

BOROUGH OF FRANKLIN LAKES

BERGEN COUNTY, NEW JERSEY

REPORT OF AUDIT

YEAR ENDED DECEMBER 31, 2019

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, 2019

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

Unqualified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position— regulatory basis of the various funds and account group of the Borough of Franklin Lakes as of December 31, 2019 and 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 ended December 31, 2019 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 July 16, 2020 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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
July 16 2020

**BOROUGH OF FRANKLIN LAKES
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2019 AND 2018**

ASSETS	<u>Reference</u>	<u>2019</u>	<u>2018</u>
Cash	A-4	\$ 5,023,323	\$ 6,160,021
Change Fund	A-5	700	700
Grants Receivable	A-7	<u>841,531</u>	<u>638,766</u>
		<u>5,865,554</u>	<u>6,799,487</u>
Receivables and Other Assets With Full Reserves			
Delinquent Property Taxes	A-9	546,481	343,095
Tax Title Liens	A-10	12,600	13,129
Revenue Accounts Receivable	A-11	12,359	18,531
Due from Animal Control Trust Fund	B-5	2,111	9,124
Due from Other Trust Fund	B-8	308	443
Due from Assessment Trust Fund	B-14	<u>21,362</u>	<u>20,918</u>
		<u>595,221</u>	<u>405,240</u>
Total Assets		<u>\$ 6,460,775</u>	<u>\$ 7,204,727</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, 2019 AND 2018
(Continued)

LIABILITIES, RESERVES AND FUND BALANCE	<u>Reference</u>	<u>2019</u>	<u>2018</u>
Appropriation Reserves	A-3, A-12	\$ 260,166	\$ 498,423
Encumbrances Payable	A-13	729,376	539,313
Accounts Payable	A-14	-	95,489
Reserve for Grants - Appropriated	A-15	911,354	765,558
Reserve for Grants - Unappropriated	A-16	15,950	
Prepaid Taxes	A-17	812,949	849,977
Tax Overpayments	A-18		28,078
Due to County for Added & Omitted Taxes	A-19	166,271	35,720
Reserve for Tax Appeals	A-22	66,870	35,288
Fees Payable	A-23	15,909	16,834
Due to State of NJ - Senior Citizens/Veterans Deductions	A-8	4,193	3,943
Reserve for Recreation Online Fees	A-24	<u>3,214</u>	<u>3,214</u>
		2,986,252	2,871,837
Reserve for Receivables and Other Assets	A	595,221	405,240
Fund Balance	A-1	<u>2,879,302</u>	<u>3,927,650</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 6,460,775</u>	 <u>\$ 7,204,727</u>

BOROUGH OF FRANKLIN LAKES
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS - CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
REVENUE AND OTHER INCOME REALIZED			
Fund Balance Utilized	A-2	\$ 2,390,000	\$ 2,109,000
Miscellaneous Revenue Anticipated	A-2	4,925,346	7,959,780
Receipts from Delinquent Taxes	A-2	339,637	496,796
Receipts from Current Taxes	A-2	69,821,834	68,201,011
Non-Budget Revenue	A-2	274,906	441,209
Other Credits to Income:			
Unexpended Balances of Appropriation Reserves	A-12	252,842	320,725
Statutory Excess - Animal Control Trust Fund	B-5	2,111	9,124
Interfunds Liquidated	A	8,815	13,494
Cancellation of Prior Year Accounts Payable	A-14	95,489	8,795
		<u>78,110,980</u>	<u>79,559,934</u>
EXPENDITURES			
Budget Appropriations			
Operations			
Salaries and Wages	A-3	5,713,692	5,498,410
Other Expenses	A-3	8,064,372	8,529,835
Capital Improvements	A-3	1,990,000	1,672,900
Municipal Debt Service	A-3	1,769,722	4,325,738
Deferred Charges and Statutory Expenditures	A-3	1,349,000	1,186,782
County Taxes	A-19	10,860,682	10,943,745
Due County for Added Taxes	A-19	166,271	35,720
Local District School Taxes	A-20	27,558,911	26,788,761
Regional High School Tax	A-21	19,168,218	18,879,092
Interfund Advances Originated	A	2,111	10,264
Refund of Prior Year Revenue	A-1	-	4,362
Refund of Prior Year Taxes	A-4	126,349	22,020
		<u>76,769,328</u>	<u>77,897,629</u>
Statutory Excess to Fund Balance (Brought Forward)		<u>1,341,652</u>	<u>1,662,305</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, 2019 AND 2018
(Continued)

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
Statutory Excess to Fund Balance (Carried Forward)		\$ 1,341,652	\$ 1,662,305
FUND BALANCE, January 1	A	<u>3,927,650</u>	<u>4,374,345</u>
		5,269,302	6,036,650
Decreased by:			
Utilized as Anticipated Revenue	A-1	<u>2,390,000</u>	<u>2,109,000</u>
FUND BALANCE, December 31	A	<u>\$ 2,879,302</u>	<u>\$ 3,927,650</u>

BOROUGH OF FRANKLIN LAKES
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Reference</u>	<u>Budget</u>	<u>Anticipated</u> Added by N.J.S.A. <u>40A:4-87</u>	<u>Realized</u>	<u>Excess or</u> <u>(Deficit)</u>
FUND BALANCE ANTICIPATED	A-1	\$ 2,390,000	-	\$ 2,390,000	-
MISCELLANEOUS REVENUES					
Licenses					
Alcoholic Beverages	A-11	10,000		10,250	\$ 250
Other	A-2	18,375		22,298	3,923
Fees and Permits	A-2	126,850		136,497	9,647
Fines and Costs - Municipal Court	A-11	265,000		242,383	(22,617)
Interest and Costs on Taxes and Assessments	A-2	164,000		126,555	(37,445)
Interest on Investments and Deposits	A-2	180,000		240,987	60,987
Outside Police Employment	A-11	57,000		45,521	(11,479)
Abandoned Property Fees	A-11	64,000		64,000	-
Uniform Construction Code Fees	A-11	880,000		886,982	6,982
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					
Recycling Tonnage Grant	A-7	12,939		12,939	-
Clean Communities Grant	A-7	-	\$ 30,534	30,534	-
Municipal Alliance Program	A-7	9,876		9,876	-
Drunk Driving Enforcement Grant	A-7	-	3,142	3,142	-
MC Alcohol Edu, Rehab & Enfor Fund	A-7	-	161	161	-
Body Armor Replacement Program	A-7	2,593		2,593	-
Franklin Lakes Rec Foundation	A-7	-	25,000	25,000	-
CDBG - Handicap Accessible Ramps	A-7	-	27,800	27,800	-
Distracted Driving	A-7	-	5,252	5,252	-
Private Donations	A-7	-	16,100	16,100	-
NJUCF Reforestation & Tree Planting	A-7	25,823		25,823	-
NJ DOT Municipal Aid Program	A-7	-	187,000	187,000	-
Other Special Items of Revenue					
Uniform Fire Safety Act	A-11	16,000		16,810	810
Cable T.V. Franchise Fee	A-11	190,916		190,916	-
Lease of Land for Monopole- Sprint Co	A-11	103,500		107,911	4,411
Recreation Program Fees	A-11	200,000		169,584	(30,416)
Recycling Revenue	A-11	25,000		14,780	(10,220)
VFW Parking Permits	A-11	14,500		14,920	420
Reserve for Future Capital Projects	A-11	-		-	-
Library Reimbursement	A-11	195,000		175,579	(19,421)
Rental Fees - Community Center / Field	A-11	16,000		15,400	(600)
Child Care Facility Rent	A-11	83,000		87,843	4,843
Reserve for Payment of Debt	A-11	228,209	-	228,209	-
 Total Miscellaneous Revenues	 A-1	 <u>4,670,282</u>	 <u>294,989</u>	 <u>4,925,346</u>	 <u>(39,925)</u>

BOROUGH OF FRANKLIN LAKES
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019
(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 (Deficit)</u>
RECEIPTS FROM DELINQUENT TAXES	A-1, A-9	\$ 340,000	-	\$ 339,637	\$ (363)
AMOUNT TO BE RAISED BY TAXES FOR SUPPORT OF MUNICIPAL BUDGET					
Local Tax for Municipal Purposes	A-2	10,620,857		11,495,816	874,959
Minimum Library Tax	A-2	1,476,936	-	1,476,936	-
		<u>12,097,793</u>	<u>-</u>	<u>12,972,752</u>	<u>874,959</u>
Total General Revenue		<u>\$ 19,498,075</u>	<u>\$ 294,989</u>	20,627,735	<u>\$ 834,671</u>
Non-Budget Revenue	A-1,A-2			<u>274,906</u>	
				<u>\$ 20,902,641</u>	

BOROUGH OF FRANKLIN LAKES
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)

	<u>Reference</u>	
ANALYSIS OF REALIZED REVENUES		
Allocation of Current Tax Collections		
Revenues from Collections	A-9	\$ 69,821,834
Less: Allocated to School and County Taxes	A-19, A-20, A-21	<u>57,754,082</u>
Balance for Support of Municipal Budget Appropriations		12,067,752
Add Appropriation "Reserve for Uncollected Taxes"	A-3	<u>905,000</u>
Amount for Support of Municipal Budget of Appropriations	A-2	<u>\$ 12,972,752</u>
Licenses - Other		
Borough Clerk	A-11	\$ 1,208
Board of Health	A-11	<u>21,090</u>
	A-2	<u>\$ 22,298</u>
Fees and Permits - Other		
Tax Collector	A-11	\$ 560
Police Department	A-11	18,100
Fire Prevention	A-11	28,016
Planning Board	A-11	28,850
Board of Health	A-11	<u>60,971</u>
	A-2	<u>\$ 136,497</u>
Interest and Costs on Taxes and Assessments		
Cash Receipts	A-11	\$ 126,111
Due from Assessment Trust Fund	B-14	<u>444</u>
	A-2	<u>\$ 126,555</u>
Interest on Investments and Deposits		
Cash Receipts	A-11	\$ 240,679
Due from Other Trust Fund	B-8	<u>308</u>
	A-2	<u>\$ 240,987</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, 2019
(Continued)**

	<u>Reference</u>	
Delinquent Taxes		
Taxes Receivable	A-9	\$ 338,398
Tax Title Liens	A-10	<u>1,239</u>
	A-2	<u>\$ 339,637</u>
 ANALYSIS OF NON-BUDGET REVENUES		
Insurance Dividends/Refunds		\$ 165,325
Bravo - Housewives Fee		3,200
Road Openings		8,100
Tree Specialist Fee		7,200
Property Maintenance		702
Sale of Municipal Assets		1,901
Police Department - Accident Reports/Firearms/ID		3,837
Public Defender's Applications		3,510
Administrative Fee - Senior Citizens/Veterans Deductions		885
PILOT		26,821
Miscellaneous		<u>53,425</u>
	A-1,A-2	<u>\$ 274,906</u>

BOROUGH OF FRANKLIN LAKES
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	<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					
OPERATIONS WITHIN "CAPS"					
General Government					
General Administration					
Salaries and Wages	\$ 288,480	\$ 282,980	\$ 282,661	\$ 319	
Other Expenses	113,000	123,000	121,835	1,165	
Mayor & Council					
Salaries and Wages	35,000	35,000	35,000	-	
Other Expenses	14,100	17,000	16,696	304	
Municipal Clerk					
Salaries and Wages	144,505	135,705	135,263	442	
Other Expenses	33,925	33,925	32,641	1,284	
Financial Administration					
Salaries and Wages	184,850	184,850	184,142	708	
Other Expenses	41,735	41,735	35,128	6,607	
Audit Services					
Other Expenses	47,800	47,800	43,090	4,710	
Revenue Administration (Tax Collection)					
Salaries and Wages	73,700	73,700	73,446	254	
Other Expenses	14,330	14,330	13,924	406	
Tax Assessment Administration					
Salaries and Wages	38,095	37,095	36,716	379	
Other Expenses	14,085	14,085	12,346	1,739	
Reserve for Tax Appeals	100,000	32,375	-	32,375	
Legal Services (Legal Department)					
Other Expenses	145,000	156,000	155,207	793	
Engineering Services and Costs					
Salaries and Wages	56,031	56,031	55,980	51	
Other Expenses	86,950	107,950	107,281	669	
Land Use Administration					
Planning Board					
Salaries and Wages	4,600	2,600	2,475	125	
Other Expenses	8,125	6,125	2,991	3,134	
Zoning Board of Adjustment					
Salaries and Wages	2,400	2,400	2,308	92	
Other Expenses	5,480	5,480	4,821	659	
Zoning Official					
Salaries and Wages	17,125	17,125	17,103	22	
Other Expenses	5,000	-	-	-	
Insurance					
Unemployment Insurance	5,000	-	-	-	
General Liability	207,000	207,000	205,559	1,441	
Worker's Compensation	197,000	197,000	196,103	897	
Employee Group Health	1,620,800	1,494,200	1,492,271	1,929	
Other Insurance Premiums	27,300	27,300	23,768	3,532	
Health Benefit Waiver	45,000	31,600	31,600	-	

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, 2019
(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	\$ 3,059,525	\$ 3,060,525	\$ 3,059,572	\$ 953	
Other Expenses	216,350	216,350	180,627	35,723	
Office of Emergency Management					
Other Expenses	13,300	13,300	8,389	4,911	
Ambulance Service					
Other Expenses	92,400	92,400	84,646	7,754	
Fire Department					
Salaries and Wages	6,100	4,100	4,005	95	
Other Expenses	191,360	192,160	191,836	324	
Uniform Fire Safety					
Salaries and Wages	53,390	47,190	46,951	239	
Other Expenses	240,475	235,475	234,859	616	
Municipal Court					
Salaries and Wages	150,149	129,829	129,259	570	
Other Expenses	10,450	10,450	9,030	1,420	
Municipal Court Public Defender					
Salaries and Wages	8,000	8,225	8,224	1	
Municipal Prosecutor's Office					
Salaries and Wages	19,500	19,500	17,617	1,883	
Public Works					
Streets and Road Maintenance					
Salaries and Wages	1,057,491	1,099,491	1,099,403	88	
Other Expenses	467,300	526,300	519,854	6,446	
Solid Waste Collection					
Other Expenses	499,000	517,000	517,000	-	
Buildings and Grounds					
Other Expenses	330,300	432,300	391,034	41,266	
Vehicle Maintenance (including Police)					
Other Expenses	229,000	274,000	264,895	9,105	
Shade Tree					
Salaries and Wages	40,035	40,045	40,035	10	
Other Expenses	9,200	4,200	889	3,311	
Health and Human Services					
Board of Health					
Salaries and Wages	57,925	57,925	57,917	8	
Other Expenses	105,200	105,200	101,462	3,738	
Animal Control Services					
Other Expenses	14,500	14,500	14,340	160	
Parks and Recreation					
Recreation Services and Programs					
Salaries and Wages	145,376	140,876	140,332	544	
Other Expenses	269,152	252,152	249,643	2,509	
Senior Citizens Programs					
Other Expenses	16,000	16,000	16,000	-	

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 ENDING DECEMBER 31, 2019
(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)					
Environment Commission					
Other Expenses	\$ 4,000	\$ 4,000	\$ 2,298	\$ 1,702	
Celebration of Public Events					
Other Expenses	8,000	8,000	8,000	-	
Cable T.V. Committee					
Other Expenses	2,324	2,324	214	2,110	
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	205,650	193,650	192,901	749	
Other Expenses	82,700	82,700	72,435	10,265	
Other Code Enforcement Functions					
Electrical Inspector					
Salaries and Wages	60,000	59,000	58,807	193	
Plumbing Inspector					
Salaries and Wages	25,840	25,850	25,840	10	
UNCLASSIFIED:					
UTILITY EXPENSES AND BULK PURCHASES					
Electricity	175,000	175,000	167,188	7,812	
Street Lighting	27,000	27,000	25,002	1,998	
Telephone	44,000	52,000	50,797	1,203	
Water	30,000	36,000	35,949	51	
Gasoline	87,000	87,000	65,942	21,058	
Landfill/Solid Waste Disposal Costs	297,000	277,000	267,377	9,623	
Telecommunications	6,500	8,500	8,250	250	-
	<u>11,932,908</u>	<u>11,931,908</u>	<u>11,689,174</u>	<u>242,734</u>	<u>-</u>
Total Operations Within "CAPS"					
	11,932,908	11,931,908	11,689,174	242,734	-
Total Operations including Contingent - Within "CAPS"	<u>11,932,908</u>	<u>11,931,908</u>	<u>11,689,174</u>	<u>242,734</u>	<u>-</u>
Detail:					
Salaries and Wages	5,733,767	5,713,692	5,705,957	7,735	-
Other Expenses	6,199,141	6,218,216	5,983,217	234,999	-

BOROUGH OF FRANKLIN LAKES
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)

	<u>Appropriations</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
GENERAL APPROPRIATIONS (Cont'd.)					
DEFERRED CHARGES AND STATUTORY EXPENDITURES - MUNICIPAL WITHIN "CAPS"					
Statutory Charges					
Public Employees Retirement System	\$ 396,000	\$ 396,000	\$ 393,401	\$ 2,599	
Social Security System (O.A.S.I.)	265,000	263,000	259,966	3,034	
DCRP Employer Contribution	8,000	11,000	10,190	810	
Police & Firemen's Retirement System	<u>679,000</u>	<u>679,000</u>	<u>675,637</u>	<u>3,363</u>	<u>-</u>
Total Deferred Charges & Statutory Expenditures - Municipal Within "CAPS"	<u>1,348,000</u>	<u>1,349,000</u>	<u>1,339,194</u>	<u>9,806</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>13,280,908</u>	<u>13,280,908</u>	<u>13,028,368</u>	<u>252,540</u>	<u>-</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
Other Operations					
Municipal Library	1,476,936	1,476,936	1,476,936	-	
NJ DEP Stormwater Permit	<u>9,500</u>	<u>9,500</u>	<u>6,340</u>	<u>3,160</u>	<u>-</u>
Total Other Operations Excluded from "CAPS"	<u>1,486,436</u>	<u>1,486,436</u>	<u>1,483,276</u>	<u>3,160</u>	<u>-</u>
Interlocal Municipal Service Agreements					
Enhanced 911 Service - Northwest Bergen					
Central Dispatch					
Other Expenses	<u>8,500</u>	<u>8,500</u>	<u>8,462</u>	<u>38</u>	<u>-</u>
Total Interlocal Municipal Service Agreements	<u>8,500</u>	<u>8,500</u>	<u>8,462</u>	<u>38</u>	<u>-</u>

BOROUGH OF FRANKLIN LAKES
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019
(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					
State of New Jersey Recycling Tonnage Grant	\$ 12,939	\$ 12,939	\$ 12,939	\$ -	
Clean Communities Grant	-	30,534	30,534	-	
Municipal Alliance on Alcoholism and Drug Abuse					
County Share	9,876	9,876	9,876	-	
Local Share	5,000	5,000	572	4,428	
Private Donations	-	16,100	16,100	-	
Drunk Driving Enforcement Fund	-	3,142	3,142	-	
MC Alcohol Edu, Rehab & Enfor Fund Grant	-	161	161	-	
2019 Distracted Driving	-	5,252	5,252	-	
200 Club Water Rescue Equipment				-	
Body Armor Replacement Program	2,593	2,593	2,593	-	
NJUCD Reforestation & Tree Planting Grant	25,823	25,823	25,823	-	
2019 NJ DOT Municipal Aid Program	-	187,000	187,000	-	
2019 Franklin Lake Rec Foundation	-	25,000	25,000	-	
2019 Handicap Accessible Curb @ Old Mill	-	27,800	27,800	-	
Police Department Accreditation				-	
Fire Department SAFER				-	
Dog Park Donations				-	
Meyer Foundation - FLPD Vehicles	-	-	-	-	-
Total Public and Private Programs Offset by Revenues	<u>56,231</u>	<u>351,220</u>	<u>346,792</u>	<u>4,428</u>	<u>-</u>
Total Operations Excluded from "CAPS"	<u>1,551,167</u>	<u>1,846,156</u>	<u>1,838,530</u>	<u>7,626</u>	<u>-</u>
Detail					
Salaries & Wages					
Other Expenses	<u>1,551,167</u>	<u>1,846,156</u>	<u>1,838,530</u>	<u>7,626</u>	<u>-</u>
CAPITAL IMPROVEMENTS EXCLUDED FROM "CAPS"					
Capital Improvement Fund	<u>1,990,000</u>	<u>1,990,000</u>	<u>1,990,000</u>	<u>-</u>	<u>-</u>
Total Capital Improvements - Excluded from "CAPS"	<u>1,990,000</u>	<u>1,990,000</u>	<u>1,990,000</u>	<u>-</u>	<u>-</u>
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	1,050,000	1,050,000	1,050,000	-	
Payment of Bond Anticipation Notes	385,000	385,000	385,000	-	
Interest on Bonds	243,000	243,000	242,100	-	\$ 900
Interest on Notes	<u>93,000</u>	<u>93,000</u>	<u>92,622</u>	<u>-</u>	<u>378</u>
Total Municipal Debt Service - Excluded from "CAPS"	<u>1,771,000</u>	<u>1,771,000</u>	<u>1,769,722</u>	<u>-</u>	<u>1,278</u>
Total General Appropriations Excluded from "CAPS"	<u>5,312,167</u>	<u>5,607,156</u>	<u>5,598,252</u>	<u>7,626</u>	<u>1,278</u>

BOROUGH OF FRANKLIN LAKES
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019
(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	\$ 18,593,075	\$ 18,888,064	\$ 18,626,620	\$ 260,166	\$ 1,278
Reserve for Uncollected Taxes	<u>905,000</u>	<u>905,000</u>	<u>905,000</u>	<u>-</u>	<u>-</u>
Total General Appropriations	<u>\$ 19,498,075</u>	<u>\$ 19,793,064</u>	<u>\$ 19,531,620</u>	<u>\$ 260,166</u>	<u>\$ 1,278</u>
	A-2			A	
	<u>Reference</u>				
Budget as Adopted	A-2	\$ 19,498,075			
Added by N.J.S. 40A:4-87	A-2	<u>294,989</u>			
		<u>\$ 19,793,064</u>			
Cash Disbursements	A-4		\$ 17,588,012		
Encumbrances Payable	A-13		692,388		
Appropriated Grant Reserves	A-15		346,220		
Reserve for Uncollected Taxes	A-2		<u>905,000</u>		
			<u>\$ 19,531,620</u>		

**BOROUGH OF FRANKLIN LAKES
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2019 AND 2018**

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
ASSETS			
ANIMAL CONTROL TRUST FUND			
Cash	B-2	\$ 20,213	\$ 26,404
OTHER TRUST FUND			
Cash	B-2	<u>2,410,756</u>	<u>3,068,782</u>
		<u>2,410,756</u>	<u>3,068,782</u>
ASSESSMENT TRUST FUND			
Cash	B-2	180,761	175,555
Assessments Receivable	B-13	4,015	8,777
Prospective Assessments Funded	B-16	<u>120,000</u>	<u>120,000</u>
		<u>304,776</u>	<u>304,332</u>
UNEMPLOYMENT INSURANCE TRUST FUND			
Cash	B-2	<u>26,300</u>	<u>25,606</u>
		<u>26,300</u>	<u>25,606</u>
Total Assets		<u>\$ 2,762,045</u>	<u>\$ 3,425,124</u>

BOROUGH OF FRANKLIN LAKES
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2019 AND 2018
(Continued)

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
LIABILITIES, RESERVES AND FUND BALANCE			
ANIMAL CONTROL TRUST FUND			
Due to Current Fund	B-5	\$ 2,111	\$ 9,124
Due to State of NJ	B-4	8	13
Reserve for Animal Control Expenditures	B-3	<u>18,094</u>	<u>17,267</u>
		<u>20,213</u>	<u>26,404</u>
OTHER TRUST FUND			
Payroll Deductions and Withholdings Payable	B-7	28,199	33,943
Due to Current Fund	B-8	308	443
Reserve for:			
Affordable Housing	B-6	293,194	890,347
Miscellaneous Reserves	B-9	391,534	353,661
Escrow Deposits	B-10	<u>1,697,521</u>	<u>1,790,388</u>
		<u>2,410,756</u>	<u>3,068,782</u>
ASSESSMENT TRUST FUND			
Due to Current Fund	B-14	21,362	20,918
Due to General Capital Fund	B-15	163,414	163,414
Reserve for Prospective Assessments	B-16	<u>120,000</u>	<u>120,000</u>
		<u>304,776</u>	<u>304,332</u>
UNEMPLOYMENT INSURANCE TRUST FUND			
Due to the State of New Jersey	B-11	374	360
Reserve for Unemployment Insurance Claims	B-12	<u>25,926</u>	<u>25,246</u>
		<u>26,300</u>	<u>25,606</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 2,762,045</u>	<u>\$ 3,425,124</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, 2019 AND 2018**

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
ASSETS			
Cash	C-2,C-3	\$ 1,639,595	\$ 1,675,666
Due from Assessment Trust Fund	B-15	163,414	163,414
Deferred Charges to Future Taxation - Funded	C-4	7,450,000	8,500,000
Deferred Charges to Future Taxation - Unfunded	C-5	<u>4,278,362</u>	<u>3,262,283</u>
 Total Assets		 <u>\$ 13,531,371</u>	 <u>\$ 13,601,363</u>
 LIABILITIES, RESERVES AND FUND BALANCE			
Serial Bond Payable	C-6	\$ 7,450,000	\$ 8,500,000
Bond Anticipation Notes	C-7	3,040,000	3,096,000
Improvement Authorizations			
Funded	C-8	502,768	403,228
Unfunded	C-8	1,000,656	651,095
Encumbrances Payable	C-9	482,608	177,090
Capital Improvement Fund	C-10	219,439	21,342
Reserve for COAH - RCA Debt	C-11	462,626	690,835
Reserve for Future Capital Projects	C-12	267,533	
Fund Balance	C-1	<u>105,741</u>	<u>61,773</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 13,531,371</u>	 <u>\$ 13,601,363</u>

There were bonds and notes authorized but not issued on December 31, 2019 and 2018 of \$1,242,377 and \$188,614, respectively (Exhibit C-13).

BOROUGH OF FRANKLIN LAKES
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS
GENERAL CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
Balance, January 1	C	\$ 61,773	\$ 148,946
Increased by:			
Cancellation of Funded Improvement Authorizations	C-8	24,897	
Grant Proceeds on Fully Funded Ordinances	C-1		141,809
Premium on Sale of Bond Anticipation Note	C-2	18,377	22,293
Reimbursement Midland Park Ord. No. 1744	C-2	<u>44,694</u>	<u>-</u>
		149,741	313,048
Decreased by:			
Appropriated to Finance Improvement Authorizations	C-8	<u>44,000</u>	<u>251,275</u>
Balance, December 31		<u>\$ 105,741</u>	<u>\$ 61,773</u>

**BOROUGH OF FRANKLIN LAKES
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS -
SEWER UTILITY OPERATING FUND
AS OF DECEMBER 31, 2019 AND 2018**

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
ASSETS			
Operating Fund			
Cash	D-4	\$ 191,028	\$ 134,970
Accounts Receivable	D-5	<u>2,085</u>	<u>348</u>
Total Operating Fund		<u>193,113</u>	<u>135,318</u>
Total Assets		<u>\$ 193,113</u>	<u>\$ 135,318</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Operating Fund			
Appropriation Reserves	D-3, D-6	<u>\$ 30,118</u>	<u>\$ 11,312</u>
		30,118	11,312
Reserve for Receivable	D-5	2,085	348
Fund Balance	D-1	<u>160,910</u>	<u>123,658</u>
Total Operating Fund		<u>193,113</u>	<u>135,318</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 193,113</u>	<u>\$ 135,318</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, 2019 AND 2018

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
Revenue and Other Income Realized			
Surplus Anticipated	D-2	\$ 25,000	
Sewer User Fees	D-2, D-5	122,997	\$ 104,157
Sewer Connection Fees	D-2	1,476	1,592
Non-Budget Revenue	D-2	27,067	6,387
Other Credits to Income			
Unexpended Balances of Appropriation Reserves	D-6	<u>11,312</u>	<u>8,412</u>
		<u>187,852</u>	<u>120,548</u>
Expenditures			
Budget Appropriations			
Operating	D-3	<u>125,600</u>	<u>105,700</u>
		<u>125,600</u>	<u>105,700</u>
Excess of Revenues Over Expenditures		62,252	14,848
Fund Balance, January 1	D	<u>123,658</u>	<u>108,810</u>
		<u>185,910</u>	<u>123,658</u>
Fund Balance Utilized		<u>(25,000)</u>	<u>-</u>
Fund Balance, December 31	D	<u>\$ 160,910</u>	<u>\$ 123,658</u>

**BOROUGH OF FRANKLIN LAKES
STATEMENT OF REVENUES - REGULATORY BASIS
SEWER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Reference</u>	2019 <u>Budget</u>	2019 <u>Realized</u>	Excess or <u>(Deficit)</u>
Anticipated Fund Balance	D-1	\$ 25,000	\$ 25,000	\$ -
Sewer User Fees	D-1, D-4	100,000	122,997	22,997
Sewer Connection Fees	D-1, D-4	<u>600</u>	<u>1,476</u>	<u>876</u>
		<u>\$ 125,600</u>	149,473	<u>\$ 23,873</u>
	<u>Reference</u>	D-3		
Non-Budget Revenue			<u>27,067</u>	
			<u>\$ 176,540</u>	

**STATEMENT OF EXPENDITURES - REGULATORY BASIS
SEWER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

		<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>\$ 125,600</u>	<u>\$ 125,600</u>	<u>\$ 95,482</u>	<u>\$ 30,118</u>
		<u>\$ 125,600</u>	<u>\$ 125,600</u>	<u>\$ 95,482</u>	<u>\$ 30,118</u>
	<u>Reference</u>	D-2	D-2		D
Budget as Adopted	D-2		<u>\$ 125,600</u>		
Cash Disbursements	D-4			<u>\$ 95,482</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, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
ASSETS		
Land	\$ 39,242,900	\$ 39,242,900
Buildings and Improvements	13,210,897	12,367,800
Vehicles	6,264,855	6,162,451
Machinery and Equipment	<u>4,000,212</u>	<u>3,857,521</u>
Total Assets	<u>\$ 62,718,864</u>	<u>\$ 61,630,672</u>
FUND BALANCE		
Investment in General Fixed Assets	<u>\$ 62,718,864</u>	<u>\$ 61,630,672</u>

NOTES TO FINANCIAL STATEMENTS

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

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, 2019 AND 2018**

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, 2018 balances to conform to the December 31, 2019 presentation.

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

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, 2019 AND 2018**

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, 2019 AND 2018**

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, 2019 AND 2018**

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 2019 and 2018 the Borough Council increased the original budget by \$294,989 and \$241,924, respectively. The increases were funded by additional aid allotted to the Borough. In addition, the governing body approved several budget transfers during 2019 and 2018.

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

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 or NCUSIF.

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, 2019 and 2018, the book value of the Borough's deposits were \$9,492,676 and \$11,267,704 and bank and brokerage firm balances of the Borough's deposits amounted to \$9,680,805 and \$11,453,613, 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>2019</u>	<u>2018</u>
Insured	\$ <u>9,680,805</u>	\$ <u>11,453,613</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, 2019 and 2018, 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, 2019 and 2018 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, 2019 AND 2018**

NOTE 4 TAXES RECEIVABLE

Receivables at December 31, 2019 and 2018 consisted of the following:

<u>Current</u>	<u>2019</u>	<u>2018</u>
Property Taxes	\$ 546,481	\$ 343,095
Tax Title Liens	<u>12,600</u>	<u>13,129</u>
	<u>\$ 559,081</u>	<u>\$ 356,224</u>

In 2019 and 2018, the Borough collected \$339,637 and \$496,796 from delinquent taxes, which represented 95% 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>2019</u>		<u>2018</u>	
	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Current Fund	\$ 23,781		\$ 30,485	
Trust Fund:				
Animal Control Trust		\$ 2,111		\$ 9,124
Other Trust		308		443
Assessment Trust		184,776		184,332
General Capital Fund	<u>163,414</u>	<u>-</u>	<u>163,414</u>	<u>-</u>
Total	<u>\$ 187,195</u>	<u>\$ 187,195</u>	<u>\$ 193,899</u>	<u>\$ 193,899</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, 2019 AND 2018**

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>2019</u>	Utilized in Subsequent Year's Budget	Fund Balance December 31, <u>2018</u>	Utilized in Subsequent Year's Budget
Current Fund				
Cash Surplus	\$ 2,037,771	\$ 1,100,000	\$ 3,288,884	\$ 2,390,000
Non-Cash Surplus	<u>841,531</u>	<u>-</u>	<u>638,766</u>	<u>-</u>
	<u>\$ 2,879,302</u>	<u>\$ 1,100,000</u>	<u>\$ 3,927,650</u>	<u>\$ 2,390,000</u>
Sewer Utility Operating Fund				
Cash Surplus	\$ 160,910	\$ 45,000	\$ 123,658	\$ 25,000
Non-Cash Surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 160,910</u>	<u>\$ 45,000</u>	<u>\$ 123,658</u>	<u>\$ 25,000</u>

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

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, 2019 and 2018.

	Balance December 31, <u>2018</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2019</u>
<u>2019</u>				
Land	\$ 39,242,900			\$ 39,242,900
Buildings and Improvements	12,367,800	\$ 843,097		13,210,897
Vehicles	6,162,451	175,645	\$ 73,241	6,264,855
Machinery and Equipment	<u>3,857,521</u>	<u>238,494</u>	<u>95,803</u>	<u>4,000,212</u>
	<u>\$ 61,630,672</u>	<u>\$ 1,257,236</u>	<u>\$ 169,044</u>	<u>\$ 62,718,864</u>
	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>

BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

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>2019</u>	<u>2018</u>
Issued		
General		
Bonds and Notes	\$ 10,490,000	\$ 11,596,000
Less Funds Temporarily Held to Pay Bonds and Notes	<u>(462,626)</u>	<u>(690,835)</u>
Net Debt Issued	10,027,374	10,905,165
Authorized But Not Issued		
Bonds and Notes		
General	1,238,362	166,283
Assessment	<u>4,015</u>	<u>22,331</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 11,269,751</u>	<u>\$ 11,093,779</u>

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

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 .256% and .251% at December 31, 2019 and 2018, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2019</u>			
General Debt	\$ 11,732,377	\$ 462,626	\$ 11,269,751
School Debt	<u>8,003,965</u>	<u>8,003,965</u>	<u>-</u>
Total	<u>\$ 19,736,342</u>	<u>\$ 8,466,591</u>	<u>\$ 11,269,751</u>
	<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>

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>2019</u>	<u>2018</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 154,087,968	\$ 154,636,975
Net Debt	<u>11,269,751</u>	<u>11,093,779</u>
Remaining Borrowing Power	<u>\$ 142,818,217</u>	<u>\$ 143,543,196</u>

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

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>2019</u>	<u>2018</u>
\$5,055,000, 2014 Bonds, due in annual installments of \$255,000 to \$460,000 through September 1, 2029, interest at 2.00%	\$ 3,845,000	\$ 4,100,000
\$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>3,605,000</u>	<u>4,400,000</u>
	<u>\$ 7,450,000</u>	<u>\$ 8,500,000</u>

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2019 is as follows:

Calendar <u>Year</u>	General		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
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>\$ 7,450,000</u>	<u>\$ 764,200</u>	<u>\$ 8,214,200</u>

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 8 MUNICIPAL DEBT (Continued)

Changes in Long-Term Municipal Debt

The Borough's long-term capital debt activity for the years ended December 31, 2019 and 2018 were as follows:

	Balance, December 31, <u>2018</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2019</u>	Due Within <u>One Year</u>
<u>2019</u>					
General Capital Fund					
Bonds Payable	<u>\$ 8,500,000</u>	<u>\$ -</u>	<u>\$ 1,050,000</u>	<u>\$ 7,450,000</u>	<u>\$ 1,100,000</u>

	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>

B. Short-Term Debt

The Borough's short-term debt activity for the years ended December 31, 2019 and 2018 was as follows:

Bond Anticipation Notes

<u>Purpose</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	Balance, December 31, <u>2018</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	Balance, December 31, <u>2019</u>
<u>2019</u>						
Various Capital Improvements	2.00%	10/23/2020	\$ 1,239,877	\$ 1,142,761	1,239,877	\$ 1,142,761
Acquisition of Fire Apparatus	2.00%	10/23/2020	1,205,555	1,060,239	1,205,555	1,060,239
2016 Road Improvements	2.00%	10/23/2020	20,468		20,468	-
Various Sidewalk Improvements	2.00%	10/23/2020	300,000	300,000	300,000	300,000
Old Mill Road Improvements	2.00%	10/23/2020	60,398		60,398	-
Various Street Improvements	2.00%	10/23/2020	208,000	60,579	208,000	60,579
Water and Sewer System Improvements	2.00%	10/23/2020	61,702		61,702	-
Police Handicap Restrooms	2.00%	10/23/2020		62,225		62,225
Improvements to Vichiconti Way	2.00%	10/23/2020	-	414,196	-	414,196
Total Bond Anticipation Notes Payable			<u>\$ 3,096,000</u>	<u>\$ 3,040,000</u>	<u>\$ 3,096,000</u>	<u>\$ 3,040,000</u>

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 8 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

<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>

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, 2019 AND 2018**

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>2019</u>		
2019 Road Program	\$ 379,324	2020
Case Loader Refurbishment	53,290	2020
<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

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, 2019 AND 2018**

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, 2019 and 2018 were as follows:

	Balance, December 31, <u>2018</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2019</u>
<u>2019</u>				
Net Pension Liability - PERS	\$ 7,754,997		\$ 594,047	\$ 7,160,950
Net Pension Liability - PFRS	9,351,514	-	681,399	8,670,115
Net OPEB Liability	<u>14,048,284</u>	<u>\$ 2,804,016</u>	<u>473,724</u>	<u>16,378,576</u>
Total Other Long-Term Liabilities	<u>\$ 31,154,795</u>	<u>\$ 2,804,016</u>	<u>\$ 1,749,170</u>	<u>\$ 32,209,641</u>
	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	9,161,874	\$ 189,640	-	9,351,514
Net OPEB Liability	<u>13,888,909</u>	<u>580,914</u>	<u>421,536</u>	<u>14,048,287</u>
Total Other Long-Term Liabilities	<u>\$ 32,571,377</u>	<u>\$ 770,554</u>	<u>\$ 2,187,133</u>	<u>\$ 31,154,798</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, 2019 AND 2018**

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, 2019 AND 2018**

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, 2019 AND 2018**

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 local PERS at June 30, 2019 and 2018 is \$18.1 billion and \$19.7 billion, respectively, and the plan fiduciary net position as a percentage of the total pension liability is 56.27% and 53.60% respectively. The collective net pension liability of the participating employers for local PFRS at June 30, 2019 and 2018 is \$14.2 billion and \$15.4 billion, respectively and the plan fiduciary net position as a percentage of total pension liability is 65.00% and 62.48%, respectively.

The total pension liabilities were determined based on actuarial valuations as of July 1, 2018 and 2017 which were rolled forward to June 30, 2019 and 2018, respectively.

Actuarial Methods and Assumptions

In the July 1, 2018 and 2017 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 for 2019 and 2018 based on 10.0% for PFRS, 7.50% (effective July 1, 2018) and 7.34% (effective July 1, 2017) for PERS and 5.50% for DCRP of employee's annual compensation.

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 2019, 2018 and 2017 were equal to the required contributions.

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Employer and Employee Pension Contributions (Contributions)

During the years ended December 31, 2019, 2018 and 2017, 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>
2019	\$ 675,637	\$ 393,401	\$ 10,190
2018	525,223	383,282	5,964
2017	545,073	332,167	6,271

In addition for the years ended December 31, 2019, 2018 and 2017 the Borough contributed for long-term disability insurance premiums (LTDI) \$1,380, \$1,633 and \$7,217, respectively for PERS.

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, 2019 and 2018. Employer allocation percentages have been rounded for presentation purposes.

Public Employees Retirement System (PERS)

At December 31, 2019 and 2018, the Borough reported a liability of \$7,160,950 and \$7,754,997, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 and 2017, respectively. The Borough's proportionate share of the net pension liability was based on the ratio of the Borough's contributions to the pension plan relative to the total contributions of all participating governmental entities during the measurement period. As of the measurement date of June 30, 2019, the Borough's proportionate share was 0.03974 percent, which was an increase of 0.00039 percent from its proportionate share measured as of June 30, 2018 of 0.03935 percent.

**BOROUGH OF FRANKLIN LAKES
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

For the years ended December 31, 2019 and 2018, the pension system has determined the Borough's pension expense to be \$368,976 and \$453,017, respectively, for PERS based on the actuarial valuations which is less for 2019 and more for 2018 than the actual contributions reported in the Borough's financial statements of \$393,401 and \$383,282, respectively. At December 31, 2019 and 2018, 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:

	2019		2018	
	<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	\$ 128,530	\$ 31,634	\$ 147,889	\$ 39,987
Changes of Assumptions	715,047	2,485,543	1,277,895	2,479,636
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		113,038		72,742
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>439,790</u>	<u>357,733</u>	<u>554,005</u>	<u>516,902</u>
Total	<u>\$ 1,283,367</u>	<u>\$ 2,987,948</u>	<u>\$ 1,979,789</u>	<u>\$ 3,109,267</u>

At December 31, 2019 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense (benefit) as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2019	\$ (289,201)
2020	(500,012)
2021	(775,376)
2022	(483,495)
2023	343,503
Thereafter	<u>-</u>
	<u>\$ (1,704,581)</u>

**BOROUGH OF FRANKLIN LAKES
 NOTES TO THE FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

The Borough's total pension liability reported for the year ended December 31, 2019 was based on the June 30, 2019 measurement date as determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. The 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. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PERS</u>	<u>2019</u>	<u>2018</u>
Inflation Rate:		2.25%
Price	2.75%	
Wage	3.25%	
Salary Increases:		
Through 2026	2.00-6.00% Based on Years of Service	1.65-4.15% Based on Age
Thereafter	3.00%-7.00% Based on Years of Service	2.65%-5.15% Based on Age
Investment Rate of Return	7.00%	7.00%
Mortality Rate Table	Pub-2010	RP-2000

Assumptions for mortality improvements are based on Society of Actuaries Scale MP for 2019 and AA for 2018.

The actuarial assumptions used in the July 1, 2018 and 2017 valuations were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018 and July 1, 2011 to June 30, 2014, respectively.

**BOROUGH OF FRANKLIN LAKES
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

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, 2019 and 2018, as reported for the years ended December 31, 2019 and 2018, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2019</u>		<u>2018</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	3.00%	4.67%	5.00%	5.51%
Cash Equivalents	5.00%	2.00%	5.50%	1.00%
U.S. Treasuries	5.00%	2.68%	3.00%	1.87%
Investment Grade Credit	10.00%	4.25%	10.00%	3.78%
US Equity	28.00%	8.26%	30.00%	8.19%
Non-US Developed Markets Equity	12.50%	9.00%	11.50%	9.00%
Emerging Markets Equity	6.50%	11.37%	6.50%	11.64%
High Yield	2.00%	5.37%	2.50%	6.82%
Global Diversified Credit			5.00%	7.10%
Credit Oriented Hedge Funds			1.00%	6.60%
Debt Related Private Equity			2.00%	10.63%
Debt Related Real Estate			1.00%	6.61%
Real Asset	2.50%	9.31%	2.50%	11.83%
Equity Related Real Estate			6.25%	9.23%
Buyouts/Venture Capital			8.25%	13.08%
Private Credit	6.00%	7.92%		
Real Estate	7.50%	8.33%		
Private Equity	12.00%	10.85%		

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>
2019	June 30, 2019	6.28%
2018	June 30, 2018	5.66%

**BOROUGH OF FRANKLIN LAKES
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

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>2019</u>	<u>2018</u>
Period of Projected Benefit		
Payments for which the Following		
Rates were Applied:		
Long-Term Expected Rate of Return	Through June 30, 2057	Through June 30, 2046
Municipal Bond Rate *	From July 1, 2057 and Thereafter	From July 1, 2046 and Thereafter

* The municipal bond return rate used is 3.50% and 3.87% as of the measurement dates of June 30, 2019 and 2018, 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, 2019 and 2018 calculated using the discount rate of 6.28% and 5.66%, 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 5.28% and 4.66%, respectively or 1-percentage-point higher 7.28% and 6.66%, respectively than the current rate:

	1% Decrease (5.28%)	Current Discount Rate (6.28%)	1% Increase (7.28%)
<u>2019</u>			
Borough's Proportionate Share of the PERS Net Pension Liability	<u>\$ 9,045,443</u>	<u>\$ 7,160,950</u>	<u>\$ 5,572,997</u>
	1% Decrease (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
<u>2018</u>			
Borough's Proportionate Share of the PERS Net Pension Liability	<u>\$ 9,751,015</u>	<u>\$ 7,754,997</u>	<u>\$ 6,080,465</u>

The sensitivity analysis was based on the proportionate share of the Borough's net pension liability at December 31, 2019 and 2018. 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, 2019 AND 2018**

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

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.

Police and Firemen’s Retirement System (PFRS)

At December 31, 2019 and 2018, the Borough reported a liability of \$8,670,115 and \$9,351,514, respectively, for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 and 2017, respectively. The Borough’s proportionate share of the net pension liability was based on the ratio of the Borough’s contributions to the pension plan relative to the total contributions of all participating governmental entities during the 0.07085 percent, which was an increase of 0.00174 percent from its proportionate share measured as of June 30, 2018 of 0.06911 percent.

For the years ended December 31, 2019 and 2018, the pension system has determined the Borough pension expense to be \$725,503 and \$629,721, respectively, for PFRS based on the actuarial valuations which is more than the actual contributions reported in the Borough’s financial statements of \$675,637 and \$525,223, respectively. At December 31, 2019 and 2018, 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>2019</u>		<u>2018</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	\$ 73,187	\$ 54,892	\$ 95,139	\$ 38,699
Changes of Assumptions	297,085	2,802,102	802,702	2,396,622
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		117,477		51,161
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>1,230,165</u>	<u>647,046</u>	<u>1,269,936</u>	<u>1,011,710</u>
Total	<u>\$ 1,600,437</u>	<u>\$ 3,621,517</u>	<u>\$ 2,167,777</u>	<u>\$ 3,498,192</u>

**BOROUGH OF FRANKLIN LAKES
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

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)

At December 31, 2019 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PFRS pension will be recognized in pension expense (benefit) as follows:

Year Ending <u>December 31,</u>	<u>Total</u>
2019	\$ (700,479)
2020	(975,539)
2021	(722,355)
2022	(392,416)
2023	769,709
Thereafter	<u>-</u>
	<u>\$ (2,021,080)</u>

Actuarial Assumptions

The Borough’s total pension liability reported for the year ended December 31, 2019 was based on the June 30, 2019 measurement date as determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. The 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. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PFRS</u>	<u>2019</u>	<u>2018</u>
Inflation Rate:		2.25%
Price	2.75%	
Wage	3.25%	
Salary Increases:		
Through	All Future Years 3.25%-15.25% Based on Years of Service	2026 2.10%-8.98% Based on Age
Thereafter	Not Applicable	3.10%-9.98% Based on Age
Investment Rate of Return	7.00%	7.00%
Mortality Rate Table	Pub-2010	RP-2000

Assumptions for mortality improvements are based on Society of Actuaries Scale MP for 2019 and AA for 2018.

The actuarial assumptions used in the July 1, 2018 and July 1, 2017 valuations were based on the results of an actuarial experience study for the period July 1, 2013 to June 30, 2018 and July 1, 2010 to June 30, 2013, respectively.

**BOROUGH OF FRANKLIN LAKES
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

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, 2019 and 2018, as reported for the years ended December 31, 2019 and 2018, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2019</u>		<u>2018</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	3.00%	4.67%	5.00%	5.51%
Cash Equivalents	5.00%	2.00%	5.50%	1.00%
U.S. Treasuries	5.00%	2.68%	3.00%	1.87%
Investment Grade Credit	10.00%	4.25%	10.00%	3.87%
US Equity	28.00%	8.26%	30.00%	8.19%
Non-US Developed Markets Equity	12.50%	9.00%	11.50%	9.00%
Emerging Markets Equity	6.50%	11.37%	6.50%	11.64%
High Yield	2.00%	5.37%	2.50%	6.82%
Global Diversified Credit			5.00%	7.10%
Credit Oriented Hedge Funds			1.00%	6.60%
Debt Related Private Equity			2.00%	10.63%
Debt Related Real Estate			1.00%	6.61%
Real Asset	2.50%	9.31%	2.50%	11.83%
Equity Related Real Estate			6.25%	9.23%
Buyouts/Venture Capital			8.25%	13.08%
Private Credit	6.00%	7.92%		
Real Estate	7.50%	8.33%		
Private Equity	12.00%	10.85%		

Discount Rate

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

<u>Calendar Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2019	June 30, 2019	6.85%
2018	June 30, 2018	6.51%

**BOROUGH OF FRANKLIN LAKES
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

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>2019</u>	<u>2018</u>
Period of Projected Benefit		
Payments for which the Following		
Rates were Applied:		
Long-Term Expected Rate of Return	Through June 30, 2076	Through June 30, 2062
Municipal Bond Rate *	From July 1, 2076 and Thereafter	From July 1, 2062 and Thereafter

* The municipal bond return rate used is 3.50% and 3.87% as of the measurement dates of June 30, 2019 and 2018, 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, 2019 and 2018 calculated using the discount rate of 6.85% and 6.51%, 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 5.85% and 5.51%, respectively or 1-percentage-point higher 7.85% and 7.51%, respectively than the current rate:

	1% Decrease (5.85%)	Current Discount Rate (6.85%)	1% Increase (7.85%)
<u>2019</u>			
Borough's Proportionate Share of the PFRS Net Pension Liability	\$ <u>11,718,836</u>	\$ <u>8,670,115</u>	\$ <u>6,146,859</u>
	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>

The sensitivity analysis was based on the proportionate share of the Borough’s net pension liability at December 31, 2019 and 2018. 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, 2019 AND 2018**

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, 2019 and 2018, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$1,369,028 and \$1,270,248, respectively. For the years ended December 31, 2019 and 2018, 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 \$159,070 and \$150,459, respectively, which are more than the actual contributions the State made on behalf of the Borough of \$92,244 and \$75,229, respectively. At December 31, 2019 (measurement date June 30, 2019) the State's share of the PFRS net pension liability attributable to the Borough was 0.07085 percent, which was an increase of 0.00175 percent from its proportionate share measured as of December 31, 2018 (measurement date June 30, 2018) of .06910 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.

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 12 POST-RETIREMENT MEDICAL BENEFITS

Plan Description

The Borough provides a post employment healthcare plan (OPEB) 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*.

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, 2019 and 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><u>38</u></u>

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

At December 31, 2019 and 2018, the Borough’s total OPEB liabilities were \$16,378,579 and \$14,048,287, respectively. Net OPEB liability was measured as of December 31, 2019 and 2018, respectively, and the OPEB liability was determined by an actuarial valuation as of those dates.

For the years ended December 31, 2019 and 2018, the Borough has determined it’s OPEB expense to be \$722,354 and \$580,914, respectively, based on the actuarial valuations which are more than the actual contributions reported in the Borough’s financial statements of \$473,724 and \$421,536, respectively.

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

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)

Actuarial Assumptions

The Borough's total OPEB liability reported for the year ended December 31, 2019 was based on the December 31, 2019 measurement date as determined by an actuarial valuation as of December 31, 2019. The 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>2019</u>	<u>2018</u>
Inflation Rate	2.5%	2.5%
Salary Increases	2.5%	2.5%
Discount Rate	2.74%	4.10%
Healthcare Cost Trend Rates	5.7%	5.8%

The discount rate was based on Bond Buyer 20 Index at December 31, 2019 and 2018.

Mortality rates for 2019 and 2018 were based on the RP 2000 Combined Healthy Male Mortality rates.

Changes in the Total OPEB Liability

The change in the Borough's OPEB liability for the years ended December 31, 2019 and 2018 based on measurement dates of December 31, 2019 and 2018, respectively are as follows:

	<u>Total OPEB Liability 2019</u>	<u>Total OPEB Liability 2018</u>
Balance - Beginning of Year	\$ 14,048,287	\$ 13,888,909
Changes for the Year:		
Service Cost	\$ 19,318	\$ 19,318
Interest on the Total OPEB Liability	567,060	561,596
Changes of Benefit Terms		
Differences Between Expected and Actual Experience		
Changes in Assumptions	2,217,638	
Benefit Payments	(473,724)	(421,536)
Net Changes	<u>2,330,292</u>	<u>159,378</u>
Balance - End of Year	<u>\$ 16,378,579</u>	<u>\$ 14,048,287</u>

Changes of assumptions for 2019 reflect a change in the discount rate from 4.10 percent in 2018 to 2.74 percent in 2019.

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

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 Discount Rate

The following presents the Borough's net OPEB liability as of December 31, 2019 and 2018 calculated using the discount rate of 2.74% and 4.10%, respectively, 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 1.74% and 3.10%, respectively or 1-percentage-point higher 3.74% and 5.10%, respectively than the current rate:

	1% Decrease <u>(1.74%)</u>	Current Discount Rate <u>(2.74%)</u>	1% Increase <u>(3.74%)</u>
<u>2019</u>			
Net OPEB Liability	<u>\$ 18,044,735</u>	<u>\$ 16,378,579</u>	<u>\$ 14,950,431</u>
	1% Decrease <u>(3.10%)</u>	Current Discount Rate <u>(4.10%)</u>	1% Increase <u>(5.10%)</u>
<u>2018</u>			
Net OPEB Liability	<u>\$ 17,427,853</u>	<u>\$ 14,048,287</u>	<u>\$ 11,232,689</u>

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, 2019 and 2018 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:

	1% Decrease <u>(4.7%)</u>	Healthcare Cost Trend Rates <u>(5.7%)</u>	1% Increase <u>(6.7%)</u>
<u>2019</u>			
Net OPEB Liability	<u>\$ 14,911,073</u>	<u>\$ 16,378,579</u>	<u>\$ 18,121,445</u>
	1% Decrease <u>(4.8%)</u>	Healthcare Cost Trend Rates <u>(5.8%)</u>	1% Increase <u>(6.8%)</u>
<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 FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

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)

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 or periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or a health maintenance organization participating in the program providing the lowest premium or periodic charge. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989. 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.

At December 31, 2019, the State's proportionate share of the net OPEB liability attributable to the Borough for the OPEB special funding situation is \$4,448,425. For the year ended December 31, 2019 the plan has determined the State's proportionate share of the OPEB expense attributable to the Borough for the OPEB special funding situation is \$58,965. At December 31, 2019, (measurement date June 30, 2019), the State's share of the OPEB liability attributable to the Borough was 0.0805 percent. 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.

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.

**BOROUGH OF FRANKLIN LAKES
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 13 RISK MANAGEMENT (Continued)

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</u> <u>December 31</u>	<u>Employee</u> <u>Contributions</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
2019	\$ 7,766	\$ 7,086	\$ 25,926
2018	12,656	6,851	25,246
2017	7,199	6,443	19,441

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, 2019 and 2018. 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, 2019 and 2018, the Borough reserved \$66,870 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, 2019 and 2018, 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.

**BOROUGH OF FRANKLIN LAKES
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

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, 2019 and 2018, the Borough had no estimated arbitrage earnings due to the IRS.

NOTE 16 INFECTIOUS DISEASE OUTBREAK – COVID-19 PANDEMIC

The World Health Organization has declared a pandemic following the global outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, which was first discovered in China and has since spread to other countries, including the United States (and to the Borough) (the “COVID-19 Crisis”). On March 13, 2020, President Trump declared a national emergency to unlock federal funds and assistance to help states and local governments fight the pandemic. Governor Phil Murphy, of the State of New Jersey, has also instituted mandatory measures via various executive orders to contain the spread of the virus, including closing schools and nonessential businesses and limiting social gatherings. These measures, which alter the behavior of businesses and people, are expected to have negative impacts on regional, state and local economies and significant declines in the financial markets in the United States and volatility attributed to concerns about the duration of the pandemic and its continued economic impact. Recently, the United States Congress has passed relief and stimulus legislation. This legislation is intended to address the financial impact of the pandemic on the U.S. economy and financial markets. It is too early to predict if the legislation will have its intended affect.

In compliance with the Governor’s executive orders, the Borough has instituted necessary precautions and procedures, so as to allow the Borough to continue to provide services during this time. The Borough is functioning administratively, and its departments continue to operate both remotely and on-site, where safe and practicable. The Borough will continue to collect property taxes and other municipal revenues. At this time, it is not possible to predict any other financial impacts as a result of this pandemic on the Borough’s operations; however, such amounts, if any, could be material.

CURRENT FUND

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

Balance, December 31, 2018		\$ 6,160,021
Increased by Receipts:		
Taxes Receivable	\$ 69,266,255	
Non-Budget Revenue	274,906	
Due from State of NJ - Senior Citizens' and Veterans' Deductions	44,250	
Grants Receivable	143,455	
Unappropriated Grants	15,950	
Revenue Accounts Receivable	4,578,374	
Petty Cash	600	
Receipts from Animal Control Trust Fund	9,124	
Receipts from Other Trust Fund	443	
Fees Payable	50,418	
Prepaid Taxes	812,949	
Reserve for Recreation Online Fees	129,021	
Tax Title Lien Redemption	1,239	
	<u>75,326,984</u>	
		81,487,005
Decreased by Disbursements:		
2019 Budget Appropriations	17,588,012	
2018 Appropriation Reserves	588,497	
Encumbrances Payable	164,815	
County Taxes Payable	10,896,402	
Local District School Tax Payable	27,558,911	
Regional High School Taxes Payable	19,168,218	
Fees Payable	51,343	
Petty Cash	600	
Reserve for Recreation Online Fees	129,021	
Reserve for State and Federal Grants - Appropriated	163,436	
Refund of Tax Overpayments	28,078	
Refund of Prior Year Taxes	126,349	
	<u>76,463,682</u>	
Balance, December 31, 2019		<u>\$ 5,023,323</u>

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

<u>Office</u>	Balance, December 31, <u>2018</u>	Balance, December 31, <u>2019</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>2018</u>	Revenue <u>Accrued</u>	Cash <u>Receipts</u>	Balance, December 31, <u>2019</u>
Clean Communities Grant		\$ 30,534	\$ 30,534	
Recycling Tonnage Grant		12,939	12,939	
Municipal Alliance Program	\$ 14,766	9,876	4,992	\$ 19,650
Drunk Driving Enforcement Fund		3,142	3,142	
Distracted Driving		5,252	5,252	
Body Armor Replacement Program		2,593	2,593	
Franklin Lakes Rec Foundation		25,000	25,000	
CDBG - Handicap Accessible Ramps		27,800		27,800
Private Donation		16,100	16,100	
Alcohol Education and Rehabilitation		161	161	
FEMA - Fire Department SAFER Grant	624,000		42,742	581,258
NJUCF Reforestation & Tree Planting	-	25,823		25,823
NJ DOT Municipal Aid Program	-	187,000	-	187,000
	<u>\$ 638,766</u>	<u>\$ 346,220</u>	<u>\$ 143,455</u>	<u>\$ 841,531</u>

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

Balance, December 31, 2018		\$ 3,943
Increased by:		
Sr. Citizen Deductions Disallowed by Tax Collector	\$ 250	
Received in Cash from State	<u>44,250</u>	
		<u>44,500</u>
		48,443
Decreased by:		
Senior Citizens' Deductions Per Tax Billings	2,250	
Veterans' Deductions Per Tax Billings	41,750	
Senior Citizens' and Veterans' Deductions Allowed by Tax Collector	<u>250</u>	
		<u>44,250</u>
Balance, December 31, 2019		<u><u>\$ 4,193</u></u>

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

Year	Balance,	2019	Added and	Collected In		Senior	Cancelled	Transfer	Balance,
	December 31,			Levy	Omitted				
	2018		Taxes						
2018	\$ 343,095	-	-	-	\$ 338,398	-	\$ 4,697	-	-
	343,095		-		338,398		4,697	-	
2019	-	\$ 69,714,084	\$ 1,061,379	\$ 849,977	68,927,857	\$ 44,000	406,438	\$ 710	\$ 546,481
	\$ 343,095	\$ 69,714,084	\$ 1,061,379	\$ 849,977	\$ 69,266,255	\$ 44,000	\$ 411,135	\$ 710	\$ 546,481

Analysis of 2019 Property Tax Levy

TAX YIELD

General Purpose Tax	\$ 69,714,084
Added and Omitted Taxes (54:4-63.1 et seq.)	<u>1,061,379</u>
	<u>\$ 70,775,463</u>

TAX LEVY

Local District School Tax (Abstract)	\$ 27,558,911
Regional High School Tax (Abstract)	19,168,218
County Tax (Abstract)	10,413,988
County Open Space Tax	446,694
Due County for Added and Omitted Taxes	<u>166,271</u>
	\$ 57,754,082
Local Tax for Municipal Purposes (Abstract)	10,620,857
Minimum Library Tax	1,476,936
Additional Tax Levied	<u>923,588</u>
	<u>13,021,381</u>
	<u>\$ 70,775,463</u>

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

Balance, December 31, 2018	\$ 13,129
Increased by:	
Transferred from Current Taxes Receivable	<u>710</u>
	13,839
Decreased by:	
Tax Title Lien Redemptions	<u>1,239</u>
Balance, December 31, 2019	<u>\$ 12,600</u>

BOROUGH OF FRANKLIN LAKES
STATEMENT OF REVENUE ACCOUNTS RECEIVABLE

	Balance, December 31, <u>2018</u>	Accrued <u>2019</u>	Collected in <u>2019</u>	Balance, December 31, <u>2019</u>
Borough Clerk				
Licenses				
Alcoholic Beverages		\$ 10,250	\$ 10,250	
Other		1,208	1,208	
Board of Health				
Licenses		21,090	21,090	
Fees and Permits		60,971	60,971	
Tax Collector				
Fees and Permits		560	560	
Planning Board				
Fees and Permits		28,850	28,850	
Fire Prevention				
Fees and Permits		28,016	28,016	
Police Department				
Fees and Permits		18,100	18,100	
Uniform Construction Code				
Fees and Permits		886,982	886,982	
Municipal Court				
Fines and Costs	\$ 18,531	236,211	242,383	\$ 12,359
Interest and Cost on Taxes and Assessments		126,111	126,111	
Interest on Investments and Deposits		240,679	240,679	
Energy Receipts Tax		1,775,732	1,775,732	
Watershed Moratorium Offset Aid		5,969	5,969	
Uniform Fire Safety Act		16,810	16,810	
Community Center Fees		15,400	15,400	
Recreation Program Fees		169,584	169,584	
Child Care Facility Rent		87,843	87,843	
Outside Police Employment		45,521	45,521	
Library Reimbursement		175,579	175,579	
VFW Parking Permits		14,920	14,920	
Lease of Land for Monopole- Sprint Co		107,911	107,911	
Cable T.V. Franchise Fee		190,916	190,916	
Recycling Revenue		14,780	14,780	
Abandoned Property Fees		64,000	64,000	
Reserve for Payment of Debt	-	228,209	228,209	-
	<u>\$ 18,531</u>	<u>\$ 4,572,202</u>	<u>\$ 4,578,374</u>	<u>\$ 12,359</u>

BOROUGH OF FRANKLIN LAKES
STATEMENT OF APPROPRIATION RESERVES

	Balance, December 31, <u>2018</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	\$ 7,154		\$ 7,154	\$ 6,811	\$ 343
Other Expenses	18,896	\$ 10,702	19,498	16,420	3,078
Mayor & Council					
Salaries and Wages	-		-		-
Other Expenses	1,894	3,747	5,641	3,306	2,335
Municipal Clerk					
Salaries and Wages	2,934		2,934	84	2,850
Other Expenses	2,028	997	5,625	5,625	-
Financial Administration					
Salaries and Wages	2,054		2,054	187	1,867
Other Expenses	9,502	1,914	11,416	4,793	6,623
Audit Services					
Other Expenses	4,698		4,698	4,698	-
Revenue Administration (Tax Collection)					
Salaries and Wages	2,123		2,123		2,123
Other Expenses	2,634	1,231	3,865	1,231	2,634
Tax Assessment Administration					
Salaries and Wages	341		341		341
Other Expenses	11,237	5,129	4,566	3,309	1,257
Reserve for Tax Appeals	31,582		31,582	31,582	-
Legal Services (Legal Department)					
Other Expenses	4,221	41,120	72,841	72,837	4
Engineering Services and Costs					
Salaries and Wages	4		4		4
Other Expenses	19,462	8,023	27,485	11,197	16,288
Planning Board					
Salaries and Wages	3,025		3,025	550	2,475
Other Expenses	1,259	1,665	2,924	2,052	872
Zoning Board of Adjustment					
Salaries and Wages	100		100	92	8
Other Expenses	1,946		1,946		1,946
Zoning Official					
Salaries and Wages	5		5		5
Other Expenses	8,542		1,542		1,542
Insurance					
Worker's Compensation	1,842	49,496	51,338	49,496	1,842
General Liability	1,787	48,122	49,909	48,122	1,787
Other Insurance Premiums	3,674		3,674		3,674
Health Benefits	8,846		8,846	2,412	6,434

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

GENERAL GOVERNMENT (Cont'd)	Balance, December 31, <u>2018</u>	Encumbrances <u>Cancelled</u>	Balance After <u>Modification</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Police					
Salaries and Wages	\$ 22,456		\$ 2,456	\$ 957	\$ 1,499
Other Expenses	71,711	\$ (16,434)	55,277	33,641	21,636
Office of Emergency Management					
Other Expenses	14,847	1,556	16,403	1,929	14,474
Ambulance Service					
Other Expenses	17,629	1,693	21,122	20,530	592
Fire Department					
Salaries and Wages	4,671		4,671		4,671
Other Expenses	1,923	22,160	24,083	22,809	1,274
Uniform Fire Safety					
Salaries and Wages	7,672		7,672	604	7,068
Other Expenses	9,994	125	10,119	125	9,994
Municipal Court					
Salaries and Wages	6,403		6,403	-	6,403
Other Expenses	1,988	260	2,248	260	1,988
Municipal Court Public Defender					
Salaries and Wages	500		500	-	500
Municipal Prosecutor					
Salaries and Wages	1,438		1,438		1,438
Streets and Road Maintenance					
Salaries and Wages	34,981		34,981	5,398	29,583
Other Expenses	25,019	5,902	30,921	29,735	1,186
Solid Waste Collection					
Other Expenses	26	41,583	41,609	41,583	26
Buildings and Grounds					
Other Expenses	11,982	37,333	49,315	41,537	7,778
Vehicle Maintenance					
Other Expenses	138	11,225	36,363	33,705	2,658
Shade Tree					
Salaries and Wages	125		125		125
Other Expenses	448	42	490	90	400
Board of Health					
Salaries and Wages	5		5		5
Other Expenses	3,223	31,905	39,628	39,619	9
Animal Control Services					
Other Expenses	420	1,200	1,620	1,160	460
Recreation Services and Programs					
Salaries and Wages	5,091		5,091	442	4,649
Other Expenses	29,854	11,367	41,221	26,669	14,552

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

GENERAL GOVERNMENT (Cont'd)	Balance, December 31, <u>2018</u>	Encumbrances <u>Cancelled</u>	Balance After <u>Modification</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Celebration of Public Events					
Other Expenses	\$ 2,138	-	\$ 2,138		\$ 2,138
Environment Commission					
Other Expenses	37		37		37
Cable T.V. Committee					
Other Expenses	2,324	10	2,334	\$ 10	2,324
Building Inspector					
Salaries and Wages	13,491		1,491		1,491
Other Expenses	12,652	1,700	5,352	1,549	3,803
Electrical Inspector					
Salaries and Wages	1,520		1,520	1,520	-
Plumbing Inspector					
Salaries and Wages	2		2		2
Unclassified					
Electricity	1,701	25,944	27,645	5,438	22,207
Street Lighting	1,497	-	1,497		1,497
Telephone	2,355	840	3,195	826	2,369
Telecommunications	971	697	1,668	535	1,133
Water	-	1,838	7,838	2,226	5,612
Gasoline	3,212	3,686	6,898	6,344	554
Landfill/ Solid Waste Disposal Costs	9,433	17,720	29,653	28,858	795
Statutory Expenditures:					
Contribution to:					
Social Security System	4,988		4,988	-	4,988
PERS	2,218		2,218	1,344	874
PFRS	2,277	-	2,277	615	1,662
DCRP Employer Contribution	3,536		3,536	-	3,536
Interlocal Municipal Service Agreements					
Enhanced 911 Service - Northwest Bergen					
Central Dispatch					
Other Expenses	4	-	4		4
Matching Funds for Grants					-
Municipal Library	2		2		2
NJ DEP Stormwater Permit	5,405		5,405	3,320	2,085
Municipal Alliance on Alcoholism and Drug					
Local Share	4,326	-	4,326	1,897	2,429
	<u>\$ 498,423</u>	<u>\$ 374,498</u>	<u>\$ 872,921</u>	<u>\$ 620,079</u>	<u>\$ 252,842</u>
Appropriation Reserves			\$ 498,423		
Encumbrances Payable			<u>374,498</u>		
			<u>\$ 872,921</u>		
			Cash Disbursements	\$ 588,497	
			Reserved	<u>31,582</u>	
				<u>\$ 620,079</u>	

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

Balance, December 31, 2018		\$ 539,313
Increased by:		
Charges to 2019 Budget Appropriations	\$ 692,388	
Charges to Appropriated Grant Reserves	<u>36,988</u>	
		<u>729,376</u>
		1,268,689
Decreased by:		
Cancelled to Appropriation Reserves	374,498	
Cash Disbursements	<u>164,815</u>	
		<u>539,313</u>
Balance, December 31, 2019		<u>\$ 729,376</u>

STATEMENT OF ACCOUNTS PAYABLE

Balance, December 31, 2018		\$ 95,489
Decreased by:		
Cancelled Prior Year Accounts Payables	<u>\$ 95,489</u>	
		<u>95,489</u>
Balance, December 31, 2019		<u>\$ -</u>

BOROUGH OF FRANKLIN LAKES
STATEMENT OF RESERVE FOR GRANTS - APPROPRIATED

	Balance, December 31, <u>2018</u>	Transfer from 2019 Budget <u>Appropriations</u>	<u>Expenditures</u>	Balance, December 31, <u>2019</u>
Recycling Tonnage Grant	\$ 17	\$ 12,939	\$ 7,824	\$ 5,132
Drunk Driving Enforcement	11,514	\$ 3,142		14,656
Drive Sober or Get Pulled Over	5,184			5,184
Distracted Driving	-	5,252	5,252	-
Clean Communities Grant	57,195	30,534	19,371	68,358
Bergen County Department of Health	-			-
Municipal Alliance - State	2,354	9,876	5,009	7,221
Municipal Alcohol Ed/Rehabilitation	1,302	161		1,463
Private Donation	3,284	16,100	15,000	4,384
Dog Park Donations	35			35
Citizens Corp. - CERT Trailers	700			700
Murphy Grant - OEM Building Improvements	10,152		595	9,557
Body Armor Replacement Program		2,593	2,593	-
NJUCD Reforestation & Tree Planting		25,823	25,283	540
NJDOT Municipal Aid Program		187,000		187,000
2019 Franklin Lakes Rec Foundation		25,000	12,195	12,805
Handicap Accessible Curb		27,800		27,800
Meyer Foundation - FLPD Cars and Software	66,758		50,298	16,460
FEMA - Fire Department Safer Grant	<u>607,063</u>	<u>-</u>	<u>57,004</u>	<u>550,059</u>
	<u>\$ 765,558</u>	<u>\$ 346,220</u>	<u>\$ 200,424</u>	<u>\$ 911,354</u>
			Cash Disbursements \$ 163,436	
			Encumbrances Payable <u>36,988</u>	
			<u>\$ 200,424</u>	

STATEMENT OF RESERVE FOR GRANTS - UNAPPROPRIATED

Increased by Cash Receipts	
Private Donations	\$ 50
Recycling Tonnage Grant	<u>15,900</u>
Balance December 31, 2019	<u>\$ 15,950</u>

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

Balance, December 31, 2018	\$	849,977
Increased by:		
Collection of 2020 Taxes		812,949
		1,662,926
Decreased by:		
Applied to 2019 Taxes		849,977
Balance, December 31, 2019	\$	812,949

STATEMENT OF TAX OVERPAYMENTS

Balance, December 31, 2018	\$	28,078
Decreased by:		
Refunded		28,078
Balance, December 31, 2019	\$	-

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

Balance, December 31, 2018		\$ 35,720
Increased by:		
2019 County Tax Levy	\$ 10,413,988	
2019 County Open Space Tax Levy	446,694	
2019 County Added and Omitted Taxes	<u>166,271</u>	
		<u>11,026,953</u>
		11,062,673
Decreased by:		
Payments		<u>10,896,402</u>
Balance, December 31, 2019		<u><u>\$ 166,271</u></u>

EXHIBIT A-20

STATEMENT OF LOCAL DISTRICT SCHOOL TAXES PAYABLE

Increased by:		
Levy - Calendar Year 2019		<u>\$ 27,558,911</u>
Decreased by:		
Payments		<u>\$ 27,558,911</u>

EXHIBIT A-21

STATEMENT OF REGIONAL HIGH SCHOOL TAXES PAYABLE

Increased by:		
Levy - Calendar Year 2019		<u>\$ 19,168,218</u>
Decreased by:		
Payments		<u>\$ 19,168,218</u>

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

Balance, December 31, 2018	\$ <u>35,288</u>
Increased By:	
2018 Budget Appropriation	<u>31,582</u>
 Balance, December 31, 2019	 \$ <u><u>66,870</u></u>

STATEMENT OF FEES PAYABLE

Balance, December 31, 2018	\$ 16,834
Increased by:	
Cash Receipts	
DCA Training Fees	\$ 49,118
Marriage Licenses	<u>1,300</u>
	<u>50,418</u>
	67,252
Decreased by:	
Cash Disbursements	
DCA Training Fees	50,013
Marriage Licenses	<u>1,330</u>
	<u>51,343</u>
 Balance, December 31, 2019	 \$ <u><u>15,909</u></u>

STATEMENT OF RESERVE FOR RECREATION ONLINE FEES

Balance, December 31, 2018	\$ 3,214
Increased by:	
Cash Receipts	<u>129,021</u>
	132,235
Decreased by:	
Cash Disbursements	<u>129,021</u>
 Balance, December 31, 2019	 \$ <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, 2018	\$ 26,404	\$ 3,068,782	\$ 175,555	\$ 25,606
Increased by Receipts:				
Animal Control Fees	\$ 9,227			
State License Fees	1,321			
Payroll Deposits		\$ 7,604,216		
Miscellaneous Reserves		652,169		
Assessment Receivable			\$ 4,762	
Interest on Assessments			444	
Reserve for Affordable Housing		249,540		
Developers Escrow		609,443		
Payment from Current Fund		-		
Employee Unemployment Contributions				\$ 7,766
Interest Earned on Escrow Accounts	-	308	-	-
	<u>10,548</u>	<u>9,115,676</u>	<u>5,206</u>	<u>7,766</u>
	36,952	12,184,458	180,761	33,372
Decreased by Disbursements:				
Miscellaneous Reserves		614,296		
Reserve for Affordable Housing		846,693		
Expenditures Under R.S. 4:19-15.11	6,289			
Payroll Deductions		7,609,960		
Due to State of NJ - Animal Control Fees	1,326			
Due to State of NJ - Unemployment				7,072
Payments to Current Fund	9,124	443		
Escrow Deposits	-	702,310	-	-
	<u>16,739</u>	<u>9,773,702</u>	<u>-</u>	<u>7,072</u>
Balance, December 31, 2019	<u>\$ 20,213</u>	<u>\$ 2,410,756</u>	<u>\$ 180,761</u>	<u>\$ 26,300</u>

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

Balance, December 31, 2018		\$ 17,267
Increased by:		
Animal Control Fees Collected		9,227
		26,494
Decreased by:		
Cash Disbursements	\$ 6,289	
Statutory Excess Due to Current Fund	2,111	
		8,400
Balance, December 31, 2019		\$ 18,094

Licenses Fees Collected

<u>Year</u>	<u>Amount</u>
2018	\$ 9,713
2017	8,381
	\$ 18,094

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

Balance, December 31, 2018	\$	13
Increased by:		
2019 State Fees Collected		1,321
		1,334
Decreased by:		
Payments to State of New Jersey		1,326
Balance, December 31, 2019	\$	8

EXHIBIT B-5

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

Balance, December 31, 2018	\$	9,124
Increased by:		
Statutory Excess		2,111
		11,235
Decreased by:		
Payments to Current Fund		9,124
Balance, December 31, 2019	\$	2,111

EXHIBIT B-6

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

Balance, December 31, 2018	\$	890,347
Increased by:		
Cash Receipts	\$ 249,540	249,540
		1,139,887
Decreased by:		
Cash Disbursements	846,693	846,693
Balance, December 31, 2019	\$	293,194

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

Balance, December 31, 2018	\$	33,943
Increased by:		
Payroll Deposits		7,604,216
		7,638,159
Decreased by:		
Payroll Deductions Remitted		7,609,960
Balance, December 31, 2019	\$	28,199

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

Balance, December 31, 2018 (Due To)	\$	443
Increased by:		
Interest on Escrow Accounts		308
		751
Decreased by:		
Payments to Current Fund		443
Balance, December 31, 2019 (Due To)	\$	308

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

	Balance, December 31, <u>2018</u>	<u>Receipts</u>	<u>Disbursements</u>	Balance, December 31, <u>2019</u>
Tax Sale Premiums	\$ 243,920	\$ 112,300	\$ 73,300	\$ 282,920
Tax Sale Certificate Redemptions	-	65,941	64,598	1,343
Parking Offenses Adjudication Act	816	98		914
Off Duty Police Fees	17,002	373,340	373,394	16,948
Public Safety Trust Fund	900			900
Monuments	15,125			15,125
Municipal Alliance Program	990	2,650	2,000	1,640
Flexible Spending Account	10,700	23,505	21,092	13,113
Town Fair Celebration	19,036	24,570	22,948	20,658
Open Space Recreation Trust	1			1
Mayor's Wellness Program	18,144	49,108	46,790	20,462
Memorial Pond Donations	9,335	626	9,961	-
Beautification Pond	5,730			5,730
Municipal Court Deposits	1,146	31		1,177
Police Dept - Unclaimed Money	1,342		213	1,129
Miscellaneous Reserves	9,474	-	-	9,474
	<u>\$ 353,661</u>	<u>\$ 652,169</u>	<u>\$ 614,296</u>	<u>\$ 391,534</u>

EXHIBIT B-10

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

	Balance, December 31, <u>2018</u>	<u>Receipts</u>	<u>Disbursements</u>	Balance, December 31, <u>2019</u>
Escrow Bonds	\$ 531,539	\$ 192,635	\$ 69,000	\$ 655,174
Engineering / Legal Fees	130,775	27,309	25,327	132,757
Soil Deposits	530,769	259,962	213,475	577,256
Mt. Shadow Escrow Bond	-			-
Tree Escrow Fund	28,059		14,272	13,787
Street Escrow	18,000			18,000
Accutrak - Engineering/Legal Fees	551,246	129,537	380,236	300,547
	<u>\$ 1,790,388</u>	<u>\$ 609,443</u>	<u>\$ 702,310</u>	<u>\$ 1,697,521</u>

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

Balance, December 31, 2018	\$	360
Increased by:		
Unemployment Claims		7,086
		7,446
Decreased by:		
Payments to State of New Jersey		7,072
Balance, December 31, 2019	\$	374

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

Balance, December 31, 2018	\$	25,246
Increased by:		
Employee Contributions	\$	7,766
		7,766
		33,012
Decreased by:		
Unemployment Claims		7,086
Balance, December 31, 2019	\$	25,926

**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, 2018</u>	<u>Collected</u>	<u>Balance December 31, 2019</u>
33-10	Improvements to Wildwood Ave	2/3/2010	2/3/2011-2019	\$ 1,206	\$ 1,069	\$ 137
1316/1346	Improvements to Ryerson Road	12/20/2011	12/20/12-2021	<u>7,571</u>	<u>3,693</u>	<u>3,878</u>
				<u>\$ 8,777</u>	<u>\$ 4,762</u>	<u>\$ 4,015</u>

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

Balance, December 31, 2018	\$ 20,918
Increased by:	
Interest on Assessments	<u>444</u>
Balance, December 31, 2019	<u>\$ 21,362</u>

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

Balance, December 31, 2018	<u>\$ 163,414</u>
Balance, December 31, 2019	<u>\$ 163,414</u>

BOROUGH OF FRANKLIN LAKES
STATEMENT OF PROSPECTIVE ASSESSMENTS FUNDED

<u>Ordinance</u> <u>Number</u>	<u>Improvement Description</u>	Balance December 31, <u>2018</u>	Funded from <u>Capital Surplus</u>	Balance December 31, <u>2019</u>	Balance Pledged to <u>Reserve</u>
33-10	Improvements to Harriet Place	<u>\$ 120,000</u>	<u>\$ -</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, 2018		\$ 1,675,666
Increased by:		
Bond Anticipation Notes	\$ 476,421	
Grant Proceeds		
Deferred Charges Unfunded	147,421	
Midland Park Reimbursement	44,694	
Premium on Sale of Bond Anticipation Note	18,377	
Reserve for Future Capital Projects	267,533	
Current Fund Budget Appropriation		
Capital Improvement Fund	1,990,000	
Reimbursements to Capital Improvement Fund	<u>553,771</u>	
		<u>3,498,217</u>
		5,173,883
Decreased by:		
Improvement Authorizations	2,981,568	
Encumbrances Payable	177,090	
Bond Anticipation Notes	147,421	
Current Fund Anticipated Revenue		
Reserve for Payment of Debt - COAH	<u>228,209</u>	
		<u>3,534,288</u>
Balance, December 31, 2019		<u>\$ 1,639,595</u>

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

		Balance, December 31, <u>2019</u>
Fund Balance		\$ 105,741
Capital Improvement Fund		249,769
Due from Assessment Trust Fund		(163,414)
Encumbrances Payable		452,278
Reserve for Future Capital Projects		267,533
Reserve for COAH - RCA Debt		462,626
Improvement Authorizations:		
<u>Ord. No.</u>	<u>General Improvements</u>	
1369	Haledon Reservoir Phase II	480
1428	Ambulance Building Groundwater Study	7,182
1601	DPW Vehicles and Huron Road Improv	1,703
1610	Rec Sewers/Woodside Avenue	(23,221)
1617/1637	Various Capital Improvements	(49,222)
1712	Various Sidewalk Improvements	236,706
1717	Old Mill Road Improvements	1,025
1727	Schwartz Property Acquisition	(255)
1738/1796	2018 Road Improvements/Various Improvements	33,393
1744	Fire Department and DPW Equipment and Truck	4,487
1747	Improvements to Harriet Place	12,613
1753	Harriet Place Water and Sewer Improvement	(998)
1770	Improvements to Vichiconti Way Synthetic Turf Field	(387,749)
1778/1801	Various Street Improvements and Parking Lots	171,199
1802	Various Street Improvements and Parking Lots	208,703
1803	Refurbishment of DPW Bathroom/ Purch DPW Equip	19,123
1808	Acquisition of Fire Apparatus	37,500
	 <u>Local Improvements</u>	
1225/1259	Improvement to Wildwood Ave	(12,967)
1316/1346	Improvements to Ryerson Road	5,360
		<u>\$ 1,639,595</u>

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

Balance, December 31, 2018		\$ 8,500,000
Decreased by:		
Serial Bonds Paid by Budget Appropriation	<u>\$ 1,050,000</u>	<u>1,050,000</u>
Balance, December 31, 2019		<u>\$ 7,450,000</u>

**BOROUGH OF FRANKLIN LAKES
STATEMENT OF GENERAL SERIAL BONDS**

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Outstanding Maturities</u>		<u>Interest Rate</u>	<u>Balance, December 31, 2018</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance, December 31, 2019</u>
			<u>Date</u>	<u>Amount</u>					
General Improvements	9/1/2014	5,055,000	9/1/2020	\$ 255,000	2.00%	\$ 4,100,000		\$ 255,000	\$ 3,845,000
			9/1/2021	265,000	2.00%				
			9/1/2022	270,000	2.00%				
			9/1/2023	295,000	2.00%				
			9/1/2024-2029	460,000	2.00%				
Refunding Bonds	3/1/2017	4,400,000	3/1/2020	845,000	4.00%	<u>4,400,000</u>	<u>-</u>	<u>795,000</u>	<u>3,605,000</u>
			3/1/2021	890,000	4.00%				
			3/1/2022-2023	935,000	4.00%				
					<u>\$ 8,500,000</u>	<u>\$ -</u>	<u>\$ 1,050,000</u>	<u>\$ 7,450,000</u>	
							<u>\$ 1,050,000</u>		

Paid by Budget Appropriation \$ 1,050,000

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

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Ord. No.	Improvement Description	Original Amount Issued	Date of Issue of Original Note	Date of Issue	Date of Maturity	Interest Rate	Balance, December 31, 2018	Increased	Decreased	Balance, December 31, 2019	
1628	Various Capital Improvements	1,349,000	10/28/2015	10/25/2018 10/24/2019	10/26/2019 10/23/2020	3.00 % 2.00	\$ 1,239,877	\$ 1,142,761	\$ 1,239,877	\$ 1,142,761	
1644	Acquisition of Fire Apparatus	1,273,000	10/28/2015	10/25/2018 10/24/2019	10/26/2019 10/23/2020	3.00 2.00	1,205,555	1,060,239	1,205,555	1,060,239	
1655	2016 Road Improvements	752,000	10/27/2016	10/25/2018	10/26/2019	3.00	20,468		20,468		
1712	Various Sidewalk Improvements	300,000	10/26/2017	10/25/2018 10/24/2019	10/26/2019 10/23/2020	3.00 2.00	300,000	300,000	300,000	300,000	
1717	Old Mill Road Improvements	165,000	10/26/2017	10/25/2018	10/26/2019	3.00	60,398		60,398		
1745	Various Street Improvements	208,000	10/25/2018	10/25/2018 10/24/2019	10/26/2019 10/23/2020	3.00 2.00	208,000	60,579	208,000	60,579	
1753	Water and Sewer System Improvements	61,702	10/25/2018	10/25/2018	10/26/2019	3.00	61,702		61,702		
1763	Police Handicap Restrooms	62,225	10/24/2019	10/24/2019	10/23/2020	2.00		62,225		62,225	
1770	Improvements to Vichiconti Way Synthetic Turf	414,196	10/24/2019	10/24/2019	10/23/2020	2.00	-	414,196	-	414,196	
							<u>\$ 3,096,000</u>	<u>\$ 3,040,000</u>	<u>\$ 3,096,000</u>	<u>\$ 3,040,000</u>	
								Renewals Issued for Cash	\$ 2,563,579	\$ 2,563,579	
								Paid with Grant Money	476,421		
								Paid by Budget Appropriation	147,421		
								-	385,000		
								<u>\$ 3,040,000</u>	<u>\$ 3,096,000</u>		

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

Ord. No.	Improvement Description	Ordinance Date	Amount	Balance, December 31, 2018		2019 Authorizations				Balance, December 31, 2019		
				Funded	Unfunded	Capital Surplus	Capital Improvement Fund	Deferred Charges Unfunded	Cancelled	Paid or Charged	Funded	Unfunded
General Improvements												
1362	Acquisition of Haledon Reservoir	12/8/2004	\$ 6,600,000	\$ 1,589						\$ 1,589		
1369	Haledon Reservoir Phase II			480						\$	480	
1428	Ambulance Building Groundwater Study	2008	37,000	8,212						1,030	7,182	
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	3,269					529	2,740	-	
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	13,020					11,385	1,635	-	
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	11,980					11,837	143	-	
1702	2017 Road Program	3/21/2017	705,000	1,789					1,789		-	
1707	DPW Vehicles / Boro Hall Security	6/1/2017	160,000	21,733					21,733		-	
1712	Various Sidewalk Improvements	7/18/2017	330,000	-	255,677					18,971	236,706	
1716	OEM Retaining Wall	7/18/2017	93,000	897					897		-	
1717	Old Mill Road Improvements	8/1/2017	198,250	-	21,847					20,822	1,025	
1727	Schwartz Property Acquisition	10/17/2017	2,400,000		7,013				6,870	143	-	
1738/1796	2018 Road Improvements/Various Improvements	4/17/2018, 7/1/19	1,880,000	33,531			\$ 37,000			37,138	33,393	
1744	Fire Department and DPW Equipment and Truck	6/19/2018	328,500	126,610						122,123	4,487	
1745	Various Street Improvements and Parson Pond Park Lot	7/17/2018	288,000	35,546	208,000					243,546	-	
1752	Parson Pond Trail Construction	10/2/2018	28,000	11,950	-					11,950	-	
1753	Harriet Place Water and Sewer Improvement	10/2/2018	66,000	3,300	62,700					66,000	-	
1763	Police Handicap Restrooms	11/20/2018	65,500	3,275	62,225					65,500	-	
1770	Improvements to Vichiconti Way Synthetic Turf Field	2/19/2019	880,000			44,000		\$ 836,000		845,945	34,055	
1778/1801	Various Street Improvements and Parking Lots	4/16/2019, 8/20/19	1,888,000					1,888,000		1,716,801	171,199	
1797	Olentangy Road Drainage Improvements	7/16/2019	26,000					26,000		26,000	-	
1802	Various Street Improvements and Parking Lots	8/20/2019	220,000					220,000		11,297	208,703	
1803	Refurbishment of DPW Bathroom/ Purch DPW Equip	9/3/2019	155,000					155,000		135,877	19,123	
1808	Acquisition of Fire Apparatus	11/12/2019	750,000					37,500	712,500	-	37,500	
Local Improvements												
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	
1747	Improvements to Harriet Place	8/7/2018	120,000	117,209	-					104,596	12,613	
				<u>\$ 403,228</u>	<u>\$ 651,095</u>	<u>\$ 44,000</u>	<u>\$ 2,363,500</u>	<u>\$ 1,548,500</u>	<u>\$ 73,053</u>	<u>\$ 3,433,846</u>	<u>\$ 502,768</u>	<u>\$ 1,000,656</u>
										Cash Disbursements	\$ 2,981,568	
										Encumbrances Payable	<u>452,278</u>	
											<u>\$ 3,433,846</u>	
										Fund Balance	\$ 24,897	
										Capital Improvement Fund	<u>48,156</u>	
											<u>\$ 73,053</u>	

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

Balance, December 31, 2018		\$ 177,090
Increased by:		
Charges to Improvement Authorizations	\$ 452,278	
Overpayment - Ramapo High School	<u>30,330</u>	
		<u>482,608</u>
		659,698
Decreased by:		
Cash Disbursements		<u>177,090</u>
Balance, December 31, 2019		<u>\$ 482,608</u>

<u>Analysis of Balance</u>		
Encumbrance Payable		\$ 452,278
Overpayment Due Ramapo High School		<u>30,330</u>
		<u>\$ 482,608</u>

STATEMENT OF CAPITAL IMPROVEMENT FUND

Balance, December 31, 2018		\$ 21,342
Increased by:		
Budget Appropriation	\$ 1,990,000	
Cancelled Ordinance	48,156	
Reimbursements on Ordinances Fully Funded from Capital Improvement Fund		
Ramapo Indian Hills High School	449,323	
Oakland Ord. No. 1778	12,770	
Open Space Grants	<u>91,678</u>	
		<u>2,591,927</u>
		2,613,269
Decreased by:		
Appropriation to Finance Improvement Authorizations	\$ 2,363,500	
Overpayment Due to Ramapo High School	<u>30,330</u>	
		<u>2,393,830</u>
Balance, December 31, 2019		<u>\$ 219,439</u>

**BOROUGH OF FRANKLIN LAKES
STATEMENT OF RESERVE FOR COAH - RCA DEBT**

Balance, December 31, 2018	\$ 690,835
Decreased by:	
Budgeted Revenue to Current Fund	<u>228,209</u>
Balance, December 31, 2019	<u>\$ 462,626</u>

STATEMENT OF RESERVE FOR FUTURE CAPITAL PROJECTS

Balance, December 31, 2018	\$ -
Increased by:	
Cash Receipts	<u>267,533</u>
Balance, December 31, 2019	<u>\$ 267,533</u>

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

Ord. No.	<u>Improvement Description</u>	Balance, December 31, <u>2018</u>	2019 <u>Authorizations</u>	Bond Anticipation Notes Issued	<u>Cancelled</u>	Funded by Assessment Collections	<u>Balance, December 31, 2019</u>	
							<u>General Capital Fund</u>	<u>Assessment Trust Fund</u>
	<u>General Improvements</u>							
1610	Various Capital Improvements	\$ 23,221					\$ 23,221	
1617/1637	Various Capital Improvements	49,498					49,498	
1727	Acquisition of Real Property	255					255	
1753	Water and Sewer Improvement	998					998	
1763	Police Handicap Restrooms	62,225		\$ 62,225				
1770	Improvements to Vichiconti Way Synthetic Turf		\$ 836,000	414,196			421,804	
1808	Acquisition of Fire Apparatus		712,500				712,500	
	<u>Local Improvement</u>							
1225/1259	Improvement to Wildwood Avenue	23,433			\$ 1,391	\$ 1,069	20,836	\$ 137
1316/1346	Improvement to Ryerson Road	28,984	-	-	12,163	3,693	9,250	3,878
		<u>\$ 188,614</u>	<u>\$ 1,548,500</u>	<u>\$ 476,421</u>	<u>\$ 13,554</u>	<u>\$ 4,762</u>	<u>\$ 1,238,362</u>	<u>\$ 4,015</u>

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SEWER UTILITY FUND

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

		<u>Operating</u>
Balance, December 31, 2018	\$	134,970
Increased by:		
Sewer User Fees	\$	122,997
Sewer Connection Fees		1,476
Nonbudget Revenue		<u>27,067</u>
		<u>151,540</u>
		286,510
Decreased by:		
2019 Budget Appropriations		<u>95,482</u>
Balance, December 31, 2019	\$	<u><u>191,028</u></u>

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

Balance, December 31, 2018	\$ 348
Increased by:	
Sewer User Fees Billed	124,734
Decreased by:	
Collections	<u>122,997</u>
Balance, December 31, 2019	<u>\$ 2,085</u>

STATEMENT OF 2018 APPROPRIATION RESERVES

	Balance, December 31, <u>2018</u>	Balance After <u>Modification</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Operating Other Expenses	<u>\$ 11,312</u>	<u>\$ 11,312</u>	<u>-</u>	<u>\$ 11,312</u>
	<u>\$ 11,312</u>	<u>\$ 11,312</u>	<u>-</u>	<u>\$ 11,312</u>

BOROUGH OF FRANKLIN LAKES

PART II
GOVERNMENT AUDITING STANDARDS



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL 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, 2019, and the related notes to the financial statements, and have issued our report thereon dated July 16, 2020. 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.

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.

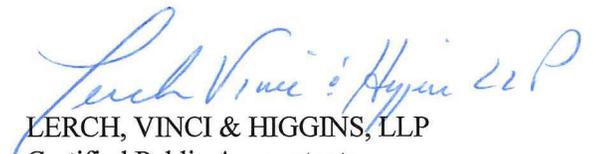
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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
July 16, 2020

**BOROUGH OF FRANKLIN LAKES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Federal CFDA Number</u>	<u>State Project Number</u>	<u>Grant Award Amount</u>	<u>2019 Receipts</u>	<u>Balance, January 1, 2019</u>	<u>Revenue Realized</u>	<u>Expended</u>	<u>Adjustment</u>	<u>Balance, December 31, 2019</u>	<u>(MEMO) Cumulative Expenditures</u>
U.S. Department of Homeland Security										
Passed Thru State Dept. of Law and Public Safety										
C.E.R.T. Trailers	97.042	2013-066-1200-100-726	\$ 700		\$ 700				\$ 700	
FEMA - Fire Department SAFER Grant	97.083	N/A	624,000		<u>607,063</u>	<u>\$ -</u>	<u>\$ 57,004</u>	<u>-</u>	<u>550,059</u>	73,941
					<u>\$ 607,763</u>	<u>\$ -</u>	<u>\$ 57,004</u>	<u>\$ -</u>	<u>\$ 550,759</u>	

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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, 2019**

<u>State Grant Program</u>	<u>Account Number</u>	<u>Year</u>	<u>Grant Award</u>	<u>2019 Receipts</u>	<u>Balance, January 1, 2019</u>	<u>Revenue Realized</u>	<u>Expended</u>	<u>Balance, December 31, 2019</u>	<u>(MEMO) Cumulative Expenditures</u>
Department of Environmental Protection Recycling Tonnage Grant	042-752-6020	2017	\$ 13,499		\$ 17		17	\$ -	\$ 13,499
		2019	12,939	\$ 12,939	-	\$ 12,939	7,807	5,132	7,807
Clean Communities Grant	N/A	2016	33,665		1,240		1,240	-	33,665
		2017	28,601		28,601		18,131	10,470	18,131
		2018	27,354		27,354			27,354	
		2019	30,534	30,534	-	30,534		30,534	
NJUCF Reforestation & Tree Planting	N/A	2019	25,823	25,823		25,823	25,283	540	25,283
Department of Law and Public Safety Drunk Driving Enforcement Fund	N/A	2016	4,063		3,318			3,318	745
		2017	4,546		4,546			4,546	
		2018	3,650		3,650			3,650	
		2019	3,142	3,142	-	3,142		3,142	
Body Armor Replacement Program	N/A	2019	2,593	2,593	-	2,593	2,593	-	2,593
Drive Sober or Get Pulled Over	N/A	2017	9,960		5,184			5,184	4,776
Distracted Driving	N/A	2019	5,252	5,252	-	5,252	5,252	-	5,252
Municipal Alcohol Education and Rehabilitation	N/A	2017	643		643			643	
		2018	659		659			659	
		2019	161	161	-	161		161	
CDBG - Handicap Accessible Curb	N/A	2019	27,800	27,800	-	27,800		27,800	
Department of Transportation Municipal Aid Program	N/A	2019	187,000	187,000	-	187,000		187,000	
Department of Human Services - Passed Thru County of Bergen Municipal Alliance	N/A	2018	9,876		2,354		2,354	-	9,876
Municipal Alliance	N/A	2019	9,876	9,876	-	9,876	2,655	7,221	2,655
					<u>\$ 77,566</u>	<u>\$ 305,120</u>	<u>\$ 65,332</u>	<u>\$ 317,354</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, 2019**

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	\$ -	\$ 305,120	\$ 305,120
Total	<u>\$ -</u>	<u>\$ 305,120</u>	<u>\$ 305,120</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, 2019**

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, 2019

**BOROUGH OF FRANKLIN LAKES
SUPPORTING DATA**

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

	<u>Year 2019</u>		<u>Year 2018</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED				
Fund Balance Utilized	\$ 2,390,000	3.06 %	\$ 2,109,000	2.65 %
Miscellaneous - From Other Than Local				
Property Tax Levies	5,200,252	6.66	8,400,989	10.56
Collection of Delinquent Taxes and Tax Title Liens	339,637	0.43	496,796	0.62
Collection of Current Tax Levy	69,821,834	89.39	68,201,011	85.73
Other Credits	<u>359,257</u>	<u>0.46</u>	<u>352,138</u>	<u>0.44</u>
 Total Income	 <u>78,110,980</u>	 <u>100.00</u> %	 <u>79,559,934</u>	 <u>100.00</u> %
 EXPENDITURES				
Budget Expenditures				
Municipal Purposes	18,886,786	24.60 %	21,213,665	27.23 %
County Taxes	11,026,953	14.36	10,979,465	14.09
Local District School Taxes	27,558,911	35.90	26,788,761	34.39
Regional School Taxes	19,168,218	24.97	18,879,092	24.24
Other Expenditures	<u>128,460</u>	<u>0.17</u>	<u>36,646</u>	<u>0.05</u>
 Total Expenditures	 <u>76,769,328</u>	 <u>100.00</u> %	 <u>77,897,629</u>	 <u>100.00</u> %
 Excess in Revenue	 1,341,652		 1,662,305	
 Fund Balance, January 1	 <u>3,927,650</u>		 <u>4,374,345</u>	
	5,269,302		6,036,650	
 Less Utilization as Anticipated Revenue	 <u>2,390,000</u>		 <u>2,109,000</u>	
 Fund Balance, December 31	 <u>\$ 2,879,302</u>		 <u>\$ 3,927,650</u>	

**BOROUGH OF FRANKLIN LAKES
SUPPORTING DATA**

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

	<u>Year 2019</u>		<u>Year 2018</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED				
Surplus Anticipated	\$ 25,000	13.31 %		
Sewer User Fees	122,997	65.48	\$ 104,157	86.40 %
Sewer Connection Fees	1,476	0.78	1,592	1.32
Non-Budget Revenue	27,067	14.41	6,387	5.30
Other Credits to Income	<u>11,312</u>	<u>6.02</u>	<u>8,412</u>	<u>6.98</u>
 Total Income	 <u>187,852</u>	 <u>100.00</u> %	 <u>120,548</u>	 <u>100.00</u> %
 EXPENDITURES				
Budget Expenditures				
Operating	<u>125,600</u>	<u>100.00</u>	<u>105,700</u>	<u>100.00</u>
 Total Expenditures	 <u>125,600</u>	 <u>100.00</u> %	 <u>105,700</u>	 <u>100.00</u> %
 Excess in Revenue	 62,252		 14,848	
 Fund Balance, January 1	 <u>123,658</u>		 <u>108,810</u>	
	<u>185,910</u>		<u>123,658</u>	
 Less: Utilization as Anticipated Revenue	 <u>(25,000)</u>		 <u>-</u>	
 Fund Balance, December 31	 <u>\$ 160,910</u>		 <u>\$ 123,658</u>	

**BOROUGH OF FRANKLIN LAKES
SUPPORTING DATA**

Comparative Schedule of Tax Rate Information

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>Tax Rate</u>	<u>\$1.642</u>	<u>\$1.625</u>	<u>\$1.636</u>
 <u>Apportionment of Tax Rate</u>			
Municipal	.250	.247	.246
County	.246	.249	.257
County Open Space	.011	.010	.010
Local School	.650	.636	.628
Regional High School	.451	.448	.460
Library	.034	.035	.035

Assessed Valuation

2019	<u>\$4,245,681,000</u>
2018	<u>\$4,215,917,500</u>
2017	<u>\$4,176,138,000</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>
2019	\$ 70,775,463	\$ 69,821,834	98.65%
2018	68,732,783	68,201,011	99.22%
2017	68,896,240	68,220,064	99.01%

**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>
2019	\$12,600	\$546,481	\$559,081	0.79%
2018	13,129	343,095	356,224	0.52
2017	14,160	497,394	511,554	0.74

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>	2019	\$2,879,302	\$1,100,000
	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
<u>Sewer Utility Fund</u>	2019	\$160,910	\$45,000
	2018	123,658	25,000
	2017	108,810	
	2016	44,389	
	2015 (Inception Year)	17,387	

**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		
Charles Kahwaty	Council President		
Joseph F. Kelly	Councilman		
Paulette Ramsey	Councilwoman		
Joseph Cadicina	Councilman		
Thomas Lambrix	Councilman		
Ann Swist	Councilwoman		
Gregory Hart	Business Administrator		(1)
Gail M. Rulli	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)
Stacey Gambuti	Court Administrator		(1)
Jennie Vargas	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 a purchase order balance for the 2019 Road Program exceeded the contract amount. It is recommended that the excess purchase order balance for the 2019 Road Program 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 2019, the Governing Body approved a resolution authorizing the bid threshold of \$40,000 for the period of January 1, 2019 through December 31, 2019 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:

Borough Hall Restrooms	2019 Road Program
DPW Restrooms	Landscaping
Snow Plowing	

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 3, 2019 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 following comparison is made of the number of tax title liens receivable on December 31, of the last three years:

<u>Year</u>	<u>Number of Liens</u>
2019	3
2018	5
2017	7

**BOROUGH OF FRANKLIN LAKES
SUPPORTING DATA**

RECOMMENDATIONS

It is recommended that:

1. Excess purchase order balance for the 2019 Road Proram 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