

BOROUGH OF FRANKLIN LAKES
BERGEN COUNTY, NEW JERSEY
REPORT OF AUDIT
YEAR ENDED DECEMBER 31, 2017

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, 2017



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, 2017 and 2016, 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, 2017, 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, 2017 and 2016, or changes in financial position, or, where applicable, cash flows, for the years then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and account group of the Borough of Franklin Lakes as of December 31, 2017 and 2016, and the results of operations and changes in fund balance – regulatory basis of such funds for the years then ended and the respective revenues – regulatory basis and expenditures – regulatory basis of the various funds for the year ended December 31, 2017 in accordance with the financial accounting and reporting provisions and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Other Information

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

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

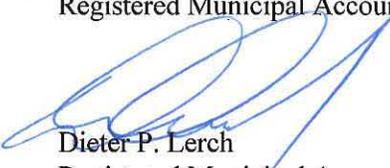
The supplementary data and letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated May 31, 2018 on our consideration of the Borough of Franklin Lakes' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Borough of Franklin Lakes' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Borough of Franklin Lakes' internal control over financial reporting and compliance.



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



Dieter P. Lerch
Registered Municipal Accountant
RMA Number CR00398

Fair Lawn, New Jersey
May 31, 2018

BOROUGH OF FRANKLIN LAKES
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2017 AND 2016

ASSETS	<u>Reference</u>	<u>2017</u>	<u>2016</u>
Cash	A-4	\$ 16,682,445	\$ 6,099,760
Change Fund	A-5	700	700
Grants Receivable	A-7	<u>14,519</u>	<u>15,020</u>
		<u>16,697,664</u>	<u>6,115,480</u>
Receivables and Other Assets With Full Reserves			
Delinquent Property Taxes	A-9	497,394	726,843
Tax Title Liens	A-10	14,160	12,704
Revenue Accounts Receivable	A-11	15,741	17,448
Due from Animal Control Trust Fund	B-5	13,494	13,907
Due from Other Trust Fund	B-8	-	53
Due from Assessment Trust Fund	B-14	<u>20,221</u>	<u>18,427</u>
		<u>561,010</u>	<u>789,382</u>
Total Assets		<u>\$ 17,258,674</u>	<u>\$ 6,904,862</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, 2017 AND 2016
(Continued)

LIABILITIES, RESERVES AND FUND BALANCE	<u>Reference</u>	<u>2017</u>	<u>2016</u>
Appropriation Reserves	A-3, A-12	\$ 499,831	\$ 860,720
Encumbrances Payable	A-13	634,677	528,620
Accounts Payable	A-14	65,213	43,565
Reserve for Grants - Appropriated	A-15	228,029	208,692
Reserve for Grants - Unappropriated	A-16	25,000	
Prepaid Taxes	A-17	10,680,151	661,013
Tax Overpayments	A-18	28,078	28,078
Due to Other Trust Fund	B-8	5,970	
Due to General Capital Fund	A-19	30	
Due to County for Added & Omitted Taxes	A-20	93,780	100,482
Reserve for Tax Appeals	A-23	35,288	21,657
Fees Payable	A-24	21,365	13,496
Due to State of NJ - Senior Citizens/Veterans Deductions	A-8	2,693	2,943
Reserve for Recreation Online Fees	A-25	3,214	3,214
		<u>12,323,319</u>	<u>2,472,480</u>
Reserve for Receivables and Other Assets	A	561,010	789,382
Fund Balance	A-1	<u>4,374,345</u>	<u>3,643,000</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 17,258,674</u>	 <u>\$ 6,904,862</u>

BOROUGH OF FRANKLIN LAKES
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS - CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
REVENUE AND OTHER INCOME REALIZED			
Fund Balance Utilized	A-2	\$ 1,325,000	\$ 1,413,207
Miscellaneous Revenue Anticipated	A-2	4,921,927	4,255,604
Receipts from Delinquent Taxes	A-2	726,816	561,102
Receipts from Current Taxes	A-2	68,220,064	67,402,494
Non-Budget Revenue	A-2	284,777	249,200
Other Credits to Income:			
Unexpended Balances of Appropriation Reserves	A-12	711,413	606,238
Statutory Excess - Animal Control Trust Fund	B-5	13,494	8,064
Interfunds Liquidated	A	32,387	286
Cancellation of Prior Year Accounts Payable	A	-	21,380
		<u>76,235,878</u>	<u>74,517,575</u>
EXPENDITURES			
Budget Appropriations			
Operations			
Salaries and Wages	A-3	5,253,187	5,376,374
Other Expenses	A-3	7,670,869	7,503,637
Capital Improvements	A-3	1,186,684	930,684
Municipal Debt Service	A-3	2,131,293	1,907,700
Deferred Charges and Statutory Expenditures	A-3	1,135,000	1,170,000
County Taxes	A-20	11,149,547	11,000,900
Due County for Added Taxes	A-20	93,780	100,482
Local District School Taxes	A-21	26,193,643	25,739,848
Regional High School Tax	A-22	19,195,744	19,235,201
Interfund Advances Originated	A	33,715	9,847
Refund of Prior Year Revenue	A-4	8,403	9,323
Refund of Prior Year Taxes	A-4	127,668	233,769
		<u>74,179,533</u>	<u>73,217,765</u>
Statutory Excess to Fund Balance (Brought Forward)		<u>2,056,345</u>	<u>1,299,810</u>

BOROUGH OF FRANKLIN LAKES
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS - CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(Continued)

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
Statutory Excess to Fund Balance (Carried Forward)		\$ 2,056,345	\$ 1,299,810
FUND BALANCE, January 1	A	<u>3,643,000</u>	<u>3,756,397</u>
		5,699,345	5,056,207
Decreased by:			
Utilized as Anticipated Revenue	A-1	<u>1,325,000</u>	<u>1,413,207</u>
FUND BALANCE, December 31	A	<u>\$ 4,374,345</u>	<u>\$ 3,643,000</u>

BOROUGH OF FRANKLIN LAKES
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

		<u>Anticipated</u>	Added by N.J.S.A. <u>40A:4-87</u>	<u>Realized</u>	Excess or (Deficit)
	<u>Reference</u>	<u>Budget</u>			
FUND BALANCE ANTICIPATED	A-1	\$ 1,325,000	-	\$ 1,325,000	-
MISCELLANEOUS REVENUES					
Licenses					
Alcoholic Beverages	A-11	9,300		11,428	\$ 2,128
Other	A-2	14,100		19,876	5,776
Fees and Permits	A-2	94,650		129,968	35,318
Fines and Costs - Municipal Court	A-11	203,000		304,462	101,462
Interest and Costs on Taxes and Assessments	A-2	172,000		210,525	38,525
Interest on Investments and Deposits	A-2	19,500		32,454	12,954
Outside Police Employment	A-11	28,000		62,193	34,193
Uniform Construction Code Fees	A-11	515,000		704,114	189,114
Energy Receipts Tax	A-11	1,775,732		1,775,732	
Watershed Moratorium Offset Aid	A-11	5,969		5,969	
Public and Private Programs Offset with Appropriations					
Clean Communities Grant	A-7		\$ 28,601	28,601	
Municipal Alliance Program	A-7	9,876		9,876	
Drive Sober or Get Pulled Over	A-7	4,776	5,184	9,960	
Drunk Driving Enforcement Grant	A-7		4,546	4,546	
MC Alcohol Edu, Rehab & Enfor Fund	A-7		643	643	
2017 Distracted Driving	A-7		5,265	5,265	
Bergen County Dept of Health	A-7		3,425	3,425	
Dog Park Donations	A-7		27,775	27,775	
Recycling Tonnage Grant	A-7	14,874	13,499	28,373	
Private Donations	A-7		15,050	15,050	
Meyer Foundation - FLPD Vehicles	A-7		175,000	175,000	
Meyer Foundation - FLPD Camera System	A-7	35,000		35,000	
Other Special Items of Revenue					
Uniform Fire Safety Act	A-11	12,400		12,775	375
Cable T.V. Franchise Fee	A-11	185,000		188,294	3,294
Lease of Land for Monopole- Sprint Co	A-11	96,000		101,010	5,010
Recreation Program Fees	A-11	196,000		178,190	(17,810)
Recycling Revenue	A-11	89,000		101,247	12,247
VFW Parking Permits	A-11	15,900		17,230	1,330
Bravo - Housewives Fee	A-11	9,000			(9,000)
Library Reimbursement	A-11	199,000		203,760	4,760
Rental Fees - Community Center / Field	A-11	16,600		15,700	(900)
Child Care Facility Rent	A-11	24,000		48,907	24,907
Reserve for Payment of Debt	A-11	454,579	-	454,579	-
Total Miscellaneous Revenues	A-1	4,199,256	278,988	4,921,927	443,683

BOROUGH OF FRANKLIN LAKES
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)

		<u>Anticipated</u>			
	<u>Reference</u>	<u>Budget</u>	<u>Added by N.J.S.A. 40A:4-87</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
RECEIPTS FROM DELINQUENT TAXES	A-1, A-9	\$ 725,000	-	\$ 726,816	\$ 1,816
AMOUNT TO BE RAISED BY TAXES FOR SUPPORT OF MUNICIPAL BUDGET					
Local Tax for Municipal Purposes	A-2	10,313,105		11,029,159	716,054
Minimum Library Tax	A-2	1,463,191	-	1,463,191	-
		<u>11,776,296</u>	<u>-</u>	<u>12,492,350</u>	<u>716,054</u>
Total General Revenue		<u>\$ 18,025,552</u>	<u>\$ 278,988</u>	19,466,093	<u>\$ 1,161,553</u>
Non-Budget Revenue	A-1,A-2			<u>284,777</u>	
				<u>\$ 19,750,870</u>	

BOROUGH OF FRANKLIN LAKES
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)

	<u>Reference</u>	
ANALYSIS OF REALIZED REVENUES		
Allocation of Current Tax Collections		
Revenues from Collections	A-9	\$ 68,220,064
Less: Allocated to School and County Taxes	A-20, A-21, A-22	<u>56,632,714</u>
Balance for Support of Municipal Budget Appropriations		11,587,350
Add Appropriation "Reserve for Uncollected Taxes"	A-3	<u>905,000</u>
Amount for Support of Municipal Budget of Appropriations	A-2	<u>\$ 12,492,350</u>
Licenses - Other		
Borough Clerk	A-11	\$ 1,740
Board of Health	A-11	<u>18,136</u>
	A-2	<u>\$ 19,876</u>
Fees and Permits - Other		
Tax Collector	A-11	\$ 500
Police Department	A-11	17,200
Fire Prevention	A-11	26,674
Planning Board	A-11	26,950
Board of Health	A-11	<u>58,644</u>
	A-2	<u>\$ 129,968</u>
Interest and Costs on Taxes and Assessments		
Cash Receipts	A-11	\$ 208,731
Due from Assessment Trust Fund	B-8	<u>1,794</u>
	A-2	<u>\$ 210,525</u>
Interest on Investments and Deposits		
Cash Receipts	A-11	\$ 32,222
Due from Other Trust Fund	B-8	<u>232</u>
	A-2	<u>\$ 32,454</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, 2017
(Continued)

Reference

ANALYSIS OF NON-BUDGET REVENUES

FEMA - Hurricane Sandy	\$ 76,162
Insurance Dividends/Refunds	59,605
Sale of Assets	32,256
Road Openings	5,600
Tree Specialist Fee	6,800
Property Maintenance	1,354
Police Department - Accident Reports/Firearms/ID	3,416
Public Defender's Applications	3,800
Administrative Fee - Senior Citizens/Veterans Deductions	1,000
Miscellaneous	<u>94,784</u>
	A-1,A-2
	<u>\$ 284,777</u>

BOROUGH OF FRANKLIN LAKES
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Appropriations</u>		<u>Expended</u>		<u>Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
GENERAL APPROPRIATIONS					
OPERATIONS WITHIN "CAPS"					
General Government					
General Administration					
Salaries and Wages	\$ 260,595	\$ 262,595	\$ 257,107	\$ 5,488	
Other Expenses	115,700	115,700	112,525	3,175	
Mayor & Council					
Salaries and Wages	35,000	35,000	30,000	5,000	
Other Expenses	14,175	14,175	10,715	3,460	
Municipal Clerk					
Salaries and Wages	142,010	142,010	133,327	8,683	
Other Expenses	30,200	30,200	27,543	2,657	
Financial Administration					
Salaries and Wages	169,260	169,260	168,273	987	
Other Expenses	70,975	70,975	47,808	23,167	
Audit Services					
Other Expenses	48,200	48,200	41,788	6,412	
Revenue Administration (Tax Collection)					
Salaries and Wages	65,145	65,895	65,877	18	
Other Expenses	14,145	14,145	11,553	2,592	
Tax Assessment Administration					
Salaries and Wages	42,915	42,915	41,794	1,121	
Other Expenses	23,450	23,450	12,069	11,381	
Reserve for Tax Appeals	150,000	100,000	100,000		
Legal Services (Legal Department)					
Other Expenses	145,000	168,000	157,604	10,396	
Engineering Services and Costs					
Salaries and Wages	53,365	53,365	53,357	8	
Other Expenses	69,500	69,500	62,576	6,924	
Land Use Administration					
Planning Board					
Salaries and Wages	7,150	7,150	2,750	4,400	
Other Expenses	9,350	9,350	7,589	1,761	
Zoning Board of Adjustment					
Salaries and Wages	2,400	2,600	2,400	200	
Other Expenses	6,555	6,555	5,678	877	
Zoning Official					
Salaries and Wages	16,380	16,380	16,376	4	
Other Expenses	15,000	15,000	2,500	12,500	
Insurance					
General Liability	190,500	190,500	190,089	411	
Worker's Compensation	205,500	205,500	205,500		
Employee Group Health	1,540,600	1,503,900	1,436,371	67,529	
Other Insurance Premiums	27,000	27,000	24,966	2,034	
Health Benefit Waiver	50,000	50,000	48,937	1,063	

BOROUGH OF FRANKLIN LAKES
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)

	<u>Appropriations</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
GENERAL APPROPRIATIONS (Cont'd.)					
OPERATIONS WITHIN "CAPS" (Cont'd)					
Public Safety					
Police Department					
Salaries and Wages	\$ 2,819,330	\$ 2,804,955	\$ 2,770,471	\$ 34,484	
Other Expenses	199,500	230,500	221,466	9,034	
Office of Emergency Management					
Other Expenses	10,000	10,000	9,464	536	
Ambulance Service					
Other Expenses	70,250	70,250	53,854	16,396	
Fire Department					
Salaries and Wages	8,100	8,100	3,452	4,648	
Other Expenses	176,760	178,260	177,702	558	
Uniform Fire Safety					
Salaries and Wages	37,400	46,400	44,549	1,851	
Other Expenses	256,600	256,600	248,082	8,518	
Municipal Court					
Salaries and Wages	144,655	150,455	147,636	2,819	
Other Expenses	10,175	10,175	5,308	4,867	
Municipal Court Public Defender					
Salaries and Wages	7,500	7,875	7,504	371	
Municipal Prosecutor's Office					
Salaries and Wages	18,450	18,450	17,930	520	
Public Works					
Streets and Road Maintenance					
Salaries and Wages	942,970	942,970	913,127	29,843	
Other Expenses	403,300	403,300	367,297	36,003	
Solid Waste Collection					
Other Expenses	415,000	415,000	404,944	10,056	
Buildings and Grounds					
Other Expenses	279,500	354,500	352,196	2,304	
Vehicle Maintenance (including Police)					
Other Expenses	248,000	248,000	204,332	43,668	
Shade Tree					
Salaries and Wages	18,210	19,110	19,103	7	
Other Expenses	1,600	1,600	1,600		
Health and Human Services					
Board of Health					
Salaries and Wages	55,770	55,770	55,767	3	
Other Expenses	81,350	81,350	74,863	6,487	
Animal Control Services					
Other Expenses	14,000	14,500	14,340	160	
Parks and Recreation					
Recreation Services and Programs					
Salaries and Wages	135,372	137,372	135,402	1,970	
Other Expenses	247,200	247,200	247,200		
Senior Citizens Programs					
Other Expenses	14,000	14,000	14,000		

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, 2017
(Continued)

	<u>Appropriations</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
GENERAL APPROPRIATIONS (Cont'd.)					
OPERATIONS WITHIN "CAPS" (Cont'd)					
Environment Commission					
Other Expenses	\$ 2,000	\$ 2,000	\$ 588	\$ 1,412	
Celebration of Public Events					
Other Expenses	9,200	9,200	6,110	3,090	
Cable T.V. Committee					
Other Expenses	2,520	2,520		2,520	
UNIFORM CONSTRUCTION CODE					
APPROPRIATIONS OFFSET BY					
DEDICATED REVENUES (NJAC5:23-4-17)					
CODE ENFORCEMENT AND ADMINISTRATION					
Uniform Construction Code Enforcement Functions					
Building Inspector					
Salaries and Wages	203,795	188,745	172,397	16,348	
Other Expenses	39,900	39,900	33,658	6,242	
Other Code Enforcement Functions					
Electrical Inspector					
Salaries and Wages	51,000	51,000	45,392	5,608	
Plumbing Inspector					
Salaries and Wages	24,715	24,815	24,715	100	
UNCLASSIFIED:					
UTILITY EXPENSES AND BULK PURCHASES					
Electricity	185,000	147,000	146,999	1	
Street Lighting	27,000	27,000	24,292	2,708	
Telephone	30,000	30,000	28,690	1,310	
Water	34,000	34,000	19,433	14,567	
Gasoline	66,000	66,000	56,938	9,062	
Landfill/Solid Waste Disposal Costs	280,000	280,000	262,512	17,488	
Telecommunications	6,500	6,500	6,171	329	-
Total Operations Within "CAPS"	11,096,692	11,094,692	10,616,556	478,136	-
Contingent	-	-	-	-	-
Total Operations including Contingent - Within "CAPS"	11,096,692	11,094,692	10,616,556	478,136	-
Detail:					
Salaries and Wages	5,261,487	5,253,187	5,128,706	124,481	-
Other Expenses	5,835,205	5,841,505	5,487,850	353,655	-

**BOROUGH OF FRANKLIN LAKES
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(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	\$ 336,000	\$ 336,000	\$ 332,167	\$ 3,833	
Social Security System (O.A.S.I.)	240,000	240,000	235,314	4,686	
DCRP Employer Contribution	5,000	7,000	6,271	729	
Police & Firemen's Retirement System	<u>552,000</u>	<u>552,000</u>	<u>545,073</u>	<u>6,927</u>	<u>-</u>
Total Deferred Charges & Statutory Expenditures - Municipal Within "CAPS"	<u>1,133,000</u>	<u>1,135,000</u>	<u>1,118,825</u>	<u>16,175</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>12,229,692</u>	<u>12,229,692</u>	<u>11,735,381</u>	<u>494,311</u>	<u>-</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
Other Operations					
Municipal Library	1,463,200	1,463,200	1,463,191	9	
NJ DEP Stormwater Permit	<u>9,500</u>	<u>9,500</u>	<u>8,200</u>	<u>1,300</u>	<u>-</u>
Total Other Operations Excluded from "CAPS"	<u>1,472,700</u>	<u>1,472,700</u>	<u>1,471,391</u>	<u>1,309</u>	<u>-</u>
Interlocal Municipal Service Agreements					
Enhanced 911 Service - Northwest Bergen					
Central Dispatch					
Other Expenses	<u>8,150</u>	<u>8,150</u>	<u>8,133</u>	<u>17</u>	<u>-</u>
Total Interlocal Municipal Service Agreements	<u>8,150</u>	<u>8,150</u>	<u>8,133</u>	<u>17</u>	<u>-</u>

BOROUGH OF FRANKLIN LAKES
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)

	<u>Appropriations</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
GENERAL APPROPRIATIONS (Cont'd.)					
OPERATIONS - EXCLUDED FROM "CAPS" (Cont'd.)					
Public and Private Programs Offset by Revenues					
Clean Communities Grant		\$ 28,601	\$ 28,601		
Municipal Alliance on Alcoholism and Drug Abuse					
County Share	\$ 9,876	9,876	9,876		
Local Share	5,000	5,000	806	\$ 4,194	
Private Donations		15,050	15,050		
Recycling Tonnage Grant	14,874	28,374	28,374		
Drive Sober/Get Pulled Over Grant	4,776	9,959	9,959		
Drunk Driving Enforcement Fund		4,546	4,546		
MC Alcohol Edu, Rehab & Enfor Fund Grant		643	643		
2017 Distracted Driving		5,265	5,265		
Police Department Accreditation					
Bergen County Dept of Health Services		3,425	3,425		
Dog Park Donations		27,775	27,775		
Click It or Ticket					
Goldman Donation - OEM Building Improv.					
Meyer Foundation - FLPD Vehicles		175,000	175,000		
Meyer Foundation - FLPD	35,000	35,000	35,000	-	-
	<u>69,526</u>	<u>348,514</u>	<u>344,320</u>	<u>4,194</u>	<u>-</u>
Total Public and Private Programs Offset by Revenues					
	<u>69,526</u>	<u>348,514</u>	<u>344,320</u>	<u>4,194</u>	<u>-</u>
Total Operations Excluded from "CAPS"	<u>1,550,376</u>	<u>1,829,364</u>	<u>1,823,844</u>	<u>5,520</u>	<u>-</u>
Detail					
Salaries & Wages					
Other Expenses	1,550,376	1,829,364	1,823,844	5,520	-
	<u>1,550,376</u>	<u>1,829,364</u>	<u>1,823,844</u>	<u>5,520</u>	<u>-</u>
CAPITAL IMPROVEMENTS EXCLUDED FROM "CAPS"					
Capital Improvement Fund	1,186,684	1,186,684	1,186,684	-	-
	<u>1,186,684</u>	<u>1,186,684</u>	<u>1,186,684</u>	<u>-</u>	<u>-</u>
Total Capital Improvements - Excluded from "CAPS"	<u>1,186,684</u>	<u>1,186,684</u>	<u>1,186,684</u>	<u>-</u>	<u>-</u>
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	1,260,000	1,260,000	1,260,000		
Payment of Bond Anticipation Notes	505,000	505,000	505,000		
Interest on Bonds	353,800	353,800	332,683		\$ 21,117
Interest on Notes	35,000	35,000	33,610	-	1,390
	<u>2,153,800</u>	<u>2,153,800</u>	<u>2,131,293</u>	<u>-</u>	<u>22,507</u>
Total Municipal Debt Service - Excluded from "CAPS"	<u>2,153,800</u>	<u>2,153,800</u>	<u>2,131,293</u>	<u>-</u>	<u>22,507</u>
Total General Appropriations Excluded from "CAPS"	<u>4,890,860</u>	<u>5,169,848</u>	<u>5,141,821</u>	<u>5,520</u>	<u>22,507</u>

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, 2017
(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	\$ 17,120,552	\$ 17,399,540	\$ 16,877,202	\$ 499,831	\$ 22,507
Reserve for Uncollected Taxes	<u>905,000</u>	<u>905,000</u>	<u>905,000</u>	-	-
Total General Appropriations	<u>\$ 18,025,552</u>	<u>\$ 18,304,540</u>	<u>\$ 17,782,202</u>	<u>\$ 499,831</u>	<u>\$ 22,507</u>
	A-2			A	
Budget as Adopted	<u>Reference</u>				
Added by N.J.S. 40A:4-87	A-2	\$ 18,025,552			
	A-2	<u>278,988</u>			
		<u>\$ 18,304,540</u>			
Cash Disbursements	A-4		\$ 15,923,712		
Encumbrances Payable	A-13		509,976		
Appropriated Grant Reserves	A-15		343,514		
Reserve for Tax Appeals	A-23		100,000		
Reserve for Uncollected Taxes	A-2		<u>905,000</u>		
			<u>\$ 17,782,202</u>		

**BOROUGH OF FRANKLIN LAKES
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2017 AND 2016**

ASSETS	<u>Reference</u>	<u>2017</u>	<u>2016</u>
ANIMAL CONTROL TRUST FUND			
Cash	B-2	\$ 31,920	\$ 38,161
OTHER TRUST FUND			
Cash	B-2	3,383,124	3,262,660
Due from Current Fund	B-8	<u>5,970</u>	<u>-</u>
		<u>3,389,094</u>	<u>3,262,660</u>
ASSESSMENT TRUST FUND			
Cash	B-2	170,193	153,050
Assessments Receivable	B-13	<u>13,442</u>	<u>28,791</u>
		<u>183,635</u>	<u>181,841</u>
UNEMPLOYMENT INSURANCE TRUST FUND			
Cash	B-2	<u>19,824</u>	<u>20,068</u>
Total Assets		<u>\$ 3,624,473</u>	<u>\$ 3,502,730</u>

BOROUGH OF FRANKLIN LAKES
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2017 AND 2016
(Continued)

LIABILITIES, RESERVES AND FUND BALANCE	<u>Reference</u>	<u>2017</u>	<u>2016</u>
ANIMAL CONTROL TRUST FUND			
Due to Current Fund	B-5	\$ 13,494	\$ 13,907
Due to State of NJ	B-4	1	2
Reserve for Animal Control Expenditures	B-3	<u>18,425</u>	<u>24,252</u>
		<u>31,920</u>	<u>38,161</u>
OTHER TRUST FUND			
Payroll Deductions and Withholdings Payable	B-7	33,226	30,136
Due to Current Fund	B-8	-	53
Reserve for:			
Affordable Housing	B-6	1,431,797	1,222,726
Miscellaneous Reserves	B-9	397,523	446,138
Escrow Deposits	B-10	<u>1,526,548</u>	<u>1,563,607</u>
		<u>3,389,094</u>	<u>3,262,660</u>
ASSESSMENT TRUST FUND			
Due to Current Fund	B-14	20,221	18,427
Due to General Capital Fund	B-15	<u>163,414</u>	<u>163,414</u>
		<u>183,635</u>	<u>181,841</u>
UNEMPLOYMENT INSURANCE TRUST FUND			
Due to the State of New Jersey	B-11	383	1,383
Reserve for Unemployment Insurance Claims	B-12	<u>19,441</u>	<u>18,685</u>
		<u>19,824</u>	<u>20,068</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 3,624,473</u>	<u>\$ 3,502,730</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, 2017 AND 2016

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
ASSETS			
Cash	C-2,C-3	\$ 3,237,460	\$ 1,279,359
Grants Receivable	C-4		88,000
Due from Current Fund	A-19	30	
Due from Assessment Trust Fund	B-15	163,414	163,414
Deferred Charges to Future Taxation - Funded	C-5	9,815,000	11,260,000
Deferred Charges to Future Taxation - Unfunded	C-6	<u>5,711,342</u>	<u>3,686,991</u>
 Total Assets		 <u>\$ 18,927,246</u>	 <u>\$ 16,477,764</u>
 LIABILITIES, RESERVES AND FUND BALANCE			
Serial Bond Payable	C-7	\$ 9,815,000	\$ 11,260,000
Bond Anticipation Notes	C-8	5,594,000	3,624,000
Improvement Authorizations			
Funded	C-9	146,698	148,898
Unfunded	C-9	510,044	33,634
Encumbrances Payable	C-10	109,811	399,070
Capital Improvement Fund	C-11	113,242	125,808
Reserve for Payment of Debt - Grants	C-12	216,605	311,654
Reserve for Payment of Debt - Schwartz Property	C-12	1,950,000	
Reserve for Grants Receivable	C-4		88,000
Reserve for COAH - RCA Debt	C-13		142,925
Reserve for Future Capital Projects	C-14	322,900	
Fund Balance	C-1	<u>148,946</u>	<u>343,775</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 18,927,246</u>	 <u>\$ 16,477,764</u>

There were bonds and notes authorized but not issued on December 31, 2017 and 2016 of \$144,338 and \$181,527, respectively (Exhibit C-15).

BOROUGH OF FRANKLIN LAKES
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS
GENERAL CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>Reference</u>	<u>2017</u>	<u>2106</u>
Balance, January 1	C	\$ 343,775	\$ 39,031
Increased by:			
Cancellation of Funded Improvement Authorizations	C-1		304,744
Refund of Unexpended Cost of Issuance	C-2	<u>7,171</u>	<u>-</u>
		350,946	343,775
Decreased by:			
Appropriated to Finance Improvement Authorizations	C-9	<u>202,000</u>	<u>-</u>
Balance, December 31		<u>\$ 148,946</u>	<u>\$ 343,775</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF FRANKLIN LAKES
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - SEWER UTILITY FUND
AS OF DECEMBER 31, 2017 AND 2016

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
ASSETS			
Operating Fund			
Cash	D-4	\$ 117,222	\$ 64,323
Accounts Receivable	D-5	<u>1,214</u>	<u>-</u>
Total Operating Fund		<u>118,436</u>	<u>64,323</u>
Total Assets		<u>\$ 118,436</u>	<u>\$ 64,323</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Operating Fund			
Appropriation Reserves	D-3, D-6	<u>\$ 8,412</u>	<u>\$ 19,934</u>
		8,412	19,934
Reserve for Receivable	D-5	1,214	
Fund Balance	D-1	<u>108,810</u>	<u>44,389</u>
Total Operating Fund		<u>118,436</u>	<u>64,323</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 118,436</u>	<u>\$ 64,323</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, 2017 AND 2016

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
Revenue and Other Income Realized			
Sewer User Fees	D-2, D-5	\$ 125,539	\$ 62,076
Sewer Connection Fees	D-2	781	23,752
Non-Budget Revenue	D-2	2,167	405
Other Credits to Income			
Unexpended Balances of Appropriation Reserves	D-6	<u>19,934</u>	<u>23,469</u>
		<u>148,421</u>	<u>109,702</u>
Expenditures			
Budget Appropriations			
Operating	D-3	<u>84,000</u>	<u>82,700</u>
		<u>84,000</u>	<u>82,700</u>
Excess of Revenues Over Expenditures		64,421	27,002
Fund Balance, January 1	D	<u>44,389</u>	<u>17,387</u>
Fund Balance, December 31	D	<u>\$ 108,810</u>	<u>\$ 44,389</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF FRANKLIN LAKES
STATEMENT OF REVENUES - REGULATORY BASIS
SEWER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Reference</u>	<u>2017 Budget</u>	<u>2017 Realized</u>	<u>Excess or (Deficit)</u>
Sewer User Fees	D-1, D-4	\$ 62,000	\$ 125,539	\$ 63,539
Sewer Connection Fees	D-1, D-4	<u>22,000</u>	<u>781</u>	<u>(21,219)</u>
		<u>\$ 84,000</u>	126,320	<u>\$ 42,320</u>
	<u>Reference</u>	D-3		
Non-Budget Revenue			<u>2,167</u>	
			<u>\$ 128,487</u>	

**STATEMENT OF EXPENDITURES - REGULATORY BASIS
SEWER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

		<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		\$ 84,000	\$ 84,000	\$ 75,588	\$ 8,412
		<u>\$ 84,000</u>	<u>\$ 84,000</u>	<u>\$ 75,588</u>	<u>\$ 8,412</u>
	<u>Reference</u>	D-2	D-2		D
Budget as Adopted	D-2		<u>\$ 84,000</u>		
Cash Disbursements	D-4			<u>\$ 75,588</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, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
ASSETS		
Land	\$ 39,242,900	\$ 39,242,900
Buildings and Improvements	12,367,800	12,367,800
Vehicles	5,984,734	5,909,734
Machinery and Equipment	<u>3,775,932</u>	<u>3,518,111</u>
 Total Assets	 <u>\$ 61,371,366</u>	 <u>\$ 61,038,545</u>
 FUND BALANCE		
Investment in General Fixed Assets	<u>\$ 61,371,366</u>	<u>\$ 61,038,545</u>

NOTES TO FINANCIAL STATEMENTS

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

B. Description of Regulatory Basis of Accounting

The financial statements of the Borough of Franklin Lakes have been prepared on a basis of accounting in conformity with accounting principles and practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") which is a regulatory basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Borough accounts for its financial transactions through separate funds, which differ from the fund structure required by GAAP.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB has adopted accounting statements to be used by governmental units when reporting financial position and results of operations in accordance with accounting principles generally accepted in the United States of America (GAAP). The municipalities in the State of New Jersey do not prepare financial statements in accordance with GAAP and thus do not comply with all of the GASB pronouncements.

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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, 2016 balances to conform to the December 31, 2017 presentation.

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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, 2017 AND 2016**

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.

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, 2017 AND 2016**

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, 2017 AND 2016**

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 2017 and 2016 the Borough Council increased the original budget by \$278,988 and \$302,441, respectively. The increases were funded by additional aid allotted to the Borough. In addition, the governing body approved several budget transfers during 2017 and 2016.

**BOROUGH OF FRANKLIN LAKES
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 3 CASH DEPOSITS AND INVESTMENTS

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

A. Cash Deposits

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

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2017 and 2016, the book value of the Borough's deposits were \$23,642,888 and \$10,918,081 and bank and brokerage firm balances of the Borough's deposits amounted to \$22,692,965 and \$11,207,373, 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>2017</u>	<u>2016</u>
Insured	<u>\$ 22,692,965</u>	<u>\$ 11,207,373</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, 2017 and 2016, the Borough's bank balances were not exposed to custodial credit risk.

B. Investments

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

As of December 31, 2017 and 2016 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, 2017 AND 2016**

NOTE 4 TAXES RECEIVABLE

Receivables at December 31, 2017 and 2016 consisted of the following:

<u>Current</u>	<u>2017</u>	<u>2016</u>
Property Taxes	\$ 497,394	\$ 726,843
Tax Title Liens	<u>14,160</u>	<u>12,704</u>
	<u>\$ 511,554</u>	<u>\$ 739,547</u>

In 2017 and 2016, the Borough collected \$726,816 and \$561,102 from delinquent taxes, which represented 98% and 98%, respectively of the prior year delinquent taxes receivable balance.

NOTE 5 DUE TO/FROM OTHER FUNDS

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

	<u>2017</u>		<u>2016</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	\$ 33,715	\$ 6,000	\$ 32,387	
Trust Fund:				
Animal Control Trust		13,494		\$ 13,907
Other Trust	5,970			53
Assessment Trust		183,635		181,841
General Capital Fund	<u>163,444</u>	<u>-</u>	<u>163,414</u>	<u>-</u>
Total	<u>\$ 203,129</u>	<u>\$ 203,129</u>	<u>\$ 195,801</u>	<u>\$ 195,801</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, 2017 AND 2016**

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>2017</u>	Utilized in Subsequent Year's Budget	Fund Balance December 31, <u>2016</u>	Utilized in Subsequent Year's Budget
Current Fund				
Cash Surplus	\$ 4,359,826	\$ 2,109,000	\$ 3,627,980	\$ 1,325,000
Non-Cash Surplus	<u>14,519</u>	<u>-</u>	<u>15,020</u>	<u>-</u>
	<u>\$ 4,374,345</u>	<u>\$ 2,109,000</u>	<u>\$ 3,643,000</u>	<u>\$ 1,325,000</u>
Sewer Utility Operating Fund				
Cash Surplus	\$ 108,810		\$ 44,389	
Non-Cash Surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 108,810</u>	<u>\$ -</u>	<u>\$ 44,389</u>	<u>\$ -</u>

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 7 FIXED ASSETS

A. General Fixed Assets

The following is a summary of changes in the general fixed assets account group for the years ended December 31, 2017 and 2016.

	Balance December 31, <u>2016</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2017</u>
<u>2017</u>				
Land	\$ 39,242,900			\$ 39,242,900
Buildings and Improvements	12,367,800			12,367,800
Vehicles	5,909,734	\$ 75,000		5,984,734
Machinery and Equipment	3,518,111	257,821	-	3,775,932
	<u>\$ 61,038,545</u>	<u>\$ 332,821</u>	<u>\$ -</u>	<u>\$ 61,371,366</u>

	Balance December 31, <u>2015</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2016</u>
<u>2016</u>				
Land	\$ 37,157,400	\$ 2,085,500		\$ 39,242,900
Buildings and Improvements	4,393,600	7,974,200		12,367,800
Vehicles	4,362,477	1,621,257	\$ 74,000	5,909,734
Machinery and Equipment	3,525,324	56,943	64,156	3,518,111
	<u>\$ 49,438,801</u>	<u>\$ 11,737,900</u>	<u>\$ 138,156</u>	<u>\$ 61,038,545</u>

BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

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>2017</u>	<u>2016</u>
Issued		
General		
Bonds and Notes	\$ 15,409,000	\$ 14,884,000
Less Funds Temporarily Held to Pay Bonds and Notes	<u>(2,166,605)</u>	<u>(544,324)</u>
Net Debt Issued	13,242,395	14,339,676
Authorized But Not Issued		
Bonds and Notes		
General	117,342	152,736
Assessment	<u>26,996</u>	<u>28,791</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 13,386,733</u>	<u>\$ 14,521,203</u>

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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 .302% and .330% at December 31, 2017 and 2016, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2017</u>			
General Debt	\$ 15,553,338	\$ 2,166,605	\$ 13,386,733
School Debt	<u>10,263,953</u>	<u>10,263,953</u>	<u>-</u>
Total	<u>\$ 25,817,291</u>	<u>\$ 12,430,558</u>	<u>\$ 13,386,733</u>
	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2016</u>			
General Debt	\$ 15,065,527	\$ 544,324	\$ 14,521,203
School Debt	<u>11,402,169</u>	<u>11,402,169</u>	<u>-</u>
Total	<u>\$ 26,467,696</u>	<u>\$ 11,946,493</u>	<u>\$ 14,521,203</u>

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>2017</u>	<u>2016</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 155,213,418	\$ 154,139,777
Net Debt	<u>13,386,733</u>	<u>14,521,203</u>
Remaining Borrowing Power	<u>\$ 141,826,685</u>	<u>\$ 139,618,574</u>

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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>2017</u>	<u>2016</u>
\$10,810,000, 2008 Bonds, due in an annual installment of \$725,000 on March 1, 2018, interest at 4.50%. These bonds were refunded in 2017.	\$ 775,000	\$ 6,085,000
\$5,055,000, 2014 Bonds, due in annual installments of \$245,000 to \$460,000 through September 1, 2029, interest at 2.00%	4,345,000	4,590,000
\$1,150,000, 2014 Refunding Bonds, due in an annual installment of \$295,000 on March 1, 2018, interest at 1.00%	295,000	585,000
\$4,400,000, 2017 Refunding Bonds, due in annual installments of \$795,000 to \$935,000 through March 1, 2023, interest at 4.00%	<u>4,400,000</u>	<u>-</u>
	<u>\$ 9,815,000</u>	<u>\$ 11,260,000</u>

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 8 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2017 is as follows:

Calendar Year	General		Total
	Principal	Interest	
2018	\$ 1,315,000	\$ 281,813	\$ 1,596,813
2019	1,050,000	242,100	1,292,100
2020	1,100,000	204,200	1,304,200
2021	1,155,000	164,400	1,319,400
2022	1,205,000	122,600	1,327,600
2023-2027	3,070,000	245,400	3,315,400
2028-2029	920,000	27,600	947,600
Total	<u>\$ 9,815,000</u>	<u>\$ 1,288,113</u>	<u>\$ 11,103,113</u>

Changes in Long-Term Municipal Debt

The Borough's long-term capital debt activity for the years ended December 31, 2017 and 2016 were as follows:

	Balance, December 31, <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2017</u>	Due Within <u>One Year</u>
<u>2017</u>					
General Capital Fund					
Bonds Payable	<u>\$ 11,260,000</u>	<u>\$ 4,400,000</u>	<u>\$ 5,845,000</u>	<u>\$ 9,815,000</u>	<u>\$ 1,315,000</u>
	Balance, December 31, <u>2015</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2016</u>	Due Within <u>One Year</u>
<u>2016</u>					
General Capital Fund					
Bonds Payable	<u>\$ 12,480,000</u>	<u>\$ -</u>	<u>\$ 1,220,000</u>	<u>\$ 11,260,000</u>	<u>\$ 1,260,000</u>

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 8 MUNICIPAL DEBT (Continued)

B. Short-Term Debt

The Borough's short-term debt activity for the years ended December 31, 2017 and 2016 was as follows:

Bond Anticipation Notes

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

<u>Purpose</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	Balance, December 31, <u>2015</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	Balance, December 31, <u>2016</u>
<u>2016</u>						
Improvements to Police Headquarters			\$ 200,000		\$ 200,000	
Various Capital Improvements	0.93%	10/26/2017	1,649,000	\$ 1,599,000	1,649,000	\$ 1,599,000
Acquisition of Fire Apparatus	0.93%	10/26/2017	1,273,000	1,273,000	1,273,000	1,273,000
2016 Road Improvements	0.93%	10/26/2017	-	752,000	-	752,000
Total Bond Anticipation Notes Payable			<u>\$ 3,122,000</u>	<u>\$ 3,624,000</u>	<u>\$ 3,122,000</u>	<u>\$ 3,624,000</u>

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, 2017 AND 2016**

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>2017</u>		
Acquisitions of Two (2) Police Vehicles	\$ 56,392	2018
VFW Retaining Wall Demolition and Replacement	83,180	2018
<u>2016</u>		
Huron Rd. and Old Mill Rd. Improvements	\$ 110,750	2017
Acquisition of SCBA Bottles - Fire Department	274,175	2017

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, 2017 AND 2016**

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, 2017 and 2016 were as follows:

	Balance, December 31, <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2017</u>
<u>2017</u>				
Net Pension Liability - PERS	\$ 11,033,759	\$ -	\$ 1,513,165	\$ 9,520,594
Net Pension Liability - PFRS	<u>12,770,477</u>	<u>-</u>	<u>3,608,603</u>	<u>9,161,874</u>
Total Other Long-Term Liabilities	<u>\$ 23,804,236</u>	<u>\$ -</u>	<u>\$ 5,121,768</u>	<u>\$ 18,682,468</u>
	Balance, December 31, <u>2015</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2016</u>
<u>2016</u>				
Net Pension Liability - PERS	\$ 8,857,818	\$ 2,506,906	\$ 330,965	\$ 11,033,759
Net Pension Liability - PFRS	<u>11,451,559</u>	<u>1,863,991</u>	<u>545,073</u>	<u>12,770,477</u>
Total Other Long-Term Liabilities	<u>\$ 20,309,377</u>	<u>\$ 4,370,897</u>	<u>\$ 876,038</u>	<u>\$ 23,804,236</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 with vesting occurring after 10 years of membership. PFRS is a cost-sharing multi-employer defined benefit pension plan.

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

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

Other Pension Funds

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

The cost of living increase for 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.

Basis of Accounting

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

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Investment Valuation

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

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

Funded Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date, which was rolled forward to June 30, 2017, the aggregate funded ratio for all the State administered retirement systems, including local PERS and local PFRS, is 35.79 percent with an unfunded actuarial accrued liability of \$142.3 billion. The aggregate funded ratio and unfunded accrued liability for the local PERS system is 48.10 percent and \$23.3 billion, respectively and the aggregate funded ratio and unfunded accrued liability for local PFRS is 58.60 percent and \$17.2 billion, respectively.

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

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

Actuarial Methods and Assumptions

In the July 1, 2016 actuarial valuations, the date of the most recent actuarial valuations, the projected unit credit was used as actuarial cost method, and the five year average of market value was used as asset valuation method for pension trust funds. The actuarial assumptions included (a) 7.00% for investment rate of return for all the retirement systems except CPFPPF (1.00%) and (b) changes to projected salary increases applied through the year 2026 of 1.65-5.15 percent based on age for PERS and 2.10-9.98 percent based on age for PFRS.

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions based on 10.0% for PFRS, 7.06% for PERS and 5.50% for DCRP of employees' annual compensation for 2017.

Annual Pension Cost (APC)

Per the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employees*, for the years ended December 31, 2017 and 2016 for PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, annual pension cost equals contributions made. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the years ended December 31, 2017, 2016 and 2015, 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>
2017	\$ 545,073	\$ 332,167	\$ 6,271
2016	559,044	340,063	3,244
2015	547,842	330,187	2,505

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

Public Employees Retirement System (PERS)

At December 31, 2017 and 2016, the Borough reported a liability of \$9,520,594 and \$11,033,759, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2017 and 2016, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 and 2015, respectively. The Borough's proportionate share of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. As of the measurement date of June 30, 2017, the Borough's proportionate share was .04089 percent, which was an increase of .00364 percent from its proportionate share measured as of June 30, 2016 of .03725 percent.

**BOROUGH OF FRANKLIN LAKES
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

For the year ended December 31, 2017 and 2016, the pension system has determined the Borough's pension expense to be \$775,209 and \$989,190, respectively, for PERS based on the actuarial valuation which is more than the actual contributions reported in the Borough's financial statements of \$332,167 and \$340,063, respectively. At December 31, 2017 and 2016, 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:

	2017		2016	
	<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	\$ 224,177		\$ 205,194	
Changes of Assumptions	1,918,072	\$ 1,911,040	2,285,606	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	64,829		420,727	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>733,345</u>	<u>334,964</u>	<u>118,181</u>	<u>\$ 433,545</u>
Total	<u>\$ 2,940,423</u>	<u>\$ 2,246,004</u>	<u>\$ 3,029,708</u>	<u>\$ 433,545</u>

At December 31, 2017, the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2018	\$ 327,453
2019	327,452
2020	290,629
2021	(141,645)
2022	(109,470)
Thereafter	<u>-</u>
	<u>\$ 694,419</u>

**BOROUGH OF FRANKLIN LAKES
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

The Borough's total pension liability reported for the year ended December 31, 2017 was based on the June 30, 2017 measurement date as determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The total pension liability reported for the year ended December 31, 2016 was based on the June 30, 2016 measurement date as determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PERS</u>	<u>2017</u>	<u>2016</u>
Inflation Rate	2.25%	3.08%
Salary Increases:		
Through 2026	1.65-4.15% Based on Age	1.65-4.15% Based on Age
Thereafter	2.65-5.15% Based on Age	2.65-5.15% Based on Age
Investment Rate of Return	7.00%	7.65%
Mortality Rate Table	RP-2000	RP-2000

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

The actuarial assumptions used in the July 1, 2016 and 2015 valuations were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014, respectively.

**BOROUGH OF FRANKLIN LAKES
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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

<u>Asset Class</u>	<u>2017</u>		<u>2016</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>
Absolute Return/Risk Mitigation	5.00%	5.51%		
Cash Equivalents	5.50%	1.00%	5.00%	0.87%
U.S. Treasuries	3.00%	1.87%	1.50%	1.74%
Investment Grade Credit	10.00%	3.78%	8.00%	1.79%
Mortgages			2.00%	1.67%
High Yield Bonds			2.00%	4.56%
Inflation-Indexed Bonds			1.50%	3.44%
US Equity	30.00%	8.19%	26.00%	8.53%
Non-US Developed Markets Equity	11.50%	9.00%	13.25%	6.83%
Emerging Markets Equity	6.50%	11.64%	6.50%	9.95%
Private Equity			9.00%	12.40%
Hedge Funds/Absolute Return			12.50%	4.68%
Real Estate (Property)			2.00%	6.91%
Commodities			0.50%	5.45%
Global Debt ex US			5.00%	-0.25%
REIT			5.25%	5.63%
Public High Yield	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%		
Private Real Asset	2.50%	11.83%		
Equity Related Real Estate	6.25%	9.23%		
Buyouts/Venture Capital	8.25%	13.08%		

Discount Rate

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

<u>Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2017	June 30, 2017	5.00%
2016	June 30, 2016	3.98%

**BOROUGH OF FRANKLIN LAKES
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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:

Period of Projected Benefit

Payments for which the Following

Rates were Applied:

Long-Term Expected Rate of Return Through June 30, 2040

Municipal Bond Rate * From July 1, 2040
and Thereafter

* The municipal bond return rate used is 3.58% and 2.85% as of the measurement dates of June 30, 2017 and 2016, 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, 2017 and 2016 calculated using the discount rate of 5.00% and 3.98%, respectively, as well as what the Borough's proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.00% and 2.98%, respectively) or 1-percentage-point higher (6.00% and 4.98%, respectively) than the current rate:

	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
<u>2017</u>			
Borough's Proportionate Share of the PERS Net Pension Liability	<u>\$ 11,810,943</u>	<u>\$ 9,520,594</u>	<u>\$ 7,612,449</u>
	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
<u>2016</u>			
Borough's Proportionate Share of the PERS Net Pension Liability	<u>\$ 13,520,584</u>	<u>\$ 11,033,759</u>	<u>\$ 8,980,670</u>

The sensitivity analysis was based on the proportionate share of the Borough's net pension liability at December 31, 2017 and 2016. A sensitivity analysis specific to the Borough's net pension liability was not provided by the pension system.

Pension Plan Fiduciary Net Position

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

**BOROUGH OF FRANKLIN LAKES
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Police and Firemen's Retirement System (PFRS)

At December 31, 2017 and 2016, the Borough reported a liability of \$9,161,874 and \$12,770,477, respectively, for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2017 and 2016, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 and 2015, respectively. The Borough's proportionate share of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. As of the measurement date of June 30, 2017, the Borough's proportionate share was .05934 percent, which was a decrease of .00751 percent from its proportionate share measured as of June 30, 2016 of .06685 percent.

For the years ended December 31, 2017 and 2016, the pension system has determined the Borough pension expense to be \$475,122 and \$1,206,423, respectively, for PFRS based on the actuarial valuation which is less than and more than the actual contributions reported in the Borough's financial statements of \$545,073 and \$559,044, respectively. At December 31, 2017 and 2016, 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:

	2017		2016	
	<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	\$ 59,437	\$ 53,773		\$ 83,712
Changes of Assumptions	1,129,761	1,500,447	\$ 1,768,816	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	174,830		894,802	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	-	1,376,374	-	596,836
Total	<u>\$ 1,364,028</u>	<u>\$ 2,930,594</u>	<u>\$ 2,663,618</u>	<u>\$ 680,548</u>

At December 31, 2017, the amounts reported as deferred outflows of resources and deferred inflows of resources related to PFRS pension will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2018	\$ (149,059)
2019	(149,059)
2020	(257,438)
2021	(687,745)
2022	(323,265)
Thereafter	-
	<u>\$ (1,566,566)</u>

**BOROUGH OF FRANKLIN LAKES
 NOTES TO THE FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

Actuarial Assumptions

The Borough’s total pension liability reported for the year ended December 31, 2017 was based on the June 30, 2017 measurement date as determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The total pension liability reported for the year ended December 31, 2016 was based on the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PFRS</u>	<u>2017</u>	<u>2016</u>
Inflation Rate	2.25%	3.08%
Salary Increases:		
Through 2026	2.10-8.98%	2.10-8.98%
	Based on Age	Based on Age
Thereafter	3.10-9.98%	3.10-9.98%
	Based on Age	Based on Age
Investment Rate of Return	7.00%	7.65%
Mortality Rate Table	RP-2000	RP-2000

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

The actuarial assumptions used in the July 1, 2016 and July 1, 2015 valuations were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

**BOROUGH OF FRANKLIN LAKES
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2017 and 2016, as reported for the years ended December 31, 2017 and 2016, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2017</u>		<u>2016</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>
Absolute Return/Risk Mitigation	5.00%	5.51%		
Cash	5.50%	1.00%	5.00%	0.87%
U.S. Treasuries	3.00%	1.87%	1.50%	1.74%
Investment Grade Credit	10.00%	3.78%	8.00%	1.79%
Mortgages			2.00%	1.67%
High Yield Bonds			2.00%	4.56%
Inflation-Indexed Bonds			1.50%	3.44%
US Equity	30.00%	8.19%	26.00%	8.53%
Non-US Developed Markets Equity	11.50%	9.00%	13.25%	6.83%
Emerging Markets Equity	6.50%	11.64%	6.50%	9.95%
Private Equity			9.00%	12.40%
Hedge Funds/Absolute Return			12.50%	4.68%
Real Estate (Property)			2.00%	6.91%
Commodities			0.50%	5.45%
Global Debt ex US			5.00%	-0.25%
REIT			5.25%	5.63%
Public High Yield	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%		
Private Real Asset	2.50%	11.83%		
Equity Related Real Estate	6.25%	9.23%		
Buyouts/Venture Capital	8.25%	13.08%		

Discount Rate

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

<u>Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2017	June 30, 2017	6.14%
2016	June 30, 2016	5.55%

**BOROUGH OF FRANKLIN LAKES
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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:

Period of Projected Benefit

Payments for which the Following
Rates were Applied:

Long-Term Expected Rate of Return Through June 30, 2057

Municipal Bond Rate * From July 1, 2057
and Thereafter

* The municipal bond return rate used is 3.58% and 2.85% as of the measurement dates of June 30, 2017 and 2016, 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, 2017 and 2016 calculated using the discount rate of 6.14% and 5.55%, 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 (5.14% and 4.55%, respectively) or 1-percentage-point higher (7.14% and 6.55%, respectively) than the current rate:

	1% Decrease (5.14%)	Current Discount Rate (6.14%)	1% Increase (7.14%)
<u>2017</u>			
Borough's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 12,071,523</u>	<u>\$ 9,161,874</u>	<u>\$ 6,771,266</u>
	1% Decrease (4.55%)	Current Discount Rate (5.55%)	1% Increase (6.55%)
<u>2016</u>			
Borough's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 16,466,594</u>	<u>\$ 12,770,477</u>	<u>\$ 9,756,516</u>

The sensitivity analysis was based on the proportionate share of the Borough’s net pension liability at December 31, 2017 and 2016. 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, 2017 AND 2016**

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, 2017 and 2016, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$1,026,207 and \$1,072,403, respectively. For the years ended December 31, 2017 and 2016, the pension system has determined the State's proportionate share of the pension expense attributable to the Borough for the PFRS special funding situation is \$125,528 and \$136,971, respectively, which is more than the actual contributions the State made on behalf of the Borough of \$51,315 and \$41,091, respectively. The State's proportionate share attributable to the Borough was developed based on actual contributions made to PFRS allocated to employers based upon covered payroll. These on-behalf contributions have not been reported on the Borough's financial statements.

Pension Plan Fiduciary Net Position

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

NOTE 12 POST-RETIREMENT MEDICAL BENEFITS

Plan Description

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

Funding Policy

The required contribution is funded on a pay-as-you-go basis with an additional amount to prefund benefits as determined annually by the Borough. For the year 2017, the Borough contributed \$438,960 to the plan for current premiums. Certain plan members receiving benefits contributed a portion of the total premiums based on the number of years of service upon retirement.

BOROUGH OF FRANKLIN LAKES
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 12 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation

The Borough's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Borough's annual OPEB cost for the years 2017, 2016 and 2015, the amount actually contributed to the plan, and changes in the Borough's net OPEB obligation to the plan.

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual Required Contribution	\$ 1,254,669	\$ 1,254,669	\$ 971,310
Interest on Net OPEB Obligation	109,470	68,846	40,895
Adjustment to Annual Required Contribution	-	-	21,334
Total (Annual OPEB Cost (Expense))	<u>1,364,139</u>	<u>1,323,515</u>	<u>1,033,539</u>
Contributions Made	<u>(438,960)</u>	<u>(420,761)</u>	<u>(412,406)</u>
Increase in Net OPEB Obligation	925,179	902,754	621,133
Net OPEB Obligation - Beginning of Year	<u>2,432,669</u>	<u>1,529,915</u>	<u>908,782</u>
Net OPEB Obligation - End of Year	<u>\$ 3,357,848</u>	<u>\$ 2,432,669</u>	<u>\$ 1,529,915</u>

The Borough's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years 2017, 2016 and 2015 were as follows:

<u>Year Ended</u> <u>December 31,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligations</u>
2017	\$ 1,364,139	32.2%	\$ 3,357,848
2016	1,323,515	31.8%	2,432,669
2015	1,033,539	39.9%	1,529,915

Funded Status and Funding Progress

As of December 31, 2016, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$19,325,789, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$19,325,789. The covered payroll (annual payroll of active employees covered by the plan) was not available.

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

**BOROUGH OF FRANKLIN LAKES
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 12 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Actuarial Methods and Assumptions

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

In the December 31, 2016, actuarial valuation, the projected unit credit funding method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expense) which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 6.0 percent for 2016, reduced by decrements 0.1% per annum to an ultimate rate of 5 percent per annum in 2026. Both rates included a 4.5 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2016 was 30 years.

NOTE 13 RISK MANAGEMENT

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

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

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

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

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

**BOROUGH OF FRANKLIN LAKES
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 13 RISK MANAGEMENT (Continued)

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

<u>Year Ended</u> <u>December 31</u>	<u>Employee</u> <u>Contributions</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
2017	\$ 7,199	\$ 6,443	\$ 19,441
2016	6,734	9,257	18,685
2015	6,566	6,077	21,208

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, 2017 and 2016. 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, 2017 and 2016, the Borough reserved \$35,288 and \$21,657, respectively in the Current Fund for tax appeals pending in the New Jersey Tax Court. Funding of any ultimate liability would be provided for in succeeding years' budget or from fund balance.

Federal and State Awards - The Borough participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Borough may be required to reimburse the grantor government. As of December 31, 2017 and 2016, significant amounts of grant expenditure have not been audited by the various grantor agencies but the Borough believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Borough.

NOTE 15 FEDERAL ARBITRAGE REGULATIONS

The Borough is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At December 31, 2017 and 2016, the Borough had no estimated arbitrage earnings due to the IRS.

NOTE 16 SUBSEQUENT EVENT

On April 6, 2018, the Borough received a notice of tort claim, filed by the proposed administrator of the estate of an individual who was involved in an incident on or about March 8, 2018, resulting in the death of such individual. The claimant alleges that the Borough and various employees were negligent, resulting in the death. Although this claim is covered under the Borough's liability insurance coverage, there is a potential that the amount of liability could exceed the coverage.

CURRENT FUND

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

Balance, December 31, 2016		\$ 6,099,760
Increased by Receipts:		
Taxes Receivable	\$ 68,235,867	
Non-Budget Revenue	284,777	
Due from State of NJ - Senior Citizens' and Veterans' Deductions	49,750	
Grants Receivable	344,015	
Revenue Accounts Receivable	4,576,387	
Petty Cash	600	
Receipts from Animal Control Trust Fund	13,907	
Receipts from General Capital Fund	30	
Other Trust Fund Receipts Deposited in Current Fund	6,255	
Fees Payable	42,306	
Prepaid Taxes	10,680,151	
Reserve for Recreation Online Fees	104,130	
Reserve for Grants - Unappropriated	25,000	
		84,363,175
		90,462,935
Decreased by Disbursements:		
2017 Budget Appropriations	15,923,712	
2016 Appropriation Reserves	146,773	
Encumbrances Payable	506,087	
Accounts Payable	3,419	
County Taxes Payable	11,250,029	
Local District School Tax Payable	26,193,643	
Regional High School Taxes Payable	19,195,744	
Fees Payable	34,437	
Petty Cash	600	
Reserve for Recreation Online Fees	104,130	
Reserve for State and Federal Grants - Appropriated	199,476	
Reserve for Tax Appeals	86,369	
Refund of Prior Year Revenue	8,403	
Refund of Prior Year Taxes	127,668	
		73,780,490
Balance, December 31, 2017		\$ 16,682,445

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

<u>Office</u>	Balance, December 31, <u>2016</u>	Balance, December 31, <u>2017</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>2016</u>	Revenue <u>Accrued</u>	Cash <u>Receipts</u>	Balance, December 31, <u>2017</u>
Clean Communities Grant		\$ 28,601	\$ 28,601	
Recycling Tonnage Grant		28,373	28,373	
Municipal Alliance Program	\$ 15,020	9,876	10,377	\$ 14,519
Drunk Driving Enforcement Fund		4,546	4,546	
Distracted Driving		5,265	5,265	
Bergen County Department of Health		3,425	3,425	
Private Donation		15,050	15,050	
Drive Sober or Get Pulled Over		9,960	9,960	
Alcohol Education and Rehabilitation		643	643	
Dog Park Donations		27,775	27,775	
Meyer Foundation - FLPD Vehicles		175,000	175,000	
Meyer Foundation - FLPD Camera System	-	35,000	35,000	-
	<u>\$ 15,020</u>	<u>\$ 343,514</u>	<u>\$ 344,015</u>	<u>\$ 14,519</u>

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

Balance, December 31, 2016		\$ 2,943
Increased by:		
Received in Cash from State		49,750
		52,693
Decreased by:		
Senior Citizens' Deductions Per Tax Billings	\$ 2,500	
Veterans' Deductions Per Tax Billings	47,250	
Senior Citizens' and Veterans' Deductions Allowed by Tax Collector	250	
		50,000
Balance, December 31, 2017		\$ 2,693

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

<u>Year</u>	<u>Balance, December 31, 2016</u>	<u>2017 Levy</u>	<u>Added and Omitted Taxes</u>	<u>Collected In</u>		<u>Senior Citizens' and Veterans' Deductions Allowed</u>	<u>Cancelled</u>	<u>Transfer to Tax Title Liens</u>	<u>Balance, December 31, 2017</u>
				<u>2016</u>	<u>2017</u>				
2016	\$ 726,843	-	-	-	\$ 726,816	-	\$ 27	-	-
	726,843		-		726,816		27	-	
2017	-	\$ 68,321,618	\$ 574,622	\$ 661,013	67,509,051	\$ 50,000	177,326	\$ 1,456	\$ 497,394
	\$ 726,843	\$ 68,321,618	\$ 574,622	\$ 661,013	\$ 68,235,867	\$ 50,000	\$ 177,353	\$ 1,456	\$ 497,394

Analysis of 2017 Property Tax Levy

TAX YIELD

General Purpose Tax	\$ 68,321,618
Added and Omitted Taxes (54:4-63.1 et seq.)	<u>574,622</u>
	<u>\$ 68,896,240</u>

TAX LEVY

Local District School Tax (Abstract)	\$ 26,193,643
Regional High School Tax (Abstract)	19,195,744
County Tax (Abstract)	10,704,123
County Open Space Tax	445,424
Due County for Added and Omitted Taxes	<u>93,780</u>
	\$ 56,632,714
Local Tax for Municipal Purposes (Abstract)	10,313,105
Minimum Library Tax	1,463,191
Additional Tax Levied	<u>487,230</u>
	<u>12,263,526</u>
	<u>\$ 68,896,240</u>

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

Balance, December 31, 2016	\$ 12,704
Increased by:	
Transferred from Current Taxes Receivable	<u>1,456</u>
Balance, December 31, 2017	<u>\$ 14,160</u>

BOROUGH OF FRANKLIN LAKES
STATEMENT OF REVENUE ACCOUNTS RECEIVABLE

	Balance, December 31, <u>2016</u>	Accrued <u>2017</u>	Collected in <u>2017</u>	Balance, December 31, <u>2017</u>
Borough Clerk				
Licenses				
Alcoholic Beverages		\$ 11,428	\$ 11,428	
Other		1,740	1,740	
Board of Health				
Licenses		18,136	18,136	
Fees and Permits		58,644	58,644	
Tax Collector				
Fees and Permits		500	500	
Planning Board				
Fees and Permits		26,950	26,950	
Fire Prevention				
Fees and Permits		26,674	26,674	
Police Department				
Fees and Permits		17,200	17,200	
Uniform Construction Code				
Fees and Permits		704,114	704,114	
Municipal Court				
Fines and Costs	\$ 17,448	302,755	304,462	\$ 15,741
Interest and Cost on Taxes and Assessments		208,731	208,731	
Interest on Investments and Deposits		32,222	32,222	
Energy Receipts Tax		1,775,732	1,775,732	
Watershed Moratorium Offset Aid		5,969	5,969	
Uniform Fire Safety Act		12,775	12,775	
Community Center Fees		15,700	15,700	
Recreation Program Fees		178,190	178,190	
Child Care Facility Rent		48,907	48,907	
Outside Police Employment		62,193	62,193	
Library Reimbursement		203,760	203,760	
VFW Parking Permits		17,230	17,230	
Lease of Land for Monopole- Sprint Co		101,010	101,010	
Cable T.V. Franchise Fee		188,294	188,294	
Recycling Revenue		101,247	101,247	
Reserve for Payment of Debt	-	454,579	454,579	-
	<u>\$ 17,448</u>	<u>\$ 4,574,680</u>	<u>\$ 4,576,387</u>	<u>\$ 15,741</u>

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

	Balance, December 31, <u>2016</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	\$ 483		\$ 483		\$ 483
Other Expenses	857	642	1,499		1,499
Mayor & Council					
Salaries and Wages	14,700		14,700		14,700
Other Expenses	5,523		5,523	\$ 126	5,397
Municipal Clerk					
Salaries and Wages	2,569		2,569		2,569
Other Expenses	6,171	299	6,470		6,470
Financial Administration					
Salaries and Wages	837		837		837
Other Expenses	19,177		19,177	3,015	16,162
Audit Services					
Other Expenses	5,162		5,162	1,200	3,962
Revenue Administration (Tax Collection)					
Salaries and Wages	4,769		4,769		4,769
Other Expenses	742	936	1,678		1,678
Tax Assessment Administration					
Salaries and Wages	8,215		8,215		8,215
Other Expenses	2,054		2,054	950	1,104
Legal Services (Legal Department)					
Other Expenses	2,713		25,713	22,489	3,224
Engineering Services and Costs					
Salaries and Wages	173		173		173
Other Expenses	23,869		23,869	22,430	1,439
Planning Board					
Salaries and Wages	550		550		550
Other Expenses	1,389		1,389		1,389
Zoning Board of Adjustment					
Salaries and Wages	50		50		50
Other Expenses	2,504		2,504		2,504
Zoning Official					
Salaries and Wages	3		3		3
Insurance					
Worker's Compensation	6,563		6,563		6,563
General Liability	8,354		8,354		8,354
Employee Group Health	4,621		4,621	2	4,619
Unemployment Insurance	2,500				
Other Insurance Premiums	3,340		3,340		3,340
Health Benefit Waiver	818		818		818

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

GENERAL GOVERNMENT (Cont'd)	Balance, December 31, <u>2016</u>	Encumbrances <u>Cancelled</u>	Balance After <u>Modification</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Police					
Salaries and Wages	\$ 244,037		\$ 207,537		\$ 207,537
Other Expenses	11,649		11,649	\$ 1,607	10,042
Office of Emergency Management					
Other Expenses	1,476		1,476	459	1,017
Ambulance Service					
Other Expenses	27,488		27,488	7,438	20,050
Fire Department					
Salaries and Wages	4,276		4,276		4,276
Other Expenses	8,348		8,348	12	8,336
Uniform Fire Safety					
Salaries and Wages	3,741		3,741		3,741
Other Expenses	481		481	135	346
Municipal Court					
Salaries and Wages	6,716		6,716		6,716
Other Expenses	3,108		3,108		3,108
Municipal Court Public Defender					
Salaries and Wages	286		286		286
Municipal Prosecutor					
Salaries and Wages	401		401		401
Streets and Road Maintenance					
Salaries and Wages	70,100		70,100		70,100
Other Expenses	123,461		123,461	39,926	83,535
Solid Waste Collection					
Other Expenses	5,636		5,636		5,636
Buildings and Grounds					
Other Expenses	7,978		22,978	15,085	7,893
Vehicle Maintenance					
Other Expenses	49,606		49,606	17,712	31,894
Shade Tree					
Salaries and Wages	80		80		80
Other Expenses	687		687	66	621
Board of Health					
Salaries and Wages	779		779		779
Other Expenses	24,102		24,102	5,873	18,229
Animal Control Services					
Other Expenses	1,560		1,560	60	1,500
Recreation Services and Programs					
Salaries and Wages	1,108		1,108		1,108
Other Expenses	12,601		12,601	10,141	2,460

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

GENERAL GOVERNMENT (Cont'd)	Balance, December 31, <u>2016</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	\$ 264		\$ 264		\$ 264
Environment Commission					
Other Expenses	1,360		1,360		1,360
Cable T.V. Committee					
Other Expenses	2,520		2,520		2,520
Building Inspector					
Salaries and Wages	13,399		13,399		13,399
Other Expenses	3,805	\$ 651	4,456		4,456
Electrical Inspector					
Salaries and Wages	5,093		5,093		5,093
Plumbing Inspector					
Salaries and Wages	3		3		3
Fire Protection Official					
Salaries and Wages	8,887		8,887		8,887
Unclassified					
Electricity	6,376		6,376	\$ 3,428	2,948
Street Lighting	-		1,000		1,000
Telephone	2,241	307	2,548		2,548
Telecommunications	1,417		1,417	1,235	182
Water	296	3,594	3,890		3,890
Gasoline	18,453		18,453		18,453
Landfill/ Solid Waste Disposal Costs	19,617	16,104	35,721		35,721
Statutory Expenditures:					
Contribution to:					
Social Security System	11,857		11,857		11,857
PERS	9,937		9,937	6,930	3,007
PFRS	10,956		10,956	8,669	2,287
DCRP Employer Contribution	1,756		1,756	1,756	-
Interlocal Municipal Service Agreements					
Enhanced 911 Service - Northwest Bergen					
Central Dispatch					
Other Expenses	27		27		27
Matching Funds for Grants	4,031		4,031	1,096	2,935
Municipal Library	4		4		4
NJ DEP Stormwater Permit	10	-	10	-	10
	<u>\$ 860,720</u>	<u>\$ 22,533</u>	<u>\$ 883,253</u>	<u>\$ 171,840</u>	<u>\$ 711,413</u>
Appropriation Reserves			\$ 860,720		
Encumbrances Payable			<u>22,533</u>		
			<u>\$ 883,253</u>		
			Cash Disbursements	\$ 146,773	
			Accounts Payable	<u>25,067</u>	
				<u>\$ 171,840</u>	

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

Balance, December 31, 2016		\$ 528,620
Increased by:		
Charges to 2017 Budget Appropriations	\$ 509,976	
Charges to Appropriated Grant Reserves	<u>124,701</u>	
		<u>634,677</u>
		1,163,297
Decreased by:		
Cancelled to Appropriation Reserves	22,533	
Cash Disbursements	<u>506,087</u>	
		<u>528,620</u>
Balance, December 31, 2017		<u>\$ 634,677</u>

STATEMENT OF ACCOUNTS PAYABLE

Balance, December 31, 2016		\$ 43,565
Increased by:		
Charged to 2016 Appropriation Reserves		<u>25,067</u>
		68,632
Decreased by:		
Cash Disbursements		<u>3,419</u>
Balance, December 31, 2017		<u>\$ 65,213</u>

BOROUGH OF FRANKLIN LAKES
STATEMENT OF RESERVE FOR GRANTS - APPROPRIATED

	Balance, December 31, <u>2016</u>	Transfer from 2017 Budget <u>Appropriations</u>	<u>Expenditures</u>	Balance, December 31, <u>2017</u>
Recycling Tonnage Grant	\$ 4,757	\$ 28,373	\$ 17,700	\$ 15,430
Drunk Driving Enforcement	8,116	4,546	1,514	11,148
Drive Sober or Get Pulled Over		9,960	4,776	5,184
Distracted Driving		5,265	5,265	
Clean Communities Grant	53,095	28,601	22,039	59,657
Bergen County Department of Health		3,425		3,425
Municipal Alliance - State	2,513	9,876	8,299	4,090
Municipal Alcohol Ed/Rehabilitation	324	643	324	643
Private Donation	2,609	15,050	15,000	2,659
Dog Park Donations		27,775		27,775
Citizens Corp. - CERT Trailers	700			700
Murphy Grant - OEM Building Improvements	50,000		28,153	21,847
Meyer Foundation - FLPD Vehicles	9,848		5,006	4,842
Meyer Foundation - FLPD Cars and Software		175,000	136,151	38,849
Meyer Foundation - FLPD Camera System	22,545	35,000	54,950	2,595
FLK Open Space Preservation	29,185			29,185
Goldman - OEM Building Improvements	25,000	-	25,000	-
	<u>\$ 208,692</u>	<u>\$ 343,514</u>	<u>\$ 324,177</u>	<u>\$ 228,029</u>
			Cash Disbursements \$ 199,476	
			Encumbrances Payable 124,701	
			<u>\$ 324,177</u>	

STATEMENT OF RESERVE FOR GRANTS - UNAPPROPRIATED

	Balance, December 31, <u>2016</u>	Cash <u>Receipts</u>	Balance, December 31, <u>2017</u>
Police Accreditation Grant	-	\$ 25,000	\$ 25,000
	<u>-</u>	<u>\$ 25,000</u>	<u>\$ 25,000</u>

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

Balance, December 31, 2016	\$	661,013
Increased by:		
Collection of 2018 Taxes		<u>10,680,151</u>
		11,341,164
Decreased by:		
Applied to 2017 Taxes		<u>661,013</u>
Balance, December 31, 2017	\$	<u><u>10,680,151</u></u>

STATEMENT OF TAX OVERPAYMENTS

Balance, December 31, 2016	\$	<u>28,078</u>
Balance, December 31, 2017	\$	<u><u>28,078</u></u>

STATEMENT OF DUE TO GENERAL CAPITAL FUND

Increased by:		
Receipts from General Capital Fund	\$	<u>30</u>
Balance, December 31, 2017	\$	<u><u>30</u></u>

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

Balance, December 31, 2016		\$ 100,482
Increased by:		
2016 County Tax Levy	\$ 10,704,123	
2016 County Open Space Tax Levy	445,424	
2016 County Added and Omitted Taxes	<u>93,780</u>	
		<u>11,243,327</u>
		11,343,809
Decreased by:		
Payments		<u>11,250,029</u>
Balance, December 31, 2017		<u>\$ 93,780</u>

STATEMENT OF LOCAL DISTRICT SCHOOL TAXES PAYABLE

Increased by:		
Levy - Calendar Year 2017		<u>\$ 26,193,643</u>
Decreased by:		
Payments		<u>\$ 26,193,643</u>

STATEMENT OF REGIONAL HIGH SCHOOL TAXES PAYABLE

Increased by:		
Levy - Calendar Year 2017		<u>\$ 19,195,744</u>
Decreased by:		
Payments		<u>\$ 19,195,744</u>

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

Balance, December 31, 2016	\$ 21,657
Increased by:	
Budget Appropriation	<u>100,000</u>
	121,657
Decreased by:	
Cash Disbursements	<u>86,369</u>
Balance, December 31, 2017	<u>\$ 35,288</u>

STATEMENT OF FEES PAYABLE

Balance, December 31, 2016	\$ 13,496
Increased by:	
Cash Receipts	
DCA Training Fees	\$ 41,281
Marriage Licenses	<u>1,025</u>
	<u>42,306</u>
	55,802
Decreased by:	
Cash Disbursements	
DCA Training Fees	33,587
Marriage Licenses	<u>850</u>
	<u>34,437</u>
Balance, December 31, 2017	<u>\$ 21,365</u>

STATEMENT OF RESERVE FOR RECREATION ONLINE FEES

Balance, December 31, 2016	\$ 3,214
Increased by:	
Cash Receipts	<u>104,130</u>
	107,344
Decreased by:	
Cash Disbursements	<u>104,130</u>
Balance, December 31, 2017	<u>\$ 3,214</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, 2016	\$ 38,161	\$ 3,262,660	\$ 153,050	\$ 20,068
Increased by Receipts:				
Animal Control Fees	\$ 8,376			
State License Fees	1,260			
Payroll Deposits		\$ 6,774,658		
Miscellaneous Reserves		767,046		
Assessment Receivable			\$ 15,349	
Interest on Assessments			1,794	
Reserve for Affordable Housing		247,568		
Developers Escrow		594,914		
Employee Unemployment Contributions				\$ 7,199
Interest Earned on Escrow Accounts	-	232	-	-
	<u>9,636</u>	<u>8,384,418</u>	<u>17,143</u>	<u>7,199</u>
	47,797	11,647,078	170,193	27,267
Decreased by Disbursements:				
Miscellaneous Reserves		815,661		
Reserve for Affordable Housing		44,752		
Expenditures Under R.S. 4:19-15.11	709			
Payroll Deductions		6,771,568		
Due to State of NJ - Animal Control Fees	1,261			
Due to State of NJ - Unemployment				7,443
Payments to Current Fund	13,907			
Escrow Deposits	-	631,973	-	-
	<u>15,877</u>	<u>8,263,954</u>	<u>-</u>	<u>7,443</u>
Balance, December 31, 2017	<u>\$ 31,920</u>	<u>\$ 3,383,124</u>	<u>\$ 170,193</u>	<u>\$ 19,824</u>

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

Balance, December 31, 2016		\$ 24,252
Increased by:		
Animal Control Fees Collected		8,376
		32,628
Decreased by:		
Cash Disbursements	\$ 709	
Statutory Excess Due to Current Fund	13,494	
		14,203
Balance, December 31, 2017		\$ 18,425

Licenses Fees Collected

<u>Year</u>	<u>Amount</u>
2016	\$ 8,891
2015	9,534
	\$ 18,425

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

Balance, December 31, 2016	\$	2
Increased by:		
2017 State Fees Collected		1,260
		1,262
Decreased by:		
Payments to State of New Jersey		1,261
Balance, December 31, 2017	\$	1

EXHIBIT B-5

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

Balance, December 31, 2016	\$	13,907
Increased by:		
Statutory Excess		13,494
		27,401
Decreased by:		
Payments to Current Fund		13,907
Balance, December 31, 2017	\$	13,494

EXHIBIT B-6

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

Balance, December 31, 2016	\$	1,222,726
Increased by:		
Cash Receipts	\$	247,568
Other Trust Fund Receipts Deposited in Current Fund		6,255
		253,823
		1,476,549
Decreased by:		
Cash Disbursements		44,752
Balance, December 31, 2017	\$	1,431,797

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

Balance, December 31, 2016	\$	30,136
Increased by:		
Payroll Deposits		6,774,658
		6,804,794
Decreased by:		
Payroll Deductions Remitted		6,771,568
Balance, December 31, 2017	\$	33,226

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

Balance, December 31, 2016 (Due To)	\$	53
Increased by:		
Interest on Escrow Accounts		232
		285
Decreased by:		
Other Trust Fund Receipts Deposited in Current Fund		6,255
Balance, December 31, 2017 (Due From)	\$	5,970

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

	Balance, December 31, <u>2016</u>	<u>Receipts</u>	<u>Disbursements</u>	Balance, December 31, <u>2017</u>
Tax Sale Premiums	\$ 339,320	\$ 201,800	\$ 246,100	\$ 295,020
Parking Offenses Adjudication Act	756	160		916
Off Duty Police Fees	12,116	480,764	476,581	16,299
Public Safety Trust Fund	600	300		900
Monuments	15,125			15,125
Municipal Alliance Program	500	470		970
Flexible Spending Account	4,483	23,700	19,945	8,238
Town Fair Celebration	14,525	24,294	24,799	14,020
Open Space Recreation Trust	1			1
Mayor's Wellness Program	18,486	35,058	36,810	16,734
Memorial Pond Donations	24,626		11,426	13,200
Beautification Pond	4,980	500		5,480
Municipal Court Deposits	1,146			1,146
Miscellaneous Reserves	<u>9,474</u>	<u>-</u>	<u>-</u>	<u>9,474</u>
	<u>\$ 446,138</u>	<u>\$ 767,046</u>	<u>\$ 815,661</u>	<u>\$ 397,523</u>

EXHIBIT B-10

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

	Balance, December 31, <u>2016</u>	<u>Receipts</u>	<u>Disbursements</u>	Balance, December 31, <u>2017</u>
Escrow Bonds	\$ 575,149	\$ 64,500	\$ 96,550	\$ 543,099
Engineering / Legal Fees	127,592	37,096	39,299	125,389
Soil Deposits	424,295	222,072	158,988	487,379
Mt. Shadow Escrow Bond	32,283			32,283
Tree Escrow Fund	93,102	325	26,626	66,801
Street Escrow	18,000			18,000
Accutrak - Engineering/Legal Fees	<u>293,186</u>	<u>270,921</u>	<u>310,510</u>	<u>253,597</u>
	<u>\$ 1,563,607</u>	<u>\$ 594,914</u>	<u>\$ 631,973</u>	<u>\$ 1,526,548</u>

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

Balance, December 31, 2016	\$ 1,383
Increased by:	
Unemployment Claims	<u>6,443</u>
	7,826
Decreased by:	
Payments to State of New Jersey	<u>7,443</u>
Balance, December 31, 2017	<u>\$ 383</u>

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

Balance, December 31, 2016	\$ 18,685
Increased by:	
Employee Contributions	<u>7,199</u>
	25,884
Decreased by:	
Unemployment Claims	<u>6,443</u>
Balance, December 31, 2017	<u>\$ 19,441</u>

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

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Date of Confirmation</u>	<u>Due Dates</u>	<u>Balance December 31, 2016</u>	<u>Collected</u>	<u>Balance December 31, 2017</u>
33-10	Improvements to Wildwood Ave	2/3/2010	2/3/2011-2019	\$ 4,031	\$ 1,677	\$ 2,354
1316/1346	Improvements to Ryerson Road	12/20/2011	12/20/12-2021	<u>24,760</u>	<u>13,672</u>	<u>11,088</u>
				<u>\$ 28,791</u>	<u>\$ 15,349</u>	<u>\$ 13,442</u>

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

Balance, December 31, 2016	\$ 18,427
Increased by:	
Interest on Assessments	<u>1,794</u>
Balance, December 31, 2017	<u>\$ 20,221</u>

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

Balance, December 31, 2016	<u>\$ 163,414</u>
Balance, December 31, 2017	<u>\$ 163,414</u>

GENERAL CAPITAL FUND

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

Balance, December 31, 2016		\$ 1,279,359
Increased by:		
Bond Anticipation Notes	\$ 2,564,745	
Refund of Unexpended Bond Issuance Costs	7,171	
Grant Proceeds		
Deferred Charges Unfunded	35,649	
Reserve for Payment of Debt	2,166,605	
Reserve for Future Capital Projects	322,900	
Current Fund Budget Appropriation		
Capital Improvement Fund	<u>1,186,684</u>	
		<u>6,283,754</u>
		7,563,113
Decreased by:		
Improvement Authorizations	3,384,208	
Encumbrances Payable	397,091	
Bond Anticipation Notes	89,745	
Payments to Current Fund	30	
Current Fund Anticipated Revenue		
Reserve for Payment of Debt	311,654	
Reserve for COAH - RCA Debt	<u>142,925</u>	
		<u>4,325,653</u>
Balance, December 31, 2017		<u>\$ 3,237,460</u>

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

		Balance, December 31, <u>2017</u>
Fund Balance		\$ 148,946
Capital Improvement Fund		113,242
Due from Current Fund		(30)
Due from Assessment Trust Fund		(163,414)
Encumbrances Payable		109,811
Reserve for Payment of Debt		2,166,605
Reserve for Future Capital Projects		322,900
 Improvement Authorizations:		
<u>Ord. No.</u>	<u>General Improvements</u>	
1306/1335/1362	Acquisition of Haledon Reservoir	1,589
1369	Haledon Reservoir Phase II	3,850
1428	Ambulance Building Groundwater Study	15,933
1568	Summit Ave Improvements	(14,282)
1601	DPW Vehicles and Huron Road Improv	1,703
1610	Rec Sewers/Woodside Avenue	(23,221)
1617/1637	Various Capital Improvements	(49,222)
1655	2016 Road Improvements	16,238
1676/1685	Purchase of Various Items & Certain Capital Improvements	46,016
1680	Purchase of DPW Equipment	950
1686	Certain Park Improvements - Old Mill Woodlands Park	16,108
1695	Purchase of Certain Equipment for the Fire Department	825
1698	Acquisition of BLK 2408 L1.04	12,123
1702	2017 Road Program	1,789
1707	DPW Vehicles / Boro Hall Security	23,863
1712	Various Sidewalk Improvements	306,000
1716	OEM Retaining Wall	897
1717	Old Mill Road Improvements	174,692
1727	Schwartz Property Acquisition	11,156
	 <u>Local Improvements</u>	
1225/1259	Improvement to Wildwood Ave	(12,967)
1316/1346	Improvements to Ryerson Road	5,360
		<hr/>
		\$ 3,237,460

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

Ord. No.	<u>Improvement Description</u>	Balance, December 31, <u>2016</u>	Decreased by: Cash <u>Receipts</u>	<u>Cancellations</u>	Balance, December 31, <u>2017</u>
Department of Transportation					
1601	Various Capital Improvements	<u>\$ 88,000</u>	<u>\$ 68,863</u>	<u>\$ 19,137</u>	<u>-</u>
	<u>Analysis of Balance</u>				
	Pledged to Reserve	<u>\$ 88,000</u>	<u>\$ 68,863</u>	<u>\$ 19,137</u>	<u>-</u>

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

Balance, December 31, 2016		\$ 11,260,000
Increased by:		
Refunding Bonds Issued		<u>4,400,000</u>
		15,660,000
Decreased by:		
Serial Bonds Paid by Budget Appropriation	\$ 1,260,000	
Serial Bonds Refunded	<u>4,585,000</u>	
		<u>5,845,000</u>
Balance, December 31, 2017		<u>\$ 9,815,000</u>

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

Analysis of Balance, December 31, 2017

Ord. No.	Improvement Description	Balance, December 31, 2016	2017 Authorizations	Budget Appropriation	Grant Proceeds	Balance, December 31, 2017	Bond Anticipation Note	Expenditures	Unexpended Improvement Authorization
<u>General Improvements</u>									
1568	Summit Ave Improvements	\$ 14,282				\$ 14,282		\$ 14,282	
1601	Various Capital Improvements	35,649			\$ 35,649				
1610	Various Capital Improvements	173,221		\$ 150,000		23,221		23,221	
1617/1637	Various Capital Improvements	149,498		100,000		49,498		49,222	\$ 276
1628	Various Capital Improvements	1,259,384				1,259,384	\$ 1,259,384		
1644	Acquisition of Fire Apparatus	1,272,871				1,272,871	1,272,871		
1655	2016 Road Improvements	752,000		255,000		497,000	497,000		
1712	Various Sidewalk Improvements		\$ 300,000			300,000	300,000		
1717	Old Mill Road Improvements		165,000			165,000	165,000		
1727	Acquisition of Real Property		2,100,000			2,100,000	2,099,745		255
<u>Local Improvements</u>									
1225/1259	Improvements to Wildwood Ave	20,836				20,836		12,967	7,869
1316/1346	Improvements to Ryerson Road	9,250	-	-	-	9,250	-	-	9,250
		<u>\$ 3,686,991</u>	<u>\$ 2,565,000</u>	<u>\$ 505,000</u>	<u>\$ 35,649</u>	<u>\$ 5,711,342</u>	<u>\$ 5,594,000</u>	<u>\$ 99,692</u>	<u>\$ 17,650</u>

Improvement Authorizations - Unfunded \$ 510,044

Less: Unexpended Note Proceeds

Ordinance 1655	\$ 16,238
Ordinance 1712	300,000
Ordinance 1717	165,000
Ordinance 1727	<u>11,156</u>

492,394

\$ 17,650

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

Purpose	Date of Issue	Original Issue	Outstanding Maturities		Interest Rate	Balance, December 31, 2016	Increased	Decreased	Balance, December 31, 2017
			Date	Amount					
General Improvements	9/1/2008	\$ 10,810,000	3/1/2018	\$ 775,000	4.50%	\$ 6,085,000		\$ 5,310,000	\$ 775,000
General Improvements	9/1/2014	5,055,000	9/1/2018	245,000	2.00%				
			9/1/2019-2020	255,000	2.00%				
			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%	4,590,000		245,000	4,345,000
Refunding Bonds	9/1/2014	1,150,000	3/1/2018	295,000	1.00%	585,000		290,000	295,000
Refunding Bonds	3/1/2017	4,400,000	3/1/2019	795,000	4.00%				
			3/1/2020	845,000	4.00%				
			3/1/2021	890,000	4.00%				
			3/1/2022-2023	935,000	4.00%				
						-	4,400,000	-	4,400,000
						<u>\$ 11,260,000</u>	<u>\$ 4,400,000</u>	<u>\$ 5,845,000</u>	<u>\$ 9,815,000</u>
								Paid by Budget Appropriation	\$ 1,260,000
								Refunded	<u>4,585,000</u>
									<u>\$ 5,845,000</u>

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

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<u>Ord. No.</u>	<u>Improvement Description</u>	<u>Original Amount Issued</u>	<u>Date of Issue of Original Note</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance, December 31, 2016</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance, December 31, 2017</u>
1610	Various Capital Improvements	\$ 200,000	10/28/2015	10/27/2016	10/26/2017	0.93 %	\$ 150,000		\$ 150,000	
1617/1637	Various Capital Improvements	100,000	10/28/2015	10/27/2016	10/26/2017	0.93	100,000		100,000	
1628	Various Capital Improvements	1,349,000	10/28/2015	10/26/2017 10/27/2016	10/25/2018 10/26/2017	1.18 0.93	1,349,000	\$ 1,259,384	1,349,000	\$ 1,259,384
1644	Acquisition of Fire Apparatus	1,273,000	10/28/2015	10/26/2017 10/27/2016	10/25/2018 10/26/2017	1.18 0.93	1,273,000	1,272,871	1,273,000	1,272,871
1655	2016 Road Improvements	752,000	10/27/2016	10/26/2017 10/27/2016	10/25/2018 10/26/2017	1.18 0.93	752,000	497,000	752,000	497,000
1712	Various Sidewalk Improvements	300,000	10/26/2017	10/26/2017	10/25/2018	1.18		300,000		300,000
1717	Old Mill Road Improvements	165,000	10/26/2017	10/26/2017	10/25/2018	1.18		165,000		165,000
1727	Acquisition of Real Property	2,100,000	10/26/2017	10/26/2017	10/25/2018	1.18	-	2,099,745	-	2,099,745
							<u>\$ 3,624,000</u>	<u>\$ 5,594,000</u>	<u>\$ 3,624,000</u>	<u>\$ 5,594,000</u>
								\$ 3,029,255	\$ 3,029,255	
								2,564,745		
									89,745	
								-	505,000	
								<u>\$ 5,594,000</u>	<u>\$ 3,624,000</u>	

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

Ord. No.	Improvement Description	Ordinance Date	Amount	Balance, December 31, 2016		2017 Authorizations			Cancelled Contracts	Paid or Charged	Balance, December 31, 2017	
				Funded	Unfunded	Capital Surplus	Capital Improvement Fund	Deferred Charges Unfunded			Funded	Unfunded
<u>General Improvements</u>												
1362	Acquisition of Haledon Reservoir	12/8/2004	\$ 6,600,000	\$ 1,589							\$ 1,589	
1369	Haledon Reservoir Phase II			6,484					\$ 2,634		3,850	
1428	Ambulance Building Groundwater Study	2008	37,000	15,933							15,933	
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		\$ 16,515					277		16,238
1676/1685	Purchase of Various Items & Certain Capital Improvements	5/17/2016	318,000	58,605					12,589		46,016	
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	46,688					30,580		16,108	
1689	Certain Improvements at Parsons Pond Park	8/16/2016	25,000	12,464					12,464			
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			\$ 80,000			67,877		12,123	
1702	2017 Road Program	3/21/2017	705,000				\$ 705,000		703,211		1,789	
1707	DPW Vehicles / Boro Hall Security	6/1/2017	160,000			7,000	153,000		136,137		23,863	
1712	Various Sidewalk Improvements	7/18/2017	330,000				30,000	\$ 300,000	24,000		6,000	300,000
1716	OEM Retaining Wall	7/18/2017	93,000				93,000		92,103		897	
1717	Old Mill Road Improvements	8/1/2017	198,250				33,250	165,000	23,558		9,692	165,000
1727	Schwartz Property Acquisition	10/17/2017	2,400,000			115,000	185,000	2,100,000	2,388,589			11,411
<u>Local Improvements</u>												
1225/1238/	Improvements to Wildwood Ave	2002	100,000		7,869							7,869
1316/1346	Improvements to Ryerson Road	2005	118,750	5,360	9,250	-	-	-	-	-	5,360	9,250
				<u>\$ 148,898</u>	<u>\$ 33,634</u>	<u>\$ 202,000</u>	<u>\$ 1,199,250</u>	<u>\$ 2,565,000</u>	<u>\$ 1,979</u>	<u>\$ 3,494,019</u>	<u>\$ 146,698</u>	<u>\$ 510,044</u>
										Cash Disbursements	\$ 3,384,208	
										Encumbrances Payable	109,811	
											<u>\$ 3,494,019</u>	

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

Balance, December 31, 2016		\$ 399,070
Increased by:		
Charges to Improvement Authorizations		<u>109,811</u>
		508,881
Decreased by:		
Cash Disbursements	\$ 397,091	
Cancellations	<u>1,979</u>	
		<u>399,070</u>
Balance, December 31, 2017		<u>\$ 109,811</u>

STATEMENT OF CAPITAL IMPROVEMENT FUND

Balance, December 31, 2016		\$ 125,808
Increased by:		
Budget Appropriation		<u>1,186,684</u>
		1,312,492
Decreased by:		
Appropriation to Finance Improvement Authorizations		<u>1,199,250</u>
Balance, December 31, 2017		<u>\$ 113,242</u>

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

Balance, December 31, 2016	\$ 311,654
Increased by:	
Grant Proceeds	<u>2,166,605</u>
	2,478,259
Decreased by:	
Realized as Current Fund Revenue	<u>311,654</u>
Balance, December 31, 2017	<u>\$ 2,166,605</u>

STATEMENT OF RESERVE FOR COAH - RCA DEBT

Balance, December 31, 2016	<u>\$ 142,925</u>
Decreased by:	
Realized as Current Fund Revenue	<u>\$ 142,925</u>

STATEMENT OF RESERVE FOR FUTURE CAPITAL PROJECTS

Increased by:	
Cash Receipts-Private Donation	<u>\$ 322,900</u>
Balance, December 31, 2017	<u>\$ 322,900</u>

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

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Ord. No.	Improvement Description	Balance, December 31, 2016	2017 Authorizations	Bond Anticipation Notes Issued	Grant Proceeds	Funded by Assessment Collections	Balance, December 31, 2017 General Capital Fund	Assessment Trust Fund
<u>General Improvements</u>								
1568	Summit Avenue Improvements	\$ 14,282					\$ 14,282	
1601	Various Capital Improvements	35,649			\$ 35,649			
1610	Various Capital Improvements	23,221					23,221	
1617/1637	Various Capital Improvements	49,498					49,498	
1712	Various Sidewalk Improvements		\$ 300,000	\$ 300,000				
1717	Old Mill Road Improvements		165,000	165,000				
1727	Acquisition of Real Property		2,100,000	2,099,745			255	
<u>Local Improvement</u>								
1225/1259	Improvement to Wildwood Avenue	24,867				\$ 286	20,836	\$ 3,745
1316/1346	Improvement to Ryerson Road	34,010	-	-	-	1,509	9,250	23,251
		<u>\$ 181,527</u>	<u>\$ 2,565,000</u>	<u>\$ 2,564,745</u>	<u>\$ 35,649</u>	<u>\$ 1,795</u>	<u>\$ 117,342</u>	<u>\$ 26,996</u>

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SEWER UTILITY FUND

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

		<u>Operating</u>
Balance, December 31, 2016	\$	64,323
Increased by:		
Sewer User Fees	\$	125,539
Sewer Connection Fees		781
Nonbudget Revenue		<u>2,167</u>
		<u>128,487</u>
		192,810
Decreased by:		
2017 Budget Appropriations		<u>75,588</u>
Balance, December 31, 2017	\$	<u>117,222</u>

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

Increased by:	
Sewer User Fees Billed	\$ 126,753
Decreased by:	
Collections	<u>125,539</u>
Balance, December 31, 2017	<u>\$ 1,214</u>

STATEMENT OF 2016 APPROPRIATION RESERVES

	Balance, December 31, <u>2016</u>	Balance After <u>Modification</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Operating Other Expenses	<u>\$ 19,934</u>	<u>\$ 19,934</u>	<u>-</u>	<u>\$ 19,934</u>
	<u>\$ 19,934</u>	<u>\$ 19,934</u>	<u>-</u>	<u>\$ 19,934</u>

BOROUGH OF FRANKLIN LAKES

PART II

GOVERNMENT AUDITING STANDARDS



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
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ADWOA BOACHIE, CPA

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, 2017, and the related notes to the financial statements, and have issued our report thereon dated May 31, 2018. 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.

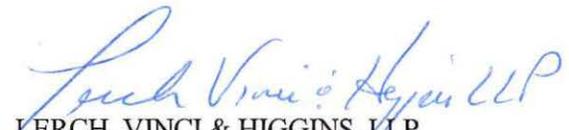
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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
May 31, 2018

**BOROUGH OF FRANKLIN LAKES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Federal CFDA Number</u>	<u>State Project Number</u>	<u>Grant Award Amount</u>	<u>2017 Receipts</u>	<u>Balance, January 1, 2017</u>	<u>Revenue Realized</u>	<u>Expended</u>	<u>Adjustment</u>	<u>Balance, December 31, 2017</u>	<u>(MEMO) Cumulative Expenditures</u>
U.S. Department of Homeland Security										
Passed Thru State Dept. of Law and Public Safety										
Public Assistance Grants										
FEMA - Hurricane Sandy										
	97.036	2017-2013-066-1200-100				\$ 1,169	\$ 1,169			1,169
		2017-2016-066-1200-100				61,630	61,630			61,630
		2018-2016-066-1200-100				13,363	13,363			13,363
	97.042	2013-066-1200-100-726	700		<u>700</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 700</u>	
					<u>\$ 700</u>	<u>\$ 76,162</u>	<u>\$ 76,162</u>	<u>\$ -</u>	<u>\$ 700</u>	

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

**BOROUGH OF FRANKLIN LAKES
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2017**

<u>State Grant Program</u>	<u>Account Number</u>	<u>Year</u>	<u>Grant Award</u>	<u>2017 Receipts</u>	<u>Balance, January 1, 2017</u>	<u>Revenue Realized</u>	<u>Expended</u>	<u>Balance, December 31, 2017</u>	<u>(MEMO) Cumulative Expenditures</u>
Department of Environmental Protection Recycling Tonnage Grant	042-752-6020	2015	\$ 13,862		\$ 4,757		\$ 4,757		\$ 13,862
		2016	14,874	\$ 14,874		\$ 14,874	12,943	\$ 1,931	12,943
		2017	13,499	13,499		13,499		13,499	
Clean Communities Grant	N/A	2015	29,436		19,430		19,430		29,436
		2016	33,665		33,665		2,609	31,056	2,609
		2017	28,601	28,601		28,601		28,601	
Department of Law and Public Safety Drunk Driving Enforcement Fund	N/A	2014	3,201		629		629		3,201
	N/A	2015	3,424		3,424		885	2,539	885
	N/A	2016	4,063		4,063			4,063	
		2017	4,546	4,546		4,546		4,546	
Drive Sober or Get Pulled Over	N/A	2017	9,960	9,960		9,960	4,776	5,184	4,776
Distracted Driving	N/A	2017	5,265	5,265		5,265	5,265		5,265
Municipal Alcohol Education and Rehabilitation	N/A	2011	324		324		324		324
		2017	643	643		643		643	
Department of Human Services - Passed Thru County of Bergen									
Municipal Alliance	N/A	2016	9,876	9,876	2,513		2,513		9,876
Municipal Alliance	N/A	2017	9,876		-	9,876	5,786	4,090	5,786
					<u>\$ 68,805</u>	<u>\$ 87,264</u>	<u>\$ 59,917</u>	<u>\$ 96,152</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, 2017**

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	\$ 76,162	\$ 87,264	\$ 163,426
Total	<u>\$ 76,162</u>	<u>\$ 87,264</u>	<u>\$ 163,426</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, 2017**

Part I – Summary of Auditor’s Results

Financial Statements

Type of auditors' report issued on financial statements	<u>Unmodified</u>	
Internal control over financial reporting:		
1) Material weakness(es) identified	<u> </u> yes	<u> X </u> no
2) Significant deficiency(ies) that are not considered to be material weakness(es)?	<u> </u> yes	<u> X </u> none
Noncompliance material to the financial statements noted?	<u> </u> yes	<u> X </u> 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, 2017

**BOROUGH OF FRANKLIN LAKES
SUPPORTING DATA**

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

	<u>Year 2017</u>		<u>Year 2016</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED				
Fund Balance Utilized	\$ 1,325,000	1.74 %	\$ 1,413,207	1.90 %
Miscellaneous - From Other Than Local				
Property Tax Levies	5,206,704	6.83	4,504,804	6.05
Collection of Delinquent Taxes and Tax Title Liens	726,816	0.95	561,102	0.75
Collection of Current Tax Levy	68,220,064	89.49	67,402,494	90.45
Other Credits	<u>757,294</u>	<u>0.99</u>	<u>635,968</u>	<u>0.85</u>
 Total Income	 <u>76,235,878</u>	 <u>100.00</u> %	 <u>74,517,575</u>	 <u>100.00</u> %
EXPENDITURES				
Budget Expenditures				
Municipal Purposes	17,377,033	24.42 %	16,888,395	23.07 %
County Taxes	11,243,327	15.16	11,101,382	15.16
Local District School Taxes	26,193,643	35.31	25,739,848	35.16
Regional School Taxes	19,195,744	25.88	19,235,201	26.27
Other Expenditures	<u>169,786</u>	<u>0.23</u>	<u>252,939</u>	<u>0.34</u>
 Total Expenditures	 <u>74,179,533</u>	 <u>76.57</u> %	 <u>73,217,765</u>	 <u>100.00</u> %
 Excess in Revenue	 2,056,345		 1,299,810	
 Fund Balance, January 1	 <u>3,643,000</u>		 <u>3,756,397</u>	
	5,699,345		5,056,207	
 Less Utilization as Anticipated Revenue	 <u>1,325,000</u>		 <u>1,413,207</u>	
 Fund Balance, December 31	 <u>\$ 4,374,345</u>		 <u>\$ 3,643,000</u>	

**BOROUGH OF FRANKLIN LAKES
SUPPORTING DATA**

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

	<u>Year 2017</u>		<u>Year 2016</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED				
Sewer User Fees	\$ 125,539	84.58 %	\$ 62,076	56.59 %
Sewer Connection Fees	781	0.53	23,752	21.65
Non-Budget Revenue	2,167	1.46	405	0.37
Other Credits to Income	<u>19,934</u>	<u>13.43</u>	<u>23,469</u>	<u>21.39</u>
 Total Income	 <u>148,421</u>	 <u>100.00</u> %	 <u>109,702</u>	 <u>100.00</u> %
EXPENDITURES				
Budget Expenditures				
Operating	<u>84,000</u>	<u>100.00</u>	<u>82,700</u>	<u>100.00</u>
 Total Expenditures	 <u>84,000</u>	 <u>100.00</u> %	 <u>82,700</u>	 <u>100.00</u> %
Excess in Revenue	64,421		27,002	
Fund Balance, January 1	<u>44,389</u>		<u>17,387</u>	
Fund Balance, December 31	<u>\$ 108,810</u>		<u>\$ 44,389</u>	

**BOROUGH OF FRANKLIN LAKES
SUPPORTING DATA**

Comparative Schedule of Tax Rate Information

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Tax Rate</u>	<u>\$1.636</u>	<u>1.641</u>	<u>\$1.599</u>

Apportionment of Tax Rate

Municipal	.246	.245	.242
County	.257	.265	.251
County Open Space	.010	.003	.003
Local School	.628	.625	.617
Regional High School	.460	.467	.451
Library	.035	.036	.035

Assessed Valuation

2017	<u>\$4,176,138,000</u>	
2016		<u>\$4,120,027,000</u>
2015		<u>\$4,122,251,600</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>
2017	\$ 68,896,240	\$ 68,220,064	99.01%
2016	68,227,010	67,402,494	98.79%
2015	66,310,778	65,698,123	99.08%

**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>
2017	\$14,160	\$497,394	\$511,554	0.74%
2016	12,704	726,843	739,547	1.08
2015	10,753	562,690	573,443	0.86

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>	2017	\$4,374,345	\$2,109,000
	2016	3,643,000	1,325,000
	2015	3,756,397	1,413,207
	2014	3,045,500	875,000
	2013	2,365,544	750,000
<u>Sewer Utility Fund</u>	2017	\$108,810	
	2016	44,389	-
	2015	17,387	-
	(Inception Year)		-

**BOROUGH OF FRANKLIN LAKES
SUPPORTING DATA**

OFFICIALS IN OFFICE AND SURETY BONDS

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

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

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

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

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

GENERAL COMMENTS

Current Year Findings

Our audit indicated that the value of certain properties owned by the Borough were not included on the fixed asset appraisal report. However, the Borough has indicated the fixed assets appraisal report will be updated to include the value of all Borough owned properties, hence no recommendation is warranted.

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 2017, the Governing Body approved a resolution authorizing the bid threshold of \$40,000 for the period of January 1, 2017 through December 31, 2017 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:

2017 Road Improvements	Borough Hall Security Improvements
Emergency Management Retaining Wall Improvements	Paving of Old Mill Road
Garbage and Recycling Collections	Construction of Municipal Field Fieldhouse
Marketing of Recyclables	

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

**BOROUGH OF FRANKLIN LAKES
SUPPORTING DATA**

GENERAL COMMENTS (Continued)

Collection of Interest on Delinquent Taxes and Assessments

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

The Governing Body on January 1, 2017 adopted the following resolution authorizing interest to be charged on delinquent taxes and assessments:

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

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

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

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

Delinquent Taxes and Tax Title Liens

The last tax sale was held on November 27, 2017.

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>
2017	7
2016	7
2015	5

**BOROUGH OF FRANKLIN LAKES
SUPPORTING DATA**

RECOMMENDATIONS

There are none.

Status of Prior Year's Audit Findings/Recommendations

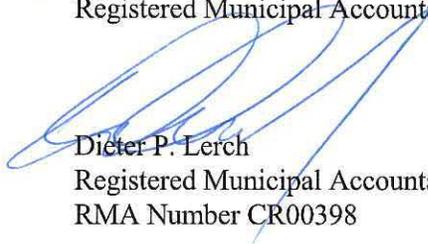
A review was performed on all prior year recommendations. Corrective action was taken on all prior year recommendations.

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