$ 298,661	\$ 719	
Social Security System (O.A.S.I.)	240,000	240,000	229,031	10,969	
DCRP Employer Contribution	5,000	5,000	2,560	2,440	
Police & Firemen's Retirement System	<u>574,424</u>	<u>537,424</u>	<u>537,286</u>	<u>138</u>	<u>-</u>
Total Deferred Charges & Statutory Expenditures - Municipal Within "CAPS"	<u>1,151,804</u>	<u>1,081,804</u>	<u>1,067,538</u>	<u>14,266</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>12,016,931</u>	<u>12,016,931</u>	<u>11,559,055</u>	<u>457,876</u>	<u>-</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
EDUCATIONAL FUNCTIONS					
Municipal Library	1,413,547	1,413,547	1,413,547		
NJ DEP Stormwater Permit	<u>6,500</u>	<u>6,500</u>	<u>6,315</u>	<u>185</u>	<u>-</u>
Total Other Operations Excluded from "CAPS"	<u>1,420,047</u>	<u>1,420,047</u>	<u>1,419,862</u>	<u>185</u>	<u>-</u>
Interlocal Municipal Service Agreements					
Enhanced 911 Service - Northwest Bergen					
Central Dispatch					
Other Expenses	<u>8,000</u>	<u>8,000</u>	<u>7,817</u>	<u>183</u>	<u>-</u>
Total Interlocal Municipal Service Agreements	<u>8,000</u>	<u>8,000</u>	<u>7,817</u>	<u>183</u>	<u>-</u>

BOROUGH OF FRANKLIN LAKES
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)

	<u>Appropriations</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
GENERAL APPROPRIATIONS (Cont'd.)					
OPERATIONS - EXCLUDED FROM "CAPS" (Cont'd.)					
Public and Private Programs Offset by Revenues					
Clean Communities Grant		\$ 46,414	\$ 46,414		
Municipal Alliance on Alcoholism and Drug Abuse					
County Share	\$ 9,876	10,996	1,120	\$ 9,876	
Local Share					
Matching Funds for Grants	3,000	3,000	1,805	1,195	
Private Donations		15,800	15,800		
Recycling Tonnage Grant		14,403	14,403		
ADA Compliant Curbs					
2014 Drive Sober/Get Pulled Over Grant		4,778	4,778		
Open Space Preservation, LLC		47,905	47,905		
Drunk Driving Enforcement Fund		2,709	2,709		
2010 Drunk Driving Enforcement Fund		492	492		
Click It or Ticket		3,762	3,762		
Thomas W. Murphy, Jr. Fund		114,000	114,000		
Thomas W. Murphy, Jr. -Police Headquarters		50,000	50,000		
Meyer Foundation - Police Headquarters	-	100,000	100,000	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Public and Private Programs Offset by Revenues	<u>12,876</u>	<u>414,259</u>	<u>403,188</u>	<u>11,071</u>	<u> </u>
Total Operations Excluded from "CAPS"	<u>1,440,923</u>	<u>1,842,306</u>	<u>1,830,867</u>	<u>11,439</u>	<u> </u>
Detail					
Salaries & Wages					
Other Expenses	<u>1,440,923</u>	<u>1,842,306</u>	<u>1,830,867</u>	<u>11,439</u>	<u> </u>
CAPITAL IMPROVEMENTS EXCLUDED FROM "CAPS"					
Capital Improvement Fund	<u>556,900</u>	<u>556,900</u>	<u>556,900</u>	<u> </u>	<u> </u>
Total Capital Improvements - Excluded from "CAPS"	<u>556,900</u>	<u>556,900</u>	<u>556,900</u>	<u> </u>	<u> </u>
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	880,000	880,000	805,850		\$ 74,150
Payment of Bond Anticipation Notes and Capital Notes	107,000	107,000	106,910		90
Interest on Bonds	385,600	385,600	344,849		40,751
Interest on Notes	<u>50,000</u>	<u>50,000</u>	<u>44,868</u>	<u> </u>	<u>5,132</u>
Total Municipal Debt Service - Excluded from "CAPS"	<u>1,422,600</u>	<u>1,422,600</u>	<u>1,302,477</u>	<u> </u>	<u>120,123</u>
DEFERRED CHARGES					
Special Emergency Authorization	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u> </u>	<u> </u>
Total Deferred Charges - Municipal Excluded from "CAPS"	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u> </u>	<u> </u>
Total General Appropriations Excluded from "CAPS"	<u>3,440,423</u>	<u>3,841,806</u>	<u>3,710,244</u>	<u>11,439</u>	<u>120,123</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF FRANKLIN LAKES
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)

	<u>Appropriations</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
Subtotal General Appropriations	\$ 15,457,354	\$ 15,858,737	\$ 15,269,299	\$ 469,315	\$ 120,123
Reserve for Uncollected Taxes	<u>885,000</u>	<u>885,000</u>	<u>885,000</u>	-	-
Total General Appropriations	<u>\$ 16,342,354</u>	<u>\$ 16,743,737</u>	<u>\$ 16,154,299</u>	<u>\$ 469,315</u>	<u>\$ 120,123</u>
Budget as Adopted		\$ 16,342,354			
Added by N.J.S. 40A:4-87		<u>401,383</u>			
		<u>\$ 16,743,737</u>			

BOROUGH OF FRANKLIN LAKES
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2016 (UNAUDITED), 2015 AND 2014

ASSETS	<u>2016</u> (Unaudited)	<u>2015</u>	<u>2014</u>
ANIMAL CONTROL FUND			
Cash	\$ 38,161	\$ 31,003	\$ 34,947
OTHER TRUST FUND			
Cash	<u>3,262,660</u>	<u>2,802,394</u>	<u>2,774,226</u>
ASSESSMENT TRUST FUND			
Cash	153,050	145,409	117,578
Assessments Receivable	<u>28,791</u>	<u>34,702</u>	<u>60,331</u>
	<u>181,841</u>	<u>180,111</u>	<u>177,909</u>
UNEMPLOYMENT INSURANCE TRUST FUND			
Cash	<u>20,068</u>	<u>21,680</u>	<u>21,043</u>
 Total Assets	 <u>\$ 3,502,730</u>	 <u>\$ 3,035,188</u>	 <u>\$ 3,008,125</u>

BOROUGH OF FRANKLIN LAKES
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2016 (UNAUDITED), 2015 AND 2014
(Continued)

LIABILITIES, RESERVES AND FUND BALANCE	<u>2016</u> (Unaudited)	<u>2015</u>	<u>2014</u>
ANIMAL CONTROL FUND			
Due to Current Fund	\$ 5,843	\$ 5,843	\$ 12,204
Due to State of NJ	-	14	4
Reserve for Animal Control Expenditures	<u>32,318</u>	<u>25,146</u>	<u>22,739</u>
	<u>38,161</u>	<u>31,003</u>	<u>34,947</u>
OTHER TRUST FUND			
Payroll Deductions and Withholdings Payable	30,136	36,627	40,547
Due to Current Fund	53	286	
Reserve for:			
Affordable Housing	1,222,726	829,797	518,122
Miscellaneous Reserves	446,138	451,364	568,519
Escrow Deposits	1,563,607	1,477,375	1,640,093
Library Excess Funds	<u>-</u>	<u>6,945</u>	<u>6,945</u>
	<u>3,262,660</u>	<u>2,802,394</u>	<u>2,774,226</u>
ASSESSMENT TRUST FUND			
Due to Current Fund	18,427	16,697	14,495
Due to General Capital Fund	<u>163,414</u>	<u>163,414</u>	<u>163,414</u>
	<u>181,841</u>	<u>180,111</u>	<u>177,909</u>
UNEMPLOYMENT INSURANCE TRUST FUND			
Due to the State of New Jersey	-	472	324
Reserve for Unemployment Insurance Claims	<u>20,068</u>	<u>21,208</u>	<u>20,719</u>
	<u>20,068</u>	<u>21,680</u>	<u>21,043</u>
Total Liabilities, Reserves and Fund Balance	<u><u>\$ 3,502,730</u></u>	<u><u>\$ 3,035,188</u></u>	<u><u>\$ 3,008,125</u></u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF FRANKLIN LAKES
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2016 (UNAUDITED), 2015 AND 2014

ASSETS	<u>2016</u> (Unaudited)	<u>2015</u>	<u>2014</u>
Cash	\$ 1,279,359	\$ 3,437,899	\$ 1,505,813
Grants Receivable	88,000	88,000	352,000
Due from Assessment Trust Fund	163,414	163,414	163,414
Deferred Charges to Future Taxation - Funded	11,260,000	12,480,000	13,640,000
Deferred Charges to Future Taxation - Unfunded	<u>3,686,991</u>	<u>3,406,148</u>	<u>762,967</u>
 Total Assets	 <u>\$ 16,477,764</u>	 <u>\$ 19,575,461</u>	 <u>\$ 16,424,194</u>
 LIABILITIES, RESERVES AND FUND BALANCE			
Serial Bond Payable	\$ 11,260,000	\$ 12,480,000	\$ 13,640,000
Bond Anticipation Notes	3,624,000	3,122,000	
Improvement Authorizations			
Funded	423,073	423,400	874,773
Unfunded	33,634	584,037	731,716
Encumbrances Payable	124,896	2,262,993	98,876
Capital Improvement Fund	125,808	41,281	81,161
Reserve for Payment of Debt	311,654	206,794	52,619
Reserve for Grants Receivable	88,000	88,000	352,000
Reserve for COAH - RCA Debt	142,925	327,925	507,925
Fund Balance	<u>343,774</u>	<u>39,031</u>	<u>85,124</u>
 Total Liabilities, Reserves and Fund Balance	 <u>\$ 16,477,764</u>	 <u>\$ 19,575,461</u>	 <u>\$ 16,424,194</u>

There were bonds and notes authorized but not issued on December 31, 2016 (Unaudited), 2015 and 2014 of \$181,527, \$318,850 and \$823,298, respectively.

BOROUGH OF FRANKLIN LAKES
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS
GENERAL CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2016 (UNAUDITED), 2015 AND 2014

	<u>2016</u> <u>(Unaudited)</u>	<u>2015</u>	<u>2014</u>
Balance, January 1	\$ 39,031	\$ 85,124	\$ 122,124
Increased by:			
Cancellation of Funded Improvement Authorizations	304,744		
Grant Proceeds on Fully Funded Ordinances		32,746	
Premium on Sale of Bond Anticipation Note	-	28,161	-
	<u>304,744</u>	<u>60,907</u>	<u>-</u>
Decreased by:			
Appropriated to Finance Improvement Authorizations	-	107,000	37,000
Balance, December 31	<u>\$ 343,775</u>	<u>\$ 39,031</u>	<u>\$ 85,124</u>

BOROUGH OF FRANKLIN LAKES
BALANCE SHEET - REGULATORY BASIS - SEWER UTILITY FUND
AS OF DECEMBER 31, 2016 (UNAUDITED) AND 2015 (Inception Year)

	<u>2016</u> (Unaudited)	<u>2015</u>
ASSETS		
Operating Fund		
Cash	\$ 64,323	\$ 64,856
Total Operating Fund	<u>64,323</u>	<u>64,856</u>
Total Assets	<u>\$ 64,323</u>	<u>\$ 64,856</u>
LIABILITIES, RESERVES AND FUND BALANCE		
Operating Fund		
Appropriation Reserves	\$ 19,934	\$ 23,469
Accounts Payable	<u>-</u>	<u>24,000</u>
Fund Balance	<u>19,934</u>	<u>47,469</u>
Total Operating Fund	<u>64,323</u>	<u>64,856</u>
Total Liabilities, Reserves and Fund Balance	<u>\$ 64,323</u>	<u>\$ 64,856</u>

BOROUGH OF FRANKLIN LAKES
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS - SEWER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2016 (UNAUDITED) AND 2015 (Inception Year)

	<u>2016</u> (Unaudited)	<u>2015</u>
Revenue and Other Income Realized		
Sewer User Fees	\$ 62,076	\$ 32,378
Sewer Connection Fees	23,752	38,559
Miscellaneous Revenue Not Anticipated	405	
Unexpended Balance of Appropriation Reserves	<u>23,469</u>	<u>-</u>
	<u>109,702</u>	<u>70,937</u>
Expenditures		
Budget Appropriations		
Operating	<u>82,700</u>	<u>53,550</u>
	<u>82,700</u>	<u>53,550</u>
Excess of Revenues Over Expenditures	27,002	17,387
Fund Balance, January 1	<u>17,387</u>	<u>-</u>
Fund Balance, December 31	<u>\$ 44,389</u>	<u>\$ 17,387</u>

BOROUGH OF FRANKLIN LAKES
COMPARATIVE STATEMENTS OF REVENUES - REGULATORY BASIS
SEWER UTILITY OPERATING FUND
FOR THE YEARS ENDED DECEMBER 31, 2016 (UNAUDITED) AND 2015 (Inception Year)

	<u>2016 (Unaudited)</u>		<u>2015</u>	
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
Sewer User Fees	\$ 52,700	\$ 62,076	\$ 30,400	\$ 32,378
Sewer Connection Fees	<u>30,000</u>	<u>23,752</u>	<u>23,150</u>	<u>38,559</u>
	<u>\$ 82,700</u>	<u>\$ 85,828</u>	<u>\$ 53,550</u>	<u>\$ 70,937</u>

**STATEMENT OF EXPENDITURES - REGULATORY BASIS
SEWER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2016 (UNAUDITED)**

	Appropriation		Expended	
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>
Operating Other Expenses	\$ 82,700	\$ 82,700	\$ 62,766	\$ 19,934
	<u>\$ 82,700</u>	<u>\$ 82,700</u>	<u>\$ 62,766</u>	<u>\$ 19,934</u>

EXHIBIT D-3b

**STATEMENT OF EXPENDITURES - REGULATORY BASIS
SEWER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2015
(Inception Year)**

	Appropriation		Expended	
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>
Operating Other Expenses	\$ 53,550	\$ 53,550	\$ 30,081	\$ 23,469
	<u>\$ 53,550</u>	<u>\$ 53,550</u>	<u>\$ 30,081</u>	<u>\$ 23,469</u>

BOROUGH OF FRANKLIN LAKES
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL FIXED ASSETS ACCOUNT GROUP
AS OF DECEMBER 31, 2016 (UNAUDITED), 2015 AND 2014

	<u>2016</u> (Unaudited)	<u>2015</u>	<u>2014</u>
ASSETS			
Land	Not	\$ 22,916,821	\$ 22,916,821
Buildings and Improvements	Available	7,407,257	7,407,257
Vehicles		5,642,866	5,439,010
Machinery and Equipment		<u>6,803,321</u>	<u>6,868,639</u>
 Total Assets		 <u>\$ 42,770,265</u>	 <u>\$ 42,631,727</u>
 FUND BALANCE			
 Investment in General Fixed Assets		 <u>\$ 42,770,265</u>	 <u>\$ 42,631,727</u>

NOTES TO FINANCIAL STATEMENTS

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 (UNAUDITED), 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Borough of Franklin Lakes (the "Borough") was incorporated in 1922 and operates under an elected Mayor and Council form of government. The Mayor is elected to a four-year term and the six council members are elected at-large, two each year for terms of three years. The Mayor is the Chief Executive Officer of the Borough and as such presides over all public meetings and makes appointments to various boards. The Borough Council exercises all legislative powers including final adoption of the municipal budget and bond ordinances and confirmation of the Mayor's appointments, and all executive authority which is not specifically provided to the Mayor, by state law. A Borough Administrator is appointed by the Borough Council and is responsible for the implementation of the policies of the Mayor and Council, for the administration of all Borough affairs and for the day to day operations of the Borough. The Borough Administrator is the Chief Administrative Officer for the Borough. The Borough's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

GASB requires the financial reporting entity to include both the primary government and component units. Component units are legally separate organizations for which the Borough is financially accountable. The Borough is financially accountable for an organization if the Borough appoints a voting majority of the organization's governing board and (1) the Borough is able to significantly influence the programs or services performed or provided by the organization; or (2) the Borough is legally entitled to or can otherwise access the organization's resources; the Borough is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Borough is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Borough in that the Borough approves the budget, the issuance of debt or the levying of taxes. The Borough is not includable in any other reporting entity as a component unit.

The financial statements contained herein include only those boards, bodies, officers or commissions as required by NJS 40A:5-5. Accordingly, the financial statements of the Borough do not include the municipal library, volunteer fire department, or volunteer ambulance squad, which are considered component units under GAAP. Complete financial statements of the above component units can be obtained by contacting the Treasurer of the respective entity.

B. Description of Regulatory Basis of Accounting

The financial statements of the Borough of Franklin Lakes have been prepared on a basis of accounting in conformity with accounting principles and practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") which is a regulatory basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). 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 Borough accounts for its financial transactions through separate funds, which differ from the fund structure required by GAAP.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB has adopted accounting statements 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 municipalities in the State of New Jersey do not prepare financial statements in accordance with GAAP and thus do not comply with all of the GASB pronouncements.

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 (UNAUDITED), 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements

The Borough uses funds, as required by the Division, to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial administration by segregating transactions related to certain Borough functions or activities. The Borough also uses an account group, which is designed to provide accountability for certain assets that are not recorded in those Funds.

The Borough has the following funds and account group:

Current Fund – This fund is used to account for the revenues and expenditures for governmental operations of a general nature and the assets and liabilities related to such activities, including Federal and State grants not accounted for in another fund.

Trust Funds - These funds are used to account for assets held by the government in a trustee capacity. Funds held by the Borough as an agent for individuals, private organizations, or other governments are recorded in the Trust Funds.

Animal Control Fund - This fund is used to account for fees collected from dog and cat licenses and expenditures which are regulated by NJS 4:19-15.11.

Other Trust Fund - This fund is established to account for the assets and resources, which are held by the Borough as a trustee or agent for individuals, private organizations, other governments and/or other funds. These funds include dedicated fees/proceeds collected, developer deposits, payroll related deposits and funds deposited with the Borough as collateral.

Assessment Trust Fund - This fund is used to account for special benefit assessments levied against properties for specific purposes.

Unemployment Insurance Fund - This fund is used to account for employee and employer contributions for the purpose of providing unemployment benefits to former eligible employees.

General Capital Fund – This fund is used to account for the receipt and disbursement of funds used and related financial transactions related to the acquisition or improvement of general capital facilities and other capital assets, other than those acquired in the Current Fund.

Sewer Utility Fund - This fund is used to account for the revenues and expenditures for the operation of the Borough's sanitary sewerage system and the assets and liabilities relative to such activities.

General Fixed Assets Account Group - This account group is used to account for all general fixed assets of the Borough. The Borough's infrastructure is not reported in the account group.

Comparative Data - Comparative data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Borough'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.

Reclassifications - Certain reclassifications may have been made to the December 31, 2014 balances to conform to the December 31, 2015 presentation.

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 (UNAUDITED), 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

Financial Statements – Regulatory Basis

The GASB Codification also requires the financial statements of a governmental unit to be presented in the basic financial statements in accordance with GAAP. The Borough presents the regulatory basis financial statements listed in the table of contents which are required by the Division and which differ from the basic financial statements required by GAAP. In addition, the Division requires the regulatory basis financial statements listed in the table of contents to be referenced to the supplementary schedules. This practice differs from reporting requirements under GAAP.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the accounting principles and practices prescribed by the Division in accordance with the regulatory basis of accounting. Measurement focus indicates the type of resources being measured. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The Borough of Franklin Lakes follows a modified accrual basis of accounting. Under this method of accounting, revenues, except State/Federal Aid, are recognized when received and expenditures are recorded when incurred. The accounting principles and practices prescribed or permitted for municipalities by the Division (“regulatory basis of accounting”) differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. The more significant differences are as follows:

Cash and Investments - Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. Investments are reported at cost and are limited by N.J.S.A. 40A:5-15.1 et seq. GAAP requires that all investments be reported at fair value.

Inventories - The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets. GAAP requires inventories to be recorded as assets in proprietary-type funds.

Property Tax Revenues/Receivables - Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, 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. A penalty of up to 6% of the delinquency may be imposed on a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the fiscal year in which the charges become delinquent. 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 quarterly on February 15, May 15, August 15 and November 15, to the County by the Borough. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on April first in the year following the calendar year levy when the same became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing the property on a standard tax sale. The Borough also has the option when

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 (UNAUDITED), 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Property Tax Revenues/Receivables (Continued)

unpaid taxes or any municipal lien, or part thereof, on real property remains in arrears on the 11th day of the eleventh month in the fiscal year when the taxes or lien became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing property on an accelerated tax sale, provided that the sale is conducted and completed no earlier than in the last month of the fiscal year. The Borough may institute annual in rem tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property. 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 tax receivable and tax title liens that are uncollectible. GAAP requires property tax revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both levied and available), reduced by an allowance for doubtful accounts.

Miscellaneous Revenues/Receivables - Miscellaneous revenues are recognized on a cash basis. Receivables for the miscellaneous items that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both measurable and available).

Utility Revenues/Receivables - Utility charges are levied quarterly based upon a flat service charge and if applicable, an excess consumption or usage charge. Revenues from these sources are recognized on a cash basis. Receivables that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Borough's sewer utility operating fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

Grant and Similar Award Revenues/Receivables - Federal and State grants, entitlements or shared revenues received for purposes normally financed through the Current Fund are recognized when anticipated in the Borough's budget. GAAP requires such revenues to be recognized as soon as all eligibility requirements imposed by the grantor or provider have been met.

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. GAAP does not require the establishment of an offsetting reserve for interfunds and, therefore, does not recognize income in the year liquidated.

Prepaid Items – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items in the current fund, except for prepaid debt service, are offset by a reserve, created by a charge to operations. GAAP does not require the establishment of a reserve for prepaid items.

Deferred Charges – Certain expenditures, operating deficits and other items are required to be deferred to budgets of succeeding years. GAAP requires expenditures, operating deficits and certain other items generally to be recognized when incurred, if measurable.

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 (UNAUDITED), 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Appropriation Reserves – Appropriation reserves are recorded as liabilities and are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding year. Lapsed appropriation reserves are recorded as additions to income. Appropriation reserves do not exist under GAAP.

Expenditures – 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 appropriation 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, as well as expenditures related to compensated absences and claims and judgements, which are recognized when due.

Encumbrances - Contractual orders outstanding at December 31, are reported as expenditures and liabilities through the establishment of an encumbrance payable. Encumbrances do not constitute expenditures or liabilities under GAAP.

Compensated Absences - Expenditures relating to obligations for unused vested accumulated vacation and sick leave are not recorded until paid; however, municipalities may establish and budget reserve funds subject to NJSA 40A:4-39 for the future payment of compensated absences. GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining obligations are recorded as a long-term obligation in the government-wide financial statements.

Tax Appeals and Other Contingent Losses - Losses arising from tax appeals and other contingent losses are recognized at the time a decision is rendered by an administrative or judicial body; however, municipalities may establish reserves transferred from tax collections or by budget appropriation for future payments of tax appeal losses. GAAP requires such amounts to be recorded when it is probable that a loss has been incurred and the amount of such loss can be reasonably estimated.

General Fixed Assets - In accordance with NJAC 5:30-5.6, Accounting for Governmental Fixed Assets, the Borough of Franklin Lakes has developed a fixed assets accounting and reporting system. Fixed assets are defined by the Borough as assets with an initial, individual cost of \$2,000 and an estimated useful life in excess of two years.

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 sewerage and drainage systems are not capitalized.

Fixed Assets purchased after December 31, 1997 are stated as cost. Donated fixed assets are recorded at estimated fair market value at the date of donation.

Fixed Assets purchased prior to December 31, 1997 are stated as follows:

Land and Buildings	Assessed Value
Machinery and Equipment	Replacement Cost

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 (UNAUDITED), 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

General Fixed Assets (Continued)

No depreciation has been provided for in the financial statements.

Expenditures for construction in progress are recorded in the General Capital Fund until such time as the construction is completed and put into operation for general fixed assets.

GAAP requires that capital assets be recorded in proprietary-type funds as well as the government-wide financial statement at historical or estimated historical cost if actual historical cost is not available. In addition, GAAP requires depreciation on capital assets to be recorded in proprietary-type funds as well as in the government-wide financial statements.

Use of Estimates - The preparation of financial statements requires management of the Borough to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of accrued revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting - An annual budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures. Budget amounts presented in the accompanying financial statements represent amounts adopted by the Borough and approved by the State Division of Local Government Services as per N.J.S.A. 40A:4 et seq.

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

General Capital Fund
Trust Funds (except Assessment Trust Fund)

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no 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. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. 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 governing body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2016 (Unaudited), 2015 and 2014 the Borough Council increased the original budget by \$302,441, \$108,908 and \$401,383. The increases were funded by additional aid allotted to the Borough. In addition, the governing body approved several budget transfers during 2016 (Unaudited), 2015 and 2014.

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 (UNAUDITED), 2015 AND 2014**

NOTE 3 CASH DEPOSITS AND INVESTMENTS

The Borough considers petty cash, change funds, cash in banks, certificates of deposit and deposits with the New Jersey Cash Management Fund as cash and cash equivalents.

A. Cash Deposits

The Borough’s deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC) or New Jersey’s Governmental Unit Deposit Protection Act (GUDPA). The Borough is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2016 (Unaudited), 2015 and 2014, the book value of the Borough's deposits were \$10,918,081, \$12,235,530 and \$9,391,815 and bank and brokerage firm balances of the Borough's deposits amounted to \$11,207,373, \$12,462,348 and \$9,430,036, respectively. The Borough's deposits which are displayed on the various fund balance sheets as "cash" or “cash and cash equivalents” are categorized as:

<u>Depository Account</u>	<u>2016</u> (Unaudited)	<u>Bank Balance</u> <u>2015</u>	<u>2014</u>
Insured	\$ 11,207,373	\$ 12,462,348	\$ 9,430,036

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The Borough does not have a formal policy for custodial credit risk. As of December 31, 2016 (Unaudited), 2015 and 2014, the Borough’s bank balances were not exposed to custodial credit risk.

B. Investments

The Borough is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 40A:5-15.1. Investments include bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the Borough or bonds or other obligations of the school districts which are a part of the Borough or school districts located within the Borough, Local Government investment pools, and agreements for the repurchase of fully collateralized securities, if transacted in accordance with NJSA 40A:5-15.1 (8a-8e).

As of December 31, 2016 (Unaudited), 2015 and 2014 the Borough had no outstanding investments.

Interest earned in the General Capital Fund, Assessment Trust Fund, Animal Control Fund and certain Other Trust Funds are assigned to the Current Fund in accordance with the regulatory basis of accounting.

BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 (UNAUDITED), 2015 AND 2014

NOTE 4 TAXES RECEIVABLE

Receivables at December 31, 2016 (Unaudited), 2015 and 2014 consisted of the following:

<u>Current</u>	<u>2016</u> (Unaudited)	<u>2015</u>	<u>2014</u>
Property Taxes	\$ 726,843	\$ 562,690	\$ 454,670
Tax Title Liens	<u>12,704</u>	<u>10,753</u>	<u>9,665</u>
	<u>\$ 739,547</u>	<u>\$ 573,443</u>	<u>\$ 464,335</u>

In 2016 (Unaudited), 2015 and 2014, the Borough collected \$561,102, \$436,319 and \$578,522 from delinquent taxes, which represented 98%, 94% and 98%, respectively of the prior year delinquent taxes receivable balance.

NOTE 5 DUE TO/FROM OTHER FUNDS

As of December 31, interfund receivables and payables that resulted from various interfund transactions were as follows:

	<u>2016 (Unaudited)</u>		<u>2015</u>		<u>2014</u>	
	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Current Fund	\$ 24,323		\$ 22,826		\$ 26,699	
Trust Fund:						
Animal Control		\$ 5,843		\$ 5,843		\$ 12,204
Other Trust		53		286		
Assessment Trust		181,841		180,111		177,909
General Capital Fund	<u>163,414</u>	<u>-</u>	<u>163,414</u>	<u>-</u>	<u>163,414</u>	<u>-</u>
Total	<u>\$ 187,737</u>	<u>\$ 187,737</u>	<u>\$ 186,240</u>	<u>\$ 186,240</u>	<u>\$ 190,113</u>	<u>\$ 190,113</u>

The above balances are the result of revenues being received or expenditures being paid by one fund on behalf of another.

The Borough expects all interfund balances to be liquidated within one year.

BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 (UNAUDITED), 2015 AND 2014

NOTE 6 DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Under the regulatory basis of accounting, certain expenditures are required to be deferred to budgets of succeeding years. At December 31, the following deferred charges are reported on the balance sheets of the following funds:

	<u>Balance</u> <u>December 31,</u>	<u>Subsequent Year</u> <u>Budget</u> <u>Appropriation</u>	<u>Balance to</u> <u>Succeeding</u> <u>Budgets</u>
<u>2016 (Unaudited)</u>			
Current Fund			
Special Emergency Authorizations (40A:4-55)	\$ -	\$ -	\$ -
<u>2015</u>			
Current Fund			
Special Emergency Authorizations (40A:4-55)	\$ -	\$ -	\$ -
<u>2014</u>			
Current Fund			
Special Emergency Authorizations (40A:4-55)	\$ 16,000	\$ 16,000	\$ -

NOTE 7 FUND BALANCES APPROPRIATED

Under the regulatory basis of accounting, fund balance in the Current Fund is comprised of cash surplus (fund balance) and non-cash surplus (fund balance). All or part of cash surplus as of December 31 may be anticipated in the subsequent year's budget. The non-cash surplus portion of fund balance may be utilized in the subsequent year's budget with the prior written consent of the Director of the Division of Local Government Services if certain guidelines are met as to its availability. Fund balances at December 31, which were appropriated and included as anticipated revenue in their own respective fund's budget for the succeeding year were as follows:

	Fund Balance December 31, <u>2016</u> <u>(Unaudited)</u>	Utilized in Subsequent <u>Year's Budget</u>	Fund Balance December 31, <u>2015</u>	Utilized in Subsequent <u>Year's Budget</u>	Fund Balance December 31, <u>2014</u>	Utilized in Subsequent <u>Year's Budget</u>
Current Fund						
Cash Surplus	\$ 3,627,980	(1)	\$ 3,741,513	\$ 1,413,207	\$ 3,014,719	\$ 875,000
Non-Cash Surplus	<u>15,020</u>		<u>14,884</u>	<u>-</u>	<u>30,781</u>	<u>-</u>
	<u>\$ 3,643,000</u>		<u>\$ 3,756,397</u>	<u>\$ 1,413,207</u>	<u>\$ 3,045,500</u>	<u>\$ 875,000</u>

(1) The 2017 Budget has not been introduced as of the date of this report.

BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 (UNAUDITED), 2015 AND 2014

NOTE 8 FIXED ASSETS

A. General Fixed Assets

The following is a summary of changes in the general fixed assets account group for the years ended December 31, 2015 and 2014. The changes in the general fixed assets account group for the years ended December 31, 2016 are not available.

	Balance December 31, <u>2014</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2015</u>
<u>2015</u>				
Land	\$ 22,916,821			\$ 22,916,821
Buildings and Improvements	7,407,257			7,407,257
Vehicles	5,439,010	\$ 317,556	\$ 113,700	5,642,866
Machinery and Equipment	<u>6,868,639</u>	<u>22,550</u>	<u>87,868</u>	<u>6,803,321</u>
	<u>\$ 42,631,727</u>	<u>\$ 340,106</u>	<u>\$ 201,568</u>	<u>\$ 42,770,265</u>
	Balance December 31, <u>2013</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2014</u>
<u>2014</u>				
Land	\$ 22,916,821			\$ 22,916,821
Buildings and Improvements	7,407,257			7,407,257
Vehicles	5,224,968	\$ 214,042		5,439,010
Machinery and Equipment	<u>6,880,322</u>	<u>22,414</u>	<u>\$ 34,097</u>	<u>6,868,639</u>
	<u>\$ 42,429,368</u>	<u>\$ 236,456</u>	<u>\$ 34,097</u>	<u>\$ 42,631,727</u>

BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 (UNAUDITED), 2015 AND 2014

NOTE 9 MUNICIPAL DEBT

The Local Bond Law governs the issuance of bonds and notes used to finance capital expenditures. General obligation bonds have been issued for general capital fund projects. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Borough are general obligation bonds, backed by the full faith and credit of the Borough. Bond anticipation notes, which are issued to temporarily finance capital projects, must be paid off within ten years and four months or retired by the issuance of bonds.

The Borough's debt is summarized as follows:

	<u>2016</u> (Unaudited)	<u>2015</u>	<u>2014</u>
Issued			
General			
Bonds and Notes	\$ 14,884,000	\$ 15,602,000	\$ 13,640,000
Less Funds Temporarily Held to Pay Bonds and Notes	<u>(544,324)</u>	<u>(534,719)</u>	<u>(560,544)</u>
Net Debt Issued	14,339,676	15,067,281	13,079,456
Authorized But Not Issued			
General			
Bonds and Notes	152,736	284,148	762,967
Assessment	<u>28,791</u>	<u>34,702</u>	<u>60,331</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 14,521,203</u>	<u>\$ 15,386,131</u>	<u>\$ 13,902,754</u>

BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 (UNAUDITED), 2015 AND 2014

NOTE 9 MUNICIPAL DEBT (Continued)

Statutory Net Debt

The statement of debt condition that follows is extracted from the Borough's Annual Debt Statement and indicates a statutory net debt of .330%, .353% and .322% at December 31, 2016 (Unaudited), 2015 and 2014, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2016 (Unaudited)</u>			
General Debt	\$ 15,065,527	\$ 544,324	\$ 14,521,203
School Debt	<u>11,402,169</u>	<u>11,402,169</u>	<u>-</u>
Total	<u>\$ 26,467,696</u>	<u>\$ 11,946,493</u>	<u>\$ 14,521,203</u>

<u>2015</u>			
General Debt	\$ 15,920,850	\$ 534,719	\$ 15,386,131
School Debt	<u>12,499,621</u>	<u>12,499,621</u>	<u>-</u>
Total	<u>\$ 28,420,471</u>	<u>\$ 13,034,340</u>	<u>\$ 15,386,131</u>

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2014</u>			
General Debt	\$ 14,463,298	\$ 560,544	\$ 13,902,754
School Debt	<u>13,391,074</u>	<u>13,391,074</u>	<u>-</u>
Total	<u>\$ 27,854,372</u>	<u>\$ 13,951,618</u>	<u>\$ 13,902,754</u>

Statutory Borrowing Power

The Borough's remaining borrowing power under N.J.S. 40A:2-6, as amended, at December 31, was as follows:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
	(Unaudited)		
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 154,139,778	\$ 152,402,236	\$ 150,722,848
Net Debt	<u>14,521,203</u>	<u>15,386,131</u>	<u>13,902,754</u>
Remaining Borrowing Power	<u>\$ 139,618,575</u>	<u>\$ 137,016,105</u>	<u>\$ 136,820,094</u>

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 (UNAUDITED), 2015 AND 2014**

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt

The Borough's long-term debt consisted of the following at December 31:

General Obligation Bonds

The Borough levies ad valorem taxes to pay debt service on general obligation bonds. General obligation bonds outstanding at December 31 are as follows:

	<u>2016</u> (Unaudited)	<u>2015</u>	<u>2014</u>
\$10,810,000, 2008 Bonds, due in annual installments of \$700,000 to \$985,000 through March 1, 2023, interest at 4.00% to 4.50%	\$ 6,085,000	\$ 6,785,000	\$ 7,435,000
\$5,055,000, 2014 Bonds, due in annual installments of \$235,000 to \$460,000 through September 1, 2029, interest at 1.00% to 2.00%	4,590,000	4,825,000	5,055,000
\$1,150,000, 2014 Refunding Bonds, due in annual installments of \$285,000 to \$295,000 through March 1, 2018, interest at 1.00%	<u>585,000</u>	<u>870,000</u>	<u>1,150,000</u>
	<u>\$ 11,260,000</u>	<u>\$ 12,480,000</u>	<u>\$ 13,640,000</u>

BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 (UNAUDITED), 2015 AND 2014

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2016 (Unaudited) is as follows:

Calendar Year	General		Total
	Principal	Interest	
2017	\$ 1,260,000	\$ 353,713	\$ 1,613,713
2018	1,315,000	312,138	1,627,138
2019	1,080,000	269,763	1,349,763
2020	1,130,000	226,413	1,356,413
2021	1,190,000	180,813	1,370,813
2022-2026	3,905,000	354,025	4,259,025
2027-2029	<u>1,380,000</u>	<u>55,200</u>	<u>1,435,200</u>
Total	<u>\$ 11,260,000</u>	<u>\$ 1,752,065</u>	<u>\$ 13,012,065</u>

Changes in Long-Term Municipal Debt

The Borough's long-term capital debt activity for the years ended December 31, 2016 (Unaudited), 2015 and 2014 were as follows:

	Balance, December 31, <u>2015</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2016</u> (Unaudited)	Due Within <u>One Year</u>
<u>2016 (Unaudited)</u>					
General Capital Fund					
Bonds Payable	<u>\$ 12,480,000</u>	<u>\$ -</u>	<u>\$ 1,220,000</u>	<u>\$ 11,260,000</u>	<u>\$ 1,260,000</u>
	Balance, December 31, <u>2014</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2015</u>	Due Within <u>One Year</u>
<u>2015</u>					
General Capital Fund					
Bonds Payable	<u>\$ 13,640,000</u>	<u>\$ -</u>	<u>\$ 1,160,000</u>	<u>\$ 12,480,000</u>	<u>\$ 1,220,000</u>
	Balance, December 31, <u>2013</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2014</u>	Due Within <u>One Year</u>
<u>2014</u>					
General Capital Fund					
Bonds Payable	<u>\$ 9,446,000</u>	<u>\$ 6,205,000</u>	<u>\$ 2,011,000</u>	<u>\$ 13,640,000</u>	<u>\$ 1,160,000</u>

BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 (UNAUDITED), 2015 AND 2014

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt

The Borough's short-term debt activity for the years ended December 31, 2016 (Unaudited), 2015 and 2014 was as follows:

Bond Anticipation Notes

<u>Purpose</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	Balance, December 31, <u>2015</u>	Renewed/ <u>Issued</u>	Retired/ <u>Redeemed</u>	Balance, December 31, <u>2016</u> (Unaudited)
<u>2016 (Unaudited)</u>						
Improvements to Police Headquarters	0.93%	10/26/2017	\$ 200,000	\$ 150,000	\$ 200,000	\$ 150,000
Various Capital Improvements	0.93%	10/26/2017	1,649,000	1,449,000	1,649,000	1,449,000
Acquisition of Fire Apparatus	0.93%	10/26/2017	1,273,000	1,273,000	1,273,000	1,273,000
Road Improvements	0.93%	10/26/2017	-	752,000	-	752,000
Total Bond Anticipation Notes Payable			<u>\$ 3,122,000</u>	<u>\$ 3,624,000</u>	<u>\$ 3,122,000</u>	<u>\$ 3,624,000</u>

<u>Purpose</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	Balance, December 31, <u>2014</u>	Renewed/ <u>Issued</u>	Retired/ <u>Redeemed</u>	Balance, December 31, <u>2015</u>
<u>2015</u>						
Improvements to Police Headquarters	1.50%	10/27/2016		\$ 200,000		\$ 200,000
Various Capital Improvements	1.50	10/27/2016		1,649,000		1,649,000
Acquisition of Fire Apparatus	1.50	10/27/2016	-	1,273,000	-	1,273,000
Total Bond Anticipation Notes Payable			<u>\$ -</u>	<u>\$ 3,122,000</u>	<u>\$ -</u>	<u>\$ 3,122,000</u>

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 (UNAUDITED), 2015 AND 2014**

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt

Bond Anticipation Notes

<u>Purpose</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	Balance, December 31, <u>2013</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	Balance, December 31, <u>2014</u>
<u>2014</u>						
Road and Curb Impvt. Program	1.00%	10/24/2014	\$ 1,474,465		\$ 1,474,465	
Improvements to Tommy John Field	1.00%	10/24/2014	22,122		22,122	
Various Improvements	1.00%	10/24/2014	2,079,367		2,079,367	
Acquisition of Back Hoe	1.00%	10/24/2014	72,356		72,356	
Road Program and Various Equip.	1.50%	10/24/2014	642,000		642,000	
Repair/Replace Firehouse Roof	1.50%	10/24/2014	<u>209,000</u>	<u>-</u>	<u>209,000</u>	<u>-</u>
Total Bond Anticipation Notes Payable			<u>\$ 4,499,310</u>	<u>\$ -</u>	<u>\$ 4,499,310</u>	<u>\$ -</u>

The purpose of these short-term borrowings was to provide resources for capital construction, acquisitions or improvement projects and other purposes permitted by State Local Bond Law NJSA 40A:2 et. seq. The amounts issued for governmental activities are accounted for in the General Capital Fund.

State law requires that notes are to be issued for a period not exceeding one year and may be renewed from time to time for additional periods, none of which shall exceed one year. All bond anticipation notes, including renewals, shall mature and be paid not later than the first day of the fifth month following the close of the tenth fiscal year following the date of the original notes. In addition any note renewed beyond the third anniversary date of the original note, requires one legally payable installment to be paid.

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 (UNAUDITED), 2015 AND 2014**

NOTE 10 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

As of December 31, the Borough had the following commitments with respect to unfinished capital projects:

<u>Capital Project</u>	<u>Commitment</u>	<u>Estimated Date of Completion/ Acquisition</u>
<u>2016 (Unaudited)</u>		
None		
<u>2015</u>		
Acquisition of Two Fire Trucks	\$ 1,328,824	2016
Building Addition to Police Headquarters	721,125	2016
<u>2014</u>		
None		

NOTE 11 OTHER LONG-TERM LIABILITIES

A. Compensated Absences

Under the existing policies and labor agreements of the Borough, certain employees and bargaining units are permitted to be compensated for one-half (1/2) of their unused sick days from the previous calendar year. Carryover days not paid in the succeeding calendar year are forfeited.

These amounts, which have not been determined and are considered immaterial to the financial statements, are not reported either as an expenditure or liability.

Changes in Other Long-Term Liabilities

Under the regulatory basis of accounting, certain other long-term liabilities which may be considered material to the financial statements are not reported either as an expenditure or a liability. However, under the regulatory basis of accounting, these other long-term liabilities and related information are required to be disclosed in the footnotes to the financial statements in conformity with the disclosure requirements of the Governmental Accounting Standards Board.

BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 (UNAUDITED), 2015 AND 2014

NOTE 11 OTHER LONG-TERM LIABILITIES (Continued)

Changes in Other Long-Term Liabilities (Continued)

The Borough's changes in other long-term liabilities for the years ended December 31, 2015 and 2014 were as follows. The Borough's changes in other long-term liabilities for the years ended December 31, 2016 are not available.

	Balance, December 31, <u>2014</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2015</u>	
<u>2015</u>					
Net Pension Liability - PERS	\$ 7,498,923	\$ 1,698,139	\$ 339,244	8,857,818	
Net Pension Liability - PFRS	<u>8,972,298</u>	<u>3,038,106</u>	<u>558,845</u>	<u>11,451,559</u>	
Total Other Long-Term Liabilities	<u>\$ 16,471,221</u>	<u>\$ 4,736,245</u>	<u>\$ 898,089</u>	<u>\$ 20,309,377</u>	
	Balance, December 31, <u>2013</u>	Prior Period <u>Adjustment</u> (A)	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2014</u>
<u>2014</u>					
Net Pension Liability - PERS		\$ 7,433,585	\$ 395,525	\$ 330,187	\$ 7,498,923
Net Pension Liability - PFRS	<u>-</u>	<u>9,790,228</u>	<u>-</u>	<u>817,930</u>	<u>8,972,298</u>
Total Other Long-Term Liabilities	<u>\$ -</u>	<u>\$ 17,223,813</u>	<u>\$ 395,525</u>	<u>\$ 1,148,117</u>	<u>\$ 16,471,221</u>

(A) Represents the proportionate share of the Borough's net pension liability of the state sponsored employer retirement systems resulting from the requirements of Governmental Accounting Standards Board's Statement No. 68 "Accounting and Financial Reporting for Pensions".

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems (retirement systems) covering substantially all state and local government employees which includes those Borough employees who are eligible for pension coverage.

Police and Firemen's Retirement System (PFRS) – established in July 1944, under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full time county and municipal police or firemen and State firemen appointed after June 30, 1944. Membership is mandatory for such employees with vesting occurring after 10 years of membership. PFRS is a cost-sharing multi-employer defined benefit pension plan.

BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 (UNAUDITED), 2015 AND 2014

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees' Retirement System (PERS) – established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement healthcare for those eligible employees whose local employers elected to do so, to substantially all full-time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and, if applicable, 25 years for post-retirement healthcare coverage. PERS is a cost-sharing multi-employer defined benefit pension plan.

The State of New Jersey sponsors and administers the following defined contribution public employee retirement program covering certain state and local government employees which include those Borough employees who are eligible for pension coverage.

Defined Contribution Retirement Program (DCRP) – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected and certain appointed officials, effective July 1, 2007. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership. This provision was extended by Chapter 1, P.L. 2010, effective May 21, 2010, to new employees (Tier 2) of the PERS and new employees who would otherwise be eligible to participate in PERS and do not work the minimum required hours but earn a base salary of at least \$5,000 are eligible for participation in the DCRP. DCRP is a defined contribution pension plan.

Other Pension Funds

The state established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local governmental employers do not appropriate funds to SACT.

The cost of living increase for PERS and PERS are funded directly by each of the respective systems, but are currently suspended as a result of reform legislation.

According to state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems, funds, and trust. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits website at www.state.nj.us/treasury/pensions.

Basis of Accounting

The financial statements of the retirement systems are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the retirement systems. Benefits and refunds are recognized when due and payable in accordance with the terms of the retirement systems.

BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 (UNAUDITED), 2015 AND 2014

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Investment Valuation

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund. The financial report may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290, or at www.state.nj/treasury/doinvest.

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, which was rolled forward to June 30, 2014, the aggregate funded ratio for all the State administered retirement systems, including PERS and PFRS, is 62.8 percent with an unfunded actuarial accrued liability of \$51.0 billion. The aggregate funded ratio and unfunded accrued liability for the local PERS system is 52.08 percent and \$18.7 billion, respectively and the aggregate funded ratio and unfunded accrued liability for local PFRS is 62.4 percent and \$13.9 billion, respectively.

The funded status and funding progress of the retirement systems includes actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement systems in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the July 1, 2013 actuarial valuations, the date of the most recent actuarial valuations, the projected unit credit was used as actuarial cost method, and the five year average of market value was used as asset valuation method for pension trust funds. The actuarial assumptions included (a) 7.90% for investment rate of return for all the retirement systems except CPFPP (2.00%) and (b) changes to projected salary increases of 2.15-5.40 percent based on age for PERS and 3.95-9.62 percent based on age for PFRS.

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 (UNAUDITED), 2015 AND 2014**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions based on 10.0% for PFRS, 5.50% for DCRP and 6.92 percent for fiscal year 2015 for PERS of employees' annual compensation.

Annual Pension Cost (APC)

Per the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employees*, for the year ended December 31, 2015 for PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, annual pension cost equals contributions made. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the years ended December 31, 2015, 2014 and 2013, the Borough, was required to contribute for normal cost pension contributions, accrued liability pension contributions and non-contributory life insurance premiums the following amounts which equaled the required contributions for each respective year:

<u>Year Ended</u> <u>December 31</u>	<u>PFRS</u>	<u>PERS</u>	<u>DCRP</u>
2015	\$ 547,842	\$ 330,187	\$ 2,505
2014	537,286	298,661	2,560
2013	554,883	332,026	1,589

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

Public Employees Retirement System (PERS)

At December 31, 2015 and 2014, the Borough had a liability of \$8,857,818 and \$7,498,923, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2015 and 2014, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 and 2013, respectively. The Borough's proportionate share of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2015, the Borough's proportionate share was .03945 percent, which was a decrease of .0006 percent from its proportionate share measured as of June 30, 2014 of .04005 percent.

BOROUGH OF FRANKLIN LAKES
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 (UNAUDITED), 2015 AND 2014

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

For the year ended December 31, 2015 and 2014, the pension system has determined the Borough's pension expense to be \$595,463 and \$427,545, respectively, for PERS based on the actuarial valuation which is more than the actual contributions reported in the Borough's financial statements of \$330,187 and \$298,661, respectively. At December 31, 2015 and 2014, the Borough's deferred outflows of resources and deferred inflows of resources related to PERS pension which are not reported on the Borough's financial statements are from the following sources:

	2015		2014	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 211,316			
Changes of Assumptions	951,259		\$ 235,806	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		\$ 142,417		\$ 446,895
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>152,536</u>	<u>94,229</u>	<u>186,888</u>	<u>-</u>
Total	<u>\$ 1,315,111</u>	<u>\$ 236,646</u>	<u>\$ 422,694</u>	<u>\$ 446,895</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

Year Ending <u>December 31,</u>	<u>Total</u>
2016	\$ 199,735
2017	199,735
2018	199,735
2019	311,459
2020	167,801
Thereafter	<u>-</u>
	<u>\$ 1,078,465</u>

**BOROUGH OF FRANKLIN LAKES
 NOTES TO THE FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2016 (UNAUDITED), 2015 AND 2014**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PERS</u>	<u>2015</u>	<u>2014</u>
Inflation Rate	3.04%	3.01%
Salary Increases:		
2012-2021	2.15-4.40%	2.15-4.40%
	Based on Age	Based on Age
Thereafter	3.15-5.40%	3.15-5.40%
	Based on Age	Based on Age
Investment Rate of Return	7.90%	7.90%
Mortality Rate Table	RP-2000	RP-2000

Actuarial Assumptions

Assumptions for mortality improvements are based on Society of Actuaries Scale AA.

The actuarial assumptions used in the July 1, 2014 and 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

**BOROUGH OF FRANKLIN LAKES
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 (UNAUDITED), 2015 AND 2014**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2015 and 2014 are summarized in the following table:

<u>Asset Class</u>	<u>2015</u>		<u>2014</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%	6.00%	0.80%
U.S. Treasuries	1.75%	1.64%		
Investment Grade Credit	10.00%	1.79%		
Core Bonds			1.00%	2.49%
Intermediate-Term Bonds			11.20%	2.26%
Mortgages	2.10%	1.62%	2.50%	2.17%
High Yield Bonds	2.00%	4.03%	5.50%	4.82%
Inflation-Indexed Bonds	1.50%	3.25%	2.50%	3.51%
Broad US Equities	27.25%	8.52%	25.90%	8.22%
Developed Foreign Equities	12.00%	6.88%	12.70%	8.12%
Emerging Market Equities	6.40%	10.00%	6.50%	9.91%
Private Equity	9.25%	12.41%	8.25%	13.02%
Hedge Funds/Absolute Return	12.00%	4.72%	12.25%	4.92%
Real Estate (Property)	2.00%	6.83%	3.20%	5.80%
Commodities	1.00%	5.32%	2.50%	5.35%
Global Debt ex US	3.50%	-0.40%		
REIT	4.25%	5.12%		

Discount Rate

The discount rate used to measure the total pension liabilities of the PERS plan was as follows:

<u>Year</u>	<u>Discount Rate</u>
2015	4.90%
2014	5.39%

**BOROUGH OF FRANKLIN LAKES
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 (UNAUDITED), 2015 AND 2014**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Discount Rate (Continued)

The following table represents the crossover period, if applicable, for the PERS defined benefit plan:

Period of Projected Benefit Payments for which the Following Rates were Applied:	
Long-Term Expected Rate of Return	Through June 30, 2033
Municipal Bond Rate *	From July 1, 2033 and Thereafter

* The municipal bond return rate used is 3.80% and 4.29% as of June 30, 2015 and 2014, respectively. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of Net Pension Liability

The following presents the Borough’s proportionate share of the PERS net pension liability as of December 31, 2015 calculated using the discount rate of 4.90%, as well as what the Borough’s proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.90 percent) or 1-percentage-point higher (5.90 percent) than the current rate:

	1% Decrease <u>(3.90%)</u>	Current Discount Rate <u>(4.90%)</u>	1% Increase <u>(5.90%)</u>
Borough's Proportionate Share of the PERS Net Pension Liability	<u>\$ 11,009,184</u>	<u>\$ 8,857,818</u>	<u>\$ 7,054,128</u>

The sensitivity analysis was based on the proportionate share of the Borough’s net pension liability at December 31, 2015. A sensitivity analysis specific to the Borough’s net pension liability was not provided by the pension system.

Pension Plan Fiduciary Net Position

Detailed information about the PERS pension plan’s fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial report may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

**BOROUGH OF FRANKLIN LAKES
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 (UNAUDITED), 2015 AND 2014**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Police and Firemen’s Retirement System (PFRS)

At December 31, 2015 and 2014, the Borough had a liability of \$11,451,559 and \$8,972,298, respectively, for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2015 and 2014, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 and 2013, respectively. The Borough’s proportionate share of the net pension liability was based on a projection of the Borough’s long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2015, the Borough’s proportionate share was .06875 percent, which was a decrease of .00257 percent from its proportionate share measured as of June 30, 2014 of .07132percent.

For the years ended December 31, 2015 and 2014, the pension system has determined the Borough pension expense to be \$876,003 and \$579,117, respectively, for PFRS based on the actuarial valuation which is more than the actual contributions reported in the Borough’s financial statements of \$547,842 and \$537,286, respectively. At December 31, 2015 and 2014, the Borough’s deferred outflows of resources and deferred inflows of resources related to PFRS pension which are not reported on the Borough’s financial statements are from the following sources:

	2015		2014	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience		\$ 98,773		
Changes of Assumptions	\$ 2,114,242		\$ 336,851	\$ 258,017
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		199,304		915,593
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	-	490,664	-	-
Total	<u>\$ 2,114,242</u>	<u>\$ 788,741</u>	<u>\$ 336,851</u>	<u>\$ 1,173,610</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to PFRS pension will be recognized in pension expense as follows:

Year Ending <u>December 31,</u>	<u>Total</u>
2016	\$ 234,729
2017	234,729
2018	234,729
2019	463,627
2020	157,687
Thereafter	-
	<u>\$ 1,325,501</u>

**BOROUGH OF FRANKLIN LAKES
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 (UNAUDITED), 2015 AND 2014**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Police and Firemen’s Retirement System (PFRS) (Continued)

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PFRS</u>	<u>2015</u>	<u>2014</u>
Inflation Rate	3.04%	3.01%
Salary Increases:		
2012-2021	2.60-9.48%	3.95-8.62%
	Based on Age	Based on Age
Thereafter	3.60-10.48%	4.95-9.62%
	Based on Age	Based on Age
Investment Rate of Return	7.90%	7.90%
Mortality Rate Table	RP-2000	RP-2000

Assumptions for mortality improvements are based on Society of Actuaries Scale AA and one year using Scale BB.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013. 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, 2007 to June 30, 2010.

BOROUGH OF FRANKLIN LAKES
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 (UNAUDITED), 2015 AND 2014

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Police and Firemen’s Retirement System (PFRS) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans’ target asset allocation as of June 30, 2015 and 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Allocation</u>	<u>Rate of Return</u>	<u>Allocation</u>	<u>Rate of Return</u>
Cash	5.00%	1.04%	6.00%	0.80%
U.S. Treasuries	1.75%	1.64%		
Investment Grade Credit	10.00%	1.79%		
Core Bonds			1.00%	2.49%
Intermediate-Term Bonds			11.20%	2.26%
Mortgages	2.10%	1.62%	2.50%	2.17%
High Yield Bonds	2.00%	4.03%	5.50%	4.82%
Inflation-Indexed Bonds	1.50%	3.25%	2.50%	3.51%
Broad US Equities	27.25%	8.52%	25.90%	8.22%
Developed Foreign Equities	12.00%	6.88%	12.70%	8.12%
Emerging Market Equities	6.40%	10.00%	6.50%	9.91%
Private Equity	9.25%	12.41%	8.25%	13.02%
Hedge Funds/Absolute Return	12.00%	4.72%	12.25%	4.92%
Real Estate (Property)	2.00%	6.83%	3.20%	5.80%
Commodities	1.00%	5.32%	2.50%	5.35%
Global Debt ex US	3.50%	-0.40%		
REIT	4.25%	5.12%		

Discount Rate

The discount rate used to measure the total pension liabilities of the PFRS plan was as follows:

<u>Year</u>	<u>Discount Rate</u>
2015	5.79%
2014	6.32%

**BOROUGH OF FRANKLIN LAKES
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 (UNAUDITED), 2015 AND 2014**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to Pensions (Continued)**

Police and Firemen’s Retirement System (PFRS) (Continued)

Discount Rate (Continued)

The following table represents the crossover period, if applicable, for the PFRS defined benefit plan:

Period of Projected Benefit	
Payments for which the Following	
Rates were Applied:	
Long-Term Expected Rate of Return	Through June 30, 2045
Municipal Bond Rate *	From July 1, 2045 and Thereafter

* The municipal bond return rate used is 3.80% and 4.29% as of June 30, 2015 and 2014, respectively. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of Net Pension Liability

The following presents the Borough’s proportionate share of the PFRS net pension liability as of December 31, 2015 calculated using the discount rate of 5.79%; as well as what the Borough’s proportionate share of the PFRS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.79 percent) or 1-percentage-point higher (6.79 percent) than the current rate:

	Decrease (4.79%)	Discount Rate (5.79%)	Increase (6.79%)
Borough's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 15,096,790</u>	<u>\$ 11,451,559</u>	<u>\$ 8,479,199</u>

The sensitivity analysis was based on the proportionate share of the Borough’s net pension liability at December 31, 2015. A sensitivity analysis specific to the Borough’s net pension liability was not provided by the pension system.

**BOROUGH OF FRANKLIN LAKES
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 (UNAUDITED), 2015 AND 2014**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Police and Firemen's Retirement System (PFRS) (Continued)

Special Funding Situation – PFRS

Under N.J.S.A. 43:16A-15, the Borough is responsible for their own PFRS contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State to make contributions if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the Borough by the State under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Accordingly, the Borough's proportionate share percentage determined under GASB Statement No. 68 is zero percent and the State's proportionate share is 100% for PFRS under this legislation.

At December 31, 2015 and 2014, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$1,004,263 and \$966,166, respectively. For the years ended December 31, 2015 and 2014, the pension system has determined the State's proportionate share of the pension expense attributable to the Borough for the PFRS special funding situation is \$125,267 and \$122,418, respectively, which is more than the actual contributions the State made on behalf of the Borough of \$52,277 and \$40,118, respectively. The State's proportionate share attributable to the Borough was developed based on actual contributions made to PFRS allocated to employers based upon covered payroll. These on-behalf contributions have not been reported on the Borough's financial statements.

Pension Plan Fiduciary Net Position

Detailed information about the PFRS pension plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS

Plan Description

The Borough provides a post employment healthcare plan for its eligible retirees and their spouses. The plan is a single-employer defined benefit healthcare plan administered by the Borough.

Funding Policy

The required contribution is funded on a pay-as-you-go basis with an additional amount to prefund benefits as determined annually by the Borough. For the year 2015, the Borough contributed and \$412,406, respectively to the plan for current premiums. Certain plan members receiving benefits contributed a portion of the total premiums based on the number of years of service upon retirement.

BOROUGH OF FRANKLIN LAKES
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 (UNAUDITED), 2015 AND 2014

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation

The Borough's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Borough's annual OPEB cost for the year 2015 and 2014, the amount actually contributed to the plan, and changes in the Borough's net OPEB obligation to the plan.

Annual Required Contribution	\$ 971,310
Interest on Net OPEB Obligation	40,895
Adjustment to Annual Required Contribution	21,334
Total (Annual OPEB Cost (Expense))	<u>1,033,539</u>
Contributions Made	<u>(412,406)</u>
Increase in Net OPEB Obligation	621,133
Net OPEB Obligation - Beginning of Year	<u>908,782</u>
Net OPEB Obligation - End of Year	<u>\$ 1,529,915</u>

The Borough's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years 2015 and 2014 were as follows:

<u>Year Ended</u> <u>December 31,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligations</u>
2015*	\$ 1,033,539	39.9%	\$ 1,529,915
2014	1,033,539	39.9%	1,529,915
2013	1,012,205	39.9%	908,782

*Actuary update required once every 3 years.

Funded Status and Funding Progress

As of December 31, 2015 and 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$14,803,053, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$14,803,053. The covered payroll (annual payroll of active employees covered by the plan) was not available.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

**BOROUGH OF FRANKLIN LAKES
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 (UNAUDITED), 2015 AND 2014**

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2015 and 2014, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expense) which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8.5 percent initially, reduced by decrements to an ultimate rate of 5 percent after ten years. Both rates included a 4.5 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2014 was 30 years.

NOTE 14 RISK MANAGEMENT

The Borough is exposed to various risks of loss related to general liability, automobile coverage, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; termination of employees and natural disasters. The Borough has obtained commercial insurance coverage to guard against these events to minimize the exposure to the Borough should they occur.

The Borough of Franklin Lakes is a member of the Bergen County Municipal Joint Insurance Fund (BJIF) and Municipal Excess Liability Joint Insurance Fund (MEL). The joint insurance funds are both an insured and self-administered group of municipalities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and worker's compensation. The Funds are risk-sharing public entity pools. The BJIF and MEL coverage amounts are on file with the Borough.

The relationship between the Borough and respective insurance funds is governed by a contract and by-laws that have been adopted by resolution of each unit's governing body. The Borough is contractually obligated to make all annual and supplementary contributions to the insurance funds, to report claims on a timely basis, to cooperate with the management of the funds, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by the funds. Members have a contractual obligation to fund any deficit of the funds attributable to a membership year during which the municipality was a member.

The funds provide its members with risk management services, including the defense of and settlement of claims, and established reasonable and necessary loss reduction and prevention procedures to be followed by the members. Complete financial statements of the funds can be obtained by contacting the respective fund's Treasurer.

There has been no significant reduction in insurance coverage from the previous year nor have there been any settlements in excess of insurance coverage in any of the prior three years.

BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 (UNAUDITED), 2015 AND 2014

NOTE 14 RISK MANAGEMENT (Continued)

The Borough has elected to fund its New Jersey Unemployment Compensation Insurance under the “Benefit Reimbursement Method”. Under this plan the Borough is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Borough is billed quarterly for amounts due to the State. The following is a summary of Borough contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the Borough’s unemployment compensation trust fund for the current and previous two years:

<u>Year Ended</u> <u>December 31</u>	<u>Borough</u> <u>Contributions</u>	<u>Employee</u> <u>Contributions</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
2016 (Unaudited)		\$ 8,346	\$ 6,734	\$ 20,068
2015		6,566	6,077	21,208
2014		6,940	5,800	20,719

NOTE 15 CONTINGENT LIABILITIES

The Borough is a party defendant in some lawsuits, none of a kind unusual for a municipality of its size and scope of operation. In the opinion of the Borough’s Attorney, the potential claims against the Borough not covered by insurance policies would not materially affect the financial condition of the Borough.

Pending Tax Appeals - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2016, 2015 and 2014. Amounts claimed have not yet been determined. The Borough is vigorously defending its assessments in each case. Under the accounting principles prescribed by the Division of Local Government Services, Department of community Affairs, State of New Jersey, the Borough does not recognize a liability, if any, until these cases have been adjudicated. The Borough expects such amounts, if any, could be material. As of December 31, 2016 (Unaudited), 2015 and 2014, the Borough reserved \$21,657, \$21,657 and \$21,657, respectively in the Current Fund for tax appeals pending in the New Jersey Tax Court. Funding of any ultimate liability would be provided for in succeeding years’ budget or from fund balance.

Federal and State Awards - The Borough participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Borough may be required to reimburse the grantor government. As of December 31, 2016, 2015 and 2014, significant amounts of grant expenditure have not been audited by the various grantor agencies but the Borough believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Borough.

NOTE 16 FEDERAL ARBITRAGE REGULATIONS

The Borough is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At December 31, 2016 (Unaudited), 2015 and 2014, the Borough had no estimated arbitrage earnings due to the IRS.

BOROUGH OF FRANKLIN LAKES
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NOTE 17 GREEN ACRES FUNDING

The Borough has been a recipient under the Green Acres Planning Incentive Grant Program for the funding of a portion of the acquisition costs of the Haledon Reservoir. The approved project cost of the reservoir was determined to be \$5,856,000 of which 50% is eligible under the grant program. The Borough has received \$2,750,000 in grant funds. As such the Borough is eligible, subject to State funding appropriation, an additional amount of \$178,000.

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APPENDIX C

FORM OF OPINION OF BOND COUNSEL

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March __, 2017

Members of the Borough Council
Borough of Franklin Lakes
Municipal Building
480 DeKorte Drive
Franklin Lakes, New Jersey 07417

Re: \$4,440,000 General Obligation Refunding Bonds, Series 2017

Ladies and Gentlemen:

We have acted as Bond Counsel to the Borough of Franklin Lakes, County of Bergen, New Jersey (the “Borough”) in connection with the issuance on the date hereof of its \$4,440,000 General Obligation Refunding Bonds, Series 2017 (the “Refunding Bonds”).

The Refunding Bonds will be dated and bear interest from their date of delivery and will mature on March 1 in the years and in the principal amounts as set forth below. Interest on the outstanding Refunding Bonds is payable on each March 1 and September 1, commencing March 1, 2017, in each year until final maturity.

Year	Amount	Interest
March 1,	Maturing	Rate
2019	\$795,000	4.00%
2020	845,000	4.00%
2021	890,000	4.00%
2022	935,000	4.00%
2023	935,000	4.00%

The Refunding Bonds are authorized and are to be issued pursuant to the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended. The Refunding Bonds also are authorized by Refunding Bond Ordinance #1693 finally adopted by the Borough Council on October 18, 2016 (the “Refunding Bond Ordinance”) and the form & sale resolution of the Borough adopted November 22, 2016 (“Form & Sale Resolution”).

In our capacity as Bond Counsel, we have examined the Local Bond Law of New Jersey, the original or a copy of the Refunding Bond Ordinance and the Form & Sale Resolution (collectively the “Local Proceedings”) and an unexecuted copy of the Bond. We have also examined originals or copies of the following documents:

- (i) Certificates of officers of the Borough;

- (ii) I.R.S. Form 8038-G to be filed by the Borough pursuant to Section 149(e) of the Internal Revenue Code of 1986 (the "Code");
- (iii) Arbitrage and Use of Proceeds Certificate; and
- (iv) A certificate of William T. Smith, Esq., Borough Attorney to the Borough.

We have also examined such statutes, regulations, administrative pronouncements and judicial decisions as exist on the date hereof, and such other documents and certificates as we deemed necessary as the basis for the opinions expressed herein. We have conducted no independent investigation of any matter or statement of facts contained in any document or certificate referred to above. In our examination, we have assumed the genuineness of all signatures, the authenticity of all documents tendered to us as originals and the conformity to original documents of all documents submitted to us as certified, conformed or photostatic copies.

We have not been requested to examine or review and have not examined or reviewed any proceedings, reports, correspondence, financial statements or other documents containing information relative to the Borough which may have been or may hereafter be furnished or disclosed to the purchaser of the Bonds, and we express no opinion with respect to any such proceedings, reports, correspondence, financial statements or other documents or the accuracy or sufficiency thereof.

Based upon and subject to the foregoing, and the qualifications set forth below, we are of the opinion that:

1. The Bonds are the legal, valid and binding obligation of the Borough, enforceable in accordance with their terms and the Local Proceedings applicable to the Bonds, except as the enforcement of the Bonds may be limited by any applicable bankruptcy, insolvency, reorganization, moratorium and similar laws of general application and general principles of equity at the time in effect. The Bonds are payable from ad valorem taxes that may be levied upon all taxable real property within the Borough without limitation as to rate or amount.

2. The Code imposes certain requirements which must be met on a continuing basis subsequent to the issuance of the Bonds in order for interest on the Bonds to be excludable from gross income for Federal income tax purposes. Assuming that the Borough complies with such requirements on a continuing basis, under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds are excludable from the gross income of the holder of the Bonds for purposes of Federal income taxation under Section 103 of the Code and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; provided that interest on the Bonds held by corporate taxpayers is included in "adjusted current earnings" in calculating alternative minimum taxable income for purposes of the federal alternative minimum tax imposed on corporations.

No opinion is expressed, however, as to the extent the accrual or receipt of interest on the Bonds may otherwise affect the Federal income tax liability of or other consequences to the recipient thereof, which will depend on the recipient's particular tax status and other items of income or deduction.

3. Interest on, and any gain on the sale of, the Bonds are not includable in gross income under the New Jersey Gross Income Tax Act.

The Borough has designated the Bonds as a "qualified tax-exempt obligation" for purposes of Section 265(b)(3) of the Code.

Except as expressly stated herein, we express no opinion as to any federal or state tax consequences of the ownership or disposition of the Bonds.

This opinion is issued as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may come to our attention after the date of this opinion, or any changes in law or interpretations thereof that may occur after the date of this opinion, or for any reason whatsoever.

Respectfully submitted,

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