

REPORT OF AUDIT
TOWNSHIP OF FRANKFORD
COUNTY OF SUSSEX
DECEMBER 31, 2017

TOWNSHIP OF FRANKFORD, N.J.
YEAR ENDED DECEMBER 31, 2017
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TOWNSHIP OF FRANKFORD

PART I

REPORT OF AUDIT ON FINANCIAL STATEMENTS

AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2017

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Members of the Township Committee
Township of Frankford
Augusta, New Jersey 07822

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Township of Frankford in the County of Sussex, as of December 31, 2017 and 2016, the related statement 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, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Township of Frankford on the basis of the financial reporting provisions 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 requirements of New Jersey.

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 matters discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, 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 Township of Frankford as of December 31, 2017 and 2016, or changes in financial position for the years then ended.

Basis for Qualified Opinion on Regulatory Basis Accounting Principles

We are unable to obtain sufficient evidence to support the cost of fixed assets. As more fully described in Note 1, due to the length of time over which these fixed assets were acquired, it is not practical to determine their actual costs. We are, therefore, unable to express an opinion as to the general fixed assets account group at December 31, 2017 and 2016, stated as \$6,460,573.62 and \$5,917,097.62 respectively.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of the matter described in "Basis for Qualified Opinion on Regulatory Basis Accounting Principles" paragraph, the financial statements referred to above present fairly, in all material respects, the regulatory basis balances sheets as of December 31, 2017 and 2016, the regulatory basis statements of operations for the years then ended and the regulatory basis statements of revenues and expenditures for the year ended December 31, 2017 in accordance with the basis of financial reporting 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 opinions on the financial statements that collectively comprise the Township of Frankford's basic financial statements. The supplementary information listed in the table of contents and the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information listed in the table of contents are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information listed in the table of contents, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the basic 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 29, 2018 on our consideration of the Township of Frankford's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township of Frankford's internal control over financial reporting and compliance.



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Registered Municipal Accountant
No. 497

Ferraioli, Wielkotz, Cerullo & Cuva, PA
FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants

Newton, New Jersey

May 29, 2018



Township of Frankford, N.J.

Comparative Balance Sheet - Regulatory Basis

Current Fund

December 31,

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
<u>Assets</u>			
Current Fund:			
Cash	A-4	3,040,176.27	1,751,807.23
Change Fund	A-5	275.00	275.00
		<u>3,040,451.27</u>	<u>1,752,082.23</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Taxes Receivable	A-6	150,496.45	159,896.13
Tax Title Liens Receivable	A-7	414,220.81	368,491.98
Property Acquired for Taxes -			
Assessed Valuation	A-8	593,800.00	488,500.00
Revenue Accounts Receivable	A-9	1,894.11	511.13
Prepaid Local School District Taxes	A-19	18,000.00	
		<u>1,178,411.37</u>	<u>1,017,399.24</u>
Deferred Charges:			
Special Emergency Authorizations (40A:4-55)	A-14		22,045.00
Emergency Authorizations (40A:4-47)	A-15		29,679.41
			<u>51,724.41</u>
		<u>4,218,862.64</u>	<u>2,821,205.88</u>
Federal and State Grant Fund:			
Interfund Receivables:			
Current Fund	A-22	74,137.95	86,405.60
		<u>74,137.95</u>	<u>86,405.60</u>
		<u>4,293,000.59</u>	<u>2,907,611.48</u>

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Township of Frankford, N.J.

Comparative Balance Sheet - Regulatory Basis

Current Fund

December 31,

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Current Fund:			
Appropriation Reserves			
Unencumbered	A-3;A-12	153,623.32	193,411.58
Encumbered	A-3;A-12	49,789.95	19,718.48
Due To State of New Jersey:			
Senior Citizen and Veteran Deductions	A-10	43,229.86	41,479.86
Interfunds Payable:			
Federal and State Grant Fund	A-11	74,137.95	86,405.60
Other Trust Fund	A-11		14,089.77
Tax Overpayments	A-13	11,429.10	13,452.95
Reserve for:			
Master Plan	A-13	1,087.30	11,182.08
Due to State of New Jersey:			
DCA Training Fees	A-13		1,235.00
Marriage Surcharge	A-13		125.00
Encumbrances Payable	A-16	7,158.24	
Prepaid Taxes	A-17	1,351,299.66	273,938.92
County Taxes Payable	A-18	16,107.08	
		<u>1,707,862.46</u>	<u>655,039.24</u>
Reserve for Receivables	Contra	1,178,411.37	1,017,399.24
Fund Balance	A-1	<u>1,332,588.81</u>	<u>1,148,767.40</u>
		<u>4,218,862.64</u>	<u>2,821,205.88</u>
Federal and State Grant Fund:			
Encumbrances Payable	A-23	129.05	9,289.44
Appropriated Reserve for Grants	A-25	48,610.41	50,741.39
Unappropriated Reserve for Grants	A-26	25,398.49	26,374.77
		<u>74,137.95</u>	<u>86,405.60</u>
		<u>4,293,000.59</u>	<u>2,907,611.48</u>

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Township of Frankford, N.J.

Comparative Statement of Operations and Changes in Fund Balance - Regulatory Basis

Current Fund

Year Ended December 31,

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
Revenues and Other Income:			
Fund Balance Utilized	A-2	508,000.00	557,000.00
Miscellaneous Revenue Anticipated	A-2	809,497.66	767,648.18
Receipts from Delinquent Taxes	A-2	156,557.23	155,890.36
Receipts from Current Taxes	A-2	18,439,203.44	18,683,024.27
Non-Budget Revenue	A-2	444,094.64	287,812.84
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-12	190,264.36	132,965.24
Total Revenues and Other Income		<u>20,547,617.33</u>	<u>20,584,340.89</u>
Expenditures:			
Budget and Emergency Appropriations:			
Operations - Within Caps:			
Salaries and Wages	A-3	1,026,900.00	965,600.00
Other Expenses	A-3	1,532,300.00	1,583,500.00
Deferred Charges and Statutory Expenditures -			
Municipal - Within Caps	A-3	246,103.70	237,620.41
Operations - Excluded From CAPS:			
Salaries and Wages	A-3	167,000.00	162,000.00
Other Expenses	A-3	119,595.87	81,468.00
Capital Improvements - Excluded from Caps			470,000.00
Municipal Debt Service - Excluded from Caps	A-3	495,377.77	19,477.78
Deferred Charges and Statutory Expenditures -			
Municipal - Excluded from Caps	A-3	60,295.00	110,500.00
Refund of Prior Year Revenue	A-4	2,454.74	
County Taxes including Added Taxes	A-18	4,625,970.46	4,567,660.89
Local District School Tax	A-19	7,172,579.00	7,383,458.00
Prepaid School Taxes	A-19	18,000.00	
Regional High School Tax	A-20	4,315,886.00	4,481,413.00
Open Space Tax	A-21	73,333.38	73,313.05
Total Expenditures		<u>19,855,795.92</u>	<u>20,136,011.13</u>
Excess (Deficit) Revenue Over Expenditures		691,821.41	448,329.76
Adjustment to Income Before Fund Balance			
Expenditures Included above Which are by Statute			
Deferred Charges to Budget of Succeeding Year			29,679.41
Statutory Excess to Fund Balance		691,821.41	478,009.17
Fund Balance, January 1,	A-1	1,148,767.40	1,227,758.23
		1,840,588.81	1,705,767.40
Fund Balance Utilized as Budget Revenue		<u>508,000.00</u>	<u>557,000.00</u>
Fund Balance, December 31,	A	<u>1,332,588.81</u>	<u>1,148,767.40</u>

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Statement of Revenues - Regulatory Basis

Current Fund

Year Ended December 31, 2017

	<u>Ref.</u>	<u>Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Fund Balance Anticipated	A-1	508,000.00	508,000.00	
Miscellaneous Revenues:				
Licenses:				
Alcoholic Beverages	A-9	5,000.00	4,940.00	(60.00)
Other	A-9	4,400.00	4,425.00	25.00
Fees and Permits	A-9	50,000.00	40,388.60	(9,611.40)
Fines and Costs:				
Municipal Court	A-9	13,000.00	18,865.04	5,865.04
Interest and Costs on Taxes	A-9	50,000.00	43,676.16	(6,323.84)
Interest on Investments and Deposits	A-9	4,000.00	4,922.37	922.37
Consolidated Municipal Property Tax Relief Aid	A-9	1,499.00	1,499.00	
Energy Receipts Tax	A-9	453,502.00	453,502.00	
Watershed Moratorium Offset Aid	A-9	13,066.00	13,066.00	
Garden State Trust	A-9	10,729.00	10,729.00	
Uniform Construction Code Fees	A-9	84,000.00	107,532.35	23,532.35
Special Items of General Revenue Anticipated With Prior Written Consent of Director of Local Government Services				
Public and Private Revenues:				
Clean Communities Program - Reserve	A-24	26,374.77	26,374.77	
Recycling Tonnage Grant- Reserve	A-24	9,577.37	9,577.37	
Other Special Items:				
Reserve for Purchase of Road Equipment	A-9	70,000.00	70,000.00	
Total Miscellaneous Revenues	A-1	795,148.14	809,497.66	14,349.52
Receipts from Delinquent Taxes	A-1;A-2	155,000.67	156,557.23	1,556.56
Subtotal General Revenues		1,458,148.81	1,474,054.89	15,906.08
Amount to be Raised by Taxes for Support of Municipal Budget-Local Tax Including Reserve for Uncollected Taxes	A-2	2,416,639.00	2,463,071.60	46,432.60
Budget Totals		3,874,787.81	3,937,126.49	62,338.68
Non-Budget Revenue	A-1;A-2		444,094.64	444,094.64
		<u>3,874,787.81</u>	<u>4,381,221.13</u>	<u>506,433.32</u>
	A-3			

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Statement of Revenues - Regulatory Basis

Current Fund

Year Ended December 31, 2017

<u>Analysis of Realized Revenues</u>	<u>Ref.</u>	
Revenue from Collections	A-1;A-6	18,439,203.44
Less: Allocated to School, County, and Open Space Taxes	A-6	<u>16,187,768.84</u>
Balance for Support of Municipal Budget Appropriations		2,251,434.60
Add : Appropriation - Reserve for Uncollected Taxes	A-3	<u>211,637.00</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u><u>2,463,071.60</u></u>
Receipts from Delinquent Taxes:		
Delinquent Taxes		
Taxes Receivable	A-6	155,739.55
Tax Title Lien Receivable	A-7	817.68
	A-2	<u><u>156,557.23</u></u>

Analysis of Non-budget Revenues

	<u>Ref.</u>	
Miscellaneous Revenues Not Anticipated:		
Borough Clerk		1,504.77
Municipal Court Agreements		237,521.80
Cable T.V. Franchise Fee		18,781.00
Payment in Lieu of Taxes		8,366.00
Rents		8,976.00
Proceeds from Auction		16,145.00
Sale of Scrap Metal		1,031.00
Sale of Vacant and Abandoned Properties		94,600.68
Tax Sale Premiums		50,000.00
Various Refunds and Miscellaneous		<u>7,168.39</u>
	A-4	
		<u><u>444,094.64</u></u>
		A-2

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Township of Frankford, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2017

	<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Operations - within "CAPS"							
General Government:							
Administrative and Executive							
Salaries and Wages			12,000.00	12,000.00	10,952.00	1,048.00	
Other Expenses			7,500.00	7,500.00	5,171.04	2,328.96	
Municipal Clerk							
Salaries and Wages			110,000.00	110,000.00	96,561.46	13,438.54	
Other Expenses			11,000.00	10,000.00	7,949.85	2,050.15	
Codification of Ordinances			1,000.00	2,000.00	2,000.00		
Elections			6,000.00	6,000.00	4,233.60	1,766.40	
Financial Administration							
Salaries and Wages			49,000.00	49,000.00	48,559.73	440.27	
Other Expenses			17,600.00	17,600.00	16,980.73	619.27	
Audit Services			27,500.00	27,500.00	25,160.00	2,340.00	
Computer Services and Office Equipment			43,000.00	47,800.00	44,261.73	3,538.27	
Assessment of Taxes							
Salaries and Wages			37,000.00	37,000.00	36,072.00	928.00	
Other Expenses			3,500.00	3,500.00	2,346.51	1,153.49	

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Township of Frankford, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2017

	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
<u>General Appropriations</u>						
Collection of Taxes						
Salaries and Wages		62,000.00	62,000.00	60,763.12	1,236.88	
Other Expenses		3,000.00	3,000.00	2,630.18	369.82	
Legal Services and Costs:						
Other Expenses		50,000.00	50,000.00	46,759.40	3,240.60	
Engineering Services and Costs						
Other Expenses		14,000.00	14,000.00	11,583.67	2,416.33	
Land Use Board						
Salaries and Wages		24,000.00	24,000.00	23,510.68	489.32	
Other Expenses		12,400.00	12,400.00	7,773.86	4,626.14	
Zoning Board						
Salaries and Wages		45,400.00	45,400.00	43,830.58	1,569.42	
Other Expenses		1,900.00	1,900.00	1,026.50	873.50	
Emergency Management						
Salaries and Wages		5,600.00	5,600.00	5,423.00	177.00	
Other Expenses		1,600.00	1,600.00	1,571.96	28.04	
Public Safety:						
Aid to Volunteer Fire Companies		140,000.00	140,000.00	139,999.95	0.05	
Aid to Branchville Fire Department		5,500.00	5,500.00	5,500.00		
Aid to Beemerville Fire Department		5,500.00	5,500.00	5,500.00		
First Aid Organization - Contribution		40,000.00	40,000.00	40,000.00		
First Responders		10,000.00	10,000.00	10,000.00		

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Township of Frankford, N.J.
Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2017

	<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Municipal Court							
Prosecutor							
Other Expenses			43,000.00	43,000.00	41,707.80	1,292.20	
Public Buildings and Grounds							
Salaries and Wages			6,500.00	6,500.00	6,271.58	228.42	
Other Expenses			30,000.00	23,700.00	19,365.92	4,334.08	
Streets and Roads:							
Road Repairs and Maintenance							
Salaries and Wages			490,000.00	490,000.00	467,420.39	22,579.61	
Other Expenses			263,000.00	257,200.00	236,276.67	20,923.33	
Snow Removal							
Salaries and Wages			50,000.00	50,000.00	50,000.00		
Other Expenses			170,000.00	170,000.00	153,017.45	16,982.55	
Recycling							
Salaries and Wages			7,800.00	7,600.00	6,691.74	908.26	
Sanitation							
Garbage and Trash Removal							
Other Expenses			2,500.00	2,700.00	2,602.01	97.99	
Vehicle Expense			50,000.00	50,000.00	28,160.21	21,839.79	

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Township of Frankford, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2017

	<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Health and Welfare:							
Board of Health							
Salaries and Wages			4,700.00	4,700.00	4,576.74	123.26	
Other Expenses			1,000.00	1,000.00	582.33	417.67	
SCARC			1,500.00	1,500.00	1,500.00		
Senior Organization			2,500.00	2,500.00	2,500.00		
Park Buildings and Grounds							
Salaries and Wages			20,000.00	22,100.00	22,096.67	3.33	
Other Expenses			27,000.00	24,900.00	24,856.23	43.77	
Utility Expense:							
Electricity			14,000.00	13,400.00	11,595.31	1,804.69	
Street Lighting			5,500.00	6,100.00	6,080.23	19.77	
Telephone			7,000.00	8,500.00	8,404.47	95.53	
Fuel Oil			13,000.00	13,000.00	7,872.49	5,127.51	
Gasoline			25,000.00	28,800.00	26,988.40	1,811.60	
Insurance							
General Liability			90,000.00	90,000.00	88,146.05	1,853.95	
Workers Compensation			47,000.00	47,000.00	46,565.00	435.00	
Employee Group Health			258,500.00	258,500.00	227,144.44	31,355.56	
Health Benefit Waivers			45,000.00	47,000.00	46,874.49	125.51	
Insurance Other			2,700.00	2,700.00	2,562.30	137.70	

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Township of Frankford, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2017

	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
<u>General Appropriations</u>						
Sub-Code Officials						
Construction Officials						
Salaries and Wages		100,000.00	101,000.00	100,753.76	246.24	
Other Expenses		11,000.00	10,000.00	3,201.44	6,798.56	
Accumulated Leave Compensation		25,000.00	25,000.00	25,000.00		
Total Operations {Item 8 (A)} Within "CAPS"		2,559,200.00	2,559,200.00	2,374,935.67	184,264.33	
Detail:						
Salaries and Wages	A-1	1,024,000.00	1,026,900.00	983,483.45	43,416.55	
Other Expenses	A-1	1,535,200.00	1,532,300.00	1,391,452.22	140,847.78	
Deferred Charges and Statutory Expenditures-Within "CAPS"						
Municipal Within "CAPS"						
Deferred Charges:						
Deficit in Animal Control Trust Fund		4,235.00	4,235.00	4,234.29		0.71
Public Employees' Retirement System		29,680.00	29,680.00	29,679.41		0.59
Statutory Expenditures						
Contribution to:						
Public Employees' Retirement System		117,090.00	117,090.00	117,090.00		
Social Security System (O.A.S.I.)		93,000.00	93,000.00	90,210.76	2,789.24	
Defined Contribution Retirement Program		100.00	100.00		100.00	
Unemployment Compensation Insurance		2,000.00	2,000.00	2,000.00		

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Township of Frankford, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2017

	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
<u>General Appropriations</u>						
Total Deferred Charged and Statutory						
Expenditures - Municipal within "CAPS"	A-1	246,105.00	246,105.00	243,214.46	2,889.24	1.30
Total General Appropriations for Municipal						
Purposes within "CAPS"		2,805,305.00	2,805,305.00	2,618,150.13	187,153.57	1.30
4 Operations - Excluded From "CAPS"						
Interlocal Municipal Service Agreements						
Municipal Court:						
Salaries and Wages		167,000.00	167,000.00	163,482.88	3,517.12	
Other Expenses		30,965.00	30,965.00	18,259.42	12,705.58	
"911" System						
Other Expenses		14,200.00	14,200.00	14,164.00	36.00	
Township of Branchville - Sewer Agreement						
Other Expenses		53,000.00	53,000.00	37,423.06	0.00	15,576.94
Total Interlocal Municipal Service Agreements		265,165.00	265,165.00	233,329.36	16,258.70	15,576.94
Public and Private Programs Offset By Revenues						
Clean Communities Grant		26,374.77	26,374.77	26,374.77		
Recycling Tonnage Grant- Reserve						
Other Expenses		9,577.37	9,577.37	9,577.37		
Matching Funds for Grants		1.00	1.00		1.00	
Municipal Alliance - Local Share		1,054.67	1,054.67	1,054.67		

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Township of Frankford, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2017

	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
<u>General Appropriations</u>						
Total Public and Private Programs Offset		37,007.81	37,007.81	37,006.81	1.00	
By Revenues						
Total Operations - Excluded from "CAPS"		302,172.81	302,172.81	270,336.17	16,259.70	15,576.94
Detail:						
Salaries and Wages	A-1	167,000.00	167,000.00	163,482.88	3,517.12	
Other Expenses	A-1	135,172.81	135,172.81	106,853.29	12,742.58	15,576.94
Municipal Debt Service -Excluded From "CAPS"						
Payment of Bond Anticipation Notes and Capital Notes		465,000.00	465,000.00	465,000.00	XXXXXXX	
Interest on Bonds		10,900.00	10,900.00	10,900.00	XXXXXXX	
Green Trust Loan Program:						
Loan Repayments for Principal and Interest		19,478.00	19,478.00	19,477.77		0.23
Total Municipal Debt Service-Excluded from "CAPS"	A-1	495,378.00	495,378.00	495,377.77		0.23
Deferred Charges - Municipal -						
Excluded From "CAPS"						
(1) Deferred Charges:						
Special Emergency Authorizations -						
5 Years (N.J.S. 40A:4-55)		22,045.00	22,045.00	22,045.00		
Unfunded Ordinances:						
05-12 George Hill Road Section II		21,200.00	21,200.00	21,200.00		
04-04 Land Purchase		17,050.00	17,050.00	17,050.00		

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Township of Frankford, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2017

	Ref.	Budget	Budget After Modification	Paid or Charged	Reserved	Unexpended Balance Cancelled
General Appropriations						
Total Deferred Charges - Municipal - Excluded From "CAPS"	A-1	60,295.00	60,295.00	60,295.00		
Total General Appropriations for Municipal Purposes Excluded from "CAPS"		857,845.81	857,845.81	826,008.94	16,259.70	15,577.17
Subtotal General Appropriations		3,663,150.81	3,663,150.81	3,444,159.07	203,413.27	15,578.47
Reserve for Uncollected Taxes		211,637.00	211,637.00	211,637.00		
Total General Appropriations		3,874,787.81	3,874,787.81	3,655,796.07	203,413.27	15,578.47
	A-2					

Analysis of Paid or Charged

Reserve for Uncollected Taxes

Cash Disbursements

Interfund - Federal and State Grant Fund

Deferred Charges - Special Emergency

Deferred Charges - Emergency Authorization

Reserve for Federal & State Grants

Analysis of Appropriation Reserves

Unencumbered

Encumbered

153,623.32
49,789.95
203,413.27

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Township of Frankford, N.J.

Comparative Balance Sheet - Regulatory Basis

Trust Funds

December 31,

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
<u>Assets</u>			
Animal Control Trust Fund:			
Cash- Treasurer	B-1	6.74	361.11
Deficit for Animal Control			
Trust Fund Expenditures	B-2	5,004.46	4,234.29
		<u>5,011.20</u>	<u>4,595.40</u>
Other Trust Funds:			
Cash	B-1	1,259,302.73	1,311,076.24
Interfund - Current Fund	B-5	14,089.77	14,089.77
		<u>1,259,302.73</u>	<u>1,325,166.01</u>
		<u>1,264,313.93</u>	<u>1,329,761.41</u>

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Township of Frankford, N.J.

Comparative Balance Sheet - Regulatory Basis

Trust Funds

December 31,

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
<u>Liabilities, Reserves & Fund Balance</u>			
Animal Control Trust Fund:			
Prepaid Licenses	B-3	5,010.00	4,590.00
Due to State Department of Health	B-6	1.20	5.40
		<u>5,011.20</u>	<u>4,595.40</u>
Other Trust Funds:			
Interfund Payable			
Reserve for Encumbrances	B-4	15,892.64	22,225.93
Other Trust Funds	B-7	1,243,410.09	1,302,940.08
		<u>1,259,302.73</u>	<u>1,325,166.01</u>
		<u>1,264,313.93</u>	<u>1,329,761.41</u>

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Township of Frankford, N.J.

Comparative Balance Sheet - Regulatory Basis

General Capital Fund

December 31,

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
<u>Assets</u>			
Cash	C-2;C-3	58,676.40	883,301.48
New Jersey Grants Receivable	C-4		77,105.90
Deferred Charges to Future Taxation			
Funded	C-5	94,487.41	111,815.10
Unfunded	C-6	896,250.00	1,399,500.00
		<u>1,049,413.81</u>	<u>2,471,722.48</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Capital Improvement Fund	C-7	5,225.68	26,225.68
Improvement Authorizations:			
Funded	C-8	1,379.40	255,697.27
Unfunded	C-8	92,282.00	223,574.12
Reserve for:			
Purchase of Equipment	C-9	70,000.00	140,000.00
Imp. to Renovations to Mun. Bldg.	C-9	36,800.00	36,800.00
Improvements to Roads	C-9	14,713.19	35,463.19
Improvements to Roads - LUB	C-9	12,104.63	12,104.63
Construction of Firehouse	C-9	11,112.50	11,112.50
Improvements to Parks	C-9	475.78	475.78
Encumbrances	C-9	317.80	499,222.00
Bond Anticipation Notes	C-10	625,000.00	1,090,000.00
Green Trust Loan Payable	C-11	94,487.41	111,815.10
Fund Balance	C-1	85,515.42	29,232.21
		<u>1,049,413.81</u>	<u>2,471,722.48</u>

Footnote C: There were Bonds and Notes Authorized But Not Issued in the amount of \$271,250.00 and \$309,500.00 on December 31, 2017 and 2016 per Exhibit C-12.

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Township of Frankford, N.J.

Comparative Schedule of Fund Balance - Regulatory Basis

General Capital Fund

Years Ended December 31,

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
Balance - January 1,	C	29,232.21	60,665.41
Increased by:			
Improvement Authorizations Cancelled	C-8	<u>56,283.21</u>	<u>566.80</u>
			61,232.21
Decreased by:			
Appropriated to Finance			
Improvement Authorizations			<u>32,000.00</u>
Balance - December 31,	C	<u><u>85,515.42</u></u>	<u><u>29,232.21</u></u>

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Township of Frankford, N.J.

Comparative Balance Sheet - Regulatory Basis

Public Assistance Fund

December 31,

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
<u>Assets</u>			
Cash	D-1	<u>2,876.20</u>	<u>2,876.20</u>
 <u>Liabilities and Reserves</u>			
Reserve for Public Assistance	D-3	<u>2,876.20</u>	<u>2,876.20</u>

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Township of Frankford, N.J.

Comparative Statement of General Fixed Assets - Regulatory Basis

December 31,

	Balance <u>Dec. 31, 2017</u>	Balance <u>Dec. 31, 2016</u>
<u>General Fixed Assets:</u>		
Land	2,669,650.00	2,669,650.00
Buildings	1,110,146.18	1,110,146.18
Machinery and Equipment	<u>2,680,777.44</u>	<u>2,137,301.44</u>
	<u><u>6,460,573.62</u></u>	<u><u>5,917,097.62</u></u>
 Investment in Fixed Assets	 <u><u>6,460,573.62</u></u>	 <u><u>5,917,097.62</u></u>

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

TOWNSHIP OF FRANKFORD, N.J.

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2017 AND 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

The Township of Frankford (the "Township") operates under a Township Committee form of government. The Township's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

GASB has issued Statement No. 14 which requires the financial reporting entity to include both the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

However, 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. 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 Township do not include the volunteer fire department which is considered a component unit under GAAP. Complete financial statements of the above components can be obtained by contacting the Treasurer of the respective entity.

TOWNSHIP OF FRANKFORD, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting

The Township 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 Township functions or activities. An account group, on the other hand, is designed to provide accountability for certain assets and liabilities that are not recorded in those Funds.

The Township has the following funds and account groups:

Current Fund - This fund accounts for resources and expenditures for governmental operations of a general nature, including Federal and State grants.

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

Other Trust Fund - This fund is established to account for the assets and resources which are also held by the Township as a trustee or agent for individuals, private organizations, other governments and/or other funds.

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

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

Public Assistance Fund - This fund is used to account for the receipt and disbursement of funds that provide assistance to certain residents of the Township pursuant to Title 44 of New Jersey Statutes. The Township transferred administration of the general assistance program to the Sussex County Board of Social Services. The funds remaining in the Public Assistance Fund are used to assist certain residents who do not qualify for the General Assistance Program.

General Fixed Assets Account Group - To account for all fixed assets of the Township. The Township's infrastructure is not reported in the group.

TOWNSHIP OF FRANKFORD, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting (continued)

A modified accrual basis of accounting is followed by the Township of Frankford. 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 for municipalities by the Division differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local governmental units. The more significant differences are as follows:

Property Tax Revenues - 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. 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 Township. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on the 11th day of the 11th month of the year levied, the collector in the municipality shall subject to the provisions of the New Jersey Statutes enforce the lien by placing the property on a tax sale. Annual in rem tax foreclosure proceedings are instituted to enforce the tax collection or acquisition of title to the property by the Township. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the taxes receivable and tax title liens that are uncollectible. GAAP requires tax revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

Miscellaneous Revenues - 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 Township's Current Fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual.

Grant Revenues - Federal and State grants, entitlements or shared revenues received for purposes normally financed through the Current Fund are recognized when anticipated in the Township's budget. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual.

TOWNSHIP OF FRANKFORD, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting (continued)

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 for the current fund. Budget amounts presented in the accompanying financial statements represent amounts adopted by the Township and approved by the State Division of Local Government Services per N.J.S.A. 40-A:4 et seq.

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

Animal Control Trust Fund
General Capital Fund

Trust Fund

The governing body shall introduce and approve the annual budget not later than February 10, of the fiscal year. The budget shall be adopted not later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. Emergency appropriations, those made after the adoption of the budget and determination of the tax rate, may be authorized by the governing body of the municipality. During the last two months of the fiscal year, the governing body may, by a 2/3 vote, amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the Governing Body. Expenditures may not legally exceed budgeted appropriations at the line item level. Several budget transfers were approved by the governing body.

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

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

TOWNSHIP OF FRANKFORD, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting (continued)

Appropriation Reserves - 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.

Compensated Absences - Expenditures relating to obligations for unused vested accumulated vacation and sick pay are not recorded until paid. 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 be recorded as a long-term obligation.

Property Acquired for Taxes - Is recorded in the Current Fund at the assessed valuation when such property was acquired and fully reserved. GAAP requires such property to be recorded in the General Fixed Assets Account Group at market value on the date of acquisition.

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.

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.

Cash and Investments - Cash includes amounts in demand deposits as well as short-term investments with a maturity date within one year of the date acquired by the government. Investments are stated at fair value and are limited by NJSA 40A:5-15.1(a).

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

Comparative Data - Comparative data for the prior year has been presented in the accompanying balance sheets and statements of operations in order to provide an understanding of changes in the Township'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.

TOWNSHIP OF FRANKFORD, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting (continued)

Use of Estimates - The preparation of financial statements requires management of the Township 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 revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

General Fixed Assets - The Township of Frankford has developed a fixed asset accounting and reporting system, as promulgated by the Division of Local Government Services, which differs in certain respects from generally accepted accounting principles.

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 sidewalks and drainage systems are not capitalized.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available.

No depreciation has been provided for in the financial statements.

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

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

GAAP requires that all fixed assets be capitalized at historical cost or estimated historical cost if actual historical cost is not available.

Recent Accounting Pronouncements

In June 2015, the Government Accounting Standards Board issued GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This Statement applies to government employers who provided OPEB plans to their employees and basically parallels GASB Statement 68 and replaces GASB Statement 45. The Statement is effective for periods beginning after June 15, 2017. The Township does not believe this Statement will have any effect on future financial statements.

In June 2015, the Government Accounting Standards Board issued GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, which reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under

TOWNSHIP OF FRANKFORD, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting (continued)

Recent Accounting Pronouncements (continued)

GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the American Institute of Certified Public Accountants that is cleared by the GASB. The Township does not believe this Statement will have any effect on future financial statements.

In August 2015, the Government Accounting Standards Board issued GASB Statement No. 77, *Tax Abatement Disclosures*, which improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. The Township does not believe this Statement will have any effect on future financial statements.

In December 2015, the Government Accounting Standards Board issued GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement is effective for reporting periods beginning after December 15, 2015. The Township does not believe this Statement will have any effect on future financial statements.

In December 2015, the Government Accounting Standards Board issued GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it established criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement is effective for periods beginning after June 15, 2015, and for certain provisions, periods beginning after December 15, 2015. The Township does not believe this Statement will have any effect on future financial statements.

In January 2016, the Government Accounting Standards Board issued GASB Statement No. 80, *Blending Requirements for Certain Component Units*, which provides clarity about how certain component units incorporated as not-for-profit corporations should be presented in the financial statements of the primary state or local government. The Township does not believe this Statement will have any effect on future financial statements.

TOWNSHIP OF FRANKFORD, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting (continued)

Recent Accounting Pronouncements (continued)

In March 2016, the Government Accounting Standards Board issued GASB Statement No. 81, Irrevocable Split-Interest Agreements. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The Township does not believe this Statement will have any effect on future financial statements.

In March 2016, the Government Accounting Standards Board issued GASB Statement No. 82, Pension Issues - an Amendment of GASB Statements No. 67, No. 68 and No. 73. The objective of this Statement is to address certain issues that have been raised with respect to Statement No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement is effective for reporting periods beginning after June 15, 2016. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice. The Township does not believe this Statement will have any effect on future financial statements.

In November 2016, the Government Accounting Standards Board issued GASB Statement No. 83, Certain Asset Retirement Obligations. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflows of resources for asset retirement obligations (AROs). The Township does not believe this Statement will have any effect on future financial statements.

In January 2017, the Government Accounting Standards Board issued GASB Statement No. 84, Fiduciary Activities. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify component units and postemployment benefit arrangements that are fiduciary activities. The Township is currently evaluating the effects, if any, this Statement may have on future financial statements.

In March 2017, the Government Accounting Standards Board issued GASB Statement No. 85, Omnibus 2017, which addresses practice issues that have been identified during the implementation and application of certain GASB statements. This Statement addresses a variety of topics including issues relating to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The Township is currently reviewing what effect, if any, this Statement might have on future financial statements.

TOWNSHIP OF FRANKFORD, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting (continued)

Recent Accounting Pronouncements (continued)

In May 2017, the Governmental Accounting Standards Board issued GASB Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The Township is currently reviewing what effect, if any, this Statement might have on future financial statements.

In June 2017, the Government Accounting Standards Board issued GASB Statement No. 87, *Leases*, which is intended to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, as a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the government's leasing activities. The Township is currently reviewing what effect, if any, this Statement might have on future financial statements.

C. Basic Financial Statements

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

NOTE 2: BUDGETARY INFORMATION

Under New Jersey State Statutes, the annual budget is required to be a balanced cash basis document. To accomplish this, the municipality is required to establish a reserve for uncollected taxes. The 2017 statutory budget included a reserve for uncollected taxes in the amount of \$211,637.00. The amount of fund balance budgeted to balance the 2017 statutory budget was \$508,000.00.

Inter department budget transfers are not permitted prior to November 1. After November 1, budget transfers can be made in the form of a resolution and approved by the Township Committee.

TOWNSHIP OF FRANKFORD, N. J.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(CONTINUED)**

NOTE 2: BUDGETARY INFORMATION CONTINUED)

N.J.S.A. 40A:4-87 permits special items of revenue and appropriations to be inserted into the annual budget when the item has been made available by any public or private funding source and the item was not determined at the time of budget adoption. There were no special items of revenue and appropriation inserted into the annual budget for 2017.

The municipality may make emergency appropriations, after the adoption of the budget, for a purpose which was not foreseen at the time the budget was adopted or for which adequate provision was not made therein. This type of appropriation shall be made to meet a pressing need for public expenditure to protect or promote the public health, safety, morals or welfare or to provide temporary housing or public assistance prior to the next succeeding fiscal year.

Emergency appropriations, except those classified as a special emergency, must be raised in the budgets of the succeeding year. Special emergency appropriations are permitted to be raised in the budgets of the succeeding three or five years. During 2017, there were no emergency appropriations inserted into the annual budget.

NOTE 3: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2017, the Township did not have deferred charges to succeeding years budgets.

NOTE 4: GENERAL FIXED ASSETS (UNAUDITED)

The following schedule is a summary of changes in the general fixed assets account group for the year 2017.

	<u>Balance as of Dec. 31, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance as of Dec. 31, 2017</u>
Land	\$2,669,650.00	\$ -	\$ -	\$2,669,650.00
Buildings	1,110,146.18	-	-	1,110,146.18
Equipment (Including Vehicles)	<u>2,137,301.44</u>	<u>543,476.00</u>	<u>-</u>	<u>2,680,777.44</u>
	<u>\$5,917,097.62</u>	<u>\$543,476.00</u>	<u>\$ -</u>	<u>\$6,460,573.62</u>

TOWNSHIP OF FRANKFORD, N. J.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(CONTINUED)**

NOTE 5: MUNICIPAL DEBT

Long-term debt as of December 31, 2017 consisted of the following:

	<u>Balance Dec. 31, 2016</u>	<u>Additions (1)</u>	<u>Reductions</u>	<u>Balance Dec. 31, 2017</u>	<u>Amounts Due Within One Year</u>
Compensated Absences Payable	\$217,584.28	\$3,640.91	\$ -	\$221,225.19	\$ -
New Jersey Green Trust Loan Payable	<u>111,815.10</u>	<u>-</u>	<u>17,327.69</u>	<u>94,487.41</u>	<u>12,911.70</u>
	<u>\$329,399.38</u>	<u>\$3,640.91</u>	<u>\$17,327.69</u>	<u>\$315,712.60</u>	<u>\$12,911.70</u>

(1) Net of additions and uses of compensated absences.

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

The Township's debt is summarized as follows:

	<u>Year 2017</u>	<u>Year 2016</u>	<u>Year 2015</u>
General:			
Bonds, Notes and Loans	\$719,487.41	\$1,201,815.10	\$128,801.35
Authorized But Not Issued:			
General:			
Bonds and Notes	<u>271,250.00</u>	<u>309,500.00</u>	<u>1,731,000.00</u>
Net Bonds and Notes Issued and Authorized But not Issued	<u>\$990,737.41</u>	<u>\$1,511,315.10</u>	<u>\$1,859,801.35</u>

SUMMARY OF STATUTORY DEBT CONDITION-ANNUAL DEBT STATEMENT

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicated a statement net debt of 0.123%.

TOWNSHIP OF FRANKFORD, N. J.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(CONTINUED)**

NOTE 5: MUNICIPAL DEBT (CONTINUED)

<u>Debt</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Regional High School District	\$1,331,485.76	\$1,331,485.76	\$ -
Municipal	<u>990,737.41</u>	<u>-</u>	<u>990,737.41</u>
	<u>\$2,322,223.17</u>	<u>\$1,31,485.76</u>	<u>\$990,737.41</u>

Net Debt \$990,737.41 divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, 804,602,493.00 = 0.123%.

SUMMARY OF AVERAGE EQUALIZED VALUATION

2017	804,602,493.00	
2016	812,495,467.33	
2015		824,347,571.33

BORROWING POWER UNDER N.J.S.A. 40A:2-6 AS AMENDED

3 ½% of Equalized Valuation Basis (Municipal)	28,161,087.26
Net Debt	<u>990,737.41</u>
Remaining Borrowing Power	<u>27,170,349.85</u>

The forgoing debt information is in agreement with the Annual Debt Statement filed by the Chief Financial Officer.

Analysis of Long-term debt as of December 31, 2017 consisted of the following:

Outstanding bonds or loans whose principal and interest are paid from the Current Fund Budget of the Township:

General Obligation Loan - Park Improvements - 10/28/98, in the amount of \$150,000.00 with the State of New Jersey, Department of Environmental Protection, Green Acres Trust Fund Loan. Interest is paid semi-annually at a rate of 2.00% per annum and is included in the semi-annual installments. This method of calculating interest is not in conformance with New Jersey Statutes. The Township has received approval from the Local Finance Board to use this method of interest calculation for this issue. The remaining balance as of December 31, 2017 was \$4,717.03.

TOWNSHIP OF FRANKFORD, N. J.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(CONTINUED)**

NOTE 5: MUNICIPAL DEBT (CONTINUED)

General Obligation Loan - Park Improvements - 1/8/08, in the amount of \$160,000.00 with the State of New Jersey, Department of Environmental Protection, Green Acres Trust Fund Loan. Interest is paid semi-annually at a rate of 2.00% per annum and is included in the semi-annual installments. This method of calculating interest is not in conformance with New Jersey Statutes. The Township has received approval from the Local Finance Board to use this method of interest calculation for this issue. The remaining balance as of December 31, 2017 was \$89,770.38.

Debt Outstanding

Total General Capital Loan - Listed in above	<u>\$94,487.41</u>
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**SCHEDULE OF ANNUAL DEBT SERVICE FOR PRINCIPAL AND INTEREST FOR LONG
TERM DEBT ISSUED AND OUTSTANDING**

<u>Calendar Year</u>	<u>Interest</u>	<u>Principal</u>	<u>Total Debt Service</u>
2018	\$1,801.80	\$12,911.70	\$ 14,713.50
2019	1,589.93	8,359.39	9,949.32
2020	1,421.90	8,527.41	9,949.31
2021	1,250.50	8,698.81	9,949.31
2022	1,075.65	8,873.65	9,949.30
2023-2027	<u>2,630.07</u>	<u>47,116.45</u>	<u>49,746.52</u>
	<u>\$9,769.85</u>	<u>\$94,487.41</u>	<u>\$104,257.26</u>

NOTE 6: BOND ANTICIPATION NOTES

The Township issued bond anticipation notes to temporarily fund various capital projects prior to the issuance of serial bonds. The term of the notes cannot exceed one year but the notes may be renewed from time to time for a period not exceeding one year. Generally, such notes must be paid no later than the first day of the fifth month following the close of the tenth fiscal year following the date of the original notes. The State of New Jersey also prescribes that on or before the third anniversary date of the original note a payment of an amount at least equal to the first legally payable installment of the bonds in anticipation of such notes issued be paid or retired. A second and third legal installment must be paid if the notes are to be renewed beyond the fourth and fifth anniversary date of the original issuance.

TOWNSHIP OF FRANKFORD, N. J.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(CONTINUED)**

NOTE 6: BOND ANTICIPATION NOTES

The following activity related to Bond Anticipation Notes occurred during the calendar year ended December 31, 2017:

	<u>Balance December 31, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2017</u>
General Capital:				
Sussex Bank	<u>\$1,090,000.00</u>	<u>\$625,000.00</u>	<u>\$1,090,000.00</u>	<u>\$625,000.00</u>

The Township has outstanding at December 31, 2017, a bond anticipation note in the amount of \$625,000.00 payable to Sussex Bank. This note will mature on August 10, 2018 and it is the intent of the Township Council to renew this note for another one year period. The current interest rate on this note is 1.45%. Principal and interest on this note is paid from the Current Fund budget of the Township.

NOTE 7: DUE TO/FROM OTHER FUNDS

Balances due to/from other funds at December 31, 2017 consist of the following:

<u>\$74,137.95</u>	Due to Federal and State Grant from Current Fund for receipts and disbursements made from Current Fund.
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It is anticipated that all interfunds will be liquidated during the calendar year.

NOTE 8: FUND BALANCES APPROPRIATED

Fund balance at December 31, 2017 and 2016 which is appropriated and included as anticipated revenue in the current fund for the year ending December 31, 2018 and 2017, as per the adopted budget was as follows:

	<u>2018</u>	<u>2017</u>
Current Fund	<u>\$568,000.00</u>	<u>\$508,000.00</u>

TOWNSHIP OF FRANKFORD, N. J.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(CONTINUED)**

NOTE 9: LOCAL AND REGIONAL DISTRICT SCHOOL TAXES

Regulations provide for the deferral of not more than 50% of the annual levy when school taxes are raised for a school year and have not been requisitioned by the School District. The Township of Frankford has not elected to defer school taxes.

NOTE 10: PENSION PLAN

Description of Plans:

Township employees participate in one of the two contributory, defined benefit public employee retirement systems: the State of New Jersey Public Employees' Retirement System (PERS) or the State of New Jersey Police and Firemen's Retirement System (PFRS); or the Defined Contribution Retirement Program (DCRP), a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) 401(a).

Public Employees' Retirement System (PERS)

Plan Description

The State of New Jersey Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the "Division"). For additional information about the PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

Benefits Provided

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

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

TOWNSHIP OF FRANKFORD, N. J.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(CONTINUED)**

NOTE 10: PENSION PLAN (CONTINUED)

Benefits Provided (continued)

Service retirement benefits of $1/55^{\text{th}}$ of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of $1/60^{\text{th}}$ of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Defined Contribution Retirement Program

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or PFRS, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

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 the DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

Contribution Requirements

The contribution policy is set by laws of the State of New Jersey and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The pension funds provide for employee contributions based on 5.5% for PERS. This amount will increase to 6.5% plus an additional 1% phased in over 7 years beginning 2012 and 8.5% for PFRS, which increased to 10% in October 2011, of the employee's annual compensation, as defined by law. Employers are required to contribute

TOWNSHIP OF FRANKFORD, N. J.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(CONTINUED)**

NOTE 10: PENSION PLAN (CONTINUED)

Contribution Requirements (continued)

at an actuarially determined rate in all Funds. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PERS and PFRS. In the PERS and PFRS, the employer contribution includes funding for post-retirement medical premiums.

The Township's contribution to the various plans, equal to the required contributions for each year, were as follows:

<u>Year</u>	<u>PERS</u>	<u>DCRP</u>
2017	\$117,090.00	\$0.00
2016	142,085.41	0.00
2015	106,024.00	0.00

Statement No's 68 and 71 require a state or local government employer to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. However, since the financial statements are prepared on another comprehensive basis of accounting, the net pension liability of the various pension systems is not recorded in the financial statements and is only required to be disclosed in the notes to the financial statements.

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, the Township had a liability of \$3,019,857.00 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Township's proportion of the net pension liability was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2017, the Township's proportion was 0.0129727852 percent, which was a decrease of 0.0001017573 percent from its proportion measured as of June 30, 2016.

TOWNSHIP OF FRANKFORD, N. J.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(CONTINUED)**

NOTE 10: PENSION PLAN (CONTINUED)

Public Employees Retirement System (PERS), (continued)

For the year ended December 31, 2017, the Township recognized pension expense of \$117,090.00. At December 31, 2017, deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$71,107.00	\$ -
Changes of assumptions	608,397.00	606,167.00
Net difference between projected and actual earnings on pension plan investments	20,563.00	-
Changes in proportion and differences between the Township's contributions and proportionate share of contributions	<u>35,701.00</u>	<u>28,843.00</u>
Total	<u>\$735,768.00</u>	<u>\$635,010.00</u>

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (June 30, 2017) will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions (excluding changes in proportion) will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$71,090.00
2019	107,277.00
2020	65,004.00
2022	(86,456.00)
2021	(63,015.00)

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.48, 5.57, 5.72 and 6.44 years for 2017, 2016, 2015 and 2014 amounts respectively.

TOWNSHIP OF FRANKFORD, N. J.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(CONTINUED)**

NOTE 10: PENSION PLAN (CONTINUED)

Public Employees Retirement System (PERS), (continued)

Additional Information

Local Group Collective balances at June 30, 2017 and June 30, 2016 are as follows:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Collective deferred outflows of resources	\$6,424,455,842	\$8,685,338,380
Collective deferred inflows of resources	5,700,625,981	870,133,595
Collective net pension liability	23,278,401,588	29,617,131,759
Township's Proportion	0.0129727852%	0.0131346101%

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which rolled forward to June 30, 2017. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation	2.25 Percent
Salary Increases:	
Through 2016	1.65-4.15 Percent (based on age)
Thereafter	2.65-5.15 Percent (based on age)
Investment Rate of Return	7.00 Percent

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Mortality Rates

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plans actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality

TOWNSHIP OF FRANKFORD, N. J.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(CONTINUED)**

NOTE 10: PENSION PLAN (CONTINUED)

Public Employees Retirement System (PERS), (continued)

Mortality Rates (continued)

Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan 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 PERS's target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</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%
U. S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
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 estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U. S. Equity	30.00%	8.19%
Non-U. S. Developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

TOWNSHIP OF FRANKFORD, N. J.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(CONTINUED)**

NOTE 10: PENSION PLAN (CONTINUED)

Public Employees Retirement System (PERS), (continued)

Discount Rate

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

The following presents the collective net pension liability of the participating employers as of June 30, 2017 respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 - percentage point lower or 1 - percentage-point higher than the current rate:

	<u>June 30, 2017</u>		
	<u>1% Decrease 4.00%</u>	<u>At Current Discount Rate 5.00%</u>	<u>1% Increase 6.00%</u>
Township's proportionate share of the pension liability	\$3,746,338	\$3,019,857	\$2,414,609

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS). The financial report may be accessed at www.state.nj.us/treasury/pensions.

TOWNSHIP OF FRANKFORD, N. J.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(CONTINUED)**

NOTE 11: ACCRUED SICK AND VACATION BENEFITS

The Township has permitted employees to accrue unused sick pay, which may be taken as time off or paid upon retirement or separation at the employee's current rate at such termination. It is expected that the cost of such unpaid compensation would be included in the Township's budget operating expenditures in the year in which it is used. It is estimated that current cost of such unpaid compensation would approximate \$221,225.19.

This amount is not reported either as an expenditure or a liability. The Township has reserved \$81,598.92 from previous budgets to be used to offset this liability and is reflected on the Trust Fund balance sheet. See Exhibit B-7 for an analysis. It is expected that any remaining cost of such unpaid compensation would be included in the Township's budget operating expenditures in the year in which it is used.

NOTE 12: CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash

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 Township's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. As of December 31, 2017, \$-0- of the Township's bank balance of \$4,228,452.39 was exposed to custodial credit risk.

Investments

Investment Rate Risk

The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes 40A:5-15.1(a) limits the length of time for most investments to 397 days.

Credit Risk

New Jersey Statutes 40A:5-15.1(a) limits municipal investments to those specified in the Statutes. The type of allowance investments are Bonds of the United States of America, bonds or other obligations of the towns or bonds or other obligations of the local unit or units within which the Township is located; obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

TOWNSHIP OF FRANKFORD, N. J.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(CONTINUED)**

NOTE 12: CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

The Township places no limit on the amount the Township may invest in any one issuer.

NOTE 13: RISK MANAGEMENT

The Township is exposed to various risks of loss related to general liability, automobile coverage, damage and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has obtained insurance coverage to guard against these events which will provide minimum exposure to the Township should they occur. During the 2017 calendar year, the Township did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

New Jersey Unemployment Compensation Insurance - The Township has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the Township 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 Township is billed quarterly for amounts due to the State. The following is a summary of Township contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the Township's expendable trust fund for the current and previous two years:

<u>Fiscal year</u>	<u>Interest Earnings/ Township Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2017	\$1,214.24	\$2,357.65	\$8,432.37	\$35,834.83
2016	1,240.51	2,278.16	7,099.25	40,695.31
2015	260.42	2,218.23	10,301.29	44,275.89

NOTE 14: HEALTH INSPECTIONS

The Township of Frankford has elected to have the County of Sussex, Department of Health, do all the health inspections. Therefore, the Township does not have a health inspector.

NOTE 15: PUBLIC ASSISTANCE

The Township of Frankford has elected to have the County of Sussex process all public assistance granted to the residents. Therefore, the Township of Frankford no longer has a public assistance director.

TOWNSHIP OF FRANKFORD, N. J.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(CONTINUED)**

NOTE 16. TAXES COLLECTED IN ADVANCE

Taxes collected in advance are recorded as cash liabilities in the financial statements. Following is a comparison of the liability for the previous two years:

	<u>Balance Dec 31, 2017</u>	<u>Balance Dec 31, 2016</u>
Prepaid Taxes	<u>\$1,351,299.66</u>	<u>\$273,938.92</u>
Cash Liability for Taxes Collected in Advance	<u>\$1,351,299.66</u>	<u>\$273,938.92</u>

NOTE 17: POST-RETIREMENT BENEFITS

Plan Description

The Township of Frankford contributes to the State Health Benefits Program (SHBP), a cost-sharing, multi-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in SHBP. In 1991, Township of Frankford authorized participation in the SHBP's post-retirement benefit program through resolution. Eligible retired employees and their dependents covered under the program, including surviving spouses will receive benefits based on 25 years or more of service credited in such retirement system, excepting the employees who elected deferred retirement but including the employees who retired on disability pensions based on fewer years of service credited, and also to reimburse such retired employees for their premium charges under Part B of the Federal Medicare Program covering the retired employees and their spouse in accordance with the regulations of the SHBP. In 2005, the Township of Frankford adopted chapter 48 through resolution, which allows employees to retire with all benefits listed above, with the exception that benefits will commence after fifteen (15) years of service with the township, and a minimum age of 62.

TOWNSHIP OF FRANKFORD, N. J.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(CONTINUED)**

NOTE 17: POST-RETIREMENT BENEFITS (CONTINUED)

Plan Description (continued)

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P. O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at www.state.nj.us/treasury/pensions/gasb-43-sept2008.pdf

Funding Policy

Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Township of Frankford on a monthly basis. Funds for retiree health premiums are raised each year in the municipality via property taxes.

The Township of Frankford contributions for SHBP for the years ended December 31, 2017, 2016 and 2015, were \$6,506.40, \$6,194.76, and \$5,898.60, respectively, which equaled the required contributions for each year. There were approximately 1, 1, and 1 retired participants eligible at December 31, 2017, 2016, and 2015, respectively.

NOTE 18: CONTINGENT LIABILITIES

Township Counsel has advised us of the following:

“The foregoing litigation concerned a bid for the purchase of salt. Multiple municipalities were involved, and as of December 31, 2017, a summary judgment had been filed jointly by several municipalities, including Frankford Township, that remained pending. Thus, as of the end of the year, litigation remained open and the potential exposure in excess of \$30,000.00. However, the litigation was resolved in 2018 through the Township’s purchase of a limited amount of salt as well as the Federal District Court Judge’s grant of summary judgment in favor of the Municipal Defendants. A Stipulation of Dismissal has been filed and Releases exchanged.”

TOWNSHIP OF FRANKFORD, N. J.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(CONTINUED)**

NOTE 19: SUBSEQUENT EVENT

The Township has evaluated subsequent events through May 29, 2018, the date which the financial statements were available to be issued and no other items were noted for disclosure.

SUPPLEMENTARY DATA

TOWNSHIP OF FRANKFORD, N.J.
OFFICIALS IN OFFICE AND SURETY BONDS
YEAR ENDED DECEMBER 31, 2017

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

<u>NAME</u>	<u>TITLE</u>
James Ayers	Mayor
Edwin Risdon Jr.	Deputy Mayor
Emery (Sam) Castimore	Committeeperson
Patricia Bussow	Municipal Clerk; Assessment Search Officer; Deputy Registrar to 5/19/17; Registrar, Board of Health Secretary from 5/19/17;
Marcy Gianattasio	Deputy Clerk; Registrar; Dog Licensing Official; Construction Secretary; Board of Health Secretary to 5/19/17
Diane Brauchle	Deputy Clerk; Deputy Registrar; Dog Licensing Official from 5/19/17
Stephen Lance	Tax Collector; Tax Search Officer
Sharon Yarosz	Chief Financial Officer; Treasurer; Land Use Administrator
Jason Laliker	Assessor
Shari McSweeney	Violations Clerk
Jeffrey Fette	Construction Official: Building Subcode Officer
Ann Bell	Construction Secretary from 7/18/17
William Paterson	Fire Subcode Official; Fire Official to 10/31/17
James Cutler	Plumbing Inspector; Fire SubCode Official from 11/1/17
James G. Devine	Judge
Suzanne Oakley	Municipal Court Administrator
Carol Cosh	Deputy Court Administrator
Peter J. Laemers, Esq.	Prosecutor
Kevin Benbrook	Township Attorney
Michael Flood	Animal Control Officer
Clifford Storms	Electrical Subcode Official; Inspector
Harold E. Pellow	Engineer
Charles Konecke	Emergency Management Coordinator
John Demarest	DPW Supervisor
Sharon Tufaro	Zoning Officer; Fire Official from 11/1/17
Daniel Colfax	Public Defender
James Sloan	Public Defender
Thomas M. Ferry, C.P.A., R.M.A.	Township Auditor

There is in effect a Public Employee Blanket Bond in the amount of \$1,000,000 per person issued by Municipal Excess Liability Joint Insurance Fund.

Township of Frankford
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

Not Applicable

Township of Frankford

Schedule of Expenditures of State Financial Assistance

For the Year Ended December 31, 2017

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period From/To	12/31/2016		Receipts	Expended	12/31/2017		MEMO Cumulative Total Expenditures
				(Receivable)	Reserve Balance			Reserve Balance		
FEDERAL AND STATE GRANT FUND										
NJ Department of Solid Waste Administration: Clean Communities Clean Communities Clean Communities Clean Communities	4900-765-042-4900-004	18,982.77	1/1/14-12/31/14		12,389.84		(12,389.84)			18,982.77
	4900-765-042-4900-004	23,059.89	1/1/15-12/31/15		23,059.89		(15,239.30)	7,820.59		15,239.30
	4900-765-042-4900-004	26,374.77	1/1/16-12/31/16		26,374.77			26,374.77		
	4900-765-042-4900-004	22,407.02	1/1/17-12/31/17			22,407.02	(27,629.14)	22,407.02		34,222.07
					61,824.50			56,602.38		
Recycling Tonnage Recycling Tonnage Recycling Tonnage	4910-100-042-4910-224	12,387.08	1/1/15-12/31/15		5,169.34		(3,453.25)	1,716.09		10,670.99
	4910-100-042-4910-224	9,577.37	1/1/16-12/31/16			9,577.37		9,577.37		
	4910-100-042-4910-224	2,991.47	1/1/17-12/31/17		5,169.34	2,991.47	(3,453.25)	2,991.47		10,670.99
						12,568.84		14,284.93		
Total NJ Department of Solid Waste Administration:										
					66,993.84	34,975.86	(31,082.39)	70,887.31		44,893.06
NJ Department of Human Services: (Pass Through Sussex County) Municipal Alliance Total NJ Department of Human Services:	N/A	9,739.00	1/1/05-12/31/05		7,000.73		(7,000.73)			9,739.00
					7,000.73		(7,000.73)			9,739.00
NJ Department of Law and Public Safety: Domestic Preparedness Equipment Total FEDERAL AND STATE GRANT FUND	N/A	10,000.00	1/1/03-12/31/03		3,121.59			3,121.59		6,878.41
					77,116.16	34,975.86	(38,083.12)	74,008.90		61,510.47
GENERAL CAPITAL FUND										
NJ Department of Transportation: Plains Road Section IV (Ord. # 16-04) Total GENERAL CAPITAL FUND	078-6320-480-AMF	220,000.00	1/1/16-12/31/16	(77,105.90)	153,855.11	77,105.90	(153,855.11)			220,000.00
				(77,105.90)	153,855.11	77,105.90	(153,855.11)			220,000.00
TOTAL STATE AID										
				(77,105.90)	230,971.27	112,081.76	(191,938.23)	74,008.90		281,510.47

Note: This schedule was not subject to an audit in accordance with N.J. OMB Circular 15-08.

COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE

CURRENT FUND

	<u>Year 2017</u>		<u>Year 2016</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<u>Revenue and Other Income Realized</u>				
Fund Balance Utilized	508,000.00	2.472%	557,000.00	2.706%
Miscellaneous - From Other Than				
Local Property Tax Levies	809,497.66	3.940%	767,648.18	3.729%
Collection of Delinquent Taxes				
and Tax Title Liens	156,557.23	0.762%	155,890.36	0.757%
Collection of Current				
Tax Levy	18,439,203.44	89.739%	18,683,024.27	90.763%
Other Credits to Income	634,359.00	3.087%	420,778.08	2.044%
<u>Total Revenue and Other Income Realized</u>	<u>20,547,617.33</u>	<u>100.000%</u>	<u>20,584,340.89</u>	<u>100.000%</u>
 <u>Expenditures</u>				
Budget Expenditures:				
Municipal Purposes	3,647,572.34	18.370%	3,630,166.19	18.028%
Local and Regional School Taxes	11,506,465.00	57.950%	11,864,871.00	58.924%
County Taxes	4,625,970.46	23.298%	4,567,660.89	22.684%
Open Space Tax	73,333.38	0.369%	73,313.05	0.364%
Other Expenditures	2,454.74	0.012%		0.000%
<u>Total Expenditures</u>	<u>19,855,795.92</u>	<u>100.000%</u>	<u>20,136,011.13</u>	<u>100.000%</u>
 Excess (Deficit) in Revenue	691,821.41		448,329.76	
 Adjustments to Income Before Fund Balance:				
Expenditures Included Above Which are by				
 Statute Deferred Charges to Budget				
 of Succeeding Year			29,679.41	
Statutory Excess to Fund Balance	691,821.41		478,009.17	
 Fund Balance, January 1,	<u>1,148,767.40</u>		<u>1,227,758.23</u>	
	1,840,588.81		1,705,767.40	
 Less:				
Utilized as Anticipated Revenue	508,000.00		557,000.00	
 Fund Balance, December 31,	<u><u>1,332,588.81</u></u>		<u><u>1,148,767.40</u></u>	

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Tax Rate</u>	<u>2.544</u>	<u>2.576</u>	<u>2.563</u>

Apportionment of Tax Rate:

Municipal	.330	.320	.311
County	.632	.624	.585
Regional School Tax	1.572	1.009	1.016
Regional High School	-	.613	.642
Municipal Open Space	.010	.010	.009

Assessed Taxable Valuation:

2017	730,783,000		
2016		731,384,819	
2015			728,976,438

COMPARISON OF TAX LEVIES AND COLLECTION CURRENTLY

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

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collections</u>
2017	18,656,291.39	18,439,203.44	98.83%
2016	18,886,348.01	18,683,024.27	98.92%
2015	18,683,920.28	18,544,897.44	99.26%

DELINQUENT TAXES AND TAX TITLE LIENS

<u>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	414,220.81	150,496.45	564,717.26	3.02%
2016	368,491.98	159,896.13	528,388.11	2.79%
2015	352,907.94	129,473.13	482,381.07	2.58%

PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

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

<u>Year</u>	<u>Amount</u>
2017	593,800.00
2016	488,500.00
2015	488,500.00

COMPARATIVE SCHEDULE OF FUND BALANCES

<u>Year</u>	<u>Balance December 31,</u>	<u>Utilized in Budget of Succeeding Year</u>
2017	1,332,588.81	568,000.00
2016	1,148,767.40	508,000.00
2015	1,227,758.23	557,000.00
2014	1,244,163.31	576,000.00
2013	1,079,970.36	500,000.00

Township of Frankford, N.J.

Schedule of Cash - Treasurer

Current Fund

Year Ended December 31, 2017

	<u>Ref.</u>		
Balance - December 31, 2016	A		1,751,807.23
Increased by Receipts:			
Miscellaneous Revenue Not Anticipated	A-2	444,094.64	
Taxes Receivable	A-6	18,249,625.13	
Tax Title Liens Receivable	A-7	817.68	
Revenue Accounts Receivable	A-9	773,545.52	
Due To State - Senior Citizen and Veteran Deductions	A-10	62,500.00	
Interfunds	A-11	33,921.19	
Various Cash Liabilities and Reserves	A-13	81,785.48	
Prepaid Taxes	A-17	1,351,299.66	
			<u>20,997,589.30</u>
			22,749,396.53
Decreased by Disbursements:			
Refund of Prior Year Revenues	A-1	2,454.74	
Current Year Budget Appropriations	A-3	3,355,427.85	
Interfunds	A-11	134,666.66	
Appropriation Reserves	A-12	22,865.70	
Various Cash Liabilities and Reserves	A-13	77,476.93	
County Taxes Payable	A-18	4,609,863.38	
District School Taxes Payable	A-19	7,190,579.00	
High School Taxes Payable	A-20	4,315,886.00	
			<u>19,709,220.26</u>
Balance - December 31, 2017	A		<u><u>3,040,176.27</u></u>

Township of Frankford, N.J.
Schedule of Cash - Change Fund
Current Fund
Year Ended December 31, 2017

	<u>Ref.</u>	
Balance - December 31, 2016	A	<u>275.00</u>
Balance - December 31, 2017	A	<u>275.00</u>
<u>Analysis of Balance:</u>		
Collector		150.00
Court Clerk		50.00
Construction Department		<u>75.00</u>
		<u>275.00</u>

Township of Frankford, N.J.

Schedule of Taxes Receivable and Analysis of Property Tax Levy

Current Fund

Year Ended December 31, 2017

Year	Balance, Dec. 31,	Levy	Added Taxes	Collected	Senior Citizen and Veteran Deductions	Overpayments Applied	Transferred to Tax Title Liens	Canceled	Balance, Dec. 31, 2017
2015	52.06			500.00	(500.00)		37.03		15.03
2016	159,844.07			156,239.55	(500.00)		2,133.95		1,970.57
	159,896.13			156,739.55	(1,000.00)		2,170.98		1,985.60
2017		18,591,351.54	64,939.85	273,938.92	18,092,885.58	10,628.94	41,312.02	27,265.08	148,510.85
	159,896.13	18,591,351.54	64,939.85	273,938.92	18,249,625.13	10,628.94	43,483.00	27,265.08	150,496.45
A				A-2;A-17	A-2;A-10	A-2;A-13	A-7		A
				A-2;A-4					
Analysis of Tax Levy									
Tax yield:									
General Purpose Tax									
Added Tax (R.S. 54:4-63.1 et seq.)									
							18,591,351.54		
							64,939.85		
							18,656,291.39		
Tax Levy:									
County Tax				A-18		4,609,863.38			
Added County Taxes				A-18		16,107.08			
Local District School Tax				A-19			4,625,970.46		
Regional High School District Tax				A-20			7,172,579.00		
Open Space Tax				A-21			4,315,886.00		
				A-2			73,333.38		
							16,187,768.84		
Local Tax for Municipal Purposes						2,416,639.00			
Additional Taxes						51,883.55			
							2,468,522.55		
							18,656,291.39		

Township of Frankford, N.J.

Schedule of Tax Title Liens Receivable

Current Fund

Year Ended December 31, 2017

	<u>Ref.</u>		
Balance - December 31, 2016	A		368,491.98
Increased by:			
Transferred from 2017 Taxes Receivable		41,312.02	
Transferred from 2016 Taxes Receivable		<u>2,170.98</u>	
	A-6		43,483.00
Interest and Costs on Tax Sale			160.36
Year-End Penalty on Tax Title Liens			<u>2,903.15</u>
			<u>46,546.51</u>
			415,038.49
Decreased by:			
Cash Receipts	A-2;A-4		<u>817.68</u>
Balance - December 31, 2017	A		<u><u>414,220.81</u></u>

**Schedule of Property Acquired for
Taxes Assessed Valuation**

Current Fund

Year Ended December 31, 2017

	<u>Ref.</u>		
Balance - December 31, 2016	A		488,500.00
Increased by:			
Add: Adjustment to Assessed Valuation			<u>105,300.00</u>
Balance - December 31, 2017	A		<u><u>593,800.00</u></u>

Township of Frankford, N.J.

Schedule of Revenue Accounts Receivable

Current Fund

Year Ended December 31, 2017

	<u>Ref.</u>	<u>Balance</u> <u>Dec. 31, 2016</u>	<u>Accrued</u>	<u>Collected</u>	<u>Balance</u> <u>Dec. 31, 2017</u>
Clerk					
Licenses:					
Alcoholic Beverages	A-2		4,940.00	4,940.00	
Other Licenses	A-2		4,425.00	4,425.00	
Fees and Permits	A-2		40,388.60	40,388.60	
Municipal Court					
Fines and Costs	A-2	511.13	20,248.02	18,865.04	1,894.11
Tax Collector					
Interest and Costs on Taxes	A-2		43,676.16	43,676.16	
Interest on Investments and Deposits	A-2		4,922.37	4,922.37	
Consolidated Municipal Property					
Tax Relief Act	A-2		1,499.00	1,499.00	
Energy Receipts Tax	A-2		453,502.00	453,502.00	
Watershed Moratorium Offset Aid	A-2		13,066.00	13,066.00	
Garden State Trust	A-2		10,729.00	10,729.00	
Uniform Construction Code					
Fees and Permits - Building	A-2		107,532.35	107,532.35	
Reserve for Purchase of Road Equip.	A-2		70,000.00	70,000.00	
		<u>511.13</u>	<u>774,928.50</u>	<u>773,545.52</u>	<u>1,894.11</u>
		A		A-4	A

Township of Frankford, N.J.

**Schedule of Amount Due To State of New Jersey
for Senior Citizens' and Veterans' Deductions - CH. 73 P.L. 1976**

Current Fund

Year Ended December 31, 2017

	<u>Ref.</u>	
Balance - December 31, 2016	A	41,479.86
Increased by:		
State Share of Senior Citizens and		
Veteran Deductions Received in Cash	A-4	62,500.00
		<u>103,979.86</u>
Decreased by:		
Senior Citizens' Deductions Per Tax Billing		7,250.00
Veterans' Deductions Per Tax Billing		53,000.00
Senior Citizens' and Veterans'		
Deductions Allowed by Collector - Current Year		<u>2,500.00</u>
		62,750.00
Less:		
Deductions Disallowed - Current Year		1,000.00
Deductions Disallowed - Prior Year		<u>1,000.00</u>
	A-6	<u>60,750.00</u>
Balance - December 31, 2017	A	<u><u>43,229.86</u></u>

Township of Frankford, N.J.

Schedule of Interfunds Receivables/(Payables)

Current Fund

Year Ended December 31, 2017

		Due From/(To)			Due From/(To)
		Balance			Balance
<u>Fund</u>	<u>Ref.</u>	<u>Dec. 31, 2016</u>	<u>Increased</u>	<u>Decreased</u>	<u>Dec. 31, 2017</u>
Federal and State Grants	A	(86,405.60)	34,975.86	47,243.51	(74,137.95)
Other Trust	A	(14,089.77)	73,333.38	87,423.15	
		<u>(100,495.37)</u>	<u>108,309.24</u>	<u>134,666.66</u>	<u>(74,137.95)</u>
<u>Analysis</u>					
Due From Current Fund		<u>(100,495.37)</u>			<u>(74,137.95)</u>
2017 Budget Appropriations	A-3		1,054.67		
Received	A-4		33,921.19		
Disbursed	A-4			134,666.66	
Open Space Tax	A-21		73,333.38		
			<u>108,309.24</u>	<u>134,666.66</u>	

Township of Frankford, N.J.

Schedule of Appropriation Reserves

Current Fund

Year Ended December 31, 2017

	Balance, Dec. 31, <u>2016</u>	Balance after <u>Transfers</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Salaries and Wages Within "CAPS":				
Administrative and Executive	262.00	262.00		262.00
Municipal Clerk	992.55	992.55		992.55
Financial Administration	208.15	208.15		208.15
Assessment of Taxes	844.26	844.26		844.26
Collection of Taxes	137.94	137.94		137.94
Municipal Land Use Board	36.00	36.00		36.00
Zoning Board	1,624.30	1,624.30		1,624.30
Emergency Management Services	83.00	83.00		83.00
Public Buildings and Grounds	445.00	445.00		445.00
Road Repairs and Maintenance	17,674.99	17,674.99		17,674.99
Recycling	85.36	85.36		85.36
Board of Health	178.96	178.96		178.96
Construction Officials	581.36	581.36		581.36
Total Salaries and Wages Within "CAPS"	<u>23,153.87</u>	<u>23,153.87</u>		<u>23,153.87</u>
Other Expenses Within "CAPS":				
Administrative and Executive	3,066.27	3,066.27		3,066.27
Municipal Clerk	146.00	146.00		146.00
Codification of Ordinances	4,000.00	4,000.00		4,000.00
Elections	2,152.09	2,152.09		2,152.09
Audit Services	1,140.00	1,140.00	1,140.00	
Computer Services & Office Equipment	10,800.94	10,800.94	2,586.00	8,214.94
Assessment of Taxes	2,416.42	2,416.42		2,416.42
Collection of Taxes	73.80	73.80		73.80
Legal Services and Costs	238.00	238.00	776.00	-538.00
Engineering Services and Costs	6,333.42	6,333.42		6,333.42
Municipal Land Use Board	669.99	669.99		669.99
Zoning Board	670.03	670.03		670.03
Emergency Management	491.16	491.16		491.16
Sheriff Services	2,700.00	2,700.00		2,700.00
Prosecutor	1,292.20	1,292.20		1,292.20
Public Buildings and Grounds	12,269.12	12,269.12	981.31	11,287.81

Township of Frankford, N.J.

Schedule of Appropriation Reserves

Current Fund

Year Ended December 31, 2017

	Balance, Dec. 31, <u>2016</u>	Balance after <u>Transfers</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Road Repairs and Maintenance	70,673.80	70,673.80	10,471.64	60,202.16
Garbage and Trash Removal	815.62	815.62	78.20	737.42
Vehicle Expense	1,152.36	1,152.36	399.95	752.41
Board of Health	391.20	391.20		391.20
Park Buildings and Grounds	409.50	409.50		409.50
Utilities:				
Electricity	2,497.08	2,497.08		2,497.08
Street Lighting	229.04	229.04		229.04
Telephone	37.85	37.85		37.85
Fuel Oil	10,592.17	10,592.17	710.50	9,881.67
Gasoline	9,612.92	9,612.92	1,163.20	8,449.72
Insurance:				
General Liability	768.00	768.00		768.00
Workman's Compensation Insurance	5.00	5.00		5.00
Employee Group Health	17,501.90	17,501.90	75.00	17,426.90
Health Benefit Waivers	1,156.45	1,156.45		1,156.45
Insurance Other	403.43	403.43		403.43
Construction Officials	8,452.03	8,452.03	3,263.89	5,188.14
Total Other Expenses Within "CAPS"	<u>173,157.79</u>	<u>173,157.79</u>	<u>21,645.69</u>	<u>151,512.10</u>
Total Operations Within "CAPS"	<u>196,311.66</u>	<u>196,311.66</u>	<u>21,645.69</u>	<u>174,665.97</u>
Deferred Charges and Statutory Expenditures				
Within "CAPS":				
Statutory Expenditures:				
Contribution To:				
Social Security (O.A.S.I.)	4,302.94	4,302.94	20.01	4,282.93
Defined Contribution Retirement Program	100.00	100.00		100.00
Total Deferred Charges and Statutory				
Expenditures Within "CAPS"	<u>4,402.94</u>	<u>4,402.94</u>	<u>20.01</u>	<u>4,382.93</u>
Total General Appropriations within "CAPS"	<u>200,714.60</u>	<u>200,714.60</u>	<u>21,665.70</u>	<u>179,048.90</u>

Township of Frankford, N.J.

Schedule of Appropriation Reserves

Current Fund

Year Ended December 31, 2017

	Balance, Dec. 31, <u>2016</u>	Balance after <u>Transfers</u>	<u>Paid or Charged</u>	Balance <u>Lapsed</u>
Operations - Excluded from "CAPS"				
Shared Service Agreements:				
Municipal Court				
Salaries and Wages	3,044.81	3,044.81		3,044.81
Other Expenses	9,255.29	9,255.29	1,200.00	8,055.29
"911" System				
Other Expenses	114.00	114.00		114.00
Total Shared Service Agreements	<u>12,414.10</u>	<u>12,414.10</u>	<u>1,200.00</u>	<u>11,214.10</u>
Public and Private Programs Offset by Revenues:				
Matching Funds for Grants	1.36	1.36		1.36
Total Public and Private Programs Offset by Revenues	<u>1.36</u>	<u>1.36</u>		<u>1.36</u>
Total General Appropriations Excluded from "CAPS"	<u>12,415.46</u>	<u>12,415.46</u>	<u>1,200.00</u>	<u>11,215.46</u>
Total Reserves	<u>213,130.06</u>	<u>213,130.06</u>	<u>22,865.70</u>	<u>190,264.36</u>
	<u>Ref.</u>		A-4	A-1
Analysis of Appropriation Reserves				
Unencumbered	A 193,411.58			
Encumbered	A 19,718.48			
	<u>213,130.06</u>			

Township of Frankford, N.J.

Schedule of Various Cash Liabilities and Reserves

Current Fund

Year Ended December 31, 2017

<u>Liabilities and Reserves</u>	<u>Balance</u> <u>Dec. 31, 2016</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance</u> <u>Dec. 31, 2017</u>
<u>Liabilities:</u>				
Due State of NJ DCA Training Fees	1,235.00	7,843.65	9,078.65	
Due State of NJ Marriage License Fees	125.00	800.00	925.00	
Tax Overpayments	13,452.95	13,705.94	15,729.79	11,429.10
<u>Reserves for:</u>				
Reserve for Outside Lien Redemptions		59,435.89	59,435.89	
Master Plan	11,182.08		10,094.78	1,087.30
	<u>25,995.03</u>	<u>81,785.48</u>	<u>95,264.11</u>	<u>12,516.40</u>
	A			A
<u>Ref.</u>				
Cash Receipts	A-4	81,785.48		
Cash Disbursements	A-4		77,476.93	
Overpayments Applied	A-6		10,628.94	
Encumbrances Payable	A-16		7,158.24	
		<u>81,785.48</u>	<u>95,264.11</u>	

Township of Frankford, N.J.

Schedule of Deferred Charges

N.J.S.A. 40A:4-55 Special Emergency

Current Fund

Year Ended December 31, 2017

<u>Purpose</u>	<u>Date</u>	<u>Amount Authorized</u>	<u>1/5 of Amount Authorized</u>	<u>Balance, Dec. 31, 2016</u>	<u>Reduced in 2017</u>
Reassessment of Real Taxes	09/25/12	125,000.00	25,000.00	22,045.00	22,045.00
				<u>22,045.00</u>	<u>22,045.00</u>
				<u>A</u>	<u>A-3</u>

Township of Frankford, N.J.

Schedule of Deferred Charges

Current Fund

Year Ended December 31, 2017

<u>Purpose</u>	<u>Balance, Dec. 31, 2016</u>	<u>Decreased in 2017</u>
Emergency Authorization (40A:4-47)	29,679.41	29,679.41
	<u>A</u>	<u>A-3</u>

Township of Frankford, N.J.
Schedule of Encumbrances Payable
Current Fund
Year Ended December 31, 2017

	<u>Ref.</u>	
Increased by:		
Various Reserves	A-13	7,158.24
		<u>7,158.24</u>
Balance - December 31, 2017	A	7,158.24
		<u>7,158.24</u>

Schedule of Prepaid Taxes
Current Fund
Year Ended December 31, 2017

	<u>Ref.</u>	
Balance - December 31, 2016	A	273,938.92
Increased by:		
Receipts - Prepaid Taxes	A-4	1,351,299.66
		<u>1,625,238.58</u>
Decreased by:		
Applied to 2017 Taxes	A-6	273,938.92
		<u>273,938.92</u>
Balance - December 31, 2017	A	1,351,299.66
		<u>1,351,299.66</u>

Township of Frankford, N.J.
Schedule of County Taxes Payable

Current Fund

Year Ended December 31, 2017

	<u>Ref.</u>		
Increased by:			
Levy- 2017	A-6	4,609,863.38	
Added and Omitted Taxes	A-6	<u>16,107.08</u>	
			4,625,970.46
Decreased by:			
Payments	A-4	<u>4,609,863.38</u>	
Balance - December 31, 2017	A	<u><u>16,107.08</u></u>	

Schedule of Local School District Taxes Payable/(Prepaid)

Current Fund

Year Ended December 31, 2017

	<u>Ref.</u>		
Increased by:			
Levy - 2017	A-1;A-6	<u>7,172,579.00</u>	
Decreased by:			
Payments	A-4	<u>7,190,579.00</u>	
Balance - December 31, 2017	A;A-1	<u><u>(18,000.00)</u></u>	

Township of Frankford, N.J.

Schedule of Regional High School Taxes Payable

Current Fund

Year Ended December 31, 2017

	<u>Ref.</u>	
Increased by:		
Levy- 2017	A-1;A-6	<u><u>4,315,886.00</u></u>
Decreased by:		
Payments	A-4	<u><u>4,315,886.00</u></u>

Schedule of Open Space Tax

Current Fund

Year Ended December 31, 2017

	<u>Ref.</u>		
Increased by:			
Levy - 2017		73,078.30	
Added & Omitted		<u>255.08</u>	
	A-1;A-6		<u><u>73,333.38</u></u>
Decreased by:			
Interfund - Other Trust Fund	A-11		<u><u>73,333.38</u></u>

Township of Frankford, N.J.

Schedule of Interfunds

Federal and State Grant Fund

Year Ended December 31, 2017

<u>Fund</u>	<u>Ref.</u>	Due From/(To) Balance <u>Dec. 31, 2016</u>	<u>Increased</u>	<u>Decreased</u>	Due From/(To) Balance <u>Dec. 31, 2017</u>
Current Fund	A	<u>86,405.60</u>	<u>34,975.86</u>	<u>47,243.51</u>	<u>74,137.95</u>
Encumbrances Payable	A-23			9,289.44	
Grants Receivable	A-24		9,577.37		
Appropriated Grants	A-25			37,954.07	
Unappropriated Grants	A-26		<u>25,398.49</u>		
			<u>34,975.86</u>	<u>47,243.51</u>	

A-23

Schedule of Encumbrances Payable

Federal and State Grant Fund

Year Ended December 31, 2017

	<u>Ref.</u>	
Balance - December 31,	A	9,289.44
Increased by:		
Appropriated Reserves for Grants	A-25	<u>129.05</u>
		9,418.49
Decreased by:		
Interfund - Current Fund	A-22	<u>9,289.44</u>
Balance - December 31, 2017	A	<u>129.05</u>

Township of Frankford, N.J.
Schedule of Grants Receivable
Federal and State Grant Fund
Year Ended December 31, 2017

<u>Grant</u>	<u>Budget Revenue</u>	<u>Receipts</u>	Transfer from <u>Unappropriated Reserves</u>
Clean Communities Program	26,374.77		26,374.77
Recycling Tonnage Grant	9,577.37	9,577.37	
	<u>35,952.14</u>	<u>9,577.37</u>	<u>26,374.77</u>
	A-2	A-22	A-26

Township of Frankford, N.J.

Schedule of Appropriated Reserves for Grants

Federal and State Grant Fund

Year Ended December 31, 2017

<u>Grant</u>	Balance	From 2017	Disbursed	Balance
	<u>Dec. 31, 2016</u>	<u>Budget</u>		<u>Dec. 31, 2017</u>
Municipal Alliance Program				
State Share	7,000.73		7,000.73	
Municipal Share				
Recycling Tonnage Grant	5,169.34	9,577.37	3,453.25	11,293.46
Clean Communities Program	35,449.73	26,374.77	27,629.14	34,195.36
Statewide Local Domestic Preparedness Equip.	3,121.59			3,121.59
	<u>50,741.39</u>	<u>35,952.14</u>	<u>38,083.12</u>	<u>48,610.41</u>
	A			A
State Grant Fund	A-3	35,952.14		
Interfund - Current Fund	A-22		37,954.07	
Encumbrances Payable	A-23		129.05	
		<u>35,952.14</u>	<u>38,083.12</u>	

Township of Frankford, N.J.

Schedule of Unappropriated Reserves for Grants

Federal and State Grant Fund

Year Ended December 31, 2017

<u>Grant</u>	<u>Balance Dec. 31, 2016</u>	<u>Transfer To Appropriated Reserves</u>	<u>Received</u>	<u>Balance Dec. 31, 2017</u>
Recycling Tonnage Grant			2,991.47	2,991.47
Clean Communities	26,374.77	26,374.77	22,407.02	22,407.02
	<u>26,374.77</u>	<u>26,374.77</u>	<u>25,398.49</u>	<u>25,398.49</u>
	A	A-24	A-22	A

Township of Frankford, N.J.

Schedule of Cash

Trust Funds

Year Ended December 31, 2017

	<u>Ref.</u>	Animal Control Trust <u>Fund</u>	Other Trust <u>Funds</u>
Balance - December 31, 2016	B	<u>361.11</u>	<u>1,311,076.24</u>
Increased by Receipts:			
Dog License Fees - Township	B-2	4,455.00	
Late Fees / Miscellaneous	B-2	303.05	
Deficit Raised in Current Budget	B-2	4,234.29	
Dog License Fees - State Share	B-6	1,257.00	
Prepaid Dog Licenses	B-3	5,130.00	
Interfund - Current Fund	B-5		101,257.84
Other Trust Funds	B-7		<u>1,962,548.25</u>
Total Receipts		<u>15,379.34</u>	<u>2,063,806.09</u>
		<u>15,740.45</u>	<u>3,374,882.33</u>
Decreased by Disbursements:			
Interfund - Other Trust Fund	B-5		87,168.07
Reserve for Animal Control			
Trust Fund Expenditures	B-2	14,472.51	
Encumbrances	B-4		22,225.93
State Share - Dog Licenses	B-6	1,261.20	
Other Trust Funds	B-7		<u>2,006,185.60</u>
Total Disbursements		<u>15,733.71</u>	<u>2,115,579.60</u>
Balance - December 31, 2017	B	<u><u>6.74</u></u>	<u><u>1,259,302.73</u></u>

Township of Frankford, N.J.

Reserve/(Deficit) for Animal Control Trust Fund Expenditures

Trust Funds

Year Ended December 31, 2017

	<u>Ref.</u>		
Balance - December 31, 2016	B		(4,234.29)
Increased by:			
Dog License Fees	B-1	4,453.05	
Late Fees / Miscellaneous	B-1	305.00	
Deficit Raised in Current Budget	B-1	4,234.29	
Prepaid Dog Licenses	B-3	4,710.00	
			<u>13,702.34</u>
			9,468.05
Decreased by:			
Cash Expenditures	B-1		<u>14,472.51</u>
Balance - December 31, 2017	B		<u><u>(5,004.46)</u></u>
<u>Year</u>			
2015			10,010.00
2016			<u>9,300.00</u>
			<u><u>19,310.00</u></u>

Township of Frankford, N.J.
Schedule of Pre-Paid Dog Licenses

Trust Funds

Year Ended December 31, 2017

	<u>Ref.</u>	
Balance - December 31, 2016	B	4,590.00
Increased by:		
Cash Received in 2017 for 2017		1,710.00
Cash Received in 2017 for 2018		1,710.00
Cash Received in 2017 for 2019		<u>1,710.00</u>
	B-1	<u>5,130.00</u>
		9,720.00
Decreased by:		
Applied to Reserves	B-2	<u>4,710.00</u>
Balance - December 31, 2017	B	<u><u>5,010.00</u></u>

Township of Frankford, N.J.
Schedule of Reserve For Encumbrances

Trust Funds

Year Ended December 31, 2017

	<u>Ref.</u>	
Balance - December 31, 2016		
Other Trust Fund	B	<u>22,225.93</u>
Increased by:		
Various Reserves	B-7	<u>15,892.64</u>
Decreased by:		
Other Trust Disbursements	B-1	<u>22,225.93</u>
Balance - December 31, 2017	B	<u><u>15,892.64</u></u>
 <u>Analysis:</u>		
Other Trust Fund		<u>15,892.64</u>
		<u><u>15,892.64</u></u>

Township of Frankford, N.J.

Schedule of Interfund Receivable/(Payable)

Other Trust Fund

Year Ended December 31, 2017

		Due (to)/from		
		Balance		
		<u>Dec. 31, 2016</u>	<u>Increased</u>	<u>Decreased</u>
<u>Trust Fund</u>				
Current Fund		14,089.77	87,168.07	101,257.84
		<u>14,089.77</u>	<u>87,168.07</u>	<u>101,257.84</u>
		B		
	<u>Ref.</u>			
Other Trust Cash Receipts	B-1			101,257.84
Other Trust Cash Disbursements	B-1		87,168.07	-
			<u>87,168.07</u>	<u>101,257.84</u>

Township of Frankford, N.J.

Schedule of Due To State Department of Health

Trust Funds

Year Ended December 31, 2017

	<u>Ref.</u>	
Balance - December 31, 2016	B	5.40
Increased by:		
State Fees Collected for 2017		750.60
State Fees Collected for 2018		253.20
State Fees Collected for 2019		<u>253.20</u>
	B-1	<u>1,257.00</u>
		<u>1,262.40</u>
Decreased by:		
Paid to State	B-1	<u>1,261.20</u>
Balance - December 31, 2017	B	<u><u>1.20</u></u>

Township of Frankford, N.J.

Schedule of Other Trust Funds

Trust Funds

Year Ended December 31, 2017

	<u>Balance</u> <u>Dec. 31, 2016</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance</u> <u>Dec. 31, 2017</u>
Escrow Deposits	91,165.77	55,326.80	50,409.35	96,083.22
Security Deposits	30,288.45	40,328.57	39,352.88	31,264.14
Unemployment Comp. Insurance	40,695.31	3,571.89	8,432.37	35,834.83
Municipal Alliance Program	9,940.65	25,021.42	19,927.79	15,034.28
Open Space	270,577.93	85,548.38	74,191.54	281,934.77
Tax Sale Premiums	100,400.00	138,200.00	166,800.00	71,800.00
P.O.A.A.	9.00			9.00
Small Cities	63,817.12			63,817.12
Performance Bonds	55,617.28		25,200.00	30,417.28
Accumulated Sick Leave	60,909.69	25,000.00	4,310.77	81,598.92
Public Defender	9,740.00	2,621.00		12,361.00
Housing Trust	420,407.29	13,417.57	80,029.07	353,795.79
Payroll	4.23	1,417,379.02	1,417,380.54	2.71
Fire Safety	32,496.96	36,699.14	23,357.53	45,838.57
Road Openings	4,078.75		4,078.75	
Outside Liens	33,149.40	59,435.89	80,516.93	12,068.36
Snow Trust	79,642.25	59,998.57	28,090.72	111,550.10
	<u>1,302,940.08</u>	<u>1,962,548.25</u>	<u>2,022,078.24</u>	<u>1,243,410.09</u>
	<u>B</u>			<u>B</u>

	<u>Ref.</u>		
Cash Receipts	B-1	1,962,548.25	
Cash Disbursements	B-1		2,006,185.60
Reserve for Encumbrances	B-4		15,892.64
		<u>1,962,548.25</u>	<u>2,022,078.24</u>

Township of Frankford, N.J.

Schedule of Cash

General Capital Fund

Year Ended December 31, 2017

	<u>Ref.</u>		
Balance - December 31, 2016	C		883,301.48
Increased by Receipts:			
State Grants Receivable	C-4	77,105.90	
Deferred Charges to Future Taxation -			
Unfunded	C-6	38,250.00	
Capital Reserves	C-9	<u>14,250.00</u>	
			<u>129,605.90</u>
			1,012,907.38
Decreased by Disbursements:			
Improvement Authorizations	C-8	385,008.98	
Capital Reserves	C-9	<u>569,222.00</u>	
			954,230.98
Balance - December 31, 2017	C		<u><u>58,676.40</u></u>

	Balance Dec. 31, 2016	Receipts		Disbursements		Transfers		Balance Dec. 31, 2017
		Funded by Budget Approp.	Miscellaneous	Improvement Authorizations	Miscellaneous	From	To	
Fund Balance	29,232.21						56,283.21	85,515.42
Capital Improvement Fund	26,225.68							5,225.68
New Jersey Grants Receivable	(77,105.90)		77,105.90			(21,000.00)		(0.00)
Reserve For:								
Purchase of Road Equipment	140,000.00				70,000.00			70,000.00
Imp. to Renovations to Mun. Bldg.	36,800.00							36,800.00
Improvements to Roads	35,463.19		14,250.00			(35,000.00)		14,713.19
Improvements to Roads - LUB	12,104.63							12,104.63
Improvement to Parks	475.78							475.78
Construction of Firehouse	11,112.50							11,112.50
Encumbrances	499,222.00				499,222.00		317.80	317.80
Improvement Authorizations								
Ordinance								
04-04 Land Purchase	(102,300.00)	21,200.00						(81,100.00)
05-12 George Hill Road Section II	(127,200.00)	17,050.00						(110,150.00)
16-02 Purchase of Three (3) Dump Trucks	16,070.35			8,921.00				7,149.35
16-04 Plains Road Section IV	227,355.11			171,071.90		(56,283.21)		(0.00)
16-05 Improvements to Various Roads	127,503.77			122,053.32		(317.80)		5,132.65
16-06 Park Septic System	28,342.16			27,687.76				654.40
17-10 Park Barn				15,275.00			16,000.00	725.00
17-13 Improvements to Various Roads				40,000.00			40,000.00	
	883,301.48	38,250.00	91,355.90	385,008.98	569,222.00	(112,601.01)	112,601.01	58,676.40
	C							C

Township of Frankford, N.J.
Schedule of New Jersey Grants Receivable
General Capital Fund
Year Ended December 31, 2017

	<u>Ref.</u>	
Balance - December 31, 2016	C	<u><u>77,105.90</u></u>
Decreased by:		
Cash Receipts	C-2	<u><u>77,105.90</u></u>

Township of Frankford, N.J.

**Schedule of Deferred Charges to Future
Taxation - Funded**

General Capital Fund

Year Ended December 31, 2017

	<u>Ref.</u>	
Balance - December 31, 2016	C	111,815.10
Decreased by:		
Budget Appropriation to Pay Green Trust Loan Payable	C-11	<u>17,327.69</u>
Balance - December 31, 2017	C	<u><u>94,487.41</u></u>

Schedule of Deferred Charges to Future Taxation - Unfunded

General Capital Fund

Year Ended December 31, 2017

[illegible]

Township of Frankford, N.J.
Schedule of Capital Improvement Fund
General Capital Fund
Year Ended December 31, 2017

	<u>Ref.</u>	
Balance - December 31, 2016	C	26,225.68
Decreased by:		
Appropriated to Finance Improvement Authorizations	C-8	<u>21,000.00</u>
Balance - December 31, 2017	C	<u><u>5,225.68</u></u>

Township of Frankford, N.J.

Schedule of Improvement Authorizations

General Capital Fund

Year Ended December 31, 2017

[illegible]

Township of Frankford, N.J.

Schedule of Various Reserves

General Capital Fund

Year Ended December 31, 2017

<u>Description</u>	<u>Balance</u> <u>Dec. 31, 2016</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance</u> <u>Dec. 31, 2017</u>
Purchase of Road Equipment	140,000.00		70,000.00	70,000.00
Imp. to Renovations to Mun. Bldg.	36,800.00			36,800.00
Improvements to Roads	35,463.19	14,250.00	35,000.00	14,713.19
Improvements to Roads - LUB	12,104.63			12,104.63
Improvements to Parks	475.78			475.78
Construction of Firehouse	11,112.50			11,112.50
Encumbrances	499,222.00	317.80	499,222.00	317.80
	<u>735,178.10</u>	<u>14,567.80</u>	<u>604,222.00</u>	<u>145,523.90</u>
	C			C
	<u>Ref.</u>			
Cash Receipts	C-2	14,250.00		
Cash Disbursed	C-2		569,222.00	
Improvement Authorizations	C-8	317.80	35,000.00	
		<u>14,567.80</u>	<u>604,222.00</u>	

Township of Frankford, N.J.
Schedule of Green Trust Loan Payable

General Capital Fund

Year Ended December 31, 2017

Maturities of Bonds
Outstanding

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Dec. 31, 2017</u>		<u>Interest Rate</u>	<u>Balance, Dec. 31, 2016</u>	<u>Decreased</u>	<u>Balance, Dec. 31, 2017</u>
			<u>Date</u>	<u>Amount</u>				
Green Acres Loan	10/28/1998	150,000.00	02/10/18	See Notes	2.00%	14,011.51	9,294.48	4,717.03
Green Acres Loan	01/08/2008	160,000.00	04/11/18 to 04/11/27 10/11/18 to 10/11/27	See Notes	2.00%	97,803.59	8,033.21	89,770.38
						<u>111,815.10</u>	<u>17,327.69</u>	<u>94,487.41</u>
						<u>C</u>	<u>C-5</u>	<u>C</u>

Township of Frankford, N.J.

Schedule of Bonds and Notes Authorized But Not Issued

General Capital Fund

Year Ended December 31, 2017

Ord. No.	Date	Improvement Description	Balance Dec. 31, 2016	Raised in Budget	Balance Dec. 31, 2017
		General Improvements:			
05-12	05/17/05	George Hill Road Section II	127,200.00	21,200.00	106,000.00
04-04	08/17/04	Land Purchase	102,300.00	17,050.00	85,250.00
16-02	04/05/16	Purchase of Three (3) Dump Trucks	80,000.00		80,000.00
			<u>309,500.00</u>	<u>38,250.00</u>	<u>271,250.00</u>
			Footnote C	C-6	Footnote C

Township of Frankford, N.J.
Schedule of Cash-Treasurer
Public Assistance Fund
Year Ended December 31, 2017

	<u>Ref.</u>	<u>P.A.T.F.</u> <u>Account #1</u>
Balance - December 31, 2016	D;D-2	<u><u>2,876.20</u></u>
Balance - December 31, 2017	D;D-2	<u><u>2,876.20</u></u>

Township of Frankford, N.J.
Schedule of Cash and Reconciliation
Public Assistance Fund
Year Ended December 31, 2017

	<u>Ref.</u>	
Balance - December 31, 2016	D-1	<u><u>2,876.20</u></u>
Balance - December 31, 2017	D-1	<u><u>2,876.20</u></u>
<u>Reconciliation - December 31, 2017</u>		<u>P.A.T.F.</u> <u>Account #1</u>
Balance on Deposit per Statement of:		
Sussex Bank		
Checking		<u>2,876.20</u>
Balance - December 31, 2017		<u><u>2,876.20</u></u>

Township of Frankford, N.J.

Schedule of Reserve for Public Assistance

Public Assistance Fund

Year Ended December 31, 2017

	<u>Ref.</u>	
Balance - December 31, 2016	D	<u><u>2,876.20</u></u>
Balance - December 31, 2017	D	<u><u>2,876.20</u></u>

TOWNSHIP OF FRANKFORD

PART II

**REPORT ON INTERNAL CONTROL AND ON COMPLIANCE
AND OTHER MATTERS**

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2017

Ferraioli, Wielkotz, Cerullo & Cuva, P.A.

Charles J. Ferraioli, Jr., MBA, CPA, RMA
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INDEPENDENT AUDITOR'S REPORT 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

Honorable Mayor and
Members of the Township Committee
Township of Frankford
Augusta, New Jersey 07822

We have audited, in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements-regulatory basis of the Township of Frankford in the County of Sussex 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 29, 2018, which was adverse due to being presented in accordance with New Jersey regulatory basis of accounting. The regulatory basis opinion was qualified for the Fixed Asset account group not being audited.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements-regulatory basis, we considered the Township of Frankford's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements-regulatory basis, but not for the purpose of expressing an opinion on the effectiveness of the Township of Frankford's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township of Frankford's 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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



deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Finding and Responses, as 2017-01, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Frankford's financial statements-regulatory basis are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

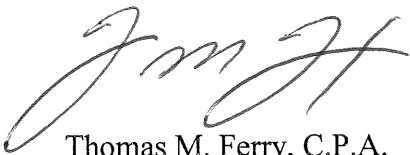
However, we noted certain immaterial instances of noncompliance that we have reported to the management of the Township of Frankford in the accompanying comments and recommendations section of this report.

Township of Frankford's Response to Findings

The Township of Frankford's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Township of Frankford's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Thomas M. Ferry, C.P.A.
Registered Municipal Accountant
No. 497

Ferraioli, Wielkotz, Cerullo & Cuva, PA
FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants

Newton, New Jersey

May 29, 2018

TOWNSHIP OF FRANKFORD

SUMMARY OF FINDINGS AND RESPONSES YEAR ENDED DECEMBER 31, 2017

Summary of Auditor's Results:

A qualified opinion was issued on the Township's financial statements prepared on an other comprehensive basis of accounting.

The audit did disclose a significant deficiency in the internal controls of the Township.

The Township was not subject to the single audit provisions of U.S. Uniform Guidance (the "Circular") and State Circular 15-08 OMB for 2017 as grant expenditures were less than the single audit thresholds identified in the U.S. Uniform Guidance and N.J. State Circular.

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

The audit did disclose findings required to be reported under Generally Accepted Government Auditing Standards, as follows:

Finding 2017-01:

Segregation of Duties

The Township does not maintain an adequate segregation of duties within the Treasury and Tax Collector Departments. Segregation of duties refers to separating those functions that place too much control over a transaction or class of transactions that would enable a person to misappropriate funds and prevent detection within a reasonable period of time. These situations occur because of the limited number of employees qualified to perform other accounting functions. The Township was made aware of this lack on internal control and will consider strengthening Internal Control within reason of the costs and benefits derived.

Management Response:

The Township will consider strengthening internal control within reason of costs, benefits derived and budget constraints.

Findings and Questioned Costs for Federal Awards:

Not applicable

Findings and Questioned Costs for State Awards:

Not applicable

TOWNSHIP OF FRANKFORD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016

Finding 2016-01:

Condition:

Segregation of Duties

The Township does not maintain an adequate segregation of duties within the Treasury and Tax Collector Departments. Segregation of duties refers to separating those functions that place too much control over a transaction or class of transactions that would enable a person to misappropriate funds and prevent detection within a reasonable period of time. These situations occur because of the limited number of employees qualified to perform other accounting functions. The Township was made aware of this lack on internal control and will consider strengthening Internal Control within reason of the costs and benefits derived.

Current Status:

Corrective action has not been taken. The Township will consider strengthening internal control within reason of costs, benefits derived and budget constraints.

GENERAL COMMENTS

Cash Balances

Cash balances in all funds were verified, by independent certificates obtained from the depositories, as of December 31, 2017 and May 29, 2018, in connection with the supplemental reconciliations made for all officials. Cash on hand was counted on that date.

Contracts and Agreements Required to be Advertised for N.J.S.A. 40A:11-4

N.J.S. 40A:11-3 states:

- a. "When the cost or price of any contract awarded by the contracting agent in the aggregate does not exceed in a contract year the total sum of \$17,500, or \$21,000 effective July 1, 2005, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution, as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids, except that the governing body of any contracting unit may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to subsection b. of section 9 of P.L. 1971, c.198 (C.40A:11-9), the governing body of the contracting unit may establish that the bid threshold may be up to \$25,000, or \$29,000 effective July 1, 2005. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.
- b. Any contracts made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to subparagraph (I) of paragraph (a) of subsection (1) of section 5 of P.L. 1971, c.198 (C.40A:11-5) may be awarded for a period not exceeding 12 consecutive months. The Division of Local Government Services shall adopt and promulgate rules and regulations concerning the methods of accounting for all contracts that do not coincide with the contracting unit's fiscal year.
- c. The Governor, in consultation with the Department of the Treasury, shall, no later than March 1 of every fifth year beginning in the fifth year after the year in which P.L. 1999, c.440 takes effect, adjust the threshold amount and the higher threshold amount which the governing body is permitted to establish, as set forth in subsection a. of this section, or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in section 2 of P.L. 1971, c.198 (C.40A:11-2), and shall round the adjustment to the nearest \$1,000. The Governor shall, no later than June 1 of every fifth year, notify each governing body of the adjustment. That adjustment shall become effective on July 1 of the year in which it is made."

N.J.S. 40A:11-4 states: "Every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. The governing body of a contracting unit may, by resolution approved by a majority of the governing body and subject to subsection b. and c. of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the governing body finds that it has had prior negative experience with the bidder."

GENERAL COMMENTS (CONTINUED)

Contracts and Agreements Required to be Advertised for N.J.S.A. 40A:11-4 (continued)

Effective July 1, 2015, the bid threshold in accordance with N.J.S.A. 40A:11-3 and 40A:11-4 (as amended) is \$17,500.00 and with a qualified purchasing agent the threshold may be up to \$40,000.00.

The Governing Body of the Township of Frankford have the responsibility of determining whether the expenditures in any category will exceed the bid threshold within the fiscal year and where question arises as to whether any contract or agreement might result in violation of the statute, the Township Attorney's opinion should be sought before a commitment is made.

The minutes indicated the bids were requested by public advertising per N.J.S.A. 40A:11-4. The minutes also indicated that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 40A:11-5 for Township Appraiser, Engineer, Auditor, Attorney, Municipal Prosecutor, Township Planner, Special Prosecutor, Insurance Agent and Bond Counsel.

Inasmuch as the system of records did not provide for the accumulation of payments for categories for the performance of any work or the furnishing or hiring of any material or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear cut violation existed. None were noted.

Our review of the Township's minutes indicated that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 40A:11-5.

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

Collection of Interest on Delinquent Taxes and Assessments

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

The Governing Body, on January 4, 2017, adopted the following resolution authorizing interest to be charged on delinquent taxes:

WHEREAS, NJSA 54:4-67 has been amended to define a tax delinquency as follows:

"Delinquency means the sum of all taxes and municipal charges due on any given parcel of property covering any number of quarters or years. The governing body may also fix a penalty to be charged to a taxpayer with a delinquency prior to the end of a calendar year. The penalty so fixed shall not exceed six (6%) percent of the amount of the delinquency," and

WHEREAS, NJSA 54:5-61 has been amended relating to the amount to be charged on account of a tax sale certificate as follows:

GENERAL COMMENTS (CONTINUED)

Collection of Interest on Delinquent Taxes and Assessments (continued)

“When the taxes, interest and costs so exceed the sum of \$5,000.00 (five thousand dollars), such additional sum shall be equal to four (4%) percent of such amount paid; and when that sum exceeds the sum of \$10,000.00 (ten thousand dollars), such additional sum shall be equal to six (6%) percent of such amount paid. This section shall also apply to all existing certificates held by municipalities on the effective date of this act,” and

WHEREAS, in order for the aforesaid additional penalty of six (6%) percent of the amount of the delinquency in excess of \$10,000.00 (ten thousand dollars) to become effective, the Township is required to enact this enabling Resolution.

NOW, THEREFORE BE IT RESOLVED by the Township Committee of the Township of Frankford that the intent and purpose of the aforesaid two statutory changes are hereby implemented and effective January 01, 2017 a penalty of six (6%) percent of any tax delinquency incurred prior to the end of the calendar year, and

BE IT FURTHER RESOLVED that the Township of Frankford hereby charges such additional six (%) percent penalty on all existing tax sale certificates held by the Township where said sum exceeds \$10,000.00 (ten thousand dollars), which penalty shall be applied to all certificates presently held by the Township as well as those which may be subsequently acquired by it as a result of future tax sales, and

BE IT FURTHER RESOLVED that the rate of interest to be charged by the Township of Frankford for the non-payment of taxes or assessments on or before the date that the same shall become delinquent, according to NJSA 54:4-67 in such case made and provided, be and is hereby fixed at the rate of eight (8%) percent per annum on the first \$1,500.00 (fifteen hundred dollars) of delinquency and eighteen (18%) percent per annum on any amount in excess, said interest to be charged upon the whole or any portion of any taxes or any payment to installment thereof remaining delinquent, provided that no interest as aforesaid shall be charged if the payment of any installment is made within ten days after the date upon which the same shall have become payable.

It appears from an 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 February 2, 2017 and was complete except for prior years balances which are properties in bankruptcy.

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

GENERAL COMMENTS (CONTINUED)

Delinquent Taxes and Tax Title Liens (continued)

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	26
2016	22
2015	24

It is essential to good management that all means provided by statute be utilized, to liquidate tax title liens in order to get such properties back on a taxpaying basis.

Verification of Delinquent Taxes and Other Charges

A test verification of delinquent charges and current payments was made in accordance with the regulations of the Division of Local Government Services.

The result of the test which was made as of December 31, 2017 is not yet known, but a separate report will be rendered if any irregularities are detected. In addition, analytical review procedures were utilized to ascertain the validity of the receivables.

Municipal Court

The report required by statute covering the accounts of the Municipal Court, has been filed under separate cover with the Judge, Township Clerk and Division of Local Government Services. We noted however, that there are internal control problems that are throughout the State of New Jersey Municipal Court system caused by the implementation of the Automated Traffic System and the Automated Complaint System.

Finance

1. The analysis of General Capital Fund cash includes cash deficits for Ordinances over 5 years old.

Management Response:

The Township is aware of this and is funding through future budgets.

2. In some cases, purchases are being made prior to obtaining a requisition or purchase order.

Management Response:

All attempts will be made to obtain a requisition/purchase order prior to purchases.

GENERAL COMMENTS (CONTINUED)

Finance (continued)

3. Contracts awarded for professional services were not advertised.

Management Response:

Resolution awarding professional contracts has been added to the pre-formatted annual re-organization meeting agenda so that it is not missed.

Outside Offices

1. It was noted that various Department cash receipts were not deposited within 48 hours.

Management Response:

Department staff will make a greater effort to deposit receipts within 48 hours.

Segregation of Duties

The Township does not maintain an adequate segregation of duties within the Treasury and Tax Collector Departments. Segregation of duties refers to separating those functions that place too much control over a transaction or class of transactions that would enable a person to misappropriate funds and prevent detection within a reasonable period of time. These situations occur because of the limited number of employees qualified to perform other accounting functions. The Township was made aware of this lack on internal control and will consider strengthening Internal Control within reason of the costs and benefits derived.

Fixed Assets

1. Current fixed asset listing was not made available for audit.

Management Response:

A fixed asset system will be put in place.

RECOMMENDATIONS

1. That Ordinances with a cash deficit over 5 years be funded.
2. That requisitions/purchase orders be obtained prior to purchase of goods or services.
3. That contracts for professional services be advertised.
4. That various Department cash receipts be deposited within 48 hours.
5. That adequate segregation of duties be maintained within the Treasury and Tax Collector Departments.
6. That a fixed asset system be put into place, including a list of all Township assets.

Status of Prior Year's Audit Findings/Recommendations

A review was performed on all prior year's recommendations and corrective action was taken on all with the exception of the following which are included in this years recommendations:

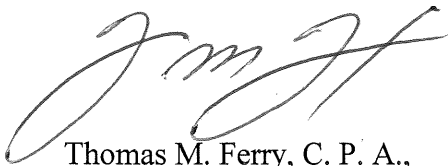
1. That Ordinances with a cash deficit over 5 years be funded.
2. That requisitions/purchase orders be obtained prior to purchase of goods or services.
3. That contracts for professional services be advertised.
4. That adequate segregation of duties be maintained within the Treasury and Tax Collector Departments.
5. That a fixed asset system be put into place, including a list of all Township assets.

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The problems and weaknesses 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 or recommendations, or should you desire assistance in implementing our recommendations, please do not hesitate to call us.

Very truly yours,



Thomas M. Ferry, C. P. A.,
Registered Municipal Accountant
No. 497

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Certified Public Accountants