

BOROUGH OF FRANKLIN LAKES
BERGEN COUNTY, NEW JERSEY
REPORT OF AUDIT
YEAR ENDED DECEMBER 31, 2018

BOROUGH OF FRANKLIN LAKES

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BOROUGH OF FRANKLIN LAKES

COUNTY OF BERGEN

PART I

REPORT ON AUDIT OF FINANCIAL STATEMENTS

AND SUPPLEMENTARY SCHEDULES

YEAR ENDED DECEMBER 31, 2018



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, 2018 and 2017, and the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2018, 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 provisions 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 as described in Note 1. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 provisions 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, 2018 and 2017, or changes in financial position, or, where applicable, cash flows, for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

The notes to the Borough of Franklin Lakes' financial statements do not disclose the other postemployment benefit obligations related to post-retirement medical benefits provided to its eligible retirees and their dependents under the special funding situation as required by Government Accounting Standards Board Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions and as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. In our opinion, disclosure of that information is required to conform with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the omission of the note disclosure regarding the other postemployment benefit obligations, as described in the "Basis for Qualified Opinion on Regulatory Basis of Accounting" paragraph above, 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, 2018, and the results of operations and changes in fund balance – regulatory basis and the respective revenues – regulatory basis and expenditures – regulatory basis of the various funds for the year then ended in accordance with the financial accounting and reporting provisions and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Borough of Franklin Lakes as a whole. The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards, schedule of expenditures of state financial assistance and the supplementary data and letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the financial statements of the Borough of Franklin Lakes.

The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules listed in the table of contents, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are fairly stated, in all material respects, in relation to the financial statements as a whole on the basis of accounting described in Note 1.

The supplementary data and letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated May 31, 2019 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 the effectiveness of the Borough of Franklin Lakes' 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.



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



Dieter P. Lerch
Registered Municipal Accountant
RMA Number CR00398

Fair Lawn, New Jersey
May 31, 2019

BOROUGH OF FRANKLIN LAKES
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2018 AND 2017

ASSETS	<u>Reference</u>	<u>2018</u>	<u>2017</u>
Cash	A-4	\$ 6,160,021	\$ 16,682,445
Change Fund	A-5	700	700
Grants Receivable	A-7	<u>638,766</u>	<u>14,519</u>
		<u>6,799,487</u>	<u>16,697,664</u>
Receivables and Other Assets With Full Reserves			
Delinquent Property Taxes	A-9	343,095	497,394
Tax Title Liens	A-10	13,129	14,160
Revenue Accounts Receivable	A-11	18,531	15,741
Due from Animal Control Trust Fund	B-5	9,124	13,494
Due from Other Trust Fund	B-8	443	-
Due from Assessment Trust Fund	B-14	<u>20,918</u>	<u>20,221</u>
		<u>405,240</u>	<u>561,010</u>
Total Assets		<u>\$ 7,204,727</u>	<u>\$ 17,258,674</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, 2018 AND 2017
(Continued)

LIABILITIES, RESERVES AND FUND BALANCE	<u>Reference</u>	<u>2018</u>	<u>2017</u>
Appropriation Reserves	A-3, A-12	\$ 498,423	\$ 499,831
Encumbrances Payable	A-13	539,313	634,677
Accounts Payable	A-14	95,489	65,213
Reserve for Grants - Appropriated	A-15	765,558	228,029
Reserve for Grants - Unappropriated	A-16		25,000
Prepaid Taxes	A-17	849,977	10,680,151
Tax Overpayments	A-18	28,078	28,078
Due to Other Trust Fund	B-8		5,970
Due to General Capital Fund	A-19		30
Due to County for Added & Omitted Taxes	A-20	35,720	93,780
Reserve for Tax Appeals	A-23	35,288	35,288
Fees Payable	A-24	16,834	21,365
Due to State of NJ - Senior Citizens/Veterans Deductions	A-8	3,943	2,693
Reserve for Recreation Online Fees	A-25	3,214	3,214
		<u>2,871,837</u>	<u>12,323,319</u>
Reserve for Receivables and Other Assets	A	405,240	561,010
Fund Balance	A-1	<u>3,927,650</u>	<u>4,374,345</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 7,204,727</u>	 <u>\$ 17,258,674</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, 2018 AND 2017

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
REVENUE AND OTHER INCOME REALIZED			
Fund Balance Utilized	A-2	\$ 2,109,000	\$ 1,325,000
Miscellaneous Revenue Anticipated	A-2	7,959,780	4,921,927
Receipts from Delinquent Taxes	A-2	496,796	726,816
Receipts from Current Taxes	A-2	68,201,011	68,220,064
Non-Budget Revenue	A-2	441,209	284,777
Other Credits to Income:			
Unexpended Balances of Appropriation Reserves	A-12	320,725	711,413
Statutory Excess - Animal Control Trust Fund	B-5	9,124	13,494
Interfunds Liquidated	A	13,494	32,387
Cancellation of Prior Year Accounts Payable	A-14	8,795	-
		<u>79,559,934</u>	<u>76,235,878</u>
EXPENDITURES			
Budget Appropriations			
Operations			
Salaries and Wages	A-3	5,498,410	5,253,187
Other Expenses	A-3	8,529,835	7,670,869
Capital Improvements	A-3	1,672,900	1,186,684
Municipal Debt Service	A-3	4,325,738	2,131,293
Deferred Charges and Statutory Expenditures	A-3	1,186,782	1,135,000
County Taxes	A-20	10,943,745	11,149,547
Due County for Added Taxes	A-20	35,720	93,780
Local District School Taxes	A-21	26,788,761	26,193,643
Regional High School Tax	A-22	18,879,092	19,195,744
Interfund Advances Originated	A	10,264	33,715
Refund of Prior Year Revenue	A-4	4,362	8,403
Refund of Prior Year Taxes	A-4	22,020	127,668
		<u>77,897,629</u>	<u>74,179,533</u>
Statutory Excess to Fund Balance (Brought Forward)		<u>1,662,305</u>	<u>2,056,345</u>

BOROUGH OF FRANKLIN LAKES
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS - CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Continued)

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
Statutory Excess to Fund Balance (Carried Forward)		\$ 1,662,305	\$ 2,056,345
FUND BALANCE, January 1	A	<u>4,374,345</u>	<u>3,643,000</u>
		6,036,650	5,699,345
Decreased by:			
Utilized as Anticipated Revenue	A-1	<u>2,109,000</u>	<u>1,325,000</u>
FUND BALANCE, December 31	A	<u>\$ 3,927,650</u>	<u>\$ 4,374,345</u>

BOROUGH OF FRANKLIN LAKES
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Reference</u>	<u>Budget</u>	<u>Anticipated Added by N.J.S.A. 40A:4-87</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
FUND BALANCE ANTICIPATED	A-1	\$ 2,109,000	-	\$ 2,109,000	-
MISCELLANEOUS REVENUES					
Licenses					
Alcoholic Beverages	A-11	9,300		10,233	\$ 933
Other	A-2	19,675		18,569	(1,106)
Fees and Permits	A-2	128,325		130,111	1,786
Fines and Costs - Municipal Court	A-11	300,000		267,802	(32,198)
Interest and Costs on Taxes and Assessments	A-2	208,500		164,569	(43,931)
Interest on Investments and Deposits	A-2	32,000		181,720	149,720
Outside Police Employment	A-11	62,000		57,169	(4,831)
Abandoned Property Fees	A-11	67,000		64,800	(2,200)
Uniform Construction Code Fees	A-11	700,000		883,342	183,342
Energy Receipts Tax	A-11	1,775,732		1,775,732	
Watershed Moratorium Offset Aid	A-11	5,969		5,969	
Public and Private Programs Offset with Appropriations					
Clean Communities Grant	A-7		\$ 27,354	27,354	
Municipal Alliance Program	A-7	9,876		9,876	
Drunk Driving Enforcement Grant	A-7		3,650	3,650	
MC Alcohol Edu, Rehab & Enfor Fund	A-7		659	659	
Distracted Driving	A-7		6,161	6,161	
Dog Park Donations	A-7		5,300	5,300	
Private Donations	A-7		16,000	16,000	
Goldman OEM Building Improvements	A-7				
Murphy Grant - OEM Building Improvements	A-7				
The 200 Club of Bergen County	A-7		2,800	2,800	
Meyer Foundation - FLPD Vehicles and Equipment	A-7		180,000	180,000	
Fire Department - SAFER	A-7	624,000		624,000	
Police Accreditation	A-7	25,000		25,000	
Other Special Items of Revenue					
Uniform Fire Safety Act	A-11	12,750		16,456	3,706
Cable T.V. Franchise Fee	A-11	188,250		194,470	6,220
Lease of Land for Monopole- Sprint Co	A-11	100,950		104,403	3,453
Recreation Program Fees	A-11	178,000		205,376	27,376
Recycling Revenue	A-11	21,000		27,439	6,439
VFW Parking Permits	A-11	17,200		14,530	(2,670)
Reserve for Future Capital Projects	A-11	322,900		322,900	
Library Reimbursement	A-11	200,000		196,860	(3,140)
Rental Fees - Community Center / Field	A-11	15,700		16,000	300
Child Care Facility Rent	A-11	44,300		83,925	39,625
Reserve for Payment of Debt	A-11	2,316,605	-	2,316,605	-
 Total Miscellaneous Revenues	 A-1	 <u>7,385,032</u>	 <u>241,924</u>	 <u>7,959,780</u>	 <u>332,824</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF FRANKLIN LAKES
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)

	<u>Reference</u>	<u>Budget</u>	<u>Anticipated</u> Added by N.J.S.A. 40A:4-87	<u>Realized</u>	<u>Excess or</u> <u>(Deficit)</u>
RECEIPTS FROM DELINQUENT TAXES	A-1, A-9	\$ 495,000	-	\$ 496,796	\$ 1,796
AMOUNT TO BE RAISED BY TAXES FOR SUPPORT OF MUNICIPAL BUDGET					
Local Tax for Municipal Purposes	A-2	10,409,828		10,980,625	570,797
Minimum Library Tax	A-2	1,478,068	-	1,478,068	-
		<u>11,887,896</u>	<u>-</u>	<u>12,458,693</u>	<u>570,797</u>
Total General Revenue		<u>\$ 21,876,928</u>	<u>\$ 241,924</u>	23,024,269	<u>\$ 905,417</u>
Non-Budget Revenue	A-1,A-2			<u>441,209</u>	
				<u>\$ 23,465,478</u>	

BOROUGH OF FRANKLIN LAKES
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)

	<u>Reference</u>	
ANALYSIS OF REALIZED REVENUES		
Allocation of Current Tax Collections		
Revenues from Collections	A-9	\$ 68,201,011
Less: Allocated to School and County Taxes	A-20, A-21, A-22	<u>56,647,318</u>
Balance for Support of Municipal Budget Appropriations		11,553,693
Add Appropriation "Reserve for Uncollected Taxes"	A-3	<u>905,000</u>
Amount for Support of Municipal Budget of Appropriations	A-2	<u>\$ 12,458,693</u>
Licenses - Other		
Borough Clerk	A-11	\$ 2,464
Board of Health	A-11	<u>16,105</u>
	A-2	<u>\$ 18,569</u>
Fees and Permits - Other		
Tax Collector	A-11	\$ 400
Police Department	A-11	18,580
Fire Prevention	A-11	25,767
Planning Board	A-11	27,950
Board of Health	A-11	<u>57,414</u>
	A-2	<u>\$ 130,111</u>
Interest and Costs on Taxes and Assessments		
Cash Receipts	A-11	\$ 163,872
Due from Assessment Trust Fund	B-14	<u>697</u>
	A-2	<u>\$ 164,569</u>
Interest on Investments and Deposits		
Cash Receipts	A-11	\$ 181,277
Due from Other Trust Fund	B-8	<u>443</u>
	A-2	<u>\$ 181,720</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF FRANKLIN LAKES
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)

	<u>Reference</u>	
Delinquent Taxes		
Taxes Receivable	A-9	\$ 494,806
Tax Title Liens	A-10	<u>1,990</u>
	A-2	<u>\$ 496,796</u>
 ANALYSIS OF NON-BUDGET REVENUES		
Insurance Dividends/Refunds		\$ 201,182
Bravo - Housewives Fee		650
Road Openings		6,800
Tree Specialist Fee		7,600
Property Maintenance		3,550
Police Department - Accident Reports/Firearms/ID		3,127
Public Defender's Applications		2,820
Administrative Fee - Senior Citizens/Veterans Deductions		960
Miscellaneous		<u>214,520</u>
	A-1,A-2	<u>\$ 441,209</u>

BOROUGH OF FRANKLIN LAKES
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	<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	\$ 281,865	\$ 281,865	\$ 274,711	\$ 7,154	
Other Expenses	145,200	145,200	126,304	18,896	
Mayor & Council					
Salaries and Wages	35,000	35,000	35,000	-	
Other Expenses	14,000	14,000	12,106	1,894	
Municipal Clerk					
Salaries and Wages	142,440	142,440	139,506	2,934	
Other Expenses	30,600	30,600	28,572	2,028	
Financial Administration					
Salaries and Wages	178,155	178,155	176,101	2,054	
Other Expenses	43,675	43,675	34,173	9,502	
Audit Services					
Other Expenses	44,800	44,800	40,102	4,698	
Revenue Administration (Tax Collection)					
Salaries and Wages	68,010	68,010	65,887	2,123	
Other Expenses	15,090	15,090	12,456	2,634	
Tax Assessment Administration					
Salaries and Wages	37,470	37,770	37,429	341	
Other Expenses	20,125	20,125	8,888	11,237	
Reserve for Tax Appeals	100,000	64,200	32,618	31,582	
Legal Services (Legal Department)					
Other Expenses	160,000	160,000	155,779	4,221	
Engineering Services and Costs					
Salaries and Wages	54,695	54,695	54,691	4	
Other Expenses	102,700	82,700	63,238	19,462	
Land Use Administration					
Planning Board					
Salaries and Wages	6,600	6,600	3,575	3,025	
Other Expenses	8,950	8,950	7,691	1,259	
Zoning Board of Adjustment					
Salaries and Wages	2,500	2,500	2,400	100	
Other Expenses	6,250	6,250	4,304	1,946	
Zoning Official					
Salaries and Wages	16,790	16,790	16,785	5	
Other Expenses	10,000	10,000	1,458	8,542	
Insurance					
Unemployment Insurance	5,000	5,000	5,000	-	
General Liability	196,000	196,000	194,213	1,787	
Worker's Compensation	201,600	201,600	199,758	1,842	
Employee Group Health	1,435,800	1,450,800	1,453,393	(2,593)	
Other Insurance Premiums	28,100	28,100	24,426	3,674	
Health Benefit Waiver	55,000	55,000	43,561	11,439	

BOROUGH OF FRANKLIN LAKES
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018
(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" (Cont'd)					
Public Safety					
Police Department					
Salaries and Wages	\$ 2,892,140	\$ 2,892,140	\$ 2,869,684	\$ 22,456	
Other Expenses	253,120	253,120	181,409	71,711	
Office of Emergency Management					
Other Expenses	29,000	29,000	14,153	14,847	
Ambulance Service					
Other Expenses	79,400	64,400	46,771	17,629	
Fire Department					
Salaries and Wages	8,100	8,100	3,429	4,671	
Other Expenses	187,260	187,260	185,337	1,923	
Uniform Fire Safety					
Salaries and Wages	52,645	52,645	44,973	7,672	
Other Expenses	246,050	246,050	236,056	9,994	
Municipal Court					
Salaries and Wages	164,945	164,945	158,542	6,403	
Other Expenses	9,375	9,375	7,387	1,988	
Municipal Court Public Defender					
Salaries and Wages	8,000	8,000	7,500	500	
Municipal Prosecutor's Office					
Salaries and Wages	19,500	19,500	18,062	1,438	
Public Works					
Streets and Road Maintenance					
Salaries and Wages	1,075,175	1,034,875	999,894	34,981	
Other Expenses	404,105	459,105	434,086	25,019	
Solid Waste Collection					
Other Expenses	548,000	553,300	553,274	26	
Buildings and Grounds					
Other Expenses	399,450	369,450	357,468	11,982	
Vehicle Maintenance (including Police)					
Other Expenses	229,000	245,000	244,862	138	
Shade Tree					
Salaries and Wages	19,250	19,750	19,625	125	
Other Expenses	1,600	1,600	1,152	448	
Health and Human Services					
Board of Health					
Salaries and Wages	56,965	56,965	56,960	5	
Other Expenses	80,950	94,950	91,727	3,223	
Animal Control Services					
Other Expenses	14,500	14,500	14,080	420	
Parks and Recreation					
Recreation Services and Programs					
Salaries and Wages	144,180	144,180	139,089	5,091	
Other Expenses	291,715	291,715	261,861	29,854	
Senior Citizens Programs					
Other Expenses	16,000	16,000	16,000	-	

BOROUGH OF FRANKLIN LAKES
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDING DECEMBER 31, 2018
(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 WITHIN "CAPS" (Cont'd)					
Environment Commission					
Other Expenses	\$ 1,500	\$ 1,500	\$ 1,463	\$ 37	
Celebration of Public Events					
Other Expenses	9,000	9,000	6,862	2,138	
Cable T.V. Committee					
Other Expenses	2,520	2,520	196	2,324	
UNIFORM CONSTRUCTION CODE APPROPRIATIONS OFFSET BY DEDICATED REVENUES (NJAC5:23-4-17)					
CODE ENFORCEMENT AND ADMINISTRATION					
Uniform Construction Code Enforcement Functions					
Building Inspector					
Salaries and Wages	196,650	196,650	183,159	13,491	
Other Expenses	50,730	50,730	38,078	12,652	
Other Code Enforcement Functions					
Electrical Inspector					
Salaries and Wages	41,500	51,500	49,980	1,520	
Plumbing Inspector					
Salaries and Wages	25,335	25,335	25,333	2	
UNCLASSIFIED:					
UTILITY EXPENSES AND BULK PURCHASES					
Electricity	170,000	170,000	168,299	1,701	
Street Lighting	27,000	27,000	25,503	1,497	
Telephone	30,000	40,000	37,645	2,355	
Water	22,000	22,000	22,000	-	
Gasoline	70,000	85,000	81,788	3,212	
Landfill/Solid Waste Disposal Costs	297,000	297,000	287,567	9,433	
Telecommunications	6,500	6,500	5,529	971	-
Total Operations Within "CAPS"	11,626,575	11,626,575	11,150,908	475,667	-
Total Operations including Contingent - Within "CAPS"	<u>11,626,575</u>	<u>11,626,575</u>	<u>11,150,908</u>	<u>475,667</u>	<u>-</u>
Detail:					
Salaries and Wages	5,527,910	5,498,410	5,382,315	116,095	-
Other Expenses	<u>6,098,665</u>	<u>6,128,165</u>	<u>5,768,593</u>	<u>359,572</u>	<u>-</u>

**BOROUGH OF FRANKLIN LAKES
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(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	\$ 385,500	\$ 385,500	\$ 383,282	\$ 2,218	
Social Security System (O.A.S.I.)	250,000	250,000	245,012	4,988	
DCRP Employer Contribution	9,500	9,500	5,964	3,536	
Police & Firemen's Retirement System	<u>527,500</u>	<u>527,500</u>	<u>525,223</u>	<u>2,277</u>	<u>-</u>
Total Deferred Charges & Statutory Expenditures - Municipal Within "CAPS"	<u>1,172,500</u>	<u>1,172,500</u>	<u>1,159,481</u>	<u>13,019</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>12,799,075</u>	<u>12,799,075</u>	<u>12,310,389</u>	<u>488,686</u>	<u>-</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
Other Operations					
Municipal Library	1,478,070	1,478,070	1,478,068	2	
NJ DEP Stormwater Permit	<u>9,500</u>	<u>9,500</u>	<u>4,095</u>	<u>5,405</u>	<u>-</u>
Total Other Operations Excluded from "CAPS"	<u>1,487,570</u>	<u>1,487,570</u>	<u>1,482,163</u>	<u>5,407</u>	<u>-</u>
Interlocal Municipal Service Agreements					
Enhanced 911 Service - Northwest Bergen					
Central Dispatch					
Other Expenses	<u>8,300</u>	<u>8,300</u>	<u>8,296</u>	<u>4</u>	<u>-</u>
Total Interlocal Municipal Service Agreements	<u>8,300</u>	<u>8,300</u>	<u>8,296</u>	<u>4</u>	<u>-</u>

BOROUGH OF FRANKLIN LAKES
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018
(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		\$ 27,354	\$ 27,354		
Municipal Alliance on Alcoholism and Drug Abuse					
County Share	\$ 9,876	9,876	9,876		
Local Share	5,000	5,000	674	\$ 4,326	
Private Donations		16,000	16,000		
Drunk Driving Enforcement Fund		3,650	3,650		
MC Alcohol Edu, Rehab & Enfor Fund Grant		659	659		
2018 Distracted Driving		6,161	6,161		
200 Club Water Rescue Equipment		2,800	2,800		
Police Department Accreditation	25,000	25,000	25,000		
Fire Department SAFER	624,000	624,000	624,000		
Dog Park Donations		5,300	5,300		
Meyer Foundation - FLPD Vehicles	-	180,000	180,000	-	-
Total Public and Private Programs Offset by Revenues	663,876	905,800	901,474	4,326	-
Total Operations Excluded from "CAPS"	2,159,746	2,401,670	2,391,933	9,737	-
Detail					
Salaries & Wages					
Other Expenses	2,159,746	2,401,670	2,391,933	9,737	-
CAPITAL IMPROVEMENTS EXCLUDED FROM "CAPS"					
Capital Improvement Fund	1,672,900	1,672,900	1,672,900	-	-
Total Capital Improvements - Excluded from "CAPS"	1,672,900	1,672,900	1,672,900	-	-
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	1,315,000	1,315,000	1,315,000		
Payment of Bond Anticipation Notes	2,663,100	2,663,100	2,663,100		
Interest on Bonds	281,825	281,825	281,812		\$ 13
Interest on Notes	66,000	66,000	65,826	-	174
Total Municipal Debt Service - Excluded from "CAPS"	4,325,925	4,325,925	4,325,738	-	187
Deferred Charges Unfunded - General Capital					
Ordinance 1568	14,282	14,282	14,282	-	-
Total General Appropriations Excluded from "CAPS"	8,172,853	8,414,777	8,404,853	9,737	187

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF FRANKLIN LAKES
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018
(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	\$ 20,971,928	\$ 21,213,852	\$ 20,715,242	\$ 498,423	\$ 187
Reserve for Uncollected Taxes	<u>905,000</u>	<u>905,000</u>	<u>905,000</u>	<u>-</u>	<u>-</u>
Total General Appropriations	<u>\$ 21,876,928</u>	<u>\$ 22,118,852</u>	<u>\$ 21,620,242</u>	<u>\$ 498,423</u>	<u>\$ 187</u>
	A-2			A	
	<u>Reference</u>				
Budget as Adopted	A-2	\$ 21,876,928			
Added by N.J.S. 40A:4-87	A-2	<u>241,924</u>			
		<u>\$ 22,118,852</u>			
Cash Disbursements	A-4		\$ 19,416,668		
Encumbrances Payable	A-13		397,774		
Appropriated Grant Reserves	A-15		900,800		
Reserve for Uncollected Taxes	A-2		<u>905,000</u>		
			<u>\$ 21,620,242</u>		

**BOROUGH OF FRANKLIN LAKES
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2018 AND 2017**

ASSETS	<u>Reference</u>	<u>2018</u>	<u>2017</u>
ANIMAL CONTROL TRUST FUND			
Cash	B-2	\$ 26,404	\$ 31,920
OTHER TRUST FUND			
Cash	B-2	3,068,782	3,383,124
Due from Current Fund	B-8	<u>-</u>	<u>5,970</u>
		<u>3,068,782</u>	<u>3,389,094</u>
ASSESSMENT TRUST FUND			
Cash	B-2	175,555	170,193
Assessments Receivable	B-13	8,777	13,442
Prospective Assessments Funded	B-16	<u>120,000</u>	<u>-</u>
		<u>304,332</u>	<u>183,635</u>
UNEMPLOYMENT INSURANCE TRUST FUND			
Cash	B-2	<u>25,606</u>	<u>19,824</u>
 Total Assets		 <u>\$ 3,425,124</u>	 <u>\$ 3,624,473</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF FRANKLIN LAKES
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2018 AND 2017
(Continued)

LIABILITIES, RESERVES AND FUND BALANCE	<u>Reference</u>	<u>2018</u>	<u>2017</u>
ANIMAL CONTROL TRUST FUND			
Due to Current Fund	B-5	\$ 9,124	\$ 13,494
Due to State of NJ	B-4	13	1
Reserve for Animal Control Expenditures	B-3	<u>17,267</u>	<u>18,425</u>
		<u>26,404</u>	<u>31,920</u>
OTHER TRUST FUND			
Payroll Deductions and Withholdings Payable	B-7	33,943	33,226
Due to Current Fund	B-8	443	-
Reserve for:			
Affordable Housing	B-6	890,347	1,431,797
Miscellaneous Reserves	B-9	353,661	397,523
Escrow Deposits	B-10	<u>1,790,388</u>	<u>1,526,548</u>
		<u>3,068,782</u>	<u>3,389,094</u>
ASSESSMENT TRUST FUND			
Due to Current Fund	B-14	20,918	20,221
Due to General Capital Fund	B-15	163,414	163,414
Reserve for Prospective Assessments	B-16	<u>120,000</u>	<u>-</u>
		<u>304,332</u>	<u>183,635</u>
UNEMPLOYMENT INSURANCE TRUST FUND			
Due to the State of New Jersey	B-11	360	383
Reserve for Unemployment Insurance Claims	B-12	<u>25,246</u>	<u>19,441</u>
		<u>25,606</u>	<u>19,824</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 3,425,124</u>	<u>\$ 3,624,473</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, 2018 AND 2017

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
ASSETS			
Cash	C-2,C-3	\$ 1,675,666	\$ 3,237,460
Due from Current Fund	A-19		30
Due from Assessment Trust Fund	B-15	163,414	163,414
Deferred Charges to Future Taxation - Funded	C-4	8,500,000	9,815,000
Deferred Charges to Future Taxation - Unfunded	C-5	<u>3,262,283</u>	<u>5,711,342</u>
 Total Assets		 <u>\$ 13,601,363</u>	 <u>\$ 18,927,246</u>
 LIABILITIES, RESERVES AND FUND BALANCE			
Serial Bond Payable	C-6	\$ 8,500,000	\$ 9,815,000
Bond Anticipation Notes	C-7	3,096,000	5,594,000
Improvement Authorizations			
Funded	C-8	403,228	146,698
Unfunded	C-8	651,095	510,044
Encumbrances Payable	C-9	177,090	109,811
Capital Improvement Fund	C-10	21,342	113,242
Reserve for Payment of Debt - Grants	C-11		216,605
Reserve for Payment of Debt - Schwartz Property	C-11		1,950,000
Reserve for COAH - RCA Debt	C-12	690,835	
Reserve for Future Capital Projects	C-13		322,900
Fund Balance	C-1	<u>61,773</u>	<u>148,946</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 13,601,363</u>	 <u>\$ 18,927,246</u>

There were bonds and notes authorized but not issued on December 31, 2018 and 2017 of \$188,614 and \$144,338, respectively (Exhibit C-14).

BOROUGH OF FRANKLIN LAKES
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS
GENERAL CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
Balance, January 1	C	\$ 148,946	\$ 343,775
Increased by:			
Grant Proceeds on Fully Funded Ordinances	C-2	141,809	
Premium on Sale of Bond Anticipation Note	C-2	22,293	
Refund of Unexpended Cost of Issuance	C-2	<u>-</u>	<u>7,171</u>
		313,048	350,946
Decreased by:			
Appropriated to Finance Improvement Authorizations	C-8	<u>251,275</u>	<u>202,000</u>
Balance, December 31		<u>\$ 61,773</u>	<u>\$ 148,946</u>

BOROUGH OF FRANKLIN LAKES
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - SEWER UTILITY FUND
AS OF DECEMBER 31, 2018 AND 2017

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
ASSETS			
Operating Fund			
Cash	D-4	\$ 134,970	\$ 117,222
Accounts Receivable	D-5	<u>348</u>	<u>1,214</u>
Total Operating Fund		<u>135,318</u>	<u>118,436</u>
Total Assets		<u>\$ 135,318</u>	<u>\$ 118,436</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Operating Fund			
Appropriation Reserves	D-3, D-6	<u>\$ 11,312</u>	<u>\$ 8,412</u>
		11,312	8,412
Reserve for Receivable	D-5	348	1,214
Fund Balance	D-1	<u>123,658</u>	<u>108,810</u>
Total Operating Fund		<u>135,318</u>	<u>118,436</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 135,318</u>	<u>\$ 118,436</u>

BOROUGH OF FRANKLIN LAKES
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS - SEWER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2018 AND 2017

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
Revenue and Other Income Realized			
Sewer User Fees	D-2, D-5	\$ 104,157	\$ 125,539
Sewer Connection Fees	D-2	1,592	781
Non-Budget Revenue	D-2	6,387	2,167
Other Credits to Income			
Unexpended Balances of Appropriation Reserves	D-6	<u>8,412</u>	<u>19,934</u>
		<u>120,548</u>	<u>148,421</u>
Expenditures			
Budget Appropriations			
Operating	D-3	<u>105,700</u>	<u>84,000</u>
		<u>105,700</u>	<u>84,000</u>
Excess of Revenues Over Expenditures		14,848	64,421
Fund Balance, January 1	D	<u>108,810</u>	<u>44,389</u>
Fund Balance, December 31	D	<u>\$ 123,658</u>	<u>\$ 108,810</u>

**BOROUGH OF FRANKLIN LAKES
STATEMENT OF REVENUES - REGULATORY BASIS
SEWER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Reference</u>	<u>2018 Budget</u>	<u>2018 Realized</u>	<u>Excess or (Deficit)</u>
Sewer User Fees	D-1, D-4	\$ 105,000	\$ 104,157	\$ (843)
Sewer Connection Fees	D-1, D-4	<u>700</u>	<u>1,592</u>	<u>892</u>
		<u>\$ 105,700</u>	105,749	<u>\$ 49</u>
	<u>Reference</u>	D-3		
Non-Budget Revenue			<u>6,387</u>	
			<u>\$ 112,136</u>	

**STATEMENT OF EXPENDITURES - REGULATORY BASIS
SEWER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

		<u>Appropriation</u>		<u>Expended</u>	
		<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>
Operating					
Other Expenses		<u>\$ 105,700</u>	<u>\$ 105,700</u>	<u>\$ 94,388</u>	<u>\$ 11,312</u>
		<u>\$ 105,700</u>	<u>\$ 105,700</u>	<u>\$ 94,388</u>	<u>\$ 11,312</u>
	<u>Reference</u>	D-2	D-2		D
Budget as Adopted	D-2		<u>\$ 105,700</u>		
Cash Disbursements	D-4			<u>\$ 94,388</u>	

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF FRANKLIN LAKES
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL FIXED ASSETS ACCOUNT GROUP
AS OF DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
Land	\$ 39,242,900	\$ 39,242,900
Buildings and Improvements	12,367,800	12,367,800
Vehicles	6,162,451	5,984,734
Machinery and Equipment	<u>3,857,521</u>	<u>3,775,932</u>
Total Assets	<u>\$ 61,630,672</u>	<u>\$ 61,371,366</u>
FUND BALANCE		
Investment in General Fixed Assets	<u>\$ 61,630,672</u>	<u>\$ 61,371,366</u>

NOTES TO FINANCIAL STATEMENTS

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

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 and 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, 2018 AND 2017

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 Trust 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 Trust 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, 2017 balances to conform to the December 31, 2018 presentation.

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

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, 2018 AND 2017**

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.

Deferred Charges - Funded and unfunded debt authorizations for general capital projects are also recorded as deferred charges and represent permanent long-term debt issues outstanding (funded) and temporary debt issues outstanding or unissued debt authorizations (unfunded), respectively. GAAP does not permit the recording of deferred charges for funded and unfunded debt authorizations.

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.

**BOROUGH OF FRANKLIN LAKES
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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.

General Fixed Assets purchased after December 31, 2015 are stated as cost. Donated fixed assets are recorded at estimated fair market value at the date of donation.

General Fixed Assets purchased prior to December 31, 2015 are stated as follows:

Land and Buildings	Assessed Value
Machinery and Equipment	Historical Cost

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

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 2018 and 2017 the Borough Council increased the original budget by \$241,924 and \$278,988, respectively. The increases were funded by additional aid allotted to the Borough. In addition, the governing body approved several budget transfers during 2018 and 2017.

**BOROUGH OF FRANKLIN LAKES
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2018 AND 2017**

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), National Credit Union Share Insurance Fund (NCUSIF), 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. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2018 and 2017, the book value of the Borough's deposits were \$11,267,704 and \$23,642,888 and bank and brokerage firm balances of the Borough's deposits amounted to \$11,453,613 and \$22,692,965, respectively. The Borough's deposits which are displayed on the various fund balance sheets as "cash" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2018</u>	<u>2017</u>
Insured	<u>\$ 11,453,613</u>	<u>\$ 22,692,965</u>

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, 2018 and 2017, 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, any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor; 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, Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school district, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law, " (C.40A:5A-1 et seq.); Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Investments in the Department of the Treasury for investment by local units; Local Government investment pools, deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); 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, 2018 and 2017 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, 2018 AND 2017**

NOTE 4 TAXES RECEIVABLE

Receivables at December 31, 2018 and 2017 consisted of the following:

<u>Current</u>	<u>2018</u>	<u>2017</u>
Property Taxes	\$ 343,095	\$ 497,394
Tax Title Liens	<u>13,129</u>	<u>14,160</u>
	<u>\$ 356,224</u>	<u>\$ 511,554</u>

In 2018 and 2017, the Borough collected \$496,796 and \$726,816 from delinquent taxes, which represented 98% 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>2018</u>		<u>2017</u>	
	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>
Current Fund	\$ 30,485		\$ 33,715	\$ 6,000
Trust Fund:				
Animal Control Trust		\$ 9,124		13,494
Other Trust		443	5,970	
Assessment Trust		184,332		183,635
General Capital Fund	<u>163,414</u>	<u>-</u>	<u>163,444</u>	<u>-</u>
Total	<u>\$ 193,899</u>	<u>\$ 193,899</u>	<u>\$ 203,129</u>	<u>\$ 203,129</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, 2018 AND 2017

NOTE 6 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>2018</u>	Utilized in Subsequent Year's Budget	Fund Balance December 31, <u>2017</u>	Utilized in Subsequent Year's Budget
Current Fund				
Cash Surplus	\$ 3,288,884	\$ 2,390,000	\$ 4,359,826	\$ 2,109,000
Non-Cash Surplus	<u>638,766</u>	<u>-</u>	<u>14,519</u>	<u>-</u>
	<u>\$ 3,927,650</u>	<u>\$ 2,390,000</u>	<u>\$ 4,374,345</u>	<u>\$ 2,109,000</u>
Sewer Utility Operating Fund				
Cash Surplus	\$ 123,658	\$ 25,000	\$ 108,810	
Non-Cash Surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 123,658</u>	<u>\$ 25,000</u>	<u>\$ 108,810</u>	<u>\$ -</u>

BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 7 FIXED ASSETS

General Fixed Assets

The following is a summary of changes in the general fixed assets account group for the years ended December 31, 2018 and 2017.

	Balance December 31, <u>2017</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2018</u>
<u>2018</u>				
Land	\$ 39,242,900			\$ 39,242,900
Buildings and Improvements	12,367,800			12,367,800
Vehicles	5,984,734	\$ 244,500	\$ 66,783	6,162,451
Machinery and Equipment	<u>3,775,932</u>	<u>115,154</u>	<u>33,565</u>	<u>3,857,521</u>
	<u>\$ 61,371,366</u>	<u>\$ 359,654</u>	<u>\$ 100,348</u>	<u>\$ 61,630,672</u>
	Balance December 31, <u>2016</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2017</u>
<u>2017</u>				
Land	\$ 39,242,900			\$ 39,242,900
Buildings and Improvements	12,367,800			12,367,800
Vehicles	5,909,734	\$ 75,000		5,984,734
Machinery and Equipment	<u>3,518,111</u>	<u>257,821</u>	<u>-</u>	<u>3,775,932</u>
	<u>\$ 61,038,545</u>	<u>\$ 332,821</u>	<u>\$ -</u>	<u>\$ 61,371,366</u>

BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 8 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>2018</u>	<u>2017</u>
Issued		
General		
Bonds and Notes	\$ 11,596,000	\$ 15,409,000
Less Funds Temporarily Held to Pay Bonds and Notes	<u>(690,835)</u>	<u>(2,166,605)</u>
Net Debt Issued	10,905,165	13,242,395
Authorized But Not Issued		
Bonds and Notes		
General	166,283	117,342
Assessment	<u>22,331</u>	<u>26,996</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 11,093,779</u>	<u>\$ 13,386,733</u>

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 8 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 .251% and .302% at December 31, 2018 and 2017, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2018</u>			
General Debt	\$ 11,784,614	\$ 690,835	\$ 11,093,779
School Debt	<u>9,132,267</u>	<u>9,132,267</u>	<u>-</u>
Total	<u>\$ 20,916,881</u>	<u>\$ 9,823,102</u>	<u>\$ 11,093,779</u>
	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2017</u>			
General Debt	\$ 15,553,338	\$ 2,166,605	\$ 13,386,733
School Debt	<u>10,263,953</u>	<u>10,263,953</u>	<u>-</u>
Total	<u>\$ 25,817,291</u>	<u>\$ 12,430,558</u>	<u>\$ 13,386,733</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>2018</u>	<u>2017</u>
3-1/2% of Equalized Valuation Basis (Municipal) Net Debt	<u>\$ 154,636,975</u> <u>11,093,779</u>	<u>\$ 155,213,418</u> <u>13,386,733</u>
Remaining Borrowing Power	<u>\$ 143,543,196</u>	<u>\$ 141,826,685</u>

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 8 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>2018</u>	<u>2017</u>
\$10,810,000, 2008 Bonds, due in an annual installment of \$775,000 on March 1, 2018, interest at 4.50%. These bonds were refunded in 2017.		\$ 775,000
\$5,055,000, 2014 Bonds, due in annual installments of \$255,000 to \$460,000 through September 1, 2029, interest at 2.00%	\$ 4,100,000	4,345,000
\$1,150,000, 2014 Refunding Bonds, due in an annual installment of \$295,000 on March 1, 2018, interest at 1.00%		295,000
\$4,400,000, 2017 Refunding Bonds, due in annual installments of \$795,000 to \$935,000 through March 1, 2023, interest at 4.00%	<u>4,400,000</u>	<u>4,400,000</u>
	<u>\$ 8,500,000</u>	<u>\$ 9,815,000</u>

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 8 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, 2018 is as follows:

Calendar Year	General		Total
	Principal	Interest	
2019	\$ 1,050,000	\$ 242,100	\$ 1,292,100
2020	1,100,000	204,200	1,304,200
2021	1,155,000	164,400	1,319,400
2022	1,205,000	122,600	1,327,600
2023-2027	3,070,000	245,400	3,315,400
2028-2029	<u>920,000</u>	<u>27,600</u>	<u>947,600</u>
Total	<u>\$ 8,500,000</u>	<u>\$ 1,006,300</u>	<u>\$ 9,506,300</u>

Changes in Long-Term Municipal Debt

The Borough's long-term capital debt activity for the years ended December 31, 2018 and 2017 were as follows:

	Balance, December 31, <u>2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2018</u>	Due Within <u>One Year</u>
<u>2018</u>					
General Capital Fund					
Bonds Payable	<u>\$ 9,815,000</u>	<u>\$ -</u>	<u>\$ 1,315,000</u>	<u>\$ 8,500,000</u>	<u>\$ 1,050,000</u>
	Balance, December 31, <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2017</u>	Due Within <u>One Year</u>
<u>2017</u>					
General Capital Fund					
Bonds Payable	<u>\$ 11,260,000</u>	<u>\$ 4,400,000</u>	<u>\$ 5,845,000</u>	<u>\$ 9,815,000</u>	<u>\$ 1,315,000</u>

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 8 MUNICIPAL DEBT (Continued)

B. Short-Term Debt

The Borough's short-term debt activity for the years ended December 31, 2018 and 2017 was as follows:

Bond Anticipation Notes

<u>Purpose</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	<u>Balance, December 31, 2017</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance, December 31, 2018</u>
<u>2018</u>						
Various Capital Improvements	3.00%	10/26/2019	\$ 1,259,384	\$ 1,239,877	1,259,384	\$ 1,239,877
Acquisition of Fire Apparatus	3.00%	10/26/2019	1,272,871	1,205,555	1,272,871	1,205,555
2016 Road Improvements	3.00%	10/26/2019	497,000	20,468	497,000	20,468
Various Sidewalk Improvements	3.00%	10/26/2019	300,000	300,000	300,000	300,000
Old Mill Road Improvements	3.00%	10/26/2019	165,000	60,398	165,000	60,398
Acquisition of Real Property	3.00%	10/26/2019	2,099,745	-	2,099,745	-
Various Street Improvements	3.00%	10/26/2019	-	208,000	-	208,000
Water and Sewer System Improvements	3.00%	10/26/2019	-	61,702	-	61,702
Total Bond Anticipation Notes Payable			<u>\$ 5,594,000</u>	<u>\$ 3,096,000</u>	<u>\$ 5,594,000</u>	<u>\$ 3,096,000</u>

<u>Purpose</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	<u>Balance, December 31, 2016</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance, December 31, 2017</u>
<u>2017</u>						
Improvements to Police Headquarters					\$ -	
Various Capital Improvements	1.18%	10/25/2018	\$ 1,599,000	\$ 1,259,384	1,599,000	\$ 1,259,384
Acquisition of Fire Apparatus	1.18%	10/25/2018	1,273,000	1,272,871	1,273,000	1,272,871
2016 Road Improvements	1.18%	10/25/2018	752,000	497,000	752,000	497,000
Various Sidewalk Improvements	1.18%	10/25/2018		300,000		300,000
Old Mill Road Improvements	1.18%	10/25/2018		165,000		165,000
Acquisition of Real Property	1.18%	10/25/2018	-	2,099,745	-	2,099,745
Total Bond Anticipation Notes Payable			<u>\$ 3,624,000</u>	<u>\$ 5,594,000</u>	<u>\$ 3,624,000</u>	<u>\$ 5,594,000</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, 2018 AND 2017**

NOTE 9 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>2018</u>		
Acquisition of Firefighter Equipment	\$ 54,696	2019
Hook Lift Truck Conversation Equipment	87,596	2019
Acquisition of Three (3) Police Vehicles	109,252	2019
<u>2017</u>		
Acquisitions of Two (2) Police Vehicles	\$ 56,392	2018
VFW Retaining Wall Demolition and Replacement	83,180	2018

NOTE 10 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, 2018 AND 2017**

NOTE 10. 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, 2018 and 2017 were as follows:

	Balance, December 31, <u>2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2018</u>
<u>2018</u>				
Net Pension Liability - PERS	\$ 9,520,594		\$ 1,765,597	\$ 7,754,997
Net Pension Liability - PFRS	<u>9,161,874</u>	<u>\$ 189,640</u>	<u>-</u>	<u>9,351,514</u>
Total Other Long-Term Liabilities	<u>\$ 18,682,468</u>	<u>\$ 189,640</u>	<u>\$ 1,765,597</u>	<u>\$ 17,106,511</u>
	Balance, December 31, <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2017</u>
<u>2017</u>				
Net Pension Liability - PERS	\$ 11,033,759	\$ -	\$ 1,513,165	\$ 9,520,594
Net Pension Liability - PFRS	<u>12,770,477</u>	<u>-</u>	<u>3,608,603</u>	<u>9,161,874</u>
Total Other Long-Term Liabilities	<u>\$ 23,804,236</u>	<u>\$ -</u>	<u>\$ 5,121,768</u>	<u>\$ 18,682,468</u>

NOTE 11 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. PFRS is a cost-sharing multi-employer defined benefit pension plan with a special funding situation. For additional information about PFRS, please refer to the State Division of Pension and Benefits (Division's) Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions.

**BOROUGH OF FRANKLIN LAKES
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

The vesting and benefit provisions are set by N.J.S.A. 43:16A. PFRS provides retirement benefits as well as death and disability benefits. All benefits vest after ten years of service, except disability benefits which vest after four years of service.

The following represents the membership tiers for PFRS:

Tier	Definition
1	Members who were enrolled prior to May 22, 2010
2	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
3	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Members may seek special retirement after achieving 25 years of creditable service, in which benefits would equal 65% (tier 1 and 2 members) and 60% (tier 3 members) of final compensation plus 1% for each year of creditable service over 25 years, but not to exceed 30 years. Members may elect deferred retirement benefits after achieving ten years of service, in which case, benefits would begin at age 55 equal to 2% of final compensation for each year of service.

Public Employees’ Retirement System (PERS) – established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage 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. PERS is a cost-sharing multi-employer defined benefit pension plan. For additional information about PERS, please refer to the State Division of Pension and Benefits (Division’s) Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions.

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

The following represents the membership tiers for PERS:

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

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

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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 and employees enrolled in PERS on or after July 1, 2007 who earn in excess of established annual maximum compensation limits (equivalent to annual maximum wage for social security deductions). This provision was extended by Chapter 1, P.L. 2010, effective May 21, 2010, to new employees (Tier 2) of the PFRS and new employees who would otherwise be eligible to participate in PERS and do not earn the minimum salary required or do not work the minimum required hours but earn a base salary of at least \$5,000 are eligible for participation in the DCRP. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership. 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 PFRS 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.

Measurement Focus and Basis of Accounting

The financial statements of the retirement systems are prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the pension trust funds. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Investment Valuation

The Division of Investment, Department of the Treasury, State of New Jersey (Division of Investment) manages and invests certain assets of the retirement systems. Prudential retirement is the third-party administrator for the DCRP and provides record keeping, administrative services and investment options. Investment transactions are accounted for on a trade or investment date basis. Interest and dividend income is recorded on the accrual basis, with dividends accruing on the ex-dividend date. The net increase or decrease in the fair value of investments includes the net realized and unrealized gains or losses on investments.

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.

Collective Net Pension Liability

The collective net pension liability of the participating employers for PERS at June 30, 2018 and 2017 is \$43.4 billion and \$48.9 billion, respectively, and the plan fiduciary net position as a percentage of the total pension liability is 40.45% and 36.78%, respectively. The collective net pension liability of the participating employers for PFRS at June 30, 2018 and 2017 is \$19.7 billion and \$21.6 billion, respectively and the plan fiduciary net position as a percentage of total pension liability is 57.91% and 54.52%, respectively.

The total pension liabilities were determined based on actuarial valuations as of July 1, 2017 and 2016 which were rolled forward to June 30, 2018 and 2017, respectively.

Actuarial Methods and Assumptions

In the July 1, 2017 and 2016 PERS and PFRS actuarial valuations, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The pension systems selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 68. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

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, 7.06% for PERS and 5.50% for DCRP of employees' annual compensation for 2018.

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Employer and Employee Pension Contributions (Continued)

For the years ended December 31, 2018 and 2017 for CPFPPF, which is a single-employer defined benefit plan the annual pension cost differs from the annual required contribution. For PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution. All contributions made by the Borough for 2018, 2017 and 2016 were equal to the required contributions.

During the years ended December 31, 2018, 2017 and 2016, 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>
2018	\$ 525,223	\$ 383,282	\$ 5,964
2017	545,073	332,167	6,271
2016	559,044	340,063	3,244

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

The regulatory basis of accounting requires participating employers in PERS and PFRS to disclose in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, (GASB No.68) their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentages presented are based on the ratio of the contributions as an individual employer to total contributions to the PERS and PFRS during the fiscal years ended June 30, 2018 and 2017. Employer allocation percentages have been rounded for presentation purposes.

Public Employees Retirement System (PERS)

At December 31, 2018 and 2017, the Borough reported a liability of \$7,754,997 and \$9,520,594, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2018 and 2017, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 and 2016, 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. As of the measurement date of June 30, 2018, the Borough's proportionate share was .03938 percent, which was a decrease of .00151 percent from its proportionate share measured as of June 30, 2017 of .04089 percent.

**BOROUGH OF FRANKLIN LAKES
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 11 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, 2018 and 2017, the pension system has determined the Borough's pension expense to be \$453,017 and \$775,209, respectively, for PERS based on the actuarial valuation which is more than the actual contributions reported in the Borough's financial statements of \$383,282 and \$332,167, respectively. At December 31, 2018 and 2017, 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:

	2018		2017	
	<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	\$ 147,889	\$ 39,987	\$ 224,177	
Changes of Assumptions	1,277,895	2,479,636	1,918,072	\$ 1,911,040
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		72,742	64,829	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	554,005	516,902	733,345	334,964
Total	<u>\$ 1,979,789</u>	<u>\$ 3,109,267</u>	<u>\$ 2,940,423</u>	<u>\$ 2,246,004</u>

At December 31, 2018, the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2019	\$ 633
2020	(36,190)
2021	(468,464)
2022	(436,287)
2023	(189,170)
Thereafter	-
	<u>\$ (1,129,478)</u>

**BOROUGH OF FRANKLIN LAKES
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 11 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 Borough's total pension liability reported for the year ended December 31, 2018 was based on the June 30, 2018 measurement date as determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. The total pension liability reported for the year ended December 31, 2017 was based on the June 30, 2017 measurement date as determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PERS</u>	<u>2018</u>	<u>2017</u>
Inflation Rate	2.25%	2.25%
Salary Increases:		
Through 2026	1.65-4.15%	1.65-4.15%
	Based on Age	Based on Age
Thereafter	2.65%-5.15%	2.65-5.15%
	Based on Age	Based on Age
Investment Rate of Return	7.00%	7.00%
Mortality Rate Table	RP-2000	RP-2000

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

The actuarial assumptions used in the July 1, 2017 and 2016 valuations were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014, respectively.

**BOROUGH OF FRANKLIN LAKES
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 11 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, 2018 and 2017, as reported for the years ended December 31, 2018 and 2017, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2018</u>		<u>2017</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>
Risk Mitigation Strategies	5.00%	5.51%	5.00%	5.51%
Cash Equivalents	5.50%	1.00%	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%	10.00%	3.78%
US Equity	30.00%	8.19%	30.00%	8.19%
Non-US Developed Markets Equity	11.50%	9.00%	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%	6.50%	11.64%
High Yield	2.50%	6.82%	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%	1.00%	6.61%
Private Real Asset	2.50%	11.83%	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%	6.25%	9.23%
Buyouts/Venture Capital	8.25%	13.08%	8.25%	13.08%

Discount Rate

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

<u>Calendar Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2018	June 30, 2018	5.66%
2017	June 30, 2017	5.00%

**BOROUGH OF FRANKLIN LAKES
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 11 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:

	<u>2018</u>	<u>2017</u>
Period of Projected Benefit		
Payments for which the Following		
Rates were Applied:		
Long-Term Expected Rate of Return	Through June 30, 2046	Through June 30, 2040
Municipal Bond Rate *	From July 1, 2046 and Thereafter	From July 1, 2040 and Thereafter

* The municipal bond return rate used is 3.87% and 3.58% as of the measurement dates of June 30, 2018 and 2017, 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, 2018 and 2017 calculated using the discount rate of 5.66% and 5.00%, respectively, 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 (4.66% and 4.00%, respectively) or 1-percentage-point higher (6.66% and 6.00%, respectively) than the current rate:

	1% Decrease <u>(4.66%)</u>	Current Discount Rate <u>(5.66%)</u>	1% Increase <u>(6.66%)</u>
<u>2018</u>			
Borough's Proportionate Share of the PERS Net Pension Liability	\$ 9,751,015	\$ 7,754,997	\$ 6,080,465
	1% Decrease <u>(4.00%)</u>	Current Discount Rate <u>(5.00%)</u>	1% Increase <u>(6.00%)</u>
<u>2017</u>			
Borough's Proportionate Share of the PERS Net Pension Liability	\$ 11,810,943	\$ 9,520,594	\$ 7,612,449

The sensitivity analysis was based on the proportionate share of the Borough's net pension liability at December 31, 2018 and 2017. 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, 2018 AND 2017**

NOTE 11 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, 2018 and 2017, the Borough reported a liability of \$9,351,514 and \$9,161,874, respectively, for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2018 and 2017, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 and 2016, 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. As of the measurement date of June 30, 2018, the Borough's proportionate share was .06910 percent, which was an increase of .00976 percent from its proportionate share measured as of June 30, 2017 of .05934 percent.

For the years ended December 31, 2018 and 2017, the pension system has determined the Borough pension expense to be \$629,721 and \$475,122, respectively, for PFRS based on the actuarial valuation which is less than and more than the actual contributions reported in the Borough's financial statements of \$525,223 and \$545,073, respectively. At December 31, 2018 and 2017, 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:

	<u>2018</u>		<u>2017</u>	
	<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	\$ 95,139	\$ 38,699	\$ 59,437	\$ 53,773
Changes of Assumptions	802,702	2,396,622	1,129,761	1,500,447
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		51,161	174,830	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>1,269,936</u>	<u>1,011,710</u>	<u>-</u>	<u>1,376,374</u>
Total	<u>\$ 2,167,777</u>	<u>\$ 3,498,192</u>	<u>\$ 1,364,028</u>	<u>\$ 2,930,594</u>

At December 31, 2018, the 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>
2019	\$ (136,122)
2020	(244,501)
2021	(674,808)
2022	(310,329)
2023	35,345
Thereafter	-
	<u>\$ (1,330,415)</u>

**BOROUGH OF FRANKLIN LAKES
 NOTES TO THE FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 11 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 Borough’s total pension liability reported for the year ended December 31, 2018 was based on the June 30, 2018 measurement date as determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. The total pension liability reported for the year ended December 31, 2017 was based on the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PFRS</u>	<u>2018</u>	<u>2017</u>
Inflation Rate	2.25%	2.25%
Salary Increases:		
Through 2026	2.10%-8.98%	2.10-8.98%
	Based on Age	Based on Age
Thereafter	3.10%-9.98%	3.10-9.98%
	Based on Age	Based on Age
Investment Rate of Return	7.00%	7.00%
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, 2017 and July 1, 2016 valuations were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

**BOROUGH OF FRANKLIN LAKES
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 11 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, 2017 and 2016, as reported for the years ended December 31, 2018 and 2017, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2018</u>		<u>2017</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>
Risk Mitigation Strategies	5.00%	5.51%	5.00%	5.51%
Cash	5.50%	1.00%	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%	3.00%	1.87%
Investment Grade Credit	10.00%	3.87%	10.00%	3.78%
US Equity	30.00%	8.19%	30.00%	8.19%
Non-US Developed Markets Equity	11.50%	9.00%	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%	6.50%	11.64%
High Yield	2.50%	6.82%	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%	1.00%	6.61%
Private Real Asset	2.50%	11.83%	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%	6.25%	9.23%
Buyouts/Venture Capital	8.25%	13.08%	8.25%	13.08%

Discount Rate

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

<u>Calendar</u>		
<u>Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2018	June 30, 2018	6.51%
2017	June 30, 2017	6.14%

**BOROUGH OF FRANKLIN LAKES
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 11 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:

	<u>2018</u>	<u>2017</u>
Period of Projected Benefit		
Payments for which the Following Rates were Applied:		
Long-Term Expected Rate of Return	Through June 30, 2062	Through June 30, 2057
Municipal Bond Rate *	From July 1, 2062 and Thereafter	From July 1, 2057 and Thereafter

* The municipal bond return rate used is 3.87% and 3.58% as of the measurement dates of June 30, 2018 and 2017, 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, 2018 and 2017 calculated using the discount rate of 6.51% and 6.14%, respectively, 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 (5.51% and 5.14%, respectively) or 1-percentage-point higher (7.51% and 7.14%, respectively) than the current rate:

	1% Decrease (5.51%)	Current Discount Rate (6.51%)	1% Increase (7.51%)
<u>2018</u>			
Borough's Proportionate Share of the PFRS Net Pension Liability	\$ <u>12,515,841</u>	\$ <u>9,351,514</u>	\$ <u>6,741,521</u>
	1% Decrease (5.14%)	Current Discount Rate (6.14%)	1% Increase (7.14%)
<u>2017</u>			
Borough's Proportionate Share of the PFRS Net Pension Liability	\$ <u>12,071,523</u>	\$ <u>9,161,874</u>	\$ <u>6,771,266</u>

The sensitivity analysis was based on the proportionate share of the Borough's net pension liability at December 31, 2018 and 2017. 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, 2018 AND 2017**

NOTE 11 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 of the net pension liability, deferred outflows and inflows 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, 2018 and 2017, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$1,270,248 and \$1,026,207, respectively. For the years ended December 31, 2018 and 2017, 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 \$150,459 and \$125,528, respectively, which are more than the actual contributions the State made on behalf of the Borough of \$75,229 and \$51,315, respectively. At December 31, 2018 (measurement date June 30, 2018) the State's share of the PFRS net pension liability attributable to the Borough was .06910 percent, which was an increase of .00976 percent from its proportionate share measured as of December 31, 2017 (measurement date June 30, 2017) of .05934 percent. 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 12 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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions.

**BOROUGH OF FRANKLIN LAKES
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 12 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Benefits Provided

The Borough provides postretirement healthcare insurance benefits for retirees and their dependents who meet certain eligibility requirements.

Employees Covered by Postemployment Benefits

At December 31, 2018, the following employees were covered by postemployment health care benefits:

Active Employees	9
Inactive Employees or Beneficiaries Currently Receiving Benefits	28
Inactive Employees Entitles to But Not Yes Receiving Benefits	<u>1</u>
	<u>38</u>

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, 2018 and 2017, the Borough’s total OPEB liabilities were \$14,048,287 and \$13,888,909, respectively. Net OPEB liability was measured as of December 31, 2018 and 2017, respectively, and the OPEB liability was determined by an actuarial valuation as of those dates.

For the year ended December 31, 2018, the Borough has determined it’s OPEB expense to be \$580,914 based on the actuarial valuation which is more than the actual contributions reported in the Borough’s financial statements of \$421,536.

Actuarial Assumptions

The Borough’s total OPEB liability reported for the year ended December 31, 2018 was based on the December 31, 2018 measurement date as determined by an actuarial valuation as of December 31, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

	<u>2018</u>
Inflation Rate	2.5%
Salary Increases	2.5%
Discount Rate	4.10%
Healthcare Cost Trend Rates	5.8%

The discount rate was based on Bond Buyer 20 Index at December 31, 2018.

Mortality rates were based on the RP 2000 Combined Healthy Male Mortality rates set forward three years.

**BOROUGH OF FRANKLIN LAKES
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 12 POST-RETIREMENT MEDICAL BENEFITS (Continued)

**OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to OPEB (Continued)**

Changes in the Total OPEB Liability

The change in the Borough's OPEB liability for the year ended December 31, 2018 is as follows:

	Total OPEB Liability 2018
	<u> </u>
Balance - Beginning of Year	\$ 13,888,909
Changes for the Year:	
Service Cost	\$ 19,318
Interest on the Total OPEB Liability	561,596
Changes of Benefit Terms	
Differences Between Expected and Actual Experience	
Changes in Assumptions	
Benefit Payments	<u>(421,536)</u>
Net Changes	<u>159,378</u>
Balance - End of Year	<u>\$ 14,048,287</u>

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

The following presents the Borough's net OPEB liability as of December 31, 2018 calculated using the discount rate of 4.10%, as well as what the Borough's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower 3.10% or 1-percentage-point higher 5.10% than the current rate:

	1% Decrease (3.10%)	Current Discount Rate (4.10%)	1% Increase (5.10%)
<u>2018</u>			
Net OPEB Liability	<u>\$ 17,427,853</u>	<u>\$ 14,048,287</u>	<u>\$ 11,232,689</u>

**BOROUGH OF FRANKLIN LAKES
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 12 POST-RETIREMENT MEDICAL BENEFITS (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Sensitivity of Net OPEB Liability to Changes in the Healthcare Trend Rate

The following presents the Borough's net OPEB liability as of December 31, 2018 and 2017 calculated using the healthcare trend rates as disclosed above as well as what the Borough's net OPEB liability would be if it were calculated using healthcare trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rate:

<u>2018</u>	1% Decrease <u>(4.8%)</u>	Healthcare Cost Trend Rates <u>(5.8%)</u>	1% Increase <u>(6.8%)</u>
Net OPEB Liability	<u>\$ 17,427,853</u>	<u>\$ 14,048,287</u>	<u>\$ 11,232,689</u>

Special Funding Situation

Under N.J.S.A. 43:3C-24 the Borough is responsible for their own OPEB 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 330, P.L. 1997 and Chapter 271, P.L., 1989. Under Chapter 330, P.L. 1997, the State pays the premiums or periodic charges for the qualified local police and firefighter retirees and dependents equal to 80 percent of the premium of periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or a health maintenance organization participating in the program providing the lowest premium or periodic charge. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989. 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. 75 and the State is treated as a nonemployer contributing entity. Accordingly, the Borough's proportionate share percentage of the net pension liability, deferred outflows and inflows determined under GASB Statement No. 75 is zero percent and the State's proportionate share is 100% of OPEB under this legislation.

The State's proportionate share of the OPEB liability and expense attributable to the Borough for the OPEB special funding situation for 2018 was not made available by the State of New Jersey as of the date of the audit. At December 31, 2017, the State's proportionate share of the net OPEB liability attributable to the Borough for the OPEB special funding situation was \$7,185,020. For the year ended December 31, 2017 the plan has determined the State's proportionate share of the OPEB expense attributable to the Borough for the OPEB special funding situation is \$514,204. The State's proportionate share attributable to the Borough was developed based on eligible plan members subject to the special funding situation. This data takes into account active members from both participating and non-participating employer locations and retired members currently receiving OPEB benefits.

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB 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.

**BOROUGH OF FRANKLIN LAKES
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 13 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.

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 December 31</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2018	\$ 12,656	\$ 6,851	\$ 25,246
2017	7,199	6,443	19,441
2016	6,734	9,257	18,685

**BOROUGH OF FRANKLIN LAKES
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 14 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, 2018 and 2017. 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, 2018 and 2017, the Borough reserved \$35,288 and \$35,288, 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, 2018 and 2017, 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 15 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, 2018 and 2017, the Borough had no estimated arbitrage earnings due to the IRS.

NOTE 16 SUBSEQUENT EVENT

On February 19, 2019 the Borough adopted a bond ordinance authorizing the issuance \$836,000 in bonds or bond anticipation notes to fund certain capital projects. As of the date of this report the Borough has not issued nor awarded the sale of said bonds or notes.

CURRENT FUND

BOROUGH OF FRANKLIN LAKES
STATEMENT OF CURRENT CASH - COLLECTOR-TREASURER

Balance, December 31, 2017		\$ 16,682,445
Increased by Receipts:		
Taxes Receivable	\$ 58,233,369	
Non-Budget Revenue	441,209	
Due from State of NJ - Senior Citizens' and Veterans' Deductions	48,000	
Grants Receivable	251,553	
Revenue Accounts Receivable	7,057,840	
Petty Cash	600	
Receipts from Animal Control Trust Fund	13,494	
Fees Payable	57,427	
Prepaid Taxes	585,524	
Reserve for Recreation Online Fees	130,199	
Tax Title Lien Redemption	<u>1,990</u>	
		<u>66,821,205</u>
		83,503,650
Decreased by Disbursements:		
2018 Budget Appropriations	19,416,668	
2017 Appropriation Reserves	153,988	
Encumbrances Payable	617,996	
Accounts Payable	2,728	
County Taxes Payable	11,037,525	
Local District School Tax Payable	26,788,761	
Regional High School Taxes Payable	18,879,092	
Fees Payable	61,958	
Petty Cash	600	
Payment to General Capital Fund	30	
Payment to Other Trust	5,970	
Reserve for Recreation Online Fees	130,199	
Reserve for State and Federal Grants - Appropriated	221,732	
Refund of Prior Year Revenue	4,362	
Refund of Prior Year Taxes	<u>22,020</u>	
		<u>77,343,629</u>
Balance, December 31, 2018		<u>\$ 6,160,021</u>

**BOROUGH OF FRANKLIN LAKES
STATEMENT OF CHANGE FUND**

<u>Office</u>	Balance, December 31, <u>2017</u>	Balance, December 31, <u>2018</u>
Borough Clerk	\$ 100	\$ 100
Tax Office	200	200
Municipal Court	100	100
Board of Health	100	100
Construction Code	<u>200</u>	<u>200</u>
	<u>\$ 700</u>	<u>\$ 700</u>

STATEMENT OF PETTY CASH

<u>Office</u>	<u>Received from Treasurer</u>	<u>Returned to Treasurer</u>
Borough Clerk	\$ 500	\$ 500
Recreation	<u>100</u>	<u>100</u>
	<u>\$ 600</u>	<u>\$ 600</u>

**BOROUGH OF FRANKLIN LAKES
STATEMENT OF GRANTS RECEIVABLE**

	Balance, December 31, <u>2017</u>	Revenue <u>Accrued</u>	Cash <u>Receipts</u>	Balance, December 31, <u>2018</u>
Clean Communities Grant		\$ 27,354	\$ 27,354	
Municipal Alliance Program	\$ 14,519	9,876	9,629	\$ 14,766
Drunk Driving Enforcement Fund		3,650	3,650	
Distracted Driving		6,161	6,161	
Private Donation		16,000	16,000	
Alcohol Education and Rehabilitation		659	659	
Dog Park Donations		5,300	5,300	
FEMA - Fire Department SAFER Grant		624,000	-	624,000
200 Club Water Rescue Equipment		2,800	2,800	
Meyer Foundation - FLPD Cars & Software	-	180,000	180,000	-
	<u>\$ 14,519</u>	<u>\$ 875,800</u>	<u>\$ 251,553</u>	<u>\$ 638,766</u>

**BOROUGH OF FRANKLIN LAKES
STATEMENT OF DUE TO STATE OF NEW JERSEY
SENIOR CITIZENS' AND VETERANS' DEDUCTIONS**

Balance, December 31, 2017		\$ 2,693
Increased by:		
Sr. Citizen Deductions Disallowed by Tax Collector	\$ 1,000	
Received in Cash from State	<u>48,000</u>	
		<u>49,000</u>
		51,693
Decreased by:		
Senior Citizens' Deductions Per Tax Billings	2,500	
Veterans' Deductions Per Tax Billings	45,000	
Senior Citizens' and Veterans' Deductions Allowed by Tax Collector	<u>250</u>	
		<u>47,750</u>
Balance, December 31, 2018		<u>\$ 3,943</u>

**BOROUGH OF FRANKLIN LAKES
STATEMENT OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY**

Year	Balance, December 31, 2017	2018 Levy	Added and Omitted Taxes	Collected In		Senior Citizens' and Veterans' Deductions Allowed	Cancelled	Transfer to Tax Title Liens	Balance, December 31, 2018
				2017	2018				
2017	\$ 497,394	-	-	-	\$ 494,806	-	\$ 2,588	-	-
	497,394		-		494,806		2,588	-	
2018	-	\$ 68,508,668	\$ 224,115	\$ 10,415,698	57,738,563	\$ 46,750	187,718	\$ 959	\$ 343,095
	\$ 497,394	\$ 68,508,668	\$ 224,115	\$ 10,415,698	\$ 58,233,369	\$ 46,750	\$ 190,306	\$ 959	\$ 343,095

Analysis of 2018 Property Tax Levy

TAX YIELD

General Purpose Tax	\$ 68,508,668
Added and Omitted Taxes (54:4-63.1 et seq.)	<u>224,115</u>
	<u>\$ 68,732,783</u>

TAX LEVY

Local District School Tax (Abstract)	\$ 26,788,761
Regional High School Tax (Abstract)	18,879,092
County Tax (Abstract)	10,495,617
County Open Space Tax	448,128
Due County for Added and Omitted Taxes	<u>35,720</u>
	\$ 56,647,318
Local Tax for Municipal Purposes (Abstract)	10,409,828
Minimum Library Tax	1,478,068
Additional Tax Levied	<u>197,569</u>
	<u>12,085,465</u>
	<u>\$ 68,732,783</u>

**BOROUGH OF FRANKLIN LAKES
STATEMENT OF TAX TITLE LIENS**

Balance, December 31, 2017	\$ 14,160
Increased by:	
Transferred from Current Taxes Receivable	<u>959</u>
	15,119
Decreased by:	
Tax Title Lien Redemptions	<u>1,990</u>
Balance, December 31, 2018	<u>\$ 13,129</u>

BOROUGH OF FRANKLIN LAKES
STATEMENT OF REVENUE ACCOUNTS RECEIVABLE

	Balance, December 31, <u>2017</u>	Accrued <u>2018</u>	Collected in <u>2018</u>	Balance, December 31, <u>2018</u>
Borough Clerk				
Licenses				
Alcoholic Beverages		\$ 10,233	\$ 10,233	
Other		2,464	2,464	
Board of Health				
Licenses		16,105	16,105	
Fees and Permits		57,414	57,414	
Tax Collector				
Fees and Permits		400	400	
Planning Board				
Fees and Permits		27,950	27,950	
Fire Prevention				
Fees and Permits		25,767	25,767	
Police Department				
Fees and Permits		18,580	18,580	
Uniform Construction Code				
Fees and Permits		883,342	883,342	
Municipal Court				
Fines and Costs	\$ 15,741	270,592	267,802	\$ 18,531
Interest and Cost on Taxes and Assessments		163,872	163,872	
Interest on Investments and Deposits		181,277	181,277	
Energy Receipts Tax		1,775,732	1,775,732	
Watershed Moratorium Offset Aid		5,969	5,969	
Uniform Fire Safety Act		16,456	16,456	
Community Center Fees		16,000	16,000	
Recreation Program Fees		205,376	205,376	
Child Care Facility Rent		83,925	83,925	
Outside Police Employment		57,169	57,169	
Library Reimbursement		196,860	196,860	
VFW Parking Permits		14,530	14,530	
Lease of Land for Monopole- Sprint Co		104,403	104,403	
Cable T.V. Franchise Fee		194,470	194,470	
Recycling Revenue		27,439	27,439	
Abandoned Property Fees		64,800	64,800	
Reserve for Future Capital Projects		322,900	322,900	
Reserve for Payment of Debt	-	2,316,605	2,316,605	-
	<u>\$ 15,741</u>	<u>\$ 7,060,630</u>	<u>\$ 7,057,840</u>	<u>\$ 18,531</u>

**BOROUGH OF FRANKLIN LAKES
STATEMENT OF APPROPRIATION RESERVES**

	Balance, December 31, <u>2017</u>	Encumbrances <u>Cancelled</u>	Balance After <u>Modification</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
GENERAL GOVERNMENT					
General Administration					
Salaries and Wages	\$ 5,488		\$ 5,488	\$ 3,000	\$ 2,488
Other Expenses	3,175		6,075	749	5,326
Mayor & Council					
Salaries and Wages	5,000		5,000		5,000
Other Expenses	3,460		3,460	99	3,361
Municipal Clerk					
Salaries and Wages	8,683	\$ 84	8,767	168	8,599
Other Expenses	2,657		5,157	4,128	1,029
Financial Administration					
Salaries and Wages	987		987	277	710
Other Expenses	23,167		23,167	5,427	17,740
Audit Services					
Other Expenses	6,412		6,762	6,700	62
Revenue Administration (Tax Collection)					
Salaries and Wages	18		18		18
Other Expenses	2,592	353	2,945	18	2,927
Tax Assessment Administration					
Salaries and Wages	1,121		1,121		1,121
Other Expenses	11,381	4,770	16,151		16,151
Legal Services (Legal Department)					
Other Expenses	10,396		10,396	4,498	5,898
Engineering Services and Costs					
Salaries and Wages	8		8		8
Other Expenses	6,924		17,924	16,079	1,845
Planning Board					
Salaries and Wages	4,400		4,400	550	3,850
Other Expenses	1,761		1,761	900	861
Zoning Board of Adjustment					
Salaries and Wages	200		200		200
Other Expenses	877		4,177	3,265	912
Zoning Official					
Salaries and Wages	4		4		4
Other Expenses	12,500		12,500		12,500
Insurance					
Worker's Compensation			-		-
General Liability	411		411		411
Employee Group Health	67,529		2,229	2,152	77
Unemployment Insurance					
Other Insurance Premiums	2,034		2,034		2,034
Health Benefit Waiver	1,063		1,063	1,063	-

**BOROUGH OF FRANKLIN LAKES
STATEMENT OF APPROPRIATION RESERVES**

GENERAL GOVERNMENT (Cont'd)	Balance, December 31, <u>2017</u>	Encumbrances <u>Cancelled</u>	Balance After <u>Modification</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Police					
Salaries and Wages	\$ 34,484		\$ 34,084		\$ 34,084
Other Expenses	9,034	\$ 6,610	15,644		15,644
Office of Emergency Management					
Other Expenses	536		536	62	474
Ambulance Service					
Other Expenses	16,396		2,896	716	2,180
Fire Department					
Salaries and Wages	4,648		3,888		3,888
Other Expenses	558		558		558
Uniform Fire Safety					
Salaries and Wages	1,851		1,851		1,851
Other Expenses	8,518		8,518	543	7,975
Municipal Court					
Salaries and Wages	2,819	412	3,231		3,231
Other Expenses	4,867		4,867	1,381	3,486
Municipal Court Public Defender					
Salaries and Wages	371		371		371
Municipal Prosecutor					
Salaries and Wages	520		1,320	1,239	81
Streets and Road Maintenance					
Salaries and Wages	29,843		9,843		9,843
Other Expenses	36,003		42,003	25,555	16,448
Solid Waste Collection					
Other Expenses	10,056	307	10,363		10,363
Buildings and Grounds					
Other Expenses	2,304		42,804	36,089	6,715
Vehicle Maintenance					
Other Expenses	43,668		73,668	45,818	27,850
Shade Tree					
Salaries and Wages	7		7		7
Other Expenses			100	42	58
Board of Health					
Salaries and Wages	3		3		3
Other Expenses	6,487		7,897	7,896	1
Animal Control Services					
Other Expenses	160		160		160
Recreation Services and Programs					
Salaries and Wages	1,970		1,970		1,970
Other Expenses			4,900	3,693	1,207

**BOROUGH OF FRANKLIN LAKES
STATEMENT OF APPROPRIATION RESERVES**

	Balance, December 31, <u>2017</u>	Encumbrances <u>Cancelled</u>	Balance After <u>Modification</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
GENERAL GOVERNMENT (Cont'd)					
Celebration of Public Events					
Other Expenses	\$ 3,090		\$ 3,090		\$ 3,090
Environment Commission					
Other Expenses	1,412		1,412		1,412
Cable T.V. Committee					
Other Expenses	2,520		2,520		2,520
Building Inspector					
Salaries and Wages	16,348		1,348		1,348
Other Expenses	6,242		6,242	471	5,771
Electrical Inspector					
Salaries and Wages	5,608		5,608	494	5,114
Plumbing Inspector					
Salaries and Wages	100		100		100
Unclassified					
Electricity	1		6,001	\$ 5,159	842
Street Lighting	2,708		2,708	797	1,911
Telephone	1,310		1,310	1,047	263
Telecommunications	329	\$ 77	406		406
Water	14,567	621	15,188		15,188
Gasoline	9,062		14,262	10,581	3,681
Landfill/ Solid Waste Disposal Costs	17,488	3,447	20,935		20,935
Statutory Expenditures:					
Contribution to:					
Social Security System	4,686		4,686		4,686
PERS	3,833		3,833	2,949	884
PFRS	6,927		6,927	594	6,333
DCRP Employer Contribution	729		729		729
Interlocal Municipal Service Agreements					
Enhanced 911 Service - Northwest Bergen					
Central Dispatch					
Other Expenses	17		17		17
Matching Funds for Grants					
Municipal Library	9		9		9
NJ DEP Stormwater Permit	1,300	-	1,300	-	1,300
Municipal Alliance on Alcoholism and Drug					
Local Share	4,194	-	4,194	1,588	2,606
	<u>\$ 499,831</u>	<u>\$ 16,681</u>	<u>\$ 516,512</u>	<u>\$ 195,787</u>	<u>\$ 320,725</u>
Appropriation Reserves			\$ 499,831		
Encumbrances Payable			<u>16,681</u>		
			<u>\$ 516,512</u>		
				\$ 153,988	
				<u>41,799</u>	
				<u>\$ 195,787</u>	

**BOROUGH OF FRANKLIN LAKES
STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, December 31, 2017		\$ 634,677
Increased by:		
Charges to 2018 Budget Appropriations	\$ 397,774	
Charges to Appropriated Grant Reserves	<u>141,539</u>	
		<u>539,313</u>
		1,173,990
Decreased by:		
Cancelled to Appropriation Reserves	16,681	
Cash Disbursements	<u>617,996</u>	
		<u>634,677</u>
Balance, December 31, 2018		<u>\$ 539,313</u>

STATEMENT OF ACCOUNTS PAYABLE

Balance, December 31, 2017		\$ 65,213
Increased by:		
Charged to 2017 Appropriation Reserves		<u>41,799</u>
		107,012
Decreased by:		
Cancelled Prior Year Accounts Payables	\$ 8,795	
Cash Disbursements	<u>2,728</u>	
		<u>11,523</u>
Balance, December 31, 2018		<u>\$ 95,489</u>

BOROUGH OF FRANKLIN LAKES
STATEMENT OF RESERVE FOR GRANTS - APPROPRIATED

	Balance, December 31, <u>2017</u>	Transfer from 2018 Budget <u>Appropriations</u>	<u>Expenditures</u>	Balance, December 31, <u>2018</u>
Recycling Tonnage Grant	\$ 15,430		\$ 15,413	\$ 17
Drunk Driving Enforcement	11,148	\$ 3,650	3,284	11,514
Drive Sober or Get Pulled Over	5,184			5,184
Distracted Driving		6,161	6,161	-
Clean Communities Grant	59,657	27,354	29,816	57,195
Bergen County Department of Health	3,425		3,425	-
Municipal Alliance - State	4,090	9,876	11,612	2,354
Municipal Alcohol Ed/Rehabilitation	643	659		1,302
Private Donation	2,659	16,000	15,375	3,284
Dog Park Donations	27,775	5,300	33,040	35
Citizens Corp. - CERT Trailers	700			700
Murphy Grant - OEM Building Improvements	21,847		11,695	10,152
Meyer Foundation - FLPD Vehicles	4,842		4,842	-
Meyer Foundation - FLPD Cars and Software	38,849	180,000	152,091	66,758
Meyer Foundation - FLPD Camera System	2,595		2,595	-
FLK Open Space Preservation	29,185		29,185	-
FEMA - Fire Department Safer Grant		624,000	16,937	607,063
Club Water Rescue		2,800	2,800	-
Police Department Accreditation	-	25,000	25,000	-
	<u>\$ 228,029</u>	<u>\$ 900,800</u>	<u>\$ 363,271</u>	<u>\$ 765,558</u>
			Cash Disbursements \$ 221,732	
			Encumbrances Payable <u>141,539</u>	
			<u>\$ 363,271</u>	

STATEMENT OF RESERVE FOR GRANTS - UNAPPROPRIATED

	Balance, December 31, <u>2017</u>	Cash <u>Receipts</u>	Budgeted <u>Revenue</u>	Balance, December 31, <u>2018</u>
Police Accreditation Grant	<u>25,000</u>	\$ -	\$ 25,000	\$ -
	<u>25,000</u>	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ -</u>

**BOROUGH OF FRANKLIN LAKES
STATEMENT OF PREPAID TAXES**

Balance, December 31, 2017	\$ 10,680,151
Increased by:	
Collection of 2019 Taxes	585,524
	11,265,675
Decreased by:	
Applied to 2018 Taxes	10,415,698
Balance, December 31, 2018	\$ 849,977

STATEMENT OF TAX OVERPAYMENTS

Balance, December 31, 2017	\$ <u>28,078</u>
Balance, December 31, 2018	\$ <u><u>28,078</u></u>

STATEMENT OF DUE TO GENERAL CAPITAL FUND

Balance, December 31, 2017	\$ 30
Decreased by:	
Payments to General Capital Fund	30
Balance, December 31, 2018	\$ -

**BOROUGH OF FRANKLIN LAKES
STATEMENT OF COUNTY TAXES PAYABLE**

Balance, December 31, 2017		\$ 93,780
Increased by:		
2018 County Tax Levy	\$ 10,495,617	
2018 County Open Space Tax Levy	448,128	
2018 County Added and Omitted Taxes	<u>35,720</u>	
		<u>10,979,465</u>
		11,073,245
Decreased by:		
Payments		<u>11,037,525</u>
Balance, December 31, 2018		<u><u>\$ 35,720</u></u>

STATEMENT OF LOCAL DISTRICT SCHOOL TAXES PAYABLE

Increased by:		
Levy - Calendar Year 2018		<u>\$ 26,788,761</u>
Decreased by:		
Payments		<u>\$ 26,788,761</u>

STATEMENT OF REGIONAL HIGH SCHOOL TAXES PAYABLE

Increased by:		
Levy - Calendar Year 2018		<u>\$ 18,879,092</u>
Decreased by:		
Payments		<u>\$ 18,879,092</u>

**BOROUGH OF FRANKLIN LAKES
STATEMENT OF RESERVES FOR TAX APPEALS PENDING**

Balance, December 31, 2017	\$ <u>35,288</u>
Balance, December 31, 2018	\$ <u><u>35,288</u></u>

STATEMENT OF FEES PAYABLE

Balance, December 31, 2017	\$ 21,365
 Increased by:	
Cash Receipts	
DCA Training Fees	\$ 55,927
Marriage Licenses	<u>1,500</u>
	<u>57,427</u>
	78,792
 Decreased by:	
Cash Disbursements	
DCA Training Fees	60,153
Marriage Licenses	<u>1,805</u>
	<u>61,958</u>
 Balance, December 31, 2018	 \$ <u><u>16,834</u></u>

STATEMENT OF RESERVE FOR RECREATION ONLINE FEES

Balance, December 31, 2017	\$ 3,214
 Increased by:	
Cash Receipts	<u>130,199</u>
	133,413
 Decreased by:	
Cash Disbursements	<u>130,199</u>
 Balance, December 31, 2018	 \$ <u><u>3,214</u></u>

TRUST FUND

**BOROUGH OF FRANKLIN LAKES
STATEMENT OF TRUST CASH - COLLECTOR-TREASURER**

	<u>Animal Control Trust Fund</u>	<u>Other Trust Fund</u>	<u>Assessment Trust Fund</u>	<u>Unemployment Insurance Trust Fund</u>
Balance, December 31, 2017	\$ 31,920	\$ 3,383,124	\$ 170,193	\$ 19,824
Increased by Receipts:				
Animal Control Fees	\$ 9,266			
State License Fees	1,360			
Payroll Deposits		\$ 6,959,549		
Miscellaneous Reserves		649,675		
Assessment Receivable			\$ 4,665	
Interest on Assessments			697	
Reserve for Affordable Housing		251,602		
Developers Escrow		1,252,042		
Payment from Current Fund		5,970		
Employee Unemployment Contributions				\$ 12,656
Interest Earned on Escrow Accounts	-	443	-	-
	<u>10,626</u>	<u>9,119,281</u>	<u>5,362</u>	<u>12,656</u>
	42,546	12,502,405	175,555	32,480
Decreased by Disbursements:				
Miscellaneous Reserves		693,537		
Reserve for Affordable Housing		793,052		
Expenditures Under R.S. 4:19-15.11	1,300			
Payroll Deductions		6,958,832		
Due to State of NJ - Animal Control Fees	1,348			
Due to State of NJ - Unemployment				6,874
Payments to Current Fund	13,494			
Escrow Deposits	-	988,202	-	-
	<u>16,142</u>	<u>9,433,623</u>	<u>-</u>	<u>6,874</u>
Balance, December 31, 2018	<u>\$ 26,404</u>	<u>\$ 3,068,782</u>	<u>\$ 175,555</u>	<u>\$ 25,606</u>

**BOROUGH OF FRANKLIN LAKES
STATEMENT OF RESERVE FOR ANIMAL CONTROL EXPENDITURES
ANIMAL CONTROL TRUST FUND**

Balance, December 31, 2017		\$ 18,425
Increased by:		
Animal Control Fees Collected		9,266
		27,691
Decreased by:		
Cash Disbursements	\$ 1,300	
Statutory Excess Due to Current Fund	9,124	
		10,424
Balance, December 31, 2018		\$ 17,267

Licenses Fees Collected

<u>Year</u>	<u>Amount</u>
2017	\$ 8,376
2016	8,891
	\$ 17,267

**BOROUGH OF FRANKLIN LAKES
STATEMENT OF DUE TO STATE OF NEW JERSEY
ANIMAL CONTROL TRUST FUND**

Balance, December 31, 2017	\$	1
Increased by:		
2018 State Fees Collected		1,360
		1,361
Decreased by:		
Payments to State of New Jersey		1,348
Balance, December 31, 2018	\$	13

**STATEMENT OF DUE TO CURRENT FUND
ANIMAL CONTROL TRUST FUND**

Balance, December 31, 2017	\$	13,494
Increased by:		
Statutory Excess		9,124
		22,618
Decreased by:		
Payments to Current Fund		13,494
Balance, December 31, 2018	\$	9,124

**STATEMENT OF RESERVE FOR AFFORDABLE HOUSING
OTHER TRUST FUND**

Balance, December 31, 2017	\$	1,431,797
Increased by:		
Cash Receipts	\$ 251,602	251,602
		1,683,399
Decreased by:		
Cash Disbursements	102,218	
Transfer to Capital Account	690,834	793,052
Balance, December 31, 2018	\$	890,347

**BOROUGH OF FRANKLIN LAKES
STATEMENT OF PAYROLL AND DEDUCTIONS PAYABLE
OTHER TRUST FUND**

Balance, December 31, 2017	\$	33,226
Increased by:		
Payroll Deposits		6,959,549
		6,992,775
Decreased by:		
Payroll Deductions Remitted		6,958,832
Balance, December 31, 2018	\$	33,943

**STATEMENT OF DUE FROM/TO CURRENT FUND
OTHER TRUST FUND**

Balance, December 31, 2017 (Due From)	\$	5,970
Decreased by:		
Interest on Escrow Accounts		443
Payments from Current Fund		5,970
		6,413
Balance, December 31, 2018 (Due To)	\$	443

**BOROUGH OF FRANKLIN LAKES
STATEMENT OF MISCELLANEOUS RESERVES
OTHER TRUST FUND**

	Balance, December 31, <u>2017</u>	<u>Receipts</u>	<u>Disbursements</u>	Balance, December 31, <u>2018</u>
Tax Sale Premiums	\$ 295,020		\$ 51,100	\$ 243,920
Tax Sale Certificate Redemptions	-	\$ 115,359	115,359	-
Parking Offenses Adjudication Act	916	156	256	816
Off Duty Police Fees	16,299	441,537	440,834	17,002
Public Safety Trust Fund	900			900
Monuments	15,125			15,125
Municipal Alliance Program	970	2,250	2,230	990
Flexible Spending Account	8,238	24,245	21,783	10,700
Town Fair Celebration	14,020	34,996	29,980	19,036
Open Space Recreation Trust	1			1
Mayor's Wellness Program	16,734	29,540	28,130	18,144
Memorial Pond Donations	13,200		3,865	9,335
Beautification Pond	5,480	250		5,730
Municipal Court Deposits	1,146			1,146
Police Dept - Unclaimed Money	-	1,342		1,342
Miscellaneous Reserves	9,474	-	-	9,474
	<u>\$ 397,523</u>	<u>\$ 649,675</u>	<u>\$ 693,537</u>	<u>\$ 353,661</u>

EXHIBIT B-10

**STATEMENT OF RESERVE FOR ESCROW DEPOSITS
OTHER TRUST FUND**

	Balance, December 31, <u>2017</u>	<u>Receipts</u>	<u>Disbursements</u>	Balance, December 31, <u>2018</u>
Escrow Bonds	\$ 543,099	\$ 144,000	\$ 155,560	\$ 531,539
Engineering / Legal Fees	125,389	34,520	29,134	130,775
Soil Deposits	487,379	222,129	178,739	530,769
Mt. Shadow Escrow Bond	32,283	-	32,283	-
Tree Escrow Fund	66,801	7,600	46,342	28,059
Street Escrow	18,000			18,000
Accutrak - Engineering/Legal Fees	253,597	843,793	546,144	551,246
	<u>\$ 1,526,548</u>	<u>\$ 1,252,042</u>	<u>\$ 988,202</u>	<u>\$ 1,790,388</u>

**BOROUGH OF FRANKLIN LAKES
STATEMENT OF DUE TO STATE OF NEW JERSEY
UNEMPLOYMENT INSURANCE TRUST FUND**

Balance, December 31, 2017	\$ 383
Increased by:	
Unemployment Claims	<u>6,851</u>
	7,234
Decreased by:	
Payments to State of New Jersey	<u>6,874</u>
Balance, December 31, 2018	<u><u>\$ 360</u></u>

**STATEMENT OF RESERVE FOR EXPENDITURES
UNEMPLOYMENT INSURANCE TRUST FUND**

Balance, December 31, 2017	\$ 19,441
Increased by:	
Employee Contributions	<u>12,656</u>
	32,097
Decreased by:	
Unemployment Claims	<u>6,851</u>
Balance, December 31, 2018	<u><u>\$ 25,246</u></u>

**BOROUGH OF FRANKLIN LAKES
STATEMENT OF ASSESSMENT RECEIVABLE
ASSESSMENT TRUST FUND**

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Date of Confirmation</u>	<u>Due Dates</u>	<u>Balance December 31, 2017</u>	<u>Collected</u>	<u>Balance December 31, 2018</u>
33-10	Improvements to Wildwood Ave	2/3/2010	2/3/2011-2019	\$ 2,354	\$ 1,148	\$ 1,206
1316/1346	Improvements to Ryerson Road	12/20/2011	12/20/12-2021	<u>11,088</u>	<u>3,517</u>	<u>7,571</u>
				<u>\$ 13,442</u>	<u>\$ 4,665</u>	<u>\$ 8,777</u>

**BOROUGH OF FRANKLIN LAKES
STATEMENT OF DUE TO CURRENT FUND
ASSESSMENT TRUST FUND**

Balance, December 31, 2017	\$ 20,221
Increased by:	
Interest on Assessments	<u>697</u>
Balance, December 31, 2018	<u>\$ 20,918</u>

**STATEMENT OF DUE TO GENERAL CAPITAL FUND
ASSESSMENT TRUST FUND**

Balance, December 31, 2017	<u>\$ 163,414</u>
Balance, December 31, 2018	<u>\$ 163,414</u>

**BOROUGH OF FRANKLIN LAKES
STATEMENT OF PROSPECTIVE ASSESSMENTS FUNDED**

Ordinance <u>Number</u>	<u>Improvement Description</u>	Balance December 31, <u>2017</u>	Funded from <u>Capital Surplus</u>	Balance December 31, <u>2018</u>	Balance Pledged to <u>Reserve</u>
33-10	Improvements to Harriet Place	<u>\$ -</u>	<u>\$ 120,000</u>	<u>\$ 120,000</u>	<u>\$ 120,000</u>

GENERAL CAPITAL FUND

**BOROUGH OF FRANKLIN LAKES
STATEMENT OF CASH - GENERAL CAPITAL FUND**

Balance, December 31, 2017		\$ 3,237,460
Increased by:		
Bond Anticipation Notes	\$ 269,702	
Grant Proceeds		
Deferred Charges Unfunded	104,602	
Reserve for Payment of Debt	581,412	
Fully Funded Ordinances	141,809	
Receipts from Current Fund	14,312	
Premium on Sale of Bond Anticipation Note	22,293	
Current Fund Budget Appropriation		
Capital Improvement Fund	2,062,900	
Reserve for COAH - RCA Debt	<u>690,835</u>	
		<u>3,887,865</u>
		7,125,325
Decreased by:		
Improvement Authorizations	2,164,329	
Encumbrances Payable	109,811	
Bond Anticipation Notes	104,602	
Payments to Current Fund	322,900	
Current Fund Anticipated Revenue		
Reserve for Payment of Debt	<u>2,748,017</u>	
		<u>5,449,659</u>
Balance, December 31, 2018		<u>\$ 1,675,666</u>

**BOROUGH OF FRANKLIN LAKES
ANALYSIS OF GENERAL CAPITAL CASH**

		Balance, December 31, <u>2018</u>
Fund Balance		\$ 61,773
Capital Improvement Fund		21,342
Due from Assessment Trust Fund		(163,414)
Encumbrances Payable		177,090
Reserve for COAH - RCA Debt		690,835
Improvement Authorizations:		
<u>Ord. No.</u>	<u>General Improvements</u>	
1306/1335/1362	Acquisition of Haledon Reservoir	1,589
1369	Haledon Reservoir Phase II	480
1428	Ambulance Building Groundwater Study	8,212
1601	DPW Vehicles and Huron Road Improv	1,703
1610	Rec Sewers/Woodside Avenue	(23,221)
1617/1637	Various Capital Improvements	(49,222)
1655	2016 Road Improvements	16,238
1676/1685	Purchase of Various Items & Certain Capital Improvements	3,269
1680	Purchase of DPW Equipment	950
1686	Certain Park Improvements - Old Mill Woodlands Park	13,020
1695	Purchase of Certain Equipment for the Fire Department	825
1698	Acquisition of BLK 2408 L1.04	11,980
1702	2017 Road Program	1,789
1707	DPW Vehicles / Boro Hall Security	21,733
1712	Various Sidewalk Improvements	255,677
1716	OEM Retaining Wall	897
1717	Old Mill Road Improvements	21,847
1727	Schwartz Property Acquisition	6,758
1738	2018 Road Improvements/Various Improvements	33,531
1744	Fire Department and DPW Equipment and Truck	126,610
1745	Various Street Improvements and Parson Pond Park Lot	243,546
1747	Improvements to Harriet Place	117,209
1752	Parson Pond Trail Construction	11,950
1753	Harriet Place Water and Sewer Improvement	65,002
1763	Police Handicap Restrooms	3,275
	<u>Local Improvements</u>	
1225/1259	Improvement to Wildwood Ave	(12,967)
1316/1346	Improvements to Ryerson Road	5,360
		<u>\$ 1,675,666</u>

BOROUGH OF FRANKLIN LAKES
STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

Balance, December 31, 2017		\$ 9,815,000
Decreased by:		
Serial Bonds Paid by Budget Appropriation	<u>\$ 1,315,000</u>	<u>1,315,000</u>
Balance, December 31, 2018		<u>\$ 8,500,000</u>

**BOROUGH OF FRANKLIN LAKES
STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED**

Ord. No.	Improvement Description	Balance, December 31, 2017	2018 Authorizations	Notes Paid by Budget Appropriation	Budget Appropriation	Grant Proceeds	Balance, December 31, 2018	Analysis of Balance, December 31, 2018			
								Bond Anticipation Note	Expenditures	Unexpended Improvement Authorization	
<u>General Improvements</u>											
1568	Summit Ave Improvements	\$ 14,282			\$ 14,282						
1610	Various Capital Improvements	23,221					\$ 23,221		\$ 23,221		
1617/1637	Various Capital Improvements	49,498					49,498		49,222	\$ 276	
1628	Various Capital Improvements	1,259,384		\$ 19,507			1,239,877	\$ 1,239,877			
1644	Acquisition of Fire Apparatus	1,272,871		67,316			1,205,555	1,205,555			
1655	2016 Road Improvements	497,000		476,532			20,468	20,468			
1712	Various Sidewalk Improvements	300,000					300,000	300,000			
1717	Old Mill Road Improvements	165,000				\$ 104,602	60,398	60,398			
1727	Acquisition of Real Property	2,100,000		2,099,745			255			255	
1745	Various Street Improvements		\$ 208,000				208,000	208,000			
1753	Harriet Place Water and Sewer Improvement		62,700				62,700	61,702		998	
1763	Police Handicap Restrooms		62,225				62,225			62,225	
<u>Local Improvements</u>											
1225/1259	Improvements to Wildwood Ave	20,836					20,836		12,967	7,869	
1316/1346	Improvements to Ryerson Road	9,250	-	-	-	-	9,250	-	-	9,250	
		<u>\$ 5,711,342</u>	<u>\$ 332,925</u>	<u>\$ 2,663,100</u>	<u>\$ 14,282</u>	<u>\$ 104,602</u>	<u>\$ 3,262,283</u>	<u>\$ 3,096,000</u>	<u>\$ 85,410</u>	<u>\$ 80,873</u>	
										Improvement Authorizations - Unfunded	\$ 651,095
										Less: Unexpended Note Proceeds	
										Ordinance 1655	\$ 16,238
										Ordinance 1712	255,677
										Ordinance 1717	21,847
										Ordinance 1727	6,758
										Ordinance 1745	208,000
										Ordinance 1753	61,702
											<u>570,222</u>
											<u>\$ 80,873</u>

**BOROUGH OF FRANKLIN LAKES
STATEMENT OF BOND ANTICIPATION NOTES**

Ord. No.	<u>Improvement Description</u>	Original Amount Issued	Date of Issue of Original Note	Date of Issue	Date of Maturity	Interest Rate	Balance, December 31, 2017	Increased	Decreased	Balance, December 31, 2018	
1628	Various Capital Improvements	1,349,000	10/28/2015	10/25/2018 10/26/2017	10/26/2019 10/25/2018	3.00 % 1.18	\$ 1,259,384	\$ 1,239,877	1,259,384	\$ 1,239,877	
1644	Acquisition of Fire Apparatus	1,273,000	10/28/2015	10/25/2018 10/26/2017	10/26/2019 10/25/2018	3.00 1.18	1,272,871	1,205,555	1,272,871	1,205,555	
1655	2016 Road Improvements	752,000	10/27/2016	10/25/2018 10/26/2017	10/26/2019 10/25/2018	3.00 1.18	497,000	20,468	497,000	20,468	
1712	Various Sidewalk Improvements	300,000	10/26/2017	10/25/2018 10/26/2017	10/26/2019 10/25/2018	3.00 1.18	300,000	300,000	300,000	300,000	
1717	Old Mill Road Improvements	165,000	10/26/2017	10/25/2018 10/26/2017	10/26/2019 10/25/2018	3.00 1.18	165,000	60,398	165,000	60,398	
1727	Acquisition of Real Property	2,100,000	10/26/2017	10/26/2017	10/25/2018	1.18	2,099,745		2,099,745		
1745	Various Street Improvements	208,000	10/25/2018	10/25/2018	10/26/2019	3.00		208,000		208,000	
1753	Water and Sewer System Improvements	61,702	10/25/2018	10/25/2018	10/26/2019	3.00	-	61,702	-	61,702	
							<u>\$ 5,594,000</u>	<u>\$ 3,096,000</u>	<u>\$ 5,594,000</u>	<u>\$ 3,096,000</u>	
								Renewals Issued for Cash	\$ 2,826,298	\$ 2,826,298	
								Paid with Grant Money	269,702	104,602	
								Paid by Budget Appropriation	-	2,663,100	
								<u>\$ 3,096,000</u>	<u>\$ 5,594,000</u>		

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**BOROUGH OF FRANKLIN LAKES
STATEMENT OF IMPROVEMENT AUTHORIZATIONS**

Ord. No.	Improvement Description	Ordinance Date	Amount	Balance, December 31, 2017		2018 Authorizations			Cancelled Contracts	Paid or Charged	Balance, December 31, 2018	
				Funded	Unfunded	Capital Surplus	Capital Improvement Fund	Deferred Charges Unfunded			Funded	Unfunded
<u>General Improvements</u>												
1362	Acquisition of Haledon Reservoir	12/8/2004	\$ 6,600,000	\$ 1,589							\$ 1,589	
1369	Haledon Reservoir Phase II			3,850					\$ 3,370		480	
1428	Ambulance Building Groundwater Study	2008	37,000	15,933					7,721		8,212	
1601	DPW Vehicles and Huron Road Improv	7/15/2014	280,000	1,703							1,703	
1617/1637	Various Capital Improvements	2/17/15, 8/18/15	686,900		\$ 276							\$ 276
1655	2016 Road Improvements	2/2/2016	790,000		16,238							16,238
1676/1685	Purchase of Various Items & Certain Capital Improvements	5/17/2016	318,000	46,016					42,747		3,269	
1680	Purchase of DPW Equipment	6/21/2016	215,000	950							950	
1686	Certain Park Improvements - Old Mill Woodlands Park	7/19/2016	46,970	16,108					3,088		13,020	
1689	Certain Improvements at Parsons Pond Park	8/16/2016	25,000									
1695	Purchase of Certain Equipment for the Fire Department	12/20/2016	275,000	825							825	
1698	Acquisition of BLK 2408 L1.04	2/21/2017	80,000	12,123					143		11,980	
1702	2017 Road Program	3/21/2017	705,000	1,789							1,789	
1707	DPW Vehicles / Boro Hall Security	6/1/2017	160,000	23,863					2,130		21,733	
1712	Various Sidewalk Improvements	7/18/2017	330,000	6,000	300,000				50,323		-	255,677
1716	OEM Retaining Wall	7/18/2017	93,000	897							897	
1717	Old Mill Road Improvements	8/1/2017	198,250	9,692	165,000				152,845		-	21,847
1727	Schwartz Property Acquisition	10/17/2017	2,400,000		11,411				4,398			7,013
1738	2018 Road Improvements/Various Improvements	4/17/2018	1,843,000				\$ 1,843,000		1,809,469		33,531	
1744	Fire Department and DPW Equipment and Truck	6/19/2018	328,500			\$ 48,000	280,500		201,890		126,610	
1745	Various Street Improvements and Parson Pond Park Lot	7/17/2018	288,000			80,000		\$ 208,000	44,454		35,546	208,000
1752	Parson Pond Trail Construction	10/2/2018	28,000				28,000		16,050		11,950	-
1753	Harriet Place Water and Sewer Improvement	10/2/2018	66,000				3,300	62,700			3,300	62,700
1763	Police Handicap Restrooms	11/20/2018	65,500			3,275		62,225			3,275	62,225
<u>Local Improvements</u>												
1225/1238/	Improvements to Wildwood Ave	2002	100,000		7,869							7,869
1316/1346	Improvements to Ryerson Road	2005	118,750	5,360	9,250						5,360	9,250
1747	Improvements to Harriet Place	8/7/2018	120,000	-	-	120,000				2,791	117,209	-
				<u>\$ 146,698</u>	<u>\$ 510,044</u>	<u>\$ 251,275</u>	<u>\$ 2,154,800</u>	<u>\$ 332,925</u>	<u>\$ -</u>	<u>\$ 2,341,419</u>	<u>\$ 403,228</u>	<u>\$ 651,095</u>
										Cash Disbursements	\$ 2,164,329	
										Encumbrances Payable	177,090	
											<u>\$ 2,341,419</u>	

**BOROUGH OF FRANKLIN LAKES
STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, December 31, 2017	\$ 109,811
Increased by:	
Charges to Improvement Authorizations	<u>177,090</u>
	286,901
Decreased by:	
Cash Disbursements	<u>109,811</u>
Balance, December 31, 2018	<u>\$ 177,090</u>

STATEMENT OF CAPITAL IMPROVEMENT FUND

Balance, December 31, 2017	\$ 113,242
Increased by:	
Budget Appropriation	\$ 1,672,900
Reimbursements on Ordinances Fully Funded from Capital Improvement Fund	<u>390,000</u>
	<u>2,062,900</u>
	2,176,142
Decreased by:	
Appropriation to Finance Improvement Authorizations	<u>2,154,800</u>
Balance, December 31, 2018	<u>\$ 21,342</u>

**BOROUGH OF FRANKLIN LAKES
STATEMENT OF RESERVE FOR PAYMENT OF DEBT**

Balance, December 31, 2017	\$ 2,166,605
Increased by:	
Grant Proceeds	<u>581,412</u>
	2,748,017
Decreased by:	
Realized as Current Fund Revenue	<u>2,748,017</u>
Balance, December 31, 2018	<u>\$ -</u>

EXHIBIT C-12

STATEMENT OF RESERVE FOR COAH - RCA DEBT

Increased by:	
Transfer from COAH Trust	<u>\$ 690,835</u>
Balance, December 31, 2018	<u>\$ 690,835</u>

EXHIBIT C-13

STATEMENT OF RESERVE FOR FUTURE CAPITAL PROJECTS

Balance, December 31, 2017	\$ 322,900
Decreased by:	
Transfer to Capital Improvement Fund	<u>322,900</u>
Balance, December 31, 2018	<u>\$ -</u>

BOROUGH OF FRANKLIN LAKES
STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

Ord. No.	Improvement Description	Balance,	2018	Bond	Budget	Funded by	<u>Balance, December 31, 2018</u>	
		December 31, 2017	Authorizations	Anticipation Notes Issued	Appropriation	Assessment Collections	General Capital Fund	Assessment Trust Fund
<u>General Improvements</u>								
1568	Summit Avenue Improvements	\$ 14,282			\$ 14,282			
1610	Various Capital Improvements	23,221					\$ 23,221	
1617/1637	Various Capital Improvements	49,498					49,498	
1727	Acquisition of Real Property	255					255	
1745	Various Street Improvements		\$ 208,000	\$ 208,000				
1753	Water and Sewer Improvement		62,700	61,702			998	
1763	Police Handicap Restrooms		62,225				62,225	
<u>Local Improvement</u>								
1225/1259	Improvement to Wildwood Avenue	24,581				\$ 1,148	20,836	\$ 2,597
1316/1346	Improvement to Ryerson Road	32,501	-	-	-	3,517	9,250	19,734
		<u>\$ 144,338</u>	<u>\$ 332,925</u>	<u>\$ 269,702</u>	<u>\$ 14,282</u>	<u>\$ 4,665</u>	<u>\$ 166,283</u>	<u>\$ 22,331</u>

SEWER UTILITY FUND

**BOROUGH OF FRANKLIN LAKES
SEWER UTILITY
STATEMENT OF CASH - TREASURER**

		<u>Operating</u>
Balance, December 31, 2017	\$	117,222
Increased by:		
Sewer User Fees	\$	104,157
Sewer Connection Fees		1,592
Nonbudget Revenue		<u>6,387</u>
		<u>112,136</u>
		229,358
Decreased by:		
2018 Budget Appropriations		<u>94,388</u>
Balance, December 31, 2018	\$	<u>134,970</u>

**BOROUGH OF FRANKLIN LAKES
SEWER UTILITY
STATEMENT OF SEWER USER FEES RECEIVABLE**

Increased by:	
Sewer User Fees Billed	\$ 104,505
Decreased by:	
Collections	<u>104,157</u>
Balance, December 31, 2018	<u><u>\$ 348</u></u>

STATEMENT OF 2017 APPROPRIATION RESERVES

	Balance, December 31, <u>2017</u>	Balance After <u>Modification</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Operating Other Expenses	<u>\$ 19,934</u>	<u>\$ 8,412</u>	<u>-</u>	<u>\$ 8,412</u>
	<u><u>\$ 19,934</u></u>	<u><u>\$ 8,412</u></u>	<u><u>-</u></u>	<u><u>\$ 8,412</u></u>

BOROUGH OF FRANKLIN LAKES

PART II
GOVERNMENT AUDITING STANDARDS



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the 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 audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements – regulatory basis of the Borough of Franklin Lakes as of and for the year ended December 31, 2018, and the related notes to the financial statements, and have issued our report thereon dated May 31, 2019. Our report on the financial statements – regulatory basis was modified to indicate that the financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America but rather prepared in accordance with the regulatory basis of accounting 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, to meet the financial reporting requirements of the State of New Jersey for municipal government entities as described in Note 1. In addition, our report on the financial statements – regulatory basis was modified on the regulatory basis of accounting because of the omission of certain note disclosure information regarding the other postemployment medical benefit obligations.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Borough's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in

internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

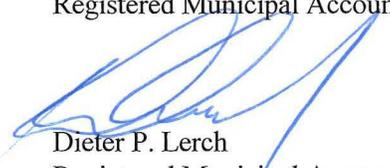
As part of obtaining reasonable assurance about whether the Borough of Franklin Lakes’ financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Purpose of this Report

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



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



Dieter P. Lerch
Registered Municipal Accountant
RMA Number CR00398

Fair Lawn, New Jersey
May 31, 2019

**BOROUGH OF FRANKLIN LAKES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Federal CFDA Number</u>	<u>State Project Number</u>	<u>Grant Award Amount</u>	<u>2018 Receipts</u>	<u>Balance, January 1, 2018</u>	<u>Revenue Realized</u>	<u>Expended</u>	<u>Adjustment</u>	<u>Balance, December 31, 2018</u>	<u>(MEMO) Cumulative Expenditures</u>
U.S. Department of Homeland Security										
Passed Thru State Dept. of Law and Public Safety										
	97.042	2013-066-1200-100-726	\$ 700		\$ 700				\$ 700	
	97.083	N/A	624,000		-	\$ 624,000	\$ 16,937	-	607,063	16,937
					<u>\$ 700</u>	<u>\$ 624,000</u>	<u>\$ 16,937</u>	<u>\$ -</u>	<u>\$ 607,763</u>	

This schedule was not subject to single audit in accordance with U.S. Uniform Guidance.

**BOROUGH OF FRANKLIN LAKES
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2018**

<u>State Grant Program</u>	<u>Account Number</u>	<u>Year</u>	<u>Grant Award</u>	<u>2018 Receipts</u>	<u>Balance, January 1, 2018</u>	<u>Revenue Realized</u>	<u>Expended</u>	<u>Balance, December 31, 2018</u>	<u>(MEMO) Cumulative Expenditures</u>
Department of Environmental Protection Recycling Tonnage Grant	042-752-6020	2016	14,874		\$ 1,931		\$ 1,931		\$ 14,874
		2017	13,499		13,499		13,482	\$ 17	13,482
Clean Communities Grant	N/A	2016	33,665		31,056		29,816	1,240	32,425
		2017	28,601		28,601			28,601	
		2018	27,354	\$ 27,354		\$ 27,354		27,354	
Department of Law and Public Safety Drunk Driving Enforcement Fund	N/A	2015	3,424		2,539		2,539		3,424
	N/A	2016	4,063		4,063		745	3,318	745
	N/A	2017	4,546		4,546			4,546	
	N/A	2018	3,650	3,650		3,650		3,650	
Drive Sober or Get Pulled Over	N/A	2017	9,960		5,184			5,184	4,776
Distracted Driving	N/A	2018	6,161	6,161		6,161	6,161		6,161
Municipal Alcohol Education and Rehabilitation	N/A	2017	643		643			643	
		2018	659	659		659		659	
Department of Human Services - Passed Thru County of Bergen Municipal Alliance	N/A	2017	9,876	9,629	4,090		4,090		9,876
Municipal Alliance	N/A	2018	9,876		-	9,876	7,522	2,354	7,522
					<u>\$ 96,152</u>	<u>\$ 47,700</u>	<u>\$ 66,286</u>	<u>\$ 77,566</u>	

This schedule is not subject to audit in accordance with NJ OMB 15-08.

**NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE**

**BOROUGH OF FRANKLIN LAKES
 NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
 AND STATE FINANCIAL ASSISTANCE
 YEAR ENDED DECEMBER 31, 2018**

NOTE 1 GENERAL

The accompanying schedules present the activity of all federal awards and state financial assistance programs of the Borough of Franklin Lakes. The Borough is defined in Note 1(A) to the Borough's financial statements. All federal financial assistance received directly from federal agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedules of expenditures of federal awards and state financial assistance.

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedules are prepared and presented using the regulatory basis of accounting as prescribed for municipalities by the Division of Local Government Services, Department of Community Affairs, State of New Jersey which differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. This basis of accounting is described in Note 1 to the Borough's financial statements.

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

Amounts reported in the accompanying schedules agree with amounts reported in the Borough's financial statements. Financial assistance revenues are reported in the Borough's financial statements on a basis of accounting described above as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Current Fund	\$ 624,000	\$ 47,700	\$ 671,700
Total	<u>\$ 624,000</u>	<u>\$ 47,700</u>	<u>\$ 671,700</u>

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules may not necessarily agree with the amounts reported in the related federal and state financial reports due to timing differences between the Borough's fiscal year and grant program year.

**BOROUGH OF FRANKLIN LAKES
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2018**

Part I – Summary of Auditor's Results

Financial Statements

Type of auditors' report issued on financial statements Modified

Internal control over financial reporting:

1) Material weakness(es) identified _____ yes X no

2) Significant deficiency(ies) that are not considered to be material weakness(es)? _____ yes X none

Noncompliance material to the financial statements noted? _____ yes X no

Federal Awards Section

NOT APPLICABLE

State Awards Section

NOT APPLICABLE

BOROUGH OF FRANKLIN LAKES

PART III

SUPPLEMENTARY DATA

LETTER OF COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2018

**BOROUGH OF FRANKLIN LAKES
SUPPORTING DATA**

**COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE -
CURRENT FUND**

	<u>Year 2018</u>		<u>Year 2017</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED				
Fund Balance Utilized	\$ 2,109,000	2.65 %	\$ 1,325,000	1.74 %
Miscellaneous - From Other Than Local				
Property Tax Levies	8,400,989	10.56	5,206,704	6.83
Collection of Delinquent Taxes and Tax Title Liens	496,796	0.62	726,816	0.95
Collection of Current Tax Levy	68,201,011	85.73	68,220,064	89.49
Other Credits	<u>352,138</u>	<u>0.44</u>	<u>757,294</u>	<u>0.99</u>
Total Income	<u>79,559,934</u>	<u>100.00</u> %	<u>76,235,878</u>	<u>100.00</u> %
EXPENDITURES				
Budget Expenditures				
Municipal Purposes	21,213,665	27.23 %	17,377,033	23.42 %
County Taxes	10,979,465	14.09	11,243,327	15.16
Local District School Taxes	26,788,761	34.39	26,193,643	35.31
Regional School Taxes	18,879,092	24.24	19,195,744	25.88
Other Expenditures	<u>36,646</u>	<u>0.05</u>	<u>169,786</u>	<u>0.23</u>
Total Expenditures	<u>77,897,629</u>	<u>100.00</u> %	<u>74,179,533</u>	<u>100.00</u> %
Excess in Revenue	1,662,305		2,056,345	
Fund Balance, January 1	<u>4,374,345</u>		<u>3,643,000</u>	
	6,036,650		5,699,345	
Less Utilization as Anticipated Revenue	<u>2,109,000</u>		<u>1,325,000</u>	
Fund Balance, December 31	<u>\$ 3,927,650</u>		<u>\$ 4,374,345</u>	

**BOROUGH OF FRANKLIN LAKES
SUPPORTING DATA**

**COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE -
SEWER UTILITY FUND**

	<u>Year 2018</u>		<u>Year 2017</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED				
Sewer User Fees	\$ 104,157	86.40 %	\$ 125,539	84.58 %
Sewer Connection Fees	1,592	1.32	781	0.53
Non-Budget Revenue	6,387	5.30	2,167	1.46
Other Credits to Income	<u>8,412</u>	<u>6.98</u>	<u>19,934</u>	<u>13.43</u>
Total Income	<u>120,548</u>	<u>100.00 %</u>	<u>148,421</u>	<u>100.00 %</u>
EXPENDITURES				
Budget Expenditures				
Operating	<u>105,700</u>	<u>100.00</u>	<u>84,000</u>	<u>100.00</u>
Total Expenditures	<u>105,700</u>	<u>100.00 %</u>	<u>84,000</u>	<u>100.00 %</u>
Excess in Revenue	14,848		64,421	
Fund Balance, January 1	<u>108,810</u>		<u>44,389</u>	
Fund Balance, December 31	<u>\$ 123,658</u>		<u>\$ 108,810</u>	

**BOROUGH OF FRANKLIN LAKES
SUPPORTING DATA**

Comparative Schedule of Tax Rate Information

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>Tax Rate</u>	<u>\$1.625</u>	<u>\$1.636</u>	<u>1.641</u>
<u>Apportionment of Tax Rate</u>			
Municipal	.247	.246	.245
County	.249	.257	.265
County Open Space	.010	.010	.003
Local School	.636	.628	.625
Regional High School	.448	.460	.467
Library	.035	.035	.036

Assessed Valuation

2018	<u>\$4,215,917,500</u>
2017	<u>\$4,176,138,000</u>
2016	<u>\$4,120,027,000</u>

Comparison of Tax Levies and Collection

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

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collection</u>
2018	\$ 68,732,783	\$ 68,201,011	99.22%
2017	68,896,240	68,220,064	99.01%
2016	68,227,010	67,402,494	98.79%

**BOROUGH OF FRANKLIN LAKES
SUPPORTING DATA**

Delinquent Taxes and Tax Title Liens

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

<u>December 31 Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2018	\$13,129	\$343,095	\$356,224	0.52%
2017	14,160	497,394	511,554	0.74
2016	12,704	726,843	739,547	1.08

Comparative Schedule of Fund Balances

<u>Year</u>	<u>Balance, December 31,</u>	<u>Utilized in Budget of Succeeding Year</u>
<u>Current Fund</u>		
2018	\$3,927,650	\$2,390,000
2017	4,374,345	2,109,000
2016	3,643,000	1,325,000
2015	3,756,397	1,413,207
2014	3,045,500	875,000
<u>Sewer Utility Fund</u>		
2018	\$123,658	\$25,000
2017	108,810	
2016	44,389	
2015	17,387	
(Inception Year)		

**BOROUGH OF FRANKLIN LAKES
SUPPORTING DATA**

OFFICIALS IN OFFICE AND SURETY BONDS

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

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>	<u>Corporate Surety</u>
Frank Bivona	Mayor		
Joseph F. Kelly	Council President		
Paulette Ramsey	Councilwoman		
Joseph Cadicina	Councilman		
Charles Kahwaty	Councilman		
Thomas Lambrix	Councilman		
Ann Swist	Councilwoman		
Gregory Hart	Business Administrator		(1)
Sally T. Bleeker	Borough Clerk		(1)
William G. Pike	Chief Financial Officer		(1)
William T. Smith	Borough Attorney		
Chiesa, Shahinian & Grantomasi, P.C.	Bond Counsel		
Meena Sivakumar	Tax Collector		
Edmund Brown	Tax Assessor		
Boswell Engineering	Borough Engineer		
Francis J. Leddy, Jr.	Municipal Court Judge		(1)
Michele O'Donohue	Court Administrator		(1)
Judith Lubrano	Deputy Court Administrator		(1)
John Wittekind, Jr.	Construction Code Official/Zoning Officer		

(1) Municipal Excess Liability Joint Insurance Fund Blanket Bond \$1,000,000

**BOROUGH OF FRANKLIN LAKES
LETTER OF COMMENTS AND RECOMMENDATIONS**

Our comments with respect to the examination and any error, omission, irregularity, violation of law, discrepancy or other nonconformity to the law or regulation found during the examination are herewith set forth.

GENERAL COMMENTS

Current Year Findings

Our audit indicated that a capital contract balance resulting from change orders remained outstanding at year end for which sufficient funds were not available. It is recommended that the CFO certify the availability of funds prior to submitting change orders for approval.

Our audit indicated that three (3) tax overpayments are on the Borough's financial records which appear to be invalid. It is recommended that tax overpayment balances be cancelled.

Our audit indicated numerous old purchase order balances remain outstanding. It is recommended that old outstanding purchase order balances be reviewed and appropriately cleared of record.

Contracts and Agreements Required to be Advertised for NJS 40A:11-4

NJS 40A:11-4 states "Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$17,500, except by contract or agreement."

During 2018, the Governing Body approved a resolution authorizing the bid threshold of \$40,000 for the period of January 1, 2018 through December 31, 2018 as the Borough Administrator is a qualified purchasing agent.

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

The minutes indicate that bids were requested by public advertising for the following items:

Landscape Maintenance
Various Street Improvements

2018 Road Improvement Program
Municipal Fieldhouse Project

In as much as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed. No such violations were detected.

**BOROUGH OF FRANKLIN LAKES
SUPPORTING DATA**

GENERAL COMMENTS (Continued)

Collection of Interest on Delinquent Taxes and Assessments

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

The Governing Body on January 1, 2018 adopted the following resolution authorizing interest to be charged on delinquent taxes and assessments:

“BE IT RESOLVED, by the Mayor and Council of the Borough of Franklin Lakes, New Jersey, County of Bergen, that the rate of interest on all taxes delinquent taxes is set at eight (8) percent for the first (\$1,500) fifteen hundred dollars, and

“BE IT FURTHER RESOLVED, that no interest shall be charged if payment of any installment is made within ten (10) days after the date upon which the same is payable, and

“BE IT RESOLVED, that in any case where the tax is not paid within those extended days the full penalty from this date due attached.

It appears from our examination of the Collector’s record that interest was collected in accordance with the foregoing resolution.

Delinquent Taxes and Tax Title Liens

The last tax sale was held on October 1, 2018.

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

<u>Year</u>	<u>Number of Liens</u>
2018	5
2017	7
2016	7

**BOROUGH OF FRANKLIN LAKES
SUPPORTING DATA**

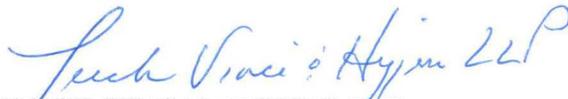
RECOMMENDATIONS

It is recommended that:

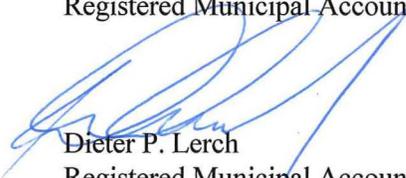
1. The CFO certify the availability of funds prior to submitting change orders for approval.
2. Tax overpayment balances be cancelled.
3. Old outstanding purchase order balances be reviewed and appropriately cleared of record.

The recommendations noted in our review were not of such magnitude that they would affect our ability to express an opinion on the financial statements taken as a whole.

Should any questions arise as to our comments and recommendations, or should you desire assistance in implementing our recommendations, please do not hesitate to call us.



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



Dieter P. Lerch
Registered Municipal Accountant
RMA Number CR00398