

OFFICIAL STATEMENT DATED DECEMBER 7, 2017

NEW ISSUE - BOOK-ENTRY ONLY

RATING: SEE "RATING" HEREIN

In the opinion of Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey ("Bond Counsel"), under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance with certain covenants described herein, interest on the Bonds (as defined herein) (i) is not includable in gross income for Federal income tax purposes pursuant to section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) will not be treated as a preference item under section 57 of the Code for purposes of calculating the Federal alternative minimum tax; however, such interest will be included in the adjusted current earnings of a corporation for purposes of calculating the Federal alternative minimum tax imposed on corporations. Bond Counsel is further of the opinion that, under existing laws of the State of New Jersey, interest on the Bonds and any gain on the sale thereof are not includable in gross income under the New Jersey Gross Income Tax Act, as amended. See "TAX MATTERS" herein.

**\$24,225,000
TOWNSHIP OF FRANKLIN
IN THE COUNTY OF SOMERSET
STATE OF NEW JERSEY
GENERAL OBLIGATION BONDS, SERIES 2017
Consisting of
\$12,725,000 General Improvement Bonds, Series 2017
\$6,500,000 Open Space Trust Fund Bonds, Series 2017
\$5,000,000 Water Utility Bonds, Series 2017**

**CALLABLE
BOOK-ENTRY ONLY**

Dated: Date of Delivery

Due: December 15, as shown on the inside front cover

The \$24,225,000 aggregate principal amount of General Obligation Bonds, Series 2017 consisting of: (i) \$12,725,000 aggregate principal amount of General Improvement Bonds, Series 2017 (the "General Improvement Bonds"); (ii) \$6,500,000 aggregate principal amount of Open Space Trust Fund Bonds, Series 2017 (the "Open Space Bonds"); and (iii) \$5,000,000 aggregate principal amount of Water Utility Bonds, Series 2017 (the "Water Utility Bonds" and together with the General Improvement Bonds and the Open Space Bonds, the "Bonds") are general obligations of the Township of Franklin, in the County of Somerset, State of New Jersey (the "Township") and, unless paid from other sources, are a pledge of the full faith and credit of the Township to levy *ad valorem* taxes upon all taxable property within the Township without limitation as to rate or amount for the payment of the principal thereof and the interest thereon.

The Bonds will be issued in fully registered book-entry only form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC, an automated depository for securities and clearing house for securities transactions, will act as securities depository for the Bonds. Individual purchases of the Bonds will be made in book-entry only form in the principal amount of \$5,000 or any integral multiple thereof, with a minimum purchase of \$5,000, except that any Bonds in excess of the largest principal amount equaling a multiple of \$5,000 shall be in denominations of \$1,000 or any integral multiple thereof.

The Bonds shall bear interest from their date of delivery and will be payable semi-annually on the fifteenth day of June and December of each year, commencing June 15, 2018, until maturity or prior redemption, at such rates of interest as shown on the inside front cover hereof. The Bonds will be payable as to principal upon presentation and surrender thereof at the offices of the Township or a duly designated paying agent. Interest on the Bonds will be paid by check, draft or wire transfer, mailed, delivered or transmitted by the Township to the registered owner thereof as of the Record Dates (as defined herein). While DTC is acting as securities depository for the Bonds, principal and interest will be payable by wire transfer to DTC or its nominee, Cede & Co., which is obligated to remit such principal and interest payments to DTC Participants. DTC Participants and Indirect Participants will be responsible for remitting such payments to the Beneficial Owners of the Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein.

The Bonds are authorized by and are issued pursuant to the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law"), and are authorized by various bond ordinances of the Township duly adopted on the dates set forth herein and approved and published as required by law, and by a resolution duly adopted by the Township Council of the Township on November 28, 2017.

The Bonds are being issued to permanently finance the costs of various capital improvements in and by the Township in the amount of \$24,225,000.

The Bonds are subject to optional redemption prior to their stated maturities as set forth herein. See "DESCRIPTION OF THE BONDS – Redemption" herein.

The Bonds are not a debt or obligation, legal, moral or otherwise of the State of New Jersey, or any county, municipality or political subdivision thereof other than the Township.

The Bonds are offered when, as and if issued and delivered subject to the approval of the legality thereof by Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey, Bond Counsel to the Township, and certain other conditions. Certain legal matters will be passed upon for the Township by Louis N. Rainone, Esq., Township Attorney. Phoenix Advisors, LLC serves as Municipal Advisor to the Township in connection with the sale and issuance of the Bonds. It is anticipated that the Bonds will be available for delivery through DTC on or about December 20, 2017.

UBS FINANCIAL SERVICES

**TOWNSHIP OF FRANKLIN
IN THE COUNTY OF SOMERSET, STATE OF NEW JERSEY**

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS AND CUSIP NUMBERS

\$24,225,000 GENERAL OBLIGATION BONDS, SERIES 2017

Consisting of:

\$12,725,000 GENERAL IMPROVEMENT BONDS, SERIES 2017

\$6,500,000 OPEN SPACE TRUST FUND BONDS, SERIES 2017

AND

\$5,000,000 WATER UTILITY BONDS, SERIES 2017

Principal Amounts

<u>Maturity (December 15)</u>	<u>General Improvement Bonds</u>	<u>Open Space Bonds</u>	<u>Water Utility Bonds</u>	<u>Combined Principal Amounts</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP* Number</u>
2018	\$1,100,000	\$600,000	\$300,000	\$2,000,000	2.000%	1.310%	355046LG6
2019	1,100,000	600,000	300,000	2,000,000	2.000	1.560	355046LH4
2020	800,000	600,000	300,000	1,700,000	2.000	1.590	355046LJ0
2021	800,000	600,000	600,000	2,000,000	2.000	1.650	355046LK7
2022	550,000	600,000	600,000	1,750,000	3.000	1.710	355046LL5
2023	550,000	500,000	600,000	1,650,000	3.000	1.770	355046LM3
2024	550,000	500,000	600,000	1,650,000	4.000	1.800	355046LN1
2025	575,000	400,000	600,000	1,575,000	4.000	1.850	355046LP6
2026	600,000	300,000	600,000	1,500,000	3.000	2.000	355046LQ4
2027	1,100,000	300,000	500,000	1,900,000	2.125	2.294	355046LR2
2028	1,000,000	300,000		1,300,000	3.000	2.450	355046LS0
2029	1,000,000	300,000		1,300,000	3.000	2.550	355046LT8
2030	1,000,000	300,000		1,300,000	3.000	2.650	355046LU5
2031	1,000,000	300,000		1,300,000	3.000	2.750	355046LV3
2032	1,000,000	300,000		1,300,000	3.000	2.800	355046LW1

* CUSIP is a registered trademark of the American Bankers Association. CUSIP numbers are provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP Numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds and the Township does not make any representations with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specified maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

**TOWNSHIP OF FRANKLIN
IN THE COUNTY OF SOMERSET
STATE OF NEW JERSEY**

MAYOR

Phillip Kramer

TOWNSHIP COUNCIL

Carl R.A. Wright, Deputy Mayor
Shanel Robinson
Rajiv Prasad
Kimberly Francois
Theodore Chase
Rozalyn Sherman
Charles Onyejiaka
James Vassanella

TOWNSHIP MANAGER

Robert G. Vornlocker

TOWNSHIP CLERK

Ann Marie McCarthy

CHIEF FINANCIAL OFFICER

Kathleen Moody

TOWNSHIP ATTORNEY

Louis N. Rainone, Esq.
Rainone Coughlin Minchello, LLC
Woodbridge, New Jersey

INDEPENDENT AUDITORS

PKF O'Connor Davies, LLP
Livingston, New Jersey

MUNICIPAL ADVISOR

Phoenix Advisors, LLC.
Bordentown, New Jersey

BOND COUNSEL

Wilentz, Goldman & Spitzer, P.A.
Woodbridge, New Jersey

No dealer, broker, salesperson or other person has been authorized by the Township of Franklin, in the County of Somerset, State of New Jersey (the "Township") to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement and if given or made, such information or representation must not be relied upon as having been authorized by the Township. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale.

The information contained herein has been provided by the Township, The Depository Trust Company ("DTC") and other sources deemed reliable by the Township; however, no representation or warranty is made as to its accuracy or completeness, and as to information from sources other than the Township, such information is not to be construed as a representation or warranty by the Township.

This Official Statement is not to be construed as a contract or agreement between the Township and the purchasers or owners of any of the Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in any of the information herein since the date hereof, or the date as of which such information is given, if earlier. The Township has not confirmed the accuracy or completeness of information relating to DTC, which information has been provided by DTC.

References in this Official Statement to laws, rules, regulations, resolutions, ordinances, agreements, reports and documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein and may not be reproduced or used in whole or part, for any other purpose. This Official Statement should be read in its entirety.

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

In order to facilitate the distribution of the Bonds, the Underwriter may engage in transactions intended to stabilize the price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The prices at which the Bonds are offered to the public by the Underwriter and the yields resulting therefrom may vary from the initial public offering prices or yields on the inside front cover page hereof. In addition, the Underwriter may allow concessions or discounts from such initial public offering prices to dealers and others.

The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the Federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guaranty the accuracy or completeness of such information.

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**OFFICIAL STATEMENT
OF THE
TOWNSHIP OF FRANKLIN
IN THE COUNTY OF SOMERSET, STATE OF NEW JERSEY
RELATING TO
\$24,225,000 GENERAL OBLIGATION BONDS, SERIES 2017
Consisting of
\$12,725,000 General Improvement Bonds, Series 2017
\$6,500,000 Open Space Trust Fund Bonds, Series 2017
\$5,000,000 Water Utility Bonds, Series 2017**

INTRODUCTION

The purpose of this Official Statement is to provide certain information regarding the financial and economic condition of the Township of Franklin (the "Township"), in the County of Somerset (the "County"), State of New Jersey (the "State"), in connection with the sale and issuance of \$24,225,000 aggregate principal amount of General Obligation Bonds, Series 2017, consisting of: (i) \$12,725,000 aggregate principal amount of General Improvement Bonds, Series 2017 (the "General Improvement Bonds"); (ii) \$6,500,000 aggregate principal amount of Open Space Trust Fund Bonds, Series 2017 (the "Open Space Bonds"); and (iii) \$5,000,000 aggregate principal amount of Water Utility Bonds, Series 2017 (the "Water Utility Bonds" and together with the General Improvement Bonds and the Open Space Bonds, the "Bonds") of the Township. This Official Statement, which includes the cover page, the inside front cover page and appendices attached hereto, has been authorized by the Township Council of the Township to be distributed in connection with the marketing and sale of the Bonds and executed by and on behalf of the Township by its Chief Financial Officer.

This Official Statement contains specific information relating to the Bonds including their general description, certain matters affecting the financing, certain legal matters, historical financial information and other information pertinent to this issue. This Official Statement should be read in its entirety.

All financial and other information presented herein has been provided by the Township from its records, except for information expressly attributed to other sources. The presentation of information is intended to show recent historical information and, but only to the extent specifically provided herein, certain projections of the immediate future, and is not necessarily indicative of future or continuing trends in the financial position or other affairs of the Township.

DESCRIPTION OF THE BONDS

General Description

The Bonds are dated their date of delivery and shall bear interest at the respective rates shown on the inside front cover page hereof from such date, payable semi-annually on the fifteenth day of June and December of each year (each an "Interest Payment Date") until maturity or prior redemption, commencing June 15, 2018. Interest on the Bonds is calculated on the basis of twelve (12) thirty (30) day months in a three hundred sixty (360) day year and will be paid by check, draft or wire transfer mailed, transmitted or delivered to the registered owners of the Bonds as of each respective June 1 and December 1 preceding each Interest Payment Date (the "Record Dates"), at the address shown on the registration books for the Bonds kept for that purpose by the Township's Chief Financial Officer, as Registrar and Paying Agent.

The Bonds of each series will mature on December 15 in each of the years in the respective principal amounts set forth on the inside front cover page hereof.

The Bonds, when issued, will be registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds (the "Securities Depository"). Purchases of beneficial interests in the Bonds will be made in book-entry only form, without certificates, in denominations of \$5,000 or any integral multiple thereof, with a minimum purchase of \$5,000 required, except that any Bonds in excess of the largest principal amount equaling a multiple of \$5,000 shall be in denominations of \$1,000 or any integral multiple thereof. Under certain circumstances, such beneficial interests in the Bonds are exchangeable for one or more fully registered Bond certificates of like series, maturity and tenor in authorized denominations.

So long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made directly by the Township as Paying Agent, or some other paying agent as may be designated by the Township, to Cede & Co. Disbursement of such payments to DTC Participants (as hereinafter defined) is the responsibility of DTC and disbursement of such payments to the owners of beneficial interests in the Bonds is the responsibility of the DTC Participants (as hereinafter defined). See "BOOK-ENTRY ONLY SYSTEM" herein.

Redemption

The Bonds maturing prior to December 15, 2026 are not subject to redemption prior to their stated maturities. The Bonds maturing on or after December 15, 2026 are subject to redemption at the option of the Township, in whole or in part, on any date on or after December 15, 2025, upon notice as required herein, at a redemption price equal to one hundred percent (100%) of the principal amount being redeemed (the "Redemption Price"), plus accrued interest to the date fixed for redemption.

Notice of Redemption ("Notice of Redemption") shall be given by mailing by first class mail, at least thirty (30) but not more than sixty (60) days prior to the date fixed for redemption, in a sealed envelope with postage prepaid to the owners of the Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the Township or a duly appointed bond registrar. If the Township determines to redeem a portion of the Bonds prior to maturity, such Bonds shall be selected by the Township in its sole discretion. Any Bonds to be redeemed having the same maturity shall be selected by lot within each maturity by the Township. So long as DTC (or any successor thereto) acts as Securities Depository for the Bonds, Notice of Redemption shall be sent to such depository and shall not be sent to the beneficial owners of the Bonds. Any Bonds selected by the Township to be redeemed having the same maturity that are held by the Securities Depository shall be selected by the Securities Depository in accordance with its regulations. Any failure of the Securities Depository to advise any of its participants or any failure of any participant to notify any beneficial owner of any Notice of Redemption shall not affect the validity of the redemption proceedings.

If Notice of Redemption has been given as provided above, the Bonds or the portion thereof called for redemption shall be due and payable on the date fixed for redemption at the Redemption Price, together with accrued interest to the date fixed for redemption. Interest shall cease to accrue on the Bonds after the date fixed for redemption.

AUTHORIZATION FOR THE ISSUANCE OF THE BONDS

The Bonds are authorized by and are issued pursuant to the provisions of the Local Bond Law, N.J.S.A. 40A:2-1 *et seq.*, as amended and supplemented (the "Local Bond Law"), and are authorized by various bond ordinances duly adopted by the Township Council of the Township on the dates set forth in the charts on the following pages and approved and published as required by law, and by a resolution duly adopted by the Township Council of the Township on November 28, 2017.

The bond ordinances authorizing the Bonds were published in full or in summary after their final adoption along with the statement that the twenty (20) day period of limitation within which a suit, action or proceeding questioning the validity of such bond ordinances could be commenced began to run from the date of the first publication of such statement. The Local Bond Law provides, that after issuance, all

obligations shall be conclusively presumed to be fully authorized and issued by all laws of the State, and all persons shall be estopped from questioning their sale, execution or delivery by the Township.

Purpose of the Bonds

The Bonds are being issued to permanently finance the cost of various capital improvements in and by the Township in the amount of \$24,225,000.

The purposes for which the Bonds are to be issued have been authorized by duly adopted, approved and published bond ordinances of the Township, which bond ordinances are described in the following table by ordinance number, description and date of final adoption, and the amount of Bonds to be issued for such purposes. No bond anticipation notes are being refunded with the proceeds of the Bonds. The bond ordinances are as follows:

General Improvement Bonds, Series 2017

Ordinance Number	Description and Date of Final Adoption	Amount of Bonds
3606	Purchase and installation of equipment for the trunked radio system, finally adopted 4/25/06	\$ 154,790
3811, as amended by 3877-10 and 4078-14	2009 road overlay program, finally adopted 1/27/09, 4/27/10, and 9/9/14, respectively	280,975
3819	Repaving of the municipal complex parking lot, finally adopted 3/24/09	45,490
3822	Various capital improvements, finally adopted 4/14/09	59,795
3911, as amended by 3922	Acquisition and installation of new telephone system, finally adopted 11/9/10 and 2/22/11, respectively	17,600
3981	Various information technology improvements, finally adopted 6/26/12	53,400
3982, as amended by 4081-14	2012 road resurfacing program, finally adopted 8/14/12 and 9/9/14, respectively	20,450
4026, as amended by 4082-14	2013 road resurfacing program, finally adopted 7/16/13 and 9/9/14, respectively	184,500
4062	2014 road resurfacing program, finally adopted 6/24/14	2,215,000
4063	Various capital improvements, finally adopted 6/24/14	480,000
4107	2015 road resurfacing program, finally adopted 5/26/15	2,253,000

Ordinance Number	Description and Date of Final Adoption	Amount of Bonds
4108	Various capital improvements, finally adopted 5/26/15	920,000
4140	Various capital improvements, finally adopted 4/12/16	580,000
4141	2016 road resurfacing program, finally adopted 4/12/16	150,000
4189	Various capital improvements, finally adopted 4/11/17	100,000
4190	2017 road resurfacing program, finally adopted 4/11/17	1,500,000
4214	Acquisition of real property, finally adopted 11/13/17	3,710,000
TOTAL		<u>\$12,725,000</u>

Open Space Bonds, Series 2017

Ordinance Number	Description and Date of Final Adoption	Amount of Bonds
4142	Improvements to and equipment acquisitions to various parks, finally adopted 4/12/16	\$1,500,000
4213	Acquisition of real property, finally adopted 11/13/17	5,000,000
TOTAL		<u>\$6,500,000</u>

Water Utility Bonds, Series 2017

Ordinance Number	Description and Date of Final Adoption	Amount of Bonds
3762	Various 2008 capital improvements for the water utility, finally adopted 6/24/08	\$3,000,000
3952	Various 2011 water system improvements for the water utility, finally adopted 10/25/11	8,000
4109	Various capital improvements for the water utility, finally adopted 5/26/15	510,000
4143	Various capital improvements for the water utility, finally adopted 4/12/16	225,000
4193	Various capital improvements for the water utility, finally adopted 4/11/17	1,257,000
TOTAL		<u>\$5,000,000</u>

SECURITY FOR THE BONDS

The Bonds are valid and legally binding general obligations of the Township for which the full faith and credit of the Township are irrevocably pledged for the punctual payment of the principal of and interest on the Bonds. The Township has the power and is obligated by law to levy *ad valorem* taxes upon all the taxable property within the Township for the payment of the principal of the Bonds and the interest thereon without limitation as to rate or amount.

The Township is required by law to include the total amount of principal of and interest on all of its general obligation indebtedness, such as the Bonds, for the current year in each annual budget unless provision has been made for payment of its general obligation indebtedness from other sources. The enforceability of rights or remedies with respect to the Bonds may be limited by bankruptcy, insolvency or other similar laws affecting creditors' rights or remedies heretofore or hereafter enacted. See "RISK TO HOLDERS OF BONDS" herein.

The Bonds are not a debt or obligation, legal, moral or otherwise, of the State, or any county, municipality or any political subdivision thereof, other than the Township.

NO DEFAULT

There is no report of any default in the payment of the principal of, redemption premium, if any, and interest on the bonds, notes or other obligations of the Township as of the date hereof.

MARKET PROTECTION

Other than the Bonds, the Township does not anticipate issuing any other bonds or notes for the remainder of calendar year 2017.

BOOK-ENTRY ONLY SYSTEM

The description which follows of the procedures and recordkeeping with respect to beneficial ownership interest in the Bonds, payment of principal and interest and other payments on the Bonds to Direct and Indirect Participants (each as defined below) or Beneficial Owners (defined below), confirmation and transfer of beneficial ownership interests in the Bonds and other related transactions by and between DTC, Direct Participants and Beneficial Owners, is based on certain information furnished by DTC to the Township. Accordingly, the Township does not make any representations as to the completeness or accuracy of such information.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of CEDE & CO. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each year of maturity of the Bonds of each series, in the aggregate principal amount of each maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed

Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

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

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of interest of each Direct Participant in such maturity to be redeemed.

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

Redemption proceeds and principal and interest payments on the Bonds will be made to CEDE & CO., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the paying agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC or the Township, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest to CEDE & CO. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Township, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Township or the paying agent, if any. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

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

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

THE PAYING AGENT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, OR THE INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDHOLDERS OR REGISTERED OWNERS OF THE BONDS (OTHER THAN UNDER THE CAPTION "TAX MATTERS") SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

If the Township, in its sole discretion, determines that DTC is not capable of discharging its duties, or if DTC discontinues providing its services with respect to the Bonds at any time, the Township will attempt to locate another qualified securities depository. If the Township fails to find such a securities depository, or if the Township determines, in its sole discretion, that it is in the best interest of the Township or that the interest of the Beneficial Owners might be adversely affected if the book-entry only system of transfer is continued (the Township undertakes no obligation to make an investigation to determine the occurrence of any events that would permit it to make such determination), the Township shall notify DTC of the termination of the book-entry only system.

MUNICIPAL FINANCE - FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES

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

The Local Bond Law governs the issuance of bonds and notes to finance certain general municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects bonded and that bonds be retired in serial installments. A 5% cash down payment is generally required toward the financing of expenditures for municipal purposes. All bonds and notes issued by the Township are general full faith and credit obligations.

The authorized bonded indebtedness of the Township for municipal purposes is limited by statute, subject to the exceptions noted below, to an amount equal to 31/2% of its average equalized valuation basis. The average for the last three years of the equalized value of all taxable real property and improvements and certain Class II railroad property within the boundaries of Township, as annually determined by the State Director of Taxation, is \$9,087,667,654.

Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit, including school bonds that do not exceed the school bond borrowing margin and certain debt that may be deemed self-liquidating. As of December 31, 2016, after taking into account the deductions referred to in the previous sentence, the statutory net debt as a percentage of average equalized valuation was 0.339%.

The Township may exceed its debt limit with the approval of the Local Finance Board, a State regulatory agency, and as permitted by other statutory exceptions. If all or any part of a proposed debt

authorization would exceed its debt limit, the Township may apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the credit of the Township or substantially reduce the ability of the Township to meet its obligations or to provide essential public improvements and services, or if it makes certain other statutory determinations, approval is granted. In addition, debt in excess of the statutory limit may be issued by the Township to fund certain notes, to provide for self-liquidating purposes, and, in each fiscal year, to provide for purposes in an amount not exceeding 2/3 of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of utility and assessment obligations).

The Township may sell short-term "bond anticipation notes" to temporarily finance a capital improvement or project in anticipation of the issuance of bonds if the bond ordinance or a subsequent resolution so provides. Bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount specified in the ordinance creating such capital expenditure, as it may be amended and supplemented. A local unit's bond anticipation notes may be issued for periods not greater than one year. Generally, bond anticipation notes may not be outstanding for longer than ten years. An additional period may be available following the tenth anniversary date equal to the period from the notes' maturity to the end of the tenth fiscal year in which the notes mature plus 4 months (May 1) in the next following fiscal year from the date of original issuance. Beginning in the third year, the amount of notes that may be issued is decreased by the minimum amount required for the first year's principal payment for a bond issue.

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

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

The local unit is authorized to issue Emergency Notes and Special Emergency Notes pursuant to the Local Budget Law.

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

The Director has no authority over individual operating appropriations, unless a specific amount is required by law, but the review functions focusing on anticipated revenues serve to protect the solvency of all local units.

The cash basis budgets of local units must be in balance, i.e., the total of anticipated revenues must equal the total of appropriations (N.J.S.A. 40A:4-22). If in any year a local unit's expenditures exceed its realized revenues for that year, then such excess must be raised in the succeeding year's budget.

The Local Budget Law (N.J.S.A. 40A:4-26) provides that no miscellaneous revenues from any source may be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the Director determines that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and certifies that determination to the local unit.

No budget or budget amendment may be adopted unless the Director shall have previously certified his approval of such anticipated revenues except that categorical grants-in-aid contracts may be included for their face amount with an offsetting appropriation. The fiscal years for such grants rarely coincide with the municipality's calendar year. However, grant revenue is generally not realized until received in cash.

The same general principle that revenue cannot be anticipated in a budget in excess of that realized in the preceding year applies to property taxes. The maximum amount of delinquent taxes that may be

anticipated is limited by a statutory formula, which allows the unit to anticipate collection at the same rate realized for the collection of delinquent taxes in the previous year. Also the local unit is required to make an appropriation for a "reserve for uncollected taxes" in accordance with a statutory formula to provide for a tax collection in an amount that does not exceed the percentage of taxes levied and payable in the preceding fiscal year that was received in cash by December 31 of that year. The budget also must provide for any cash deficits of the prior year.

Emergency appropriations (those made after the adoption of the budget and the determination of the tax rate) may be authorized by the governing body of a local unit. However, with minor exceptions, such appropriations must be included in full in the following year's budget.

The exceptions are certain enumerated quasi-capital projects ("special emergencies") such as ice, snow and flood damage to streets, roads and bridges, which may be amortized over three years, and tax map preparation, re-evaluation programs, revision and codification of ordinances, master plan preparation and drainage map preparation for flood control purposes, which may be amortized over five years. Of course, emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project.

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between appropriation accounts may be made only during the last two months of the year. Appropriation reserves may also be transferred during the first three (3) months of the year, to the previous year's budget. Both types of transfers require a 2/3 vote of the full membership of the governing body; however, transfers cannot be made from either the down payment account or the capital improvement fund. Transfers may be made between sub-account line items within the same account at any time during the year, subject to internal review and approval. In a "CAP" budget, no transfers may be made from excluded "CAP" appropriations to within "CAPS" appropriations nor can transfers be made between excluded from "CAP" appropriations.

A provision of law known as the New Jersey "Cap Law" (N.J.S.A. 40A:4-45.1 et seq.) imposes limitations on increases in municipal appropriations subject to various exceptions. The payment of debt service is an exception from this limitation. The Cap formula is somewhat complex, but basically, it permits a municipality to increase its overall appropriations by the lesser of 2.5% or the "Index Rate" if the index rate is greater than 2.5%. The "Index Rate" is the rate of annual percentage increase, rounded to the nearest one-half percent, in the Implicit Price Deflator for State and Local Government purchases of goods and services computed by the U.S. Department of Commerce. Exceptions to the limitations imposed by the Cap Law also exist for other things including capital expenditures; extraordinary expenses approved by the Local Finance Board for implementation of an interlocal services agreement; expenditures mandated as a result of certain emergencies; and certain expenditures for services mandated by law. Counties are also prohibited from increasing their tax levies by more than the lesser of 2.5% or the Index Rate subject to certain exceptions. Municipalities by ordinance approved by a majority of the full membership of the governing body may increase appropriations up to 3.5% over the prior year's appropriation and counties by resolution approved by a majority of the full membership of the governing body may increase the tax levy up to 3.5% over the prior years' tax levy in years when the Index Rate is 2.5% or less.

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

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

special election. Chapter 44 eliminates the process for obtaining waivers for additional spending under the tax levy limitation.

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

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

Tax Assessment and Collection Procedure

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income where appropriate. Current assessments are the results of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners. But it often results in a divergence of the assessment ratio to true value. Because of the changes in property resale values, annual adjustments could not keep pace with the changing values. A reassessment of all property in the Township is completed annually.

Upon the filing of certified adopted budgets by the Township’s Local School District and the County, the tax rate is struck by the County Board of Taxation based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provision for the assessment of property, levying of taxes and the collection thereof are set forth in N.J.S.A. 54:4-1 et seq. Special taxing districts are permitted in New Jersey for various special services rendered to the properties located within the special districts.

Tax bills are mailed annually in June by the Township. The taxes are due August 1 and November 1 respectively, and are adjusted to reflect the current calendar year’s total tax liability. The preliminary taxes due February 1 and May 1 of the succeeding year are based upon one-half of the current year’s total tax.

Tax installments not paid on or before the due date are subject to interest penalties of 8% per annum on the first \$1,500.00 of the delinquency and 18% per annum on any amount in excess of \$1,500.00. These interest rates and penalties are the highest permitted under New Jersey Statutes. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with New Jersey Statutes. The liens of the Township for the past 5 years are shown in Appendix A.

Tax Appeals

The New Jersey Statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. Prior to February 1 in each year, the Township must mail to each property owner a notice of the current assessment and taxes on the property. The taxpayer has a right to petition the County Tax Board on or before April 1 for review and by May 1 for municipalities that have undergone a revaluation. The County Board of Taxation has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the County Board of Taxation, appeal may be made to the Tax Court of New Jersey for further hearing. Some State Tax Court appeals may take several years prior to settlement and any losses in tax collections from prior years are charged directly to operations.

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

This law regulates the non-budgetary financial activities of local governments. The chief financial officer of every local unit must file annually, with the Director, a verified statement of the financial condition of the local unit and all constituent boards, agencies or commissions.

An independent examination of each local unit's accounts must be performed annually by a licensed registered municipal accountant. The audit, conforming to the Division of Local Government Services' "Requirements of Audit", includes recommendations for improvement of the local unit's financial procedures and must be filed with the report, together with all recommendations made, and must be published in a local newspaper within 30 days of its submission. The entire annual audit report for the year ended December 31, 2016 for the Township is on file with the Clerk and is available for review during business hours.

TAX MATTERS

Federal Income Taxation

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met at the time of, and on a continuing basis subsequent to, the issuance of the Bonds in order for the interest on the Bonds to be and remain excluded from gross income for Federal income tax purposes under Section 103 of the Code. Noncompliance with such requirements could cause the interest on the Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issuance of the Bonds. The Township will represent in its tax certificate relating to the Bonds that it expects and intends to comply, and will comply, to the extent permitted by law, with such requirements.

In the opinion of Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey, Bond Counsel to the Township ("Bond Counsel"), under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance by the Township with the requirements of the Code and its representations made in the tax certificate described above, interest on the Bonds is not includable in gross income for Federal income tax purposes pursuant to Section 103 of the Code and is not treated as a preference item under Section 57 of the Code for purposes of calculating the Federal alternative minimum tax imposed on individuals and corporations; *provided, however*, that interest on the Bonds is included in the adjusted current earnings of a corporation for purposes of the Federal alternative minimum tax imposed on corporations.

Original Issue Premium

The Bonds maturing on December 15 in the years 2018 through 2026, inclusive, and 2028 through 2031, inclusive (the "Premium Bonds") were purchased at a premium ("original issue premium") over the stated principal amounts of the Bonds. For federal income tax purposes, original issue premium generally must be amortized over the term of the Premium Bonds. Amortizable bond premium is accounted for as reducing the tax-exempt interest on the Premium Bonds rather than creating a deductible expense or loss. Under Section 171(a)(2) of the Code, no deduction is allowed for the amortizable bond premium (determined in accordance with Section 171(b) of the Code) on tax-exempt bonds. Under Section 1016(a)(5) of the Code, however, an adjustment must be made to the purchaser's basis in the Premium Bonds to the extent of any amortizable bond premium that is disallowable as a deduction under Section 171(a)(2) of the Code. Holders of the Premium Bonds should consult their tax advisors for an explanation of the bond premium amortization rules.

Original Issue Discount

Bond Counsel is also of the opinion that the difference between the stated principal amount of the Bonds maturing on December 15 in the year 2027 (the "Discount Bonds") and the initial public offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of the Discount Bonds of the same maturity

and interest rate were sold, constitutes original issue discount which is treated as interest and is excludable from gross income for federal income tax purposes to the same extent described above. In the case of any holder of the Discount Bonds, the amount of such original issue discount which is treated as having accrued with respect to the Discount Bonds is added to the cost basis of the holder in determining, for federal income tax purposes, gain or loss upon disposition (including sale, redemption or payment at maturity). Holders of the Discount Bonds should consult their tax advisors for an explanation of the original issue discount rules.

Additional Federal Income Tax Consequences

Prospective purchasers of the Bonds should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Bonds, may have additional Federal income tax consequences for certain taxpayers, including, without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty insurance companies, foreign corporations and certain S corporations. Prospective purchasers of the Bonds should also consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

State Taxation

Bond Counsel is further of the opinion that, under existing laws of the State, interest on the Bonds and any gain realized on the sale of the Bonds are not includable in gross income under the New Jersey Gross Income Tax Act, N.J.S.A. 54A:1-1 et seq., as amended.

Prospective Tax Law Changes

Federal, state or local legislation, administrative pronouncements or court decisions may affect the tax-exempt status of interest on the Bonds, gain from the sale or other disposition of the Bonds, the market value of the Bonds or the marketability of the Bonds. The effect of any legislation, administrative pronouncements or court decisions cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisers regarding such matters.

Other Tax Consequences

Except as described above, Bond Counsel expresses no opinion with respect to any Federal, state, local or foreign tax consequences of ownership of the Bonds. Bond Counsel renders its opinion under existing statutes, regulations, rulings and court decisions as of the date of delivery of the Bonds and assumes no obligation to update its opinion after such date to reflect any future action, fact, circumstance, change in law or interpretation, or otherwise. Bond Counsel expresses no opinion as to the effect, if any, on the tax status of the interest paid or to be paid on the Bonds as a result of any action hereafter taken or not taken in reliance upon an opinion of other counsel.

See Appendix C for the complete text of the proposed form of Bond Counsel's legal opinion with respect to the Bonds.

ALL POTENTIAL PURCHASERS OF THE BONDS SHOULD CONSULT WITH THEIR TAX ADVISORS WITH RESPECT TO THE FEDERAL, STATE AND LOCAL TAX CONSEQUENCES (INCLUDING BUT NOT LIMITED TO THOSE LISTED ABOVE) OF THE OWNERSHIP OF THE BONDS.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The Township has NOT designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

COMPLIANCE WITH SECONDARY MARKET DISCLOSURE REQUIREMENTS

In accordance with the requirements of Rule 15c2-12 (the "Rule") of the United States Securities and Exchange Commission (the "SEC"), the Township (being an "obligated person" with respect to the Bonds, within the meaning of the Rule) will agree to provide certain financial and operating information to the Municipal Securities Rulemaking Board (the "MSRB") in an electronic format as prescribed by the MSRB, either directly or indirectly through a designated agent as set forth in its Continuing Disclosure Certificate (the "Bond Disclosure Certificate"), substantially in the form attached hereto as Appendix D. Such Bond Disclosure Certificate shall be delivered concurrently with the delivery of the Bonds.

Within the five years immediately preceding the date of this Official Statement, the Township previously failed to file, in accordance with the Rule, in a timely manner, under previous filing requirements: (i) audited financial information for the fiscal years ending December 31, 2011, 2012, and 2014 (unaudited financial information, in lieu of audited financial information, was timely filed for the fiscal years ending December 31, 2013 and 2015); (ii) operating data for the fiscal years ending December 31, 2011, 2012, 2013, 2014, 2015 and 2016; and (iii) annual debt statements for fiscal years ending December 31, 2011, 2012, 2013, 2015 and 2016. Additionally, the Township previously failed to file late filing notices in connection with its untimely filings of: (i) audited financial information; (ii) operating data; and (iii) annual debt statements, all as described above. Such notices of late filings have since been filed with the MSRB's Electronic Municipal Market Access Dataport ("EMMA"). The Township appointed Phoenix Advisors, LLC in October of 2017 to serve as continuing disclosure agent.

LEGALITY FOR INVESTMENT

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

RISK TO HOLDERS OF BONDS

It is understood that the rights of the holders of the Bonds, and the enforceability thereof, may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

MUNICIPAL BANKRUPTCY

The undertakings of the Township should be considered with reference to 11 U.S.C. § 101 et seq., as amended and supplemented (the "Bankruptcy Code"), and other bankruptcy laws affecting creditors' rights and municipalities in general. The Bankruptcy Code permits the State or any political subdivision, public agency, or instrumentality that is insolvent or unable to meet its debts to commence a voluntary bankruptcy case by filing a petition with a bankruptcy court for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of petitioner's creditors; provides that a petition filed under this chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; grants priority to certain debts owed; and provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds in amount and more than one-half in number of the allowed claims of at least one (1) impaired class. The Bankruptcy Code specifically does not limit or impair the power of a state to control by legislation or otherwise, the procedures that a municipality must follow in order to take advantage of the provisions of the Bankruptcy Code.

The Bankruptcy Code provides that special revenue acquired by the debtor after the commencement of the case shall remain subject to any lien resulting from any security agreement entered into by such debtor before the commencement of such bankruptcy case. However, special revenues acquired by the debtor after commencement of the case shall continue to be available to pay debt service secured by those revenues. Furthermore, the Bankruptcy Code provides that a transfer of property of a debtor to or for the benefit of any holder of a bond or note, on account of such bond or note, may not be avoided pursuant to certain preferential transfer provisions set forth in such code.

Reference should also be made to N.J.S.A. 52:27-40 et seq., which provides that a local unit, including the Township, has the power to file a petition in bankruptcy with any United States court or court in bankruptcy under the provisions of the Bankruptcy Code, for the purpose of effecting a plan of readjustment of its debts or for the composition of its debts; provided, however, the approval of the Local Finance Board, as successor to the Municipal Finance Commission, must first be obtained.

The Township has not authorized the filing of a bankruptcy petition. This reference to the Bankruptcy Code or the State statute should not create any implication that the Township expects to utilize the benefits of their provisions, or that if utilized, such action would be approved by the Local Finance Board, or that any proposed plan would include a dilution of the source of payment of and security for the Bonds, or that the Bankruptcy Code could not be amended after the date hereof.

Remedies of Holders of Bonds or Notes (N.J.S.A. 52:27-1 et seq.)

If the Township defaults for over sixty (60) days in the payment of the principal of or interest on any bonds or notes outstanding, any holder of such bonds or notes may bring an action against the Township in the Superior Court of New Jersey (the "Superior Court") to obtain a judgment that the Township is so in default. Once a judgment is entered by the Superior Court to the effect that the Township is in default, the Municipal Finance Commission (the "Commission") would become operative in the Township. The Commission was created in 1931 to assist in the financial rehabilitation of municipalities which were in default in their obligations. The powers and duties of the Commission are exercised within the Local Finance Board, which constitutes the Commission.

The Commission exercises direct supervision over the finances and accounts of any municipality which has been adjudged by the Superior Court to be in default of its obligations. The Commission continues in force in such municipalities until all bonds, notes or other indebtedness of the municipality which have fallen due, and all bonds or notes which will fall due within one (1) year (except tax anticipation or revenue anticipation notes), and the interest thereon, have been paid, funded or refunded, or the payment thereof has been adequately provided for by a cash reserve, at which time the Commission's authority over such municipality ceases. The Commission is authorized to supervise tax collections and assessments, to approve the funding or refunding of bonds, notes or other indebtedness of the municipality which the Commission has found to be outstanding and unpaid, and to approve the adjustment or composition of claims of creditors and the readjustment of debts under the Bankruptcy Code.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, the issuance, the sale and the delivery of the Bonds are subject to the approval of Bond Counsel to the Township, whose approving legal opinion will be delivered with the Bonds substantially in the form set forth as Appendix "C". Certain legal matters will be passed upon for the Township by Louis N. Rainone, Esq., Woodbridge, New Jersey, Township Attorney (the "Township Attorney").

NO DEFAULT

There is no report of any default in the payment of the principal of, redemption premium, if any, and interest on the bonds, notes or other obligations of the Township as of the date hereof.

LITIGATION

To the knowledge of the Township Attorney there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Bonds, or the levy or the collection of any taxes to pay the principal of or the interest on the Bonds, or in any manner questioning the authority or the proceedings for the issuance of the Bonds or for the levy or the collection of taxes, or contesting the corporate existence or the boundaries of the Township or the title of any of the present officers. Moreover, to the knowledge of the Township Attorney, no litigation is presently pending or threatened that, in the opinion of the Township Attorney, would have a material adverse impact on the financial condition of the Township if adversely decided. A certificate or opinion to such effect will be executed by the Township's Attorney and delivered to the Underwriter (as defined herein) at the closing.

UNDERWRITING

The Bonds have been purchased from the Township at a public sale by UBS Financial Services, New York, New York (the "Underwriter"), at a price of \$24,951,750.00. The Underwriter has purchased the Bonds in accordance with the Notice of Sale. The Bonds are being offered for sale at the yields set forth on the inside front cover of this Official Statement.

RATING

S&P Global Ratings acting through Standard & Poor's Financial Services LLC (the "Rating Agency") has assigned a rating of "AA+" to the Bonds. The Township furnished the Rating Agency with certain information and materials concerning the Bonds and the Township. There can be no assurance that such ratings will be maintained for any given period of time or that it may not be raised, lowered or withdrawn entirely if, in the Rating Agency's judgment, circumstances so warrant. Any downgrade change in or withdrawal of such ratings may have an adverse effect on the marketability or market price of the Bonds.

MUNICIPAL ADVISOR

Phoenix Advisors, LLC, Bordentown, New Jersey has served as municipal advisor to the City with respect to the issuance of the Bonds (the "Municipal Advisor"). The Municipal Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement and the appendices hereto. The Municipal Advisor is a municipal advisory firm, and is not engaged in the business of underwriting, marketing or trading municipal securities or any other negotiable instrument.

PREPARATION OF OFFICIAL STATEMENT

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

PKF O'Connor Davies, LLP, Livingston, New Jersey (the "Auditor") has not participated in the review or preparation of this Official Statement and has not verified the accuracy or completeness thereof and accordingly expresses no opinion or other assurance or assumes any responsibility with respect thereto. However, they take responsibility for the financial statements to the extent specified in the Independent Auditor's Report appearing in Appendix "B"

Bond Counsel has not participated in the preparation of the financial or statistical information contained in this Official Statement, nor have they verified the accuracy, completeness or fairness thereof and, accordingly, expresses no opinion with respect thereto.

All other information has been obtained from sources which the Township considers to be reliable and it makes no warranty, guaranty or other representation with respect to the accuracy and completeness of such information.

FINANCIAL STATEMENTS

The financial statements of the Township as of and for the year ended December 31, 2016, together with the notes to the Financial Statements for the year ended December 31, 2016, are presented in Appendix B to this Official Statement. The financial statements referred to above have been audited by PKF O'Connor Davies, LLP, Livingston, New Jersey, as stated in its report appearing in Appendix B.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to Kathleen Moody, Chief Financial Officer, (732)-873-2500, Ext. 6244 or Anthony Inverso, the Municipal Advisor, at (609) 291-0130.

MISCELLANEOUS

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

TOWNSHIP OF FRANKLIN, IN THE COUNTY OF SOMERSET, NEW JERSEY

By: /s/ Kathleen Moody
Kathleen Moody, Chief Financial Officer

Dated: December 7, 2017

APPENDIX A

**CERTAIN FINANCIAL AND DEMOGRAPHIC
INFORMATION CONCERNING THE TOWNSHIP OF FRANKLIN**

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INFORMATION REGARDING THE TOWNSHIP¹

The following material presents certain economic and demographic information of the Township of Franklin (the “Township”), in the County of Somerset (the “County”), State of New Jersey (the “State”).

Introduction

The Township is a region whose hallmark is diversity. The Township consists of over 47.59 square miles of farmland, rural, suburban and urban residential areas, as well as substantial industrial and commercial areas. The 2010 US Census set the Township’s population at 62,300 and estimated the population at 66,311 in 2016.

The Township’s eastern border spans approximately 20 miles between the City of New Brunswick and Princeton Township, where the Township boundary comes to a point. Forming its entire north and west boundaries are the historic Delaware and Raritan Canal and the Raritan and Millstone Rivers. Somerset, Kingston, East Millstone, Franklin Park, Middlebush, Little Rocky Hill, Griggstown and Zarephath are the communities that make up the Township.

Governmental Structure

The Township is chartered under the Optional Municipal Charter Act as a Council-Manager, Plan D form of government. The Township Council consists of nine members – one Mayor elected from the Township at large, five members elected for each of the five wards and three members elected from the Township at large. The Mayor is the Chief Legislative Officer of the Township and is elected by the voters to serve a four-year term. The Township Manager is the Chief Executive Officer of the Township, charged with the administration of the Township’s daily operations and is hired by and serves at the pleasure of the Township Council. The present Township Manager is currently serving in his sixth (6th) year of service. The Township operates on a calendar fiscal year.

General Services

The Township provides public safety services through a full-time Police Department consisting of a Chief of Police, 105 sworn personnel, and 20 civilians. Additionally, the Township is provided fire protection by 10 volunteer fire companies and is also serviced by 4 volunteer rescue squads and one paid rescue squad. The fire companies are supported by four fire districts that levy taxes within their respective jurisdictions to provide funding for fire service protection.

The Department of Public Works is responsible for the maintenance of Township streets and roads, all municipal buildings, parks and water facilities.

The Township has 330 acres of active parkland, including 109 acres of municipal parks as well as the Somerset County-operated Colonial Park. Recreational programs are available for all ages and a special Therapeutic Recreation Program for handicapped citizens is available. The

¹ Source: The Township, unless otherwise indicated.

Township also has a Community/Senior Center, which provides a central location for a wide range of community programs including senior citizen activities. The Community Resource and Services Department assists those who may need help handling their emotional, legal, financial or domestic crises. Working single parent groups and emotional support groups are open to all. During the summer, there are drama and dance programs and youth employment training programs. There is also a free lunch program held in area parks for underprivileged children under 18.

A leader in recycling, the Township has a very high community awareness of the importance of reducing waste. The Township collects paper, cardboard, aluminum cans, bi-metal cans, glass, plastic, batteries and even Christmas trees.

Public Library Services

Approximately 11 years ago, the Franklin Township Library (the “Library”) underwent significant renovations that doubled its size and capacity from 18,000 to 36,000 square feet. Six years after the expansion and renovation, the Library added a new 3,800 square foot branch in Franklin Park. The Library’s collection currently consists of 170,000 print book titles and almost 30,000 audio and video titles. There are also 223 periodicals and newspapers and over 500,000 electronic titles. The Library has a current circulation of approximately 455,500 materials per year.

The Library has a total staff of 78 employees -- 16 full-time and 62 part-time employees comprised of professional librarians and support staff. The main library is open seven days a week all year, whereas the Franklin Park branch is open six days a week for somewhat fewer hours. In addition to traditional library services such as reading, researching and circulating books, the Library stays closely connected with the community by offering a variety of activities and programs to residents of all ages. Adult programs include informational workshops, guest performances, speakers, movie showings, and author appearances. For young adults (aged 12 years and up), the Library offers summer and winter reading clubs, a Reading Buddies program and a host of activities geared to teens. For children from birth to 12 years, the Library offers summer and winter reading clubs, as well as story times, and other literature based programs. These programs are well utilized with over 12,000 children attending the programs annually. Other services offered to Library patrons include, but are not limited to, free Internet and WiFi access; a secure online catalog through which patrons can renew materials and place items on hold; digital magazines, books, audios and movies through hoopla and Zinio; and the option to use other public libraries throughout central New Jersey.

Historical Background

The history of the Township and the Raritan Valley was largely influenced by the Dutch settlers who came to the region around 1650. They settled in this area by trading and bargaining for land with the Raritan Indians. The growing community was eventually dominated by ministers sent from Holland in the early 1700's, including the first of the Frelinghuysen family, Rev. Theodore Jacobus, whose descendants played a major role in the religious and political history of the nation.

The Township's strategic location was a principal reason for its importance in the developing nation, just as it is now. The first County Courthouse of Somerset was built at Six Mile Run (Franklin Park), which was a midpoint of the Kings Highway (Route 27), stretching from New York to Philadelphia. Later the courthouse location was changed to Millstone, another important crossroad for travel.

Previously it had been believed the Township was named after a New Jersey Governor, William Franklin, who held office from 1762-66. However, after considering the extensive research and evidence set forth in a publication commissioned by the Franklin Township Library, the Township Council, memorialized by resolution adopted in December 2000, resolved that the Township had been named after Benjamin Franklin. The Township was very much a part of Revolutionary history and the scene of many raiding parties along the Kings Highway. In fact, two British generals, Cornwallis and DeHeister, tried to lure General George Washington into battle on the plains of Middlebush and East Millstone. Washington, however, kept his troops at Chimney Rock until the British withdrew, destroying several prosperous Middlebush farms as they did. Washington's farewell address was actually delivered to his army in Little Rocky Hill in 1783.

One of the most important developments for the Township in the first half of the nineteenth century was the building of the Delaware and Raritan Canal in 1834. Twenty-two miles of this continuous water route from New York to Philadelphia went through the Township. During the Civil War up to 200,000 tons of freight were hauled by mule and horse drawn barges, thereby bringing a great economic boom to the area. Although the canal was abandoned in 1932, its importance was only temporarily set aside. Years later, the State of New Jersey (the "State") designated the canal as a source of fresh water and as a recreation area. Today the canal is the source of fresh water for a number of communities bordering its shores.

Economic Development

With the construction of the interstate highway system that includes Interstates 287, 80 and 78 and the growth of other major road networks such as the Garden State Parkway, the New Jersey Turnpike, U.S. Route 1 and New Jersey Route 27, the Township began a period of growth in the 1960's that continues to this day. With the Township's location being approximately halfway between New York City and Philadelphia, Franklin has become a premier location for corporations, hotels, service providers, etc. eager to have easy access to a well-engineered, high-volume vehicle connection to those cities and the region.

The Township's Economic Development Department actively fosters the economic health in the community by working with the business community in assessing their needs and developing strategies to assist them in growth and development. The Township's Redevelopment Agency professionally guides targeted development within the designated redevelopment areas in the Township. The Township's Planning and Zoning Department, with extensive citizen input, properly balances the many land use issues that tend to overwhelm other jurisdictions.

Numerous industrial parks, professional offices, commercial and service centers have been developed in the Township taking advantage of Franklin's strategic location. Franklin has almost 5,000 jobs in professional, scientific and technical services industries, over 4,000 in wholesale

trade, over 3,500 in manufacturing, over 3,000 in health care and social assistance and over 2,500 in finance and insurance. Outside of Atlantic City, Franklin has more hotel rooms than any other municipality in New Jersey.

With an extremely diverse housing stock and incomes well above state and national averages Franklin is positioned to continue economic growth for the foreseeable future. In addition the Township understands the value of preserving its farms and other natural habits and has through either direct purchase or the acquisition of easements permanently preserved 34% of the land in the Township. This unique balance between industry, housing and land conservation is indicative of the Township's focus on effective and thoughtful planning which leads to continued economic prosperity for Franklin.

Utilities

The Township operates its own Water Utility, which was maintained on a self-liquidating basis as of December 31, 2016. The Franklin Township Sewerage Authority provides for the treatment and disposal of sanitary sewerage, through its connections with the City of New Brunswick and the Middlesex County Utilities Authority.

Pension Information

As of December 31, 2016, 290 Township employees who are eligible for pension coverage are enrolled in the State of New Jersey pension system. The three (3) State-administered pension funds are: the Police and Firemen's Retirement System (N.J.S.A. §43:16A-1 et seq.), the Public Employees Retirement System (N.J.S.A. §43:15A-7 et seq.) and the Defined Contribution Retirement Plan (N.J.S.A. §43:15C-1 et seq.). Benefits, contributions, means of funding and the manner of administration are determined by State Legislation. The Division of Pensions within the Treasury Department of the State of New Jersey is the administrator of the funds. This division annually charges municipalities, counties and other governmental units for their respective contributions. State law requires that these systems be subject to actuarial valuation every year and actuarial investigation every three years.

Township Employees and Employee Relations

Currently, the Township employs 251 full-time and 206 part-time/temp seasonal employees, including 105 sworn Police personnel. Under State law, employees of the Township have certain organizational and representational rights, which include the right to organize, to bargain collectively by representation of their choosing on questions of wages and employment, and to engage in lawful concerted activities for bargaining of mutual aid or protection. The applicable law prohibits strikes by municipal employees.

There are several unions that represent certain groups of Township employees. The American Federation of State, County, Municipal Employees (AFSCME) represents both senior managers bargaining units along with the white-collar unit. The most recent AFSCME contracts expired December 31, 2015. The Communication Workers of America (CWA) represents the blue collar bargaining unit. The most recent CWA contract expired December 31, 2015. The fire

prevention employees and police dispatchers are represented by Firefighters Mutual Benevolent Association (FMBA) local 88 contract, which is set to expire December 31, 2018. The uniformed division of the Township's police is represented by New Jersey Patrolmen's Benevolent Association (PBA), Local No. 154. The Township's ranking police officers are represented by the Supervisory Officers Association (SOA). Contracts for both police bargaining groups are set to expire December 31, 2018. The Township is in various stages of negotiations with AFSCME and is about to reach settlements. CWA negotiations are continuing.

Education

The Board of Education of the Township of Franklin is an entity completely independent of the Township and operates under State Statutes. Nine Board Members are elected to office for three-year overlapping terms. Day-to-day administration of Board of Education business is conducted by a full-time Business Administrator. Additional information with respect to the Board of Education is located in "The School District" section of this Appendix A.

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Employment and Unemployment Comparisons

For the following years, the New Jersey Department of Labor reported the following annual average employment information for the Township, the County, and the State:

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>Township</u>				
2016	34,392	32,810	1,582	4.6%
2015	34,556	32,793	1,763	5.1%
2014	34,480	32,490	1,990	5.8%
2013	34,454	31,979	2,475	7.2%
2012	34,370	31,526	2,844	8.3%
<u>County</u>				
2016	173,235	166,213	7,022	4.1%
2015	174,100	166,131	7,969	4.6%
2014	173,688	164,646	9,042	5.2%
2013	173,714	162,690	11,024	6.3%
2012	176,133	163,034	13,099	7.4%
<u>State</u>				
2016	4,524,262	4,299,923	224,315	5.0%
2015	4,543,800	4,288,800	255,000	5.6%
2014	4,513,600	4,209,700	303,900	6.7%
2013	4,528,500	4,157,600	370,800	8.2%
2012	4,585,300	4,158,600	426,800	9.3%

Source: New Jersey Department of Labor, Office of Research and Planning, Division of Labor Market and Demographic Research, Bureau of Labor Force Statistics, Local Area Unemployment Statistics

Income (as of 2015)

	<u>Township</u>	<u>County</u>	<u>State</u>
Median Household Income	\$90,949	\$100,667	\$72,093
Median Family Income	108,254	119,158	88,335
Per Capita Income	40,861	48,791	36,582

Source: US Bureau of the Census, 2015 American Community Survey 5-Year Estimates

Population

The following tables summarize population increases and the decreases for the Township, the County, and the State.

<u>Year</u>	<u>Township</u>		<u>County</u>		<u>State</u>	
	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>
2016 Estimate	66,311	6.44%	333,751	3.19%	8,958,013	1.89%
2010	62,300	22.39	323,444	8.72	8,791,894	4.49
2000	50,903	18.99	297,490	23.81	8,414,350	8.85
1990	42,780	36.42	240,279	18.29	7,730,188	4.96
1980	31,358	3.19	203,129	2.40	7,365,001	2.75

Source: United States Department of Commerce, Bureau of the Census

Largest Taxpayers

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

<u>Taxpayers</u>	<u>2017</u>	<u>% of Total</u>
	<u>Assessed Valuation</u>	<u>Assessed Valuation</u>
Morgan Stanley	\$92,780,000	0.98%
SHI International Corp.	85,875,000	0.90%
Avalon Bay Communities Inc	70,800,000	0.74%
Franklin Greens c/o Fieldstone Prop	63,000,000	0.66%
Levin Properties, LP	61,950,000	0.65%
800 Cottontail LLC	56,389,600	0.59%
NJOP Holdings	54,400,000	0.57%
PR KC Somerset	48,057,500	0.51%
Green Hill Manor	46,600,000	0.49%
La Fonge Associates	46,500,000	0.49%
Total	<u>\$626,352,100</u>	<u>6.59%</u>

Source: Municipal Tax Assessor

Largest Employers

<u>Name</u>	<u>Number of Employees</u>
Board of Education	1,250
Software House International	1,200
Cardinal Health	1,000
ITW Maxi Grip	850
Prudential NJ Properties	700
Terumo Medical	550
Meda Pharmaceutical	550
Composecure	525
InVentiv Patient Access Solutions	520
Lupin Pharmaceuticals	500

Source: Township Officials

Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Current Year Collection</u>	<u>Current Year % of Collection</u>
2016	\$219,563,661	\$216,586,420	98.64%
2015	213,269,513	210,353,460	98.63%
2014	206,780,997	203,681,938	98.50%
2013	202,693,144	199,085,604	98.22%
2012	198,722,304	195,164,844	98.21%

Source: Annual Audit Reports of the Township

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Tax</u>	<u>Total Delinquent</u>	<u>% of Tax Levy</u>
2016	\$176,589	\$2,859,729	\$3,036,318	1.38%
2015	225,145	3,432,527	3,657,672	1.72%
2014	156,977	2,940,825	3,097,802	1.50%
2013	218,996	3,166,688	3,385,684	1.67%
2012	260,397	2,614,207	2,874,604	1.45%

Source: Annual Audit Reports of the Township

Property Acquired by Tax Lien Liquidation

<u>Year</u>	<u>Amount</u>
2016	\$329,973
2015	329,973
2014	329,973
2013	329,973
2012	329,973

Source: Annual Audit Reports of the Township

Water Utility Levy and Collections

<u>Year</u>	<u>Net Levy</u>	<u>Current Year Collection</u>
2016	\$12,086,515	\$12,123,928
2015	12,631,437	12,404,400
2014	11,653,376	11,538,725
2013	10,015,548	9,853,305
2012	8,931,356	8,569,918

Source: Annual Audit Reports of the Township

Tax Rates per \$100 of Net Valuations Taxable and Allocations

The table below lists the tax rates for Township residents for the past five (5) years.

<u>Year</u>	<u>Municipal</u>	<u>Municipal</u>	<u>Local</u>	<u>County</u>	<u>County</u>	<u>Total</u>
		<u>Open Space</u>	<u>Library</u>	<u>School</u>	<u>Open Space</u>	
2017	\$0.367	\$0.050	\$0.032	\$1.465	\$0.317	\$2.262
2016	0.378	0.050	0.032	1.472	0.319	2.281
2015	0.379	0.050	0.033	1.455	0.318	2.265
2014	0.373	0.050	0.032	1.434	0.312	2.231
2013	0.362	0.050	0.033	1.421	0.305	2.201

Source: Abstract of Ratables and State of New Jersey – Property Taxes

Valuation of Property

<u>Year</u>	<u>Aggregate Assessed Valuation of Real Property</u>	<u>Aggregate True Value of Real Property</u>	<u>Ratio of Assessed to True Value</u>	<u>Assessed Value of Personal Property</u>	<u>Equalized Valuation</u>
2017	\$9,496,029,150	\$10,090,350,813	94.11%	\$14,934,510	\$10,105,285,323
2016	9,231,560,550	9,220,495,955	100.12	14,642,139	9,235,138,094
2015	9,044,658,750	9,012,214,777	100.36	13,834,966	9,026,049,743
2014	8,938,183,250	9,030,292,231	98.98	12,878,452	9,043,170,683
2013	8,853,668,250	8,803,488,366	100.57	15,113,394	8,818,601,760

Source: Abstract of Ratables and State of New Jersey – Table of Equalized Valuations

Classification of Ratables

The table below lists the comparative assessed valuation for each classification of real property within the Township for the past five (5) years.

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartments</u>	<u>Total</u>
2017	\$99,770,650	\$6,366,488,100	\$54,632,100	\$1,502,516,000	\$929,682,300	\$542,940,000	\$9,496,029,150
2016	105,991,250	6,264,115,500	55,385,000	1,439,253,800	892,254,300	474,560,700	9,231,560,550
2015	114,843,950	6,108,979,900	55,939,400	1,458,437,700	876,347,100	430,110,700	9,044,658,750
2014	129,253,550	5,983,129,300	55,672,600	1,465,301,800	881,516,000	423,310,000	8,938,183,250
2013	127,484,650	5,921,770,300	54,692,900	1,480,199,000	865,740,400	403,781,000	8,853,668,250

Source: Abstract of Ratables and State of New Jersey – Property Value Classification

Existing Land Use (Acres)

	<u>1995</u>		<u>2002</u>		<u>2012</u>		<u>Change 1995-2012</u>	
	<u>Area</u>	<u>% of Total</u>	<u>Area</u>	<u>% of Total</u>	<u>Area</u>	<u>% of Total</u>	<u>Area</u>	<u>% of Total</u>
1. Agriculture	7,243	24.1%	5,483	18.3%	4,936	16.4%	-2,307	-31.9%
2. Barren Land	363	1.2%	315	1.0%	515	1.7%	152	41.9%
3. Forest	6,033	20.1%	6,294	21.0%	5,911	19.7%	-122	-2.0%
4. Recreational	898	3.0%	934	3.1%	938	3.1%	40	4.5%
5. Developed	9,505	31.7%	11,243	37.5%	12,345	41.1%	2,840	29.9%
6. Water	503	1.7%	506	1.7%	557	1.9%	54	10.7%
7. Wetlands	5,466	18.2%	5,236	17.4%	4,809	16.0%	-657	-12.0%
Total:	30,011	100.0%	30,011	100.0%	30,011	100.0%		

Source: Township of Franklin Planning Department - Environmental Resource Inventory

Construction Trends – New Housing Unit Permits

<u>Year</u>	<u>New Housing Units</u>	<u>Demolitions</u>	<u>Net Units</u>
2016	401	12	389
2015	115	11	104
2014	303	1	302
2013	196	11	185
2012	218	5	213

Source: Township Construction Office

Construction Trends - Square Footage Authorized by Building Permits

<u>Year</u>	<u>Square Footage - Office</u>	<u>Square Footage - Retail</u>	<u>Square Footage - Other</u>	<u>Total</u>
2016	240,380	11,225	341,481	593,086
2015	0	31,776	223,337	255,113
2014	189,881	17,257	171,065	378,203
2013	0	5,350	31,549	36,899
2012	0	23,256	56,283	79,539

Source: Township Construction Office

Financial Operations

The following table summarizes the Township's Current Fund budget for the past five (5) fiscal years ending December 31. The following summary should be used in conjunction with the tables in the sourced documents from which it is derived.

Summary of Current Fund Budget

<u>Anticipated Revenues</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Fund Balance Utilized	\$6,961,049	\$5,839,320	\$4,922,430	\$6,381,494	\$6,234,270
Miscellaneous Revenues	11,702,431	12,902,052	12,953,169	13,136,149	13,032,073
Receipts from Delinquent Taxes	2,200,000	2,000,000	2,000,000	2,000,000	2,000,000
Amount to be Raised by Taxation	<u>35,045,866</u>	<u>36,299,129</u>	<u>37,374,773</u>	<u>37,970,373</u>	<u>38,040,069</u>
Total Revenue:	<u>\$55,909,346</u>	<u>\$57,040,501</u>	<u>\$57,250,372</u>	<u>\$59,488,016</u>	<u>\$59,306,412</u>
<u>Appropriations</u>					
General Appropriations	\$40,479,108	\$42,067,963	\$37,006,957	\$42,156,514	\$37,717,462
Operations (Excluded from CAPS)	4,685,238	4,396,677	4,509,141	4,464,605	4,396,934
Deferred Charges and Statutory Expenditures	350,000	0	5,146,131	0	5,712,749
Judgments	0	0	0	0	0
Capital Improvement Fund	250,000	774,100	250,000	3,001,066	1,580,628
Municipal Debt Service	5,345,000	4,801,761	5,338,144	4,865,831	4,898,639
Reserve for Uncollected Taxes	<u>4,800,000</u>	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>
Total Appropriations:	<u>\$55,909,346</u>	<u>\$57,040,501</u>	<u>\$57,250,372</u>	<u>\$59,488,016</u>	<u>\$59,306,412</u>

Source: Annual Adopted Budgets of the Township

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Future Capital Projects in the 2017 Capital Plan*

The following table includes the Township's Capital Plan by Type of Improvement for the Calendar Years 2017-2022.

<u>General Improvement</u>	<u>Total</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Road Resurfacing	\$13,500,000	\$2,500,000	\$2,500,000	\$2,500,000	\$2,200,000	\$2,000,000	\$1,800,000
BOE Sidewalk Repairs	4,340,000	590,000	750,000	750,000	750,000	750,000	750,000
Community Center	57,500	47,500	10,000	0	0	0	0
Building Repairs and Equipment	650,000	220,000	220,000	180,000	30,000	0	0
Police Equipment	350,000	350,000	0	0	0	0	0
Public Safety Building	460,000	95,000	85,000	280,000	0	0	0
Public Works Building	555,000	155,000	340,000	60,000	0	0	0
Public Works Equipment	2,160,000	630,000	470,000	875,000	125,000	30,000	30,000
Recreation Equipment	535,000	100,000	220,000	215,000	0	0	0
Engineering Equipment	280,000	280,000	0	0	0	0	0
Construction Vehicles	468,000	66,000	72,000	72,000	78,000	84,000	96,000
Police Vehicles	38,000	38,000	0	0	0	0	0
Public Works Vehicles	2,052,000	592,000	300,000	590,000	125,000	320,000	125,000
Information Technology	3,333,000	378,000	590,000	550,000	630,000	565,000	620,000
Parks (Open Space)	<u>2,991,000</u>	<u>702,000</u>	<u>608,000</u>	<u>439,000</u>	<u>414,000</u>	<u>414,000</u>	<u>414,000</u>
Total General Improvements:	<u>\$31,769,500</u>	<u>\$6,743,500</u>	<u>\$6,165,000</u>	<u>\$6,511,000</u>	<u>\$4,352,000</u>	<u>\$4,163,000</u>	<u>\$3,835,000</u>
<u>Water Utility Improvements</u>							
Technology	\$24,000	\$10,000	\$0	\$14,000	\$0	\$0	\$0
Repairs and Equipment	8,420,000	2,706,500	1,720,500	990,000	1,003,000	1,000,000	1,000,000
Vehicles	<u>1,113,500</u>	<u>505,000</u>	<u>253,500</u>	<u>125,000</u>	<u>130,000</u>	<u>50,000</u>	<u>50,000</u>
Total Water Utility Improvements:	<u>\$9,557,500</u>	<u>\$3,221,500</u>	<u>\$1,974,000</u>	<u>\$1,129,000</u>	<u>\$1,133,000</u>	<u>\$1,050,000</u>	<u>\$1,050,000</u>
Total Improvements:	<u>\$41,327,000</u>	<u>\$9,965,000</u>	<u>\$8,139,000</u>	<u>\$7,640,000</u>	<u>\$5,485,000</u>	<u>\$5,213,000</u>	<u>\$4,885,000</u>

*The above projects are under consideration as part of the Township's Capital Improvement Program and may be revised to meet new, changing and unforeseen priorities.

Source: Annual Adopted Budget of the Township

Fund Balance

Current Fund

The following table lists the Township's fund balance and the amount utilized in the succeeding year's budget for the Current Fund for the past five (5) fiscal years ending December 31.

<u>Fund Balance - Current Fund</u>		
	Balance	Utilized in Budget
<u>Year</u>	<u>12/31</u>	<u>of Succeeding Year</u>
2016	\$25,116,866	\$6,234,270
2015	23,464,094	6,381,494
2014	18,107,752	4,922,430
2013	18,060,340	5,839,320
2012	18,946,015	6,961,049

Source: Annual Audit Reports of the Township

Water Utility Operating Fund

The following table lists the Township's fund balance and the amount utilized in the succeeding year's budget for the Water Utility Operating Fund for the past five (5) fiscal years ending December 31.

<u>Fund Balance - Water Utility Operating Fund</u>		
	Balance	Utilized in Budget
<u>Year</u>	<u>12/31</u>	<u>of Succeeding Year</u>
2016	\$8,476,209	\$0
2015	6,878,435	0
2014	3,827,058	0
2013	2,126,039	1,803,455
2012	2,280,102	2,200,000

Source: Annual Audit Reports of the Township

Township Indebtedness as of December 31, 2016

General Purpose Debt

Serial Bonds	\$13,762,000
Bond Anticipation Notes	0
Bonds and Notes Authorized but Not Issued	16,403,319
Other Bonds, Notes and Loans	<u>12,297,732</u>
Total:	\$42,463,051

Local School District Debt

Serial Bonds	\$104,010,000
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	<u>257</u>
Total:	\$104,010,257

Self-Liquidating Debt

Serial Bonds	\$8,433,000
Bond Anticipation Notes	0
Bonds and Notes Authorized but Not Issued	6,408,383
Other Bonds, Notes and Loans	<u>344,790</u>
Total:	\$15,186,173

TOTAL GROSS DEBT

\$161,659,480

Less: Statutory Deductions	
General Purpose Debt	\$11,660,470
Local School District Debt	104,010,257
Self-Liquidating Debt	<u>15,186,173</u>
Total:	\$130,856,900

TOTAL NET DEBT

\$30,802,580

Source: Annual Debt Statement of the Township

Net Debt Percentages of Equalized Valuations

<u>Year Ended</u>	<u>Percentage</u>
2016	0.339%
2015	0.317%
2014	0.328%
2013	0.382%
2012	0.339%

Source: Annual Debt Statements of the Township

Overlapping Debt (as of December 31, 2016)²

<u>Name of Related Entity</u>	<u>Related Entity Debt Outstanding</u>	<u>Township Percentage</u>	<u>Township Share</u>
Local School District	\$104,010,257	100.00%	\$104,010,257
County	386,301,478	15.54%	<u>60,030,669</u>
Net Indirect Debt			\$164,040,926
Net Direct Debt			<u>30,802,580</u>
Total Net Direct and Indirect Debt			<u>\$194,843,507</u>

Debt Limit

Average Equalized Valuation Basis (2014, 2015, 2016)	\$9,087,667,654
Permitted Debt Limitation (3 1/2%)	318,068,368
Less: Net Debt	<u>30,802,580</u>
Remaining Borrowing Power	<u>\$287,265,787</u>
Percentage of Net Debt to Average Equalized Valuation	0.339%
Gross Debt Per Capita based on 2010 population of 62,300	\$2,595
Net Debt Per Capita based on 2010 population of 62,300	\$494

Source: Annual Debt Statement of the Township

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² Township percentage of County debt is based on the Township's share of total equalized valuation in the County.

THE SCHOOL DISTRICT

General

The School District (the "School District") is a comprehensive (pre-kindergarten through grade twelve) local public school system for students domiciled in the Township. The School District operates six elementary schools for grades kindergarten through five, middle school for grades six through eight, and a high school for grades nine through twelve.

Type

The district is a Type II (Grades K through 12) school district coterminous with the boundaries of the Township.

Staff

The Superintendent of Schools is the chief administrative officer of the School District. The School Business Administrator/Board Secretary oversees the business functions and reports through the Superintendent to the Board. As of June 30, 2016, there were approximately 1,175 employees of the Board.

Pupil Enrollment

The following table presents the historical pupil enrollments for school years 2010-2011 through 2015-2016.

Pupil Enrollments	
<u>School Year</u>	<u>Enrollment</u>
2015-2016	7,298
2014-2015	7,494
2013-2014	7,633
2012-2013	7,640
2011-2012	7,767
2010-2011	7,826

Source: School District and Comprehensive Annual Financial Report of the School District

Budget Matters

As authorized by P.L. 2011, c. 202, the Franklin Township Board of Education has moved the April annual school board election to the date of the November general election. As a result of this change, there is no vote by the electorate on an annual school budget that is within the levy cap. At the general election, the voters vote on the school board candidates and any proposed levy cap over-ride referendum. The election may also include a capital spending proposal.

Debt Limit of the Board of Education

The debt limitations of the Board of Education are established by statute (N.J.S.A. §18A:24-19). The Board of Education is permitted to incur debt up to 4% of the average equalized valuations of its constituent municipalities before requiring approval by state regulatory authorities.

Average Equalized Real Property Valuation (2014, 2015, and 2016)	\$9,087,667,654
---	-----------------

School District Debt Analysis

Permitted Debt Limitation (4% of AEVP)	\$363,506,706
Less: Bonds and Notes Authorized and Outstanding	<u>107,195,000</u>
Remaining Limitation of Indebtedness	\$256,311,706
Percentage of Net School Debt to Average Equalized Valuation	1.18%

Source: Comprehensive Annual Financial Report of the School District

Labor Relations

The Board contracts with the Franklin Township Education Association, the Franklin Township School Support Association and the Franklin Township School Administrators Association.

Pensions

The teachers and members of the professional staff are enrolled in the New Jersey Teachers Pension & Annuity Fund (TPAF). All other eligible employees are enrolled in the New Jersey Public Employee's Retirement System (PERS). Both TPAF and PERS are administered by the Division of Pensions, within the Department of the Treasury of the State of New Jersey.

THE TOWNSHIP OF FRANKLIN SEWERAGE AUTHORITY

The Township of Franklin Sewerage Authority (the "Authority") is a public body politic and corporate, organized and existing under the Sewerage Authorities Law, constituting chapter 138 of the P.L. 1946 of the State of New Jersey approved April 23, 1946 and the acts amendatory thereof or supplemental thereto (the "Act"), and was created by virtue of an ordinance adopted by the governing body of the Township on October 11, 1956, pursuant to the Act. The Authority is governed by members appointed annually for five years by the Township Council on a rotating basis.

The Authority was created for the purpose of accomplishing the abatement of pollution of the waters in and bordering the State arising from causes within the Township and the consequent improvement of conditions affecting the public health. The Township does not provide any form of guarantee for the Authority's debt.

The Authority has broad powers under the Act including, among others, the following: to sue and be sued; to enter into contracts; to acquire property by any lawful means, including the exercise of the power of eminent domain; to hold, operate and administer its property; to issue its negotiable securities and to secure their payment and rights of holders thereof under a bond resolution; to charge and collect service charges for the use of its facilities and to revise such service charges which the Act requires to be such that the revenues of the authority will at all times be adequate to pay all operating and maintenance expenses, including reserves, insurance, extensions and replacements, and to pay punctually the principal of and interest on any securities and to maintain reserves or sinking funds therefore as may be required by the terms of any contract with bondholders; and to make and enforce rules and regulations for the management of its business and affairs.

Debt of the Authority at May 31, 2017 was reported as follows:

2000 NJEIT Trust Loan	\$813,894
2000 NJEIT Fund Loan	836,512
2001 NJEIT Trust Loan	409,550
2001 NJEIT Fund Loan	314,464
2007 NJEIT Fund Loan	2,640,000
2007 NJEIT Trust Loan	2,049,257
2017 NJEIT Trust Loan	4,090,000
2017 NJEIT Fund Loan	<u>12,082,826</u>
	<u><u>\$23,236,503</u></u>

Source: Township of Franklin Sewerage Authority May 31, 2017 Audit Report.

The results of the operations of the Authority for the years ended May 31, 2017 and 2016, on a budgetary basis, indicated the following operating revenues, operating expenses and debt service expenditures.

<u>Year</u>	<u>Operating Revenues</u>	<u>Operating Expenses</u>	<u>Debt Service Expenditures</u>
2017	\$14,092,711.39	\$10,391,695.25	\$1,334,372.40
2016	13,401,691.91	10,105,684.02	1,398,046.38

Source: Township of Franklin Sewerage Authority May 31, 2017 Audit Report.

APPENDIX B

**CERTAIN FINANCIAL STATEMENTS OF THE TOWNSHIP OF FRANKLIN
FOR YEARS ENDED DECEMBER 31, 2016 AND 2015 ALONG WITH THE
INDEPENDENT AUDITORS' REPORT**

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Independent Auditors' Report

The Honorable and Members of
the Township Council
Township of Franklin
County of Somerset
Franklin, New Jersey

Report on the Financial Statements

We have audited the accompanying regulatory basis financial statements of the various funds and account group of the Township of Franklin, (the "Township"), Somerset County, State of New Jersey which comprise the balance sheets as of and for the years ended December 31, 2016 and 2015, and the related statements of revenues, expenditures and changes in fund balances for the years ended, statements of revenues, statements of expenditures 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 financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). 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 misstatement, whether due to fraud or error.

Auditors' 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 standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States and the requirements prescribed by the Division. Those standards and requirements prescribed by the Division require that we plan and perform the audit to obtain reasonable assurance about whether the regulatory basis 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 Township'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.

PKF O'CONNOR DAVIES, LLP
293 Eisenhower Parkway, Suite 270, Livingston, NJ 07039 | Tel: 973.535.2880 | Fax: 973.535.5893 | www.pkfod.com

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Basis for Adverse Opinion on U.S Generally Accepted Accounting Principles

As described in Note 1 to the financial statements, the financial statements are prepared by the Township on the basis of the financial reporting provisions of the Division to demonstrate compliance with the Division's regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S Generally Accepted Accounting Principles paragraph, 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 the Township as of December 31, 2016 and 2015, or the results of its operations and changes in fund balances for the years then ended.

Basis for Disclaimer of Opinion on Length of Service Award Program Fund ("LOSAP")

As described in Note 13, the financial statements of the Length of Service Award Program Fund ("LOSAP") have not been audited and were not required by the Division to be audited nor were we engaged to audit the LOSAP financial statements as part of our audit of the Township's financial statements. The LOSAP's financial activities are included in the Township's Trust Fund, and represent 0.11% and 0.10% of the assets and liabilities, respectively, of the Township's Trust Funds as of December 31, 2016 and 2015, respectively.

Disclaimer of Opinion on Length of Service Award Program Fund ("LOSAP")

Due to the fact that we were not required by the Division to audit nor were we engaged to audit the LOSAP financial statements as part of our audit of the Township's financial statements, we do not express an opinion on the LOSAP financial statements.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP financial statements been audited, the financial statements referred to above present fairly, in all material respects the financial position of the various funds and account group of the Township as of December 31, 2016 and 2015, and the results of its operations and changes in fund balances for the years then ended, and the statements of revenues and expenditures of the various funds for the year ended December 31, 2016 in accordance with the financial reporting provisions of the Division as described in Note 1 to the financial statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that The Township's proportionate share of the net pension liability – PERS, and the schedule of Township's contributions – PERS as presented in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Matters

Report on Supplementary Information as Required by the Division in Accordance with the Regulatory-Basis

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information, identified in the table of contents as Schedules A-4 through E-6 and the comments section, is presented for purposes of additional analysis as required by the Division and is not a required part of the regulatory – basis financial statements of the Township.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2017 on our consideration of the Township'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's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

June 29, 2017
Livingston, New Jersey

Francis M. McEnerney

Francis M. McEnerney, CPA, RMA
Licensed Registered Municipal Accountant #539

TOWNSHIP OF FRANKLIN
CURRENT FUND

BALANCE SHEET
REGULATORY BASIS
DECEMBER 31, 2016 AND 2015

A
Sheet # 1

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>			
Current Fund:			
Cash - Treasurer	A-4	\$ 39,347,576.52	\$ 32,184,123.53
Cash - Change Fund	A-5	1,255.00	1,255.00
Due from State of New Jersey - Sr. Cit. and Vets. Ded. per Ch. 73, P.L. 1976	A-6	8,250.00	19,217.59
Prepaid School Taxes	A-11		3,193,825.00
		<u>39,357,081.52</u>	<u>35,398,421.12</u>
Receivables With Full Reserves:			
Taxes Receivable	A-7	2,859,729.15	3,432,526.85
Tax Title Liens Receivable	A-7	176,588.82	225,144.90
Property Acquired for Taxes at Assessed Valuation	Unchanged	329,973.00	329,973.00
Revenue Accounts Receivable	A-8	32,410.60	26,303.42
Interfunds Receivable	A-12	711,897.73	403,488.83
		<u>4,110,599.30</u>	<u>4,417,437.00</u>
Total Current Fund		<u>43,467,680.82</u>	<u>39,815,858.12</u>
Grant Fund:			
Cash - Treasurer	A-4	1,294,795.78	1,086,026.51
State and Federal Grants Receivable	A-14	3,397,693.96	3,047,821.06
Interfunds Receivable	A- 16	22,156.79	30,367.03
Total Grant Fund		<u>4,714,646.53</u>	<u>4,164,214.60</u>
		<u>\$ 48,182,327.35</u>	<u>\$ 43,980,072.72</u>

See accompanying notes to financial statements.

TOWNSHIP OF FRANKLIN
CURRENT FUND

BALANCE SHEET
REGULATORY BASIS
DECEMBER 31, 2016 AND 2015

A
Sheet # 2

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Current Fund:			
Liabilities:			
Appropriation Reserves	A-3, A-13	\$ 2,754,048.16	\$ 2,467,889.37
Reserve for Encumbrances	A-3, A-13	1,269,286.05	856,936.30
Various Payables and Reserves	A- 9	3,992,870.80	4,631,771.36
Tax Overpayments	A-10	3,437.12	29,830.39
Prepaid Taxes	A-4	1,905,691.13	1,860,888.48
Interfunds Payable	A-12	4,314,882.65	2,087,011.02
		<u>14,240,215.91</u>	<u>11,934,326.92</u>
Reserve for Receivables	Reserve	4,110,599.30	4,417,437.00
Fund Balance	A- 1	25,116,865.61	23,464,094.20
		<u>29,227,464.91</u>	<u>27,881,531.20</u>
Total Current Fund		<u>43,467,680.82</u>	<u>39,815,858.12</u>
Grant Fund:			
Reserve for Encumbrances	A-15	262,695.20	269,021.74
Reserve for State & Federal Grants:			
Appropriated	A-15	4,451,951.33	3,890,192.86
Unappropriated	A-17		5,000.00
		<u>4,714,646.53</u>	<u>4,164,214.60</u>
Total Grant Fund		<u>4,714,646.53</u>	<u>4,164,214.60</u>
		<u>\$ 48,182,327.35</u>	<u>\$ 43,980,072.72</u>

See accompanying notes to financial statements.

TOWNSHIP OF FRANKLIN
CURRENT FUND

A-1
Sheet # 1

STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE
REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
<u>Revenue and Other Income Realized</u>			
Fund Balance - Appropriated	A-2	\$ 6,381,494.00	\$ 4,922,430.05
Miscellaneous Revenue Anticipated	A-2	14,207,458.42	14,150,711.09
Receipts from Delinquent Taxes	A-2	3,140,326.10	2,266,942.24
Receipts from Current Taxes	A-2	216,586,420.33	210,353,459.63
Miscellaneous Revenue Not Anticipated	A-2	688,874.18	1,351,277.87
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-13	2,265,661.34	3,053,989.70
Accounts Payable and Reserves Cancelled			42,964.86
Interfund Loans Returned (Net)			1,725,283.33
			<hr/>
Total Income		<u>243,270,234.37</u>	<u>237,867,058.77</u>
<u>Expenditures</u>			
Budget Appropriations:			
Operations:			
Salaries and Wages	A-3	21,580,654.00	21,610,952.69
Other Expenses	A-3	19,681,997.00	19,725,476.81
Public and Private Programs	A-3	996,204.82	1,034,131.65
Deferred Charges and Statutory Expenditures	A-3	5,226,131.00	5,146,131.00
Capital Improvements	A-3	3,001,066.00	250,000.00
Municipal Debt Service	A-3	4,865,830.44	5,338,143.72
County Taxes (All)	A-11	32,505,358.50	31,722,527.01
Local District School Taxes	A-11	136,084,365.00	131,771,120.00
Special District Taxes (All)	A-11	6,546,576.14	6,443,502.00
Municipal Open Space	A-11	4,627,235.00	4,529,246.86
Prior Year Sr. Citizens/Veterans Deductions Disallowe	A-6	30,954.58	17,054.80
Special Improvement District	A-9	48,127.36	
Interfund Loans Advanced (Net)	A-12	41,469.12	
		<hr/>	<hr/>
Total Expenditures		<u>235,235,968.96</u>	<u>227,588,286.54</u>
Excess in Revenues (Carried Forward)		8,034,265.41	10,278,772.23

See accompanying notes to financial statements.

TOWNSHIP OF FRANKLIN
CURRENT FUND

STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE
REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

A-1
Sheet # 2

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
Statutory Excess in Revenues (Carried Forward)		\$ 8,034,265.41	\$ 10,278,772.23
<u>FUND BALANCE</u>			
Balance December 31,	A	<u>23,464,094.20</u>	<u>18,107,752.02</u>
		31,498,359.61	28,386,524.25
Decreased by:			
Utilized as Anticipated Revenue	A-1	<u>6,381,494.00</u>	<u>4,922,430.05</u>
Balance December 31,	A	<u>\$ 25,116,865.61</u>	<u>\$ 23,464,094.20</u>

See accompanying notes to financial statements.

TOWNSHIP OF FRANKLIN
CURRENT FUND

STATEMENT OF REVENUES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

A-2
Sheet # 1

	Anticipated Budget	N.J.S.A. 40A:4-87	Total Budget	Realized	Excess or (Deficit)
Surplus Anticipated	\$ 6,381,494.00	\$	6,381,494.00	\$ 6,381,494.00	\$
Total Surplus Anticipated	6,381,494.00		6,381,494.00	6,381,494.00	
Miscellaneous Revenues:					
Licenses:					
Alcoholic Beverages	75,000.00		75,000.00	85,676.00	10,676.00
Other	205,000.00		205,000.00	215,797.00	10,797.00
Fees and Permits	570,000.00		570,000.00	700,209.75	130,209.75
Fines and Costs:					
Municipal Court	450,000.00		450,000.00	414,590.77	(35,409.23)
Interest and Costs on Taxes	750,000.00		750,000.00	721,537.98	(28,462.02)
Interest on Investments and Deposits	80,000.00		80,000.00	109,145.49	29,145.49
Fire Prevention Fees	560,000.00		560,000.00	584,310.46	24,310.46
Cable Franchise Fees	217,000.00		217,000.00	221,181.02	4,181.02
Subtotal - Local Revenues	2,907,000.00		2,907,000.00	3,052,448.47	145,448.47
Consolidated Municipal Property Tax Relief Aid	75,342.00		75,342.00	75,342.00	
Energy Receipts Tax	4,509,836.00		4,509,836.00	4,509,836.00	
Garden State Trust Payments	70,219.00		70,219.00	70,219.00	
Subtotal - State Aid Revenues	4,655,397.00		4,655,397.00	4,655,397.00	
Dedicated Uniform Construction Code Fees:					
Uniform Construction Code Fees	2,400,000.00		2,400,000.00	2,469,583.50	69,583.50
Subtotal - Uniform Construction Code Revenues	2,400,000.00		2,400,000.00	2,469,583.50	69,583.50
Interlocal:					
Franklin Township Board of Education -					
Maintenance of School Equipment	285,000.00		285,000.00	216,916.67	(68,083.33)
School Police Officers	338,464.00		338,464.00	326,087.52	(12,376.48)
Subtotal - Interlocal Revenues	623,464.00		623,464.00	543,004.19	(80,459.81)

See accompanying notes to financial statements.

TOWNSHIP OF FRANKLIN
CURRENT FUND

STATEMENT OF REVENUES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Anticipated Budget	N.J.S.A. 40A:4-87	Total Budget	Realized	Excess or (Deficit)
					A-2 Sheet # 2
Public and Private Revenues Off-Set with Appropriations:					
Municipal Alliance on Alcoholism and Drug Abuse	\$	\$ 43,450.15	\$ 43,450.15	\$ 43,450.15	\$
NJ DEP Recycling Tonnage Grant	43,337.00		43,337.00	43,337.00	
Drive Sober or Get Pulled Over Grant		6,000.00	6,000.00	6,000.00	
Click It or Ticket		5,000.00	5,000.00	5,000.00	
Safe and Secure	60,000.00		60,000.00	60,000.00	
Summer Food Service Program		7,899.68	7,899.68	7,899.68	
CDBG - 2016		254,477.00	254,477.00	254,477.00	
NJDEP - Clean Communities Grant		150,740.99	150,740.99	150,740.99	
Discover NJ History Grant		10,000.00	10,000.00	10,000.00	
Somerset Youth Services Commission - Annual Grant		5,000.00	5,000.00	5,000.00	
EMPG/Emerg. Management Agency Asst. Prog.	5,000.00	32,800.00	37,800.00	37,800.00	
NJ DOT - DeMott Lane		223,500.00	223,500.00	223,500.00	
NJ Dept of Law and Public Safety		115,000.00	115,000.00	115,000.00	
Investors Foundation		10,000.00	10,000.00	10,000.00	
Subtotal - Public and Private Revenues	108,337.00	863,867.82	972,204.82	972,204.82	
Other Special Items Offset With Appropriations:					
Township Hotel Tax Revenue	1,340,000.00		1,340,000.00	1,331,218.08	(8,781.92)
Franklin Sewerage Authority	600,000.00		600,000.00	616,640.00	16,640.00
N.J. State PBA Officer	124,300.00		124,300.00	129,065.62	4,765.62
Franklin Fire Districts	36,651.00		36,651.00	27,665.31	(8,985.69)
PILOT Payments	234,000.00		234,000.00	324,153.56	90,153.56
Cell Tower Rental Fees	107,000.00		107,000.00	86,077.87	(20,922.13)
Subtotal - Other Special Item Revenues	2,441,951.00		2,441,951.00	2,514,820.44	72,869.44
Total Miscellaneous Revenues	13,136,149.00	863,867.82	14,000,016.82	14,207,458.42	207,441.60
Receipts from Delinquent Taxes	2,000,000.00		2,000,000.00	3,140,326.10	1,140,326.10
Subtotal General Revenues	21,517,643.00	863,867.82	22,381,510.82	23,729,278.52	1,347,767.70

See accompanying notes to financial statements.

TOWNSHIP OF FRANKLIN
CURRENT FUND

STATEMENT OF REVENUES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Anticipated Budget	N.J.S.A. 40A:4-87	Total Budget	Realized	Excess or (Deficit)
					A-2 Sheet # 3
Amount to be Raised by Taxes for Support of Municipal Budget:					
Local Tax for Municipal Purposes					
a) Including Reserve for Uncollected Taxes	\$ 34,961,693.00	\$	\$ 34,961,693.00	\$ 38,814,205.69	\$ 3,852,512.69
c) Minimum Library Tax	3,008,680.00		3,008,680.00	3,008,680.00	-
Total Amount to be Raised by Taxes for Support of Municipal Budget	37,970,373.00		37,970,373.00	41,822,885.69	3,852,512.69
Total General Revenues	59,488,016.00	663,867.82	60,351,883.82	65,552,164.21	5,200,280.39
Non-Budget Revenues				688,874.18	688,874.18
	<u>\$ 59,488,016.00</u>	<u>\$ 663,867.82</u>	<u>60,351,883.82</u>	<u>\$ 66,241,038.39</u>	<u>\$ 5,889,154.57</u>
	Ref. A-3	A-3			
<u>Current Taxes Realized:</u>					
Sr. Citizens & Vets	A-6			\$ 360,500.00	
Cash Receipts	A-7			214,365,031.85	
Prepaid Taxes - Prior Year	A-7			1,860,888.48	
Subtotal	A-1			216,586,420.33	
Res. For Uncoll. Tax	A-3			5,000,000.00	
Subtotal				221,586,420.33	
Allocated to School					
County and Fire Districts	A-11			(175,136,299.64)	
Municipal Library	A-2, A-3			(3,006,680.00)	
Municipal Open Space	A-11			(4,627,235.00)	
	Above			<u>\$ 38,814,205.69</u>	
Miscellaneous Revenues:					
Grants Realized	A-8			\$ 972,204.82	
Miscellaneous Revenues	A-8			13,235,253.60	
	A-1			<u>\$ 14,207,458.42</u>	
Miscellaneous Revenues Not Anticipated:					
Cash Receipts	A-1, A-4			<u>\$ 688,874.18</u>	

See accompanying notes to financial statements.

TOWNSHIP OF FRANKLIN
CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	Budget After	Paid Or	Expended		Unexpended
	Budget	Modification	Charged	Encumbered	Reserved	Balance
						Cancelled
<u>OPERATIONS WITHIN "CAPS"</u>						
<u>GENERAL GOVERNMENT</u>						
General Administration						
Salaries and Wages	\$ 305,057.00	\$ 305,057.00	\$ 283,483.51	\$	\$ 21,573.49	\$
Other Expenses	367,530.00	367,530.00	93,743.08	5,443.99	268,342.93	
Human Resources (Personnel)						
Salaries and Wages	121,414.00	121,414.00	107,847.58		13,566.42	
Other Expenses	58,620.00	58,620.00	46,700.00	2,426.00	9,494.00	
Mayor and Council						
Salaries and Wages	86,262.00	86,262.00	85,533.22		728.78	
Other Expenses	24,014.00	24,014.00	11,992.25	145.00	11,876.75	
Municipal Clerk						
Salaries and Wages	217,323.00	217,323.00	181,447.56		35,875.44	
Other Expenses	64,994.00	64,994.00	49,253.28	11,595.34	4,145.40	
Finance Administration						
Salaries and Wages	42,133.00	42,133.00	38,413.54		3,719.46	
Other Expenses	324,316.00	323,496.00	229,795.97	75,458.63	18,241.40	
Audit Services						
Other Expenses	39,800.00	39,800.00		29,175.00	10,625.00	
Computerized Data Processing						
Salaries and Wages	182,791.00	162,791.00	158,774.22		4,016.78	
Other Expenses	168,050.00	168,050.00	122,728.41	17,437.63	27,883.98	
Revenue Administration (Tax Collection)						
Salaries and Wages	121,229.00	121,229.00	115,337.48		5,891.52	
Other Expenses	9,930.00	10,750.00	10,581.87	18.20	149.93	
Tax Assessment Administration						
Salaries and Wages	309,634.00	309,634.00	304,218.32		5,415.68	
Other Expenses	138,450.00	138,450.00	50,941.36		87,508.64	
Legal Services (Legal Dept.)						
Other Expenses	535,000.00	535,000.00	355,710.16	176,552.76	2,737.08	
Prosecutor						
Other Expenses	56,000.00	56,000.00	54,918.92	903.00	178.08	
Municipal Court						
Salaries and Wages	311,645.00	311,645.00	300,177.49		11,467.51	
Other Expenses	25,750.00	25,750.00	16,272.39	2,869.72	6,807.89	

TOWNSHIP OF FRANKLIN
CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	Budget After	Paid Or	Expended		Unexpended
	Budget	Modification	Charged	Encumbered	Reserved	Balance
						Cancelled
Engineering						
Salaries and Wages	\$ 341,858.00	\$ 341,858.00	\$ 341,441.59		\$ 416.41	\$
Other Expenses	13,505.00	13,505.00	4,548.76		8,956.24	
Economic Development Agencies						
Other Expenses	143,175.00	143,175.00	42,869.98	37,738.04	62,567.00	
Planning Board						
Salaries and Wages	284,028.00	264,878.00	260,068.06		4,809.94	
Other Expenses	85,829.00	85,829.00	28,980.62	39,777.95	17,090.43	
Public Works - General						
Salaries and Wages	1,835,293.00	1,512,343.00	1,505,571.34		6,771.66	
Streets and Roads Maintenance						
Salaries and Wages	110,000.00	110,000.00	69,434.41	39,223.77	1,341.82	
Other Expenses	750,225.00	755,225.00	348,562.83	398,120.17	8,542.00	
Public Works - Recycling						
Other Expenses	673,000.00	673,000.00	611,845.08	14,281.44	46,873.48	
Shade Tree Commission						
Other Expenses	250.00	250.00		45.00	205.00	
Public Works - Building and Grounds						
Other Expenses	228,825.00	208,325.00	181,496.16	39,761.97	7,066.87	
Public Works - Vehicle Maintenance						
Other Expenses	146,000.00	161,500.00	132,763.89	27,560.54	1,175.77	
Community Services Act (Condo Community)						
Other Expenses	170,000.00	170,000.00	59,330.87	6,482.38	104,186.75	
Animal Control Services						
Salaries and Wages	131,195.00	131,195.00	107,562.28		23,632.72	
Other Expenses	22,960.00	22,960.00	15,301.64	4,485.74	3,172.62	
Police						
Salaries and Wages	13,851,157.00	14,116,291.00	14,037,330.24		78,960.76	
Other Expenses	614,852.00	614,852.00	462,330.13	75,812.20	78,709.67	
Division of Recreation and Park Administration						
Salaries and Wages	474,823.00	474,823.00	438,539.47		36,283.53	
Other Expenses	61,792.00	61,792.00	38,239.78	5,355.33	18,196.91	
Community Resources						
Salaries and Wages	230,930.00	230,930.00	164,849.47		46,080.53	
Other Expenses	14,821.00	14,821.00	11,272.64	40.74	3,507.62	
Fire Prevention						
Salaries and Wages	572,489.00	590,034.00	516,555.78		73,478.22	
Other Expenses	7,548.00	7,546.00	2,476.23	2,738.70	2,333.07	

TOWNSHIP OF FRANKLIN
CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	Budget After	Paid Or	Expended		Unexpended
	Budget	Modification	Charged	Encumbered	Reserved	Balance
						Cancelled
Emergency Management						
Salaries and Wages	\$ 13,584.00	\$ 13,584.00	\$ 13,583.96		\$ 0.04	\$
Other Expenses	2,250.00	2,250.00	887.81	487.08	875.11	
State Aid Payments to Fire Districts						
Other Expenses	16,774.00	16,774.00	16,774.00			
Community Activities:						
Aid to Fire Services						
Other Expenses	30,000.00	30,000.00	25,500.00		4,500.00	
Aid to Rescue Squads						
Other Expenses	65,000.00	65,000.00	58,500.00		6,500.00	
Tax Appeals						
Other Expenses	500,000.00	500,000.00	500,000.00			
Tax Title Lien and Foreclosure						
Other Expenses	50,000.00	50,000.00	32,127.00	4,795.00	13,078.00	
Environmental Commission						
Other Expenses	1,200.00	1,200.00	461.00		739.00	
Historical Commission						
Other Expenses	2,899.00	2,899.00	295.00		2,604.00	
Liability Insurance						
Other Expenses	1,110,275.00	1,110,275.00	928,118.39	38,903.83	143,252.78	
Workers Compensation Insurance						
Other Expenses	50,000.00	50,000.00	50,000.00			
Employee Group Insurance						
Salaries and Wages (Payment in Lieu)	150,000.00	150,000.00	67,464.89		82,535.11	
Other Expenses	6,395,160.00	6,395,160.00	6,373,352.24	7,403.38	14,404.38	
UNIFORM CONSTRUCTION CODE -						
APPROPRIATIONS OFFSET BY DEDICATED						
REVENUES (NJAC 5:23-4.17)						
Code Enforcement						
Salaries and Wages	1,030,346.00	889,767.00	885,599.36		4,167.64	
Other Expenses	351,600.00	351,600.00	49,215.35	11,139.69	291,244.96	
UNCLASSIFIED:						
Salary Adjustment	100,000.00	100,000.00	17,983.64		82,016.36	

TOWNSHIP OF FRANKLIN
CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016 Budget	Budget After Modification	Paid Or Charged	Expended		Unexpended Balance Cancelled
				Encumbered	Reserved	
Utilities:						
Gasoline	\$ 350,000.00	\$ 350,000.00	\$ 148,845.31	\$ 104,877.40	\$ 96,277.29	\$
Telephone	225,000.00	225,000.00	146,306.63	20,417.63	58,275.74	
Electricity/Heat	590,000.00	590,000.00	342,648.85	58,131.14	189,220.01	
Street Lighting	1,320,000.00	1,320,000.00	1,049,238.07		270,761.93	
Other:						
Future Sick and Vacation Payments	520,000.00	520,000.00	520,000.00			
Total Operations Within "CAPS"	38,926,383.00	36,928,383.00	33,226,123.10	1,259,202.39	2,443,057.51	
Contingent	2,000.00	2,000.00			2,000.00	
Total Operations Including Contingent Within "CAPS"	36,930,383.00	36,930,383.00	33,226,123.10	1,259,202.39	2,445,057.51	
DETAIL:						
Salaries and Wages	21,123,191.00	21,123,191.00	20,542,217.41	39,223.57	542,749.82	
Other Expenses (Including Contingent)	15,807,192.00	15,807,192.00	12,683,905.69	1,219,978.82	1,902,307.69	
STATUTORY EXPENDITURES:						
Contribution to:						
Public Employees' Retirement System	973,028.00	954,823.00	755,182.97		199,640.03	
Social Security System (O.A.S.I.)	1,500,000.00	1,518,205.00	1,508,818.79		9,386.21	
Defined Contribution Retirement Program	3,000.00	3,000.00	3,000.00			
Police and Firemen's Retirement System of N.J.	2,750,103.00	2,750,103.00	2,746,128.00		3,975.00	
Total Deferred Charges and Statutory Expend. Municipal Within "CAPS"	5,226,131.00	5,226,131.00	5,013,129.76		213,001.24	
Total General Appropriations for Municipal Purposes Within "CAPS"	42,156,514.00	42,156,514.00	38,239,252.86	1,259,202.39	2,658,058.75	
Operations Excluded from "CAPS"						
Maintenance of Free Public Library	3,008,680.00	3,008,680.00	3,008,679.96	0.04		
Total Other Operations - Excluded from "CAPS"	3,008,680.00	3,008,680.00	3,008,679.96	0.04		

TOWNSHIP OF FRANKLIN
CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	Budget After	Paid Or	Expended		Unexpended
	<u>Budget</u>	<u>Modification</u>	<u>Charged</u>	<u>Encumbered</u>	<u>Reserved</u>	<u>Balance</u> <u>Cancelled</u>
Interlocal Municipal Service Agreements:						
Franklin Township Board Of Education-						
Transportation						
Salaries and Wages	\$ 119,000.00	\$ 119,000.00	\$ 106,352.84	\$	\$ 12,647.16	\$
Other Expenses	166,000.00	166,000.00	114,887.36	4,165.87	46,966.77	
Franklin Township Board Of Education-						
Police						
Salaries and Wages	338,463.00	338,463.00	326,087.52		12,375.48	
Senior Transportation						
Other Expenses	71,013.00	71,013.00	65,095.25	5,917.75		
Somerset County - Board of Health Services						
Other Expenses	629,112.00	629,112.00	629,112.00			
Total Interlocal Municipal Service						
Agreements - Excluded from "CAPS"	1,323,588.00	1,323,588.00	1,241,514.97	10,083.62	71,989.41	
 PUBLIC AND PRIVATE PROGRAMS						
OFFSET BY REVENUES:						
Recycling Tonnage Grant	43,337.00	43,337.00	43,337.00			
Drive Sober or Get Pulled Over Grant - 16		6,000.00	6,000.00			
Municipal Alliance on Alcoholism		966.90	966.90			
Municipal Alliance on Alcoholism and Drug Abuse		42,483.25	42,483.25			
Safe and Secure Communities Program	60,000.00	60,000.00	60,000.00			
CDBG Grant - 16		254,477.00	254,477.00			
Discover NJ History Grant		10,000.00	10,000.00			
Youth Services Commission Grant		5,000.00	5,000.00			
EMPG/Emergency Mangement Grant	5,000.00	37,800.00	37,800.00			
Clean Communitis - 16		150,740.99	150,740.99			
NJ DOT - DeMott Lane		223,500.00	223,500.00			
Click it or Ticket		5,000.00	5,000.00			
Summer Food Service Program		7,899.68	7,899.68			
Nj Department of Law and Public Safety		115,000.00	115,000.00			
Investors Foundation Grant		10,000.00	10,000.00			
Matching Funds	24,000.00	24,000.00			24,000.00	

TOWNSHIP OF FRANKLIN
CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016 Budget	Budget After Modification	Paid Or Charged	Expended		Unexpended Balance Cancelled
				Encumbered	Reserved	
Total Public and Private Programs Offset by Revenues - Excluded from "CAPS"	\$ 132,337.00	\$ 996,204.82	\$ 972,204.82	\$	\$ 24,000.00	\$
Total Operations - Excluded from "CAPS"	4,464,805.00	5,328,472.82	5,222,399.75	10,083.66	95,989.41	
DETAIL:						
Salaries and Wages	457,463.00	457,463.00	432,440.36		25,022.64	
Other Expenses	4,007,142.00	4,871,009.82	4,789,959.39	10,083.66	70,966.77	
<u>Capital Improvements - Excluded from "CAPS"</u>						
Capital Improvement Fund	3,001,066.00	3,001,066.00	3,001,066.00			
Total Capital Improvements - Excluded from "CAPS"	3,001,066.00	3,001,066.00	3,001,066.00			
<u>Municipal Debt Service - Excluded from "CAPS"</u>						
Payment of Bond Principal	4,180,000.00	4,180,000.00	4,180,000.00			
Interest on Bonds	465,705.00	465,705.00	465,705.00			
Green Trust Loan Program:						
Capital Lease Obligations Approved After to 7/1/2007						
Principal	123,071.75	123,071.75	123,071.54			0.21
Interest	5,196.25	5,196.25	5,196.14			0.11
Energy Efficient Lease						
Principal	58,078.50	58,078.50	58,078.26			0.24
Interest	33,779.50	33,779.50	33,779.50			
Total Municipal Debt Service - Excluded from "CAPS"	4,865,831.00	4,865,831.00	4,865,830.44			0.56

TOWNSHIP OF FRANKLIN
CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	Budget After	Paid Or	Expended		Unexpended
	<u>Budget</u>	<u>Modification</u>	<u>Charged</u>	<u>Encumbered</u>	<u>Reserved</u>	<u>Balance</u> <u>Cancelled</u>
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	\$ 12,331,502.00	\$ 13,195,369.82	\$ 13,089,296.19	\$ 10,083.66	\$ 95,989.41	\$ 0.56
Subtotal General Appropriations	54,488,016.00	55,351,883.82	51,328,549.05	1,269,286.05	2,754,048.16	0.56
Reserve for Uncollected Taxes	5,000,000.00	5,000,000.00	5,000,000.00			
Total General Appropriations	<u>59,488,016.00</u>	<u>\$ 60,351,883.82</u>	<u>\$ 56,328,549.05</u>	<u>\$ 1,269,286.05</u>	<u>\$ 2,754,048.16</u>	<u>\$ 0.56</u>
	Ref.			A	A	
Adopted Budget	A-2	\$ 59,488,016.00				
Approp. by N.J.S.A. 40A:4-87	A-2	<u>863,867.82</u>				
		<u>\$ 60,351,883.82</u>				
Reserve for Uncollected Taxes	A-2		\$ 5,000,000.00			
Disbursed	A-4		46,855,278.23			
General Capital Improvement Fund	A-12		3,001,066.00			
Reserve for Tax Appeals	A-9		500,000.00			
Res. for State & Fed. Grants Approp.	A-15		<u>972,204.82</u>			
			<u>\$ 56,328,549.05</u>			

See accompanying notes to financial statements.

TOWNSHIP OF FRANKLIN
TRUST FUNDS

B
Sheet # 1

BALANCE SHEET
REGULATORY BASIS
DECEMBER 31, 2016 AND 2015

		BALANCE	BALANCE			BALANCE	BALANCE
		DEC. 31, 2016	DEC. 31, 2015			DEC. 31, 2016	DEC. 31, 2015
Ref.				Ref.			
<u>ASSETS</u>				<u>LIABILITIES, RESERVES AND FUND BALANCES</u>			
Trust Assessment Fund:				Trust Assessment Fund:			
Cash and Investments - Treasurer	B-2	\$ 778,974.79	\$ 777,448.08	Reserve for:			
Assessments Receivable	B-3	122,166.85	122,166.85	Assessments and Liens	B-4	\$ 122,166.85	\$ 122,166.85
				Fund Balance	B-1	778,974.79	777,448.08
Total Trust Assessment Fund		901,141.64	899,612.93	Total Trust Assessment Fund		901,141.64	899,612.93
Animal Control Fund:				Animal Control Fund:			
Cash and Investments - Treasurer	B-6	259,164.06	219,415.50	Due to State of New Jersey	B-6	532.80	135.00
				Reserve for Encumbrances	B-6	3,210.00	3,210.00
				Reserve for Animal Control			
				Fund Expenditures	B-5	255,421.26	216,070.50
Total Animal Control Fund		259,164.06	219,415.50	Total Animal Control Fund		259,164.06	219,415.50
Trust-Other Fund:				Trust-Other Fund:			
Cash and Investments - Treasurer	B-6	13,408,041.54	11,680,172.96	Due to Current Fund	B-6	305,459.62	
Due from Current Fund	B-6	-	752,846.28	Reserve for Encumbrances	B-8	187,375.48	42,437.79
				Escrow Funds and Reserves	B-6	12,915,206.44	12,390,581.45
Total Trust-Other Fund		13,408,041.54	12,433,019.24	Total Trust-Other Fund		13,408,041.54	12,433,019.24
Unemployment Insurance Trust Fund:				Unemployment Insurance Trust Fund:			
Cash and Investments - Treasurer	B-6	1,294,644.10	1,328,166.12	Reserve to Pay Unemployment Benefits	B-6	1,294,644.10	1,328,166.12
Total Unemployment Insurance Trust Fund		1,294,644.10	1,328,166.12	Total Unemployment Insurance Trust Fund		1,294,644.10	1,328,166.12
Self-Insurance Trust Fund:				Self-Insurance Trust Fund:			
Cash and Investments - Treasurer	B-6	849,172.81	647,968.60	Reserve for Other Insurance	B-6	670.57	670.57
Due from Current Fund		96,554.93	98,035.90	Reserve to Pay Insurance Claims	B-6	245,138.85	217,371.77
				Reserve for LOSAP	B-6	577,419.36	577,419.36
				Reserve for Vehicle Accident	B-6	23,104.91	23,104.91
				Reserve for Encumbrances	B-6	-	28,043.84
				Reserve for Environ. Protection Liability	B-6	99,394.05	99,394.05
Total Self-Insurance Trust Fund		945,727.74	948,004.50	Total Self-Insurance Trust Fund		945,727.74	948,004.50

TOWNSHIP OF FRANKLIN
TRUST FUNDS

B
Sheet # 2

BALANCE SHEET
REGULATORY BASIS
DECEMBER 31, 2016 AND 2015

	<u>Ref.</u>	<u>BALANCE</u> <u>DEC. 31, 2016</u>	<u>BALANCE</u> <u>DEC. 31, 2015</u>		<u>Ref.</u>	<u>BALANCE</u> <u>DEC. 31, 2016</u>	<u>BALANCE</u> <u>DEC. 31, 2015</u>
ASSETS				LIABILITIES, RESERVES AND FUND BALANCES			
Open Space Trust Fund:				Open Space Trust Fund:			
Cash and Investments - Treasurer	B-6	\$ 12,887,522.41	\$ 16,146,373.59	Reserve for Open Space Trust Fund	B-6	\$ 12,361,070.06	\$ 15,775,171.24
Deferred Charges - Funded	B-6	<u>11,310,000.00</u>	<u>14,025,000.00</u>	Serial Bonds Payable	B-7	<u>11,310,000.00</u>	<u>14,025,000.00</u>
				Due to General Capital Fund	B-6	<u>155,250.00</u>	
				Due to Current Fund	B-6	<u>39,237.37</u>	<u>39,237.37</u>
				Accounts Payable	B-6	<u>1,864.15</u>	<u>1,864.15</u>
				Reserve for Encumbrances	B-6	<u>330,100.83</u>	<u>330,100.83</u>
Total Open Space Trust Fund		<u>24,197,522.41</u>	<u>30,171,373.59</u>	Total Open Space Trust Fund		<u>24,197,522.41</u>	<u>30,171,373.59</u>
Workers Compensation Trust Fund:				Workers Compensation Trust Fund:			
Cash and Investments - Treasurer	B-6	<u>692,552.25</u>	<u>690,257.09</u>	Reserve for Workers' Compensation	B-6	<u>739,246.85</u>	<u>689,587.09</u>
Due from Current Fund	B-6	<u>46,694.60</u>		Reserve for Encumbrances	B-6	<u>-</u>	<u>670.00</u>
Total Workers Compensation Trust Fund		<u>739,246.85</u>	<u>690,257.09</u>	Total Workers Compensation Trust Fund		<u>739,246.85</u>	<u>690,257.09</u>
Recreation Trust Fund:				Recreation Trust Fund:			
Cash and Investments - Treasurer	B-6	<u>910,961.29</u>	<u>903,696.92</u>	Due to Current Fund	B-6	<u>1,895.33</u>	
				Reserve for Encumbrances	B-6	<u>69,024.79</u>	<u>69,024.79</u>
				Reserve for Recreation Programs	B-6	<u>840,041.17</u>	<u>834,672.13</u>
Total Recreation Trust Fund		<u>910,961.29</u>	<u>903,696.92</u>	Total Recreation Trust Fund		<u>910,961.29</u>	<u>903,696.92</u>
Developers' Escrow Trust Fund:				Developers' Escrow Trust Fund:			
Cash and Investments - Treasurer	B-6	<u>1,567,418.73</u>	<u>1,524,160.18</u>	Reserve for Escrows	B-6	<u>1,567,418.73</u>	<u>1,524,160.18</u>
Total Developers' Escrow Trust Fund		<u>1,567,418.73</u>	<u>1,524,160.18</u>	Total Developers' Escrow Trust Fund		<u>1,567,418.73</u>	<u>1,524,160.18</u>
Historical Preservation Trust Fund:				Historical Preservation Trust Fund:			
Cash and Investments - Treasurer	B-6	<u>157,854.23</u>	<u>153,668.75</u>	Reserve for Historical Preservation Fund	B-6	<u>157,854.23</u>	<u>153,668.75</u>
Total Historical Preservation Trust Fund		<u>157,854.23</u>	<u>153,668.75</u>	Total Historical Preservation Trust Fund		<u>157,854.23</u>	<u>153,668.75</u>

TOWNSHIP OF FRANKLIN
TRUST FUNDS

B
Sheet # 3

BALANCE SHEET
REGULATORY BASIS
DECEMBER 31, 2016 AND 2015

<u>ASSETS</u>				<u>LIABILITIES, RESERVES AND FUND BALANCES</u>			
	<u>Ref.</u>	<u>BALANCE</u> <u>DEC. 31, 2016</u>	<u>BALANCE</u> <u>DEC. 31, 2015</u>		<u>Ref.</u>	<u>BALANCE</u> <u>DEC. 31, 2016</u>	<u>BALANCE</u> <u>DEC. 31, 2015</u>
Tax Collector's Trust Fund:				Tax Collector's Trust Fund:			
Cash - Collector	B-6	\$ 3,455,761.77	\$ 4,163,292.50	Tax Sale Account		\$	\$ 1,092.50
				Premiums Received at Tax Sale	B-6	3,455,761.77	4,162,200.00
Total Tax Collector's Trust Fund		3,455,761.77	4,163,292.50	Total Tax Collector's Trust Fund		3,455,761.77	4,163,292.50
Payroll and Payroll Agency Fund:				Payroll and Payroll Agency Fund:			
Cash and Investments - Treasurer	B-6	427,491.32	429,931.79	Due to Current Fund		365,305.41	364,251.46
				Reserve for Payroll and Payroll Deductions	B-6	62,185.91	65,680.33
Total Payroll and Payroll Agency Fund		427,491.32	429,931.79	Total Payroll and Payroll Agency Fund		427,491.32	429,931.79
Affordable Housing Trust Fund:				Affordable Housing Trust Fund:			
Cash and Investments - Treasurer	B-6	3,660,168.11	3,827,413.59	Reserve for Encumbrances	B-6	-	18,490.00
				Reserve for Affordable Housing	B-6	3,660,168.11	3,808,923.59
Total Affordable Housing Trust Fund		3,660,168.11	3,827,413.59	Total Affordable Housing Trust Fund		3,660,168.11	3,827,413.59
Police Forfeiture Fund:				Police Forfeiture Fund:			
Cash and Investments - Treasurer	B-6	67,765.37	68,626.93	Reserve for Police Forfeiture	B-6	67,765.37	68,626.93
Total Police Forfeiture Fund		67,765.37	68,626.93	Total Police Forfeiture Fund		67,765.37	68,626.93
Flexible Spending Account:				Flexible Spending Account:			
Cash and Investments - Treasurer	B-6	2,564.01	11,152.89	Reserve for Flexible Spending	B-6	2,564.01	11,152.89
Total Flexible Spending Account		2,564.01	11,152.89	Total Flexible Spending Account		2,564.01	11,152.89
LOSAP Plan Funds (Unaudited):				LOSAP Plan Funds (Unaudited):			
LOSAP Plan Funds	B	585,485.10	558,636.48	Reserve for LOSAP Plan Funds	B	585,485.10	558,636.48
Total LOSAP Plan Funds		585,485.10	558,636.48	Total LOSAP Plan Funds		585,485.10	558,636.48
		\$ 52,580,958.27	\$ 57,898,499.21			\$ 52,580,958.27	\$ 57,898,499.21

See accompanying notes to financial statements.

TOWNSHIP OF FRANKLIN
TRUST FUND

STATEMENT OF TRUST FUND BALANCE
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

B-1

	<u>Ref.</u>	
Balance Dececeember 31, 2015	B	\$ 777,446.08
Increased by:		
Funds Collected	B-2	<u>1,528.71</u>
Balance December 31, 2016	B	<u><u>\$ 778,974.79</u></u>

See accompanying notes to finanical statements.

TOWNSHIP OF FRANKLIN
SOMERSET COUNTY, NEW JERSEY

GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE</u> <u>DEC. 31, 2016</u>	<u>BALANCE</u> <u>DEC. 31, 2015</u>
Cash and Investments - Treasurer	C- 2	\$ 862,116.73	\$ 4,697,022.43
Various Grants and Other Receivables	C- 4	59,756.24	59,756.24
Interfunds Receivable	C- 7	4,304,726.33	1,205,761.81
Deferred Charges to Future Taxation:			
Funded	C- 5	14,749,731.87	19,110,881.81
Unfunded	C- 6	<u>16,403,318.67</u>	<u>9,564,818.67</u>
		<u>\$ 36,379,649.84</u>	<u>\$ 34,638,240.96</u>
 <u>LIABILITIES, RESERVES</u> <u>AND FUND BALANCE</u>			
General Serial Bonds	C-9	\$ 13,762,000.00	\$ 17,942,000.00
SCIA Capital Equipment Leases Payable	C-10	124,363.77	247,435.31
Energy Lease Payable	C-11	863,368.10	921,446.50
Reserve for Encumbrances			
Improvement Authorizations	C-8	3,044,188.92	1,530,828.42
Improvement Authorizations:			
Funded	C-8	6,971,282.35	6,789,173.94
Unfunded	C-8	8,807,342.14	4,403,294.07
Reserve for:			
Capital Improvement Fund	C-13	143,189.74	141,189.74
Various Reserves	C-12	454,155.12	453,113.28
Fund Balance	C-1	<u>2,209,759.70</u>	<u>2,209,759.70</u>
		<u>\$ 36,379,649.84</u>	<u>\$ 34,638,240.96</u>
 Bonds and Notes Authorized But Not Issued at December 31			
	C-14	<u>\$ 16,403,318.67</u>	<u>\$ 9,564,818.67</u>

Note: See Notes to Financial Statements

TOWNSHIP OF FRANKLIN
SOMERSET COUNTY, NEW JERSEY

GENERAL CAPITAL FUND
 STATEMENT OF FUND BALANCE - REGULATORY BASIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016

	<u>REF.</u>	
Balance - December 31, 2015	C	<u>\$ 2,209,759.70</u>
Balance - December 31, 2016	C	<u>\$ 2,209,759.70</u>

Note: See Notes to Financial Statements

TOWNSHIP OF FRANKLIN
WATER UTILITY FUND

BALANCE SHEET
REGULATORY BASIS
DECEMBER 31, 2016 AND 2015

D

<u>ASSETS</u>	<u>Ref.</u>	<u>BALANCE</u> <u>DEC. 31, 2016</u>	<u>BALANCE</u> <u>DEC. 31, 2015</u>	<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>Ref.</u>	<u>BALANCE</u> <u>DEC. 31, 2016</u>	<u>BALANCE</u> <u>DEC. 31, 2015</u>
Operating Fund:				Operating Fund:			
Cash and Investments - Treasurer	D-6	\$ 10,774,696.98	\$ 9,172,654.80	Liabilities:			
Change Fund	D-7	200.00	200.00	Appropriation Reserves	D-4, D-17	\$ 675,858.75	\$ 326,843.49
Interfunds Receivable	D-13	181,009.67	106,866.48	Reserve for Encumbrances	D-4, D-17	850,939.71	1,113,465.01
		<u>10,955,906.65</u>	<u>9,279,721.28</u>	Accounts Payable	D-20	826,340.61	814,242.09
				Water Rent Overpayments	D-18	68,539.95	75,160.78
Receivables and Inventory With				Prepaid Fire Service Rents	D-19	178.40	1,539.97
Full Reserves:				Interfunds Payable	D-13	14,487.70	14,487.70
Water Rents Receivable	D-10	1,900,740.22	1,945,921.32	Accrued Interest on Bonds,			
Water Rent Liens Receivable	D-12	1,407.88	3,524.91	Notes and Loans	D-21	45,352.92	55,546.97
Fire Service Rents Receivable	D-11	449,381.30	446,556.73			2,479,698.04	2,401,286.01
Inventory	D	552,378.25	780,931.70	Reserve for Receivables	Reserve	2,903,907.65	3,176,934.66
		<u>2,903,907.65</u>	<u>3,176,934.66</u>	Fund Balance	D- 1	<u>8,476,208.61</u>	<u>6,878,435.27</u>
Total Operating Fund		<u>13,859,814.30</u>	<u>12,456,655.94</u>	Total Operating Fund		<u>13,859,814.30</u>	<u>12,456,655.94</u>
Assessment Trust Fund:	D-13			Assessment Trust Fund:			
Interfunds Receivable		<u>14,487.70</u>	<u>14,487.70</u>	Fund Balance	D- 5	<u>14,487.70</u>	<u>14,487.70</u>
Total Assessment Trust Fund		<u>14,487.70</u>	<u>14,487.70</u>	Total Assessment Trust Fund		<u>14,487.70</u>	<u>14,487.70</u>
Capital Fund:				Capital Fund:			
Cash and Investments - Treasurer	D-6	\$ 9,470,464.34	\$ 9,846,512.46	Serial Bonds Payable	D-24	\$ 8,433,000.00	\$ 9,571,000.00
Fixed Capital	D-15	32,448,884.40	32,448,884.40	Environ. Infrastr. Loans Payable	D-25	339,789.75	518,566.15
Fixed Capital Authorized				Reserve for Encumbrances	D-22	396,061.32	296,510.27
and Uncompleted	D-16	<u>18,608,633.00</u>	<u>17,150,633.00</u>	Improvement Authorizations:			
				Funded	D-22	6,278,705.81	6,099,953.11
				Unfunded	D-22	5,885,161.61	5,160,656.67
				Interfunds Payable	D-14	181,009.67	106,866.48
				Reserve for:			
				Capital Improvement Fund	D-26	1,520,015.01	1,953,015.01
				Various Reserves	D-23	67,589.50	67,589.50
				Amortization	D-27	35,228,344.65	33,911,568.25
				Deferred Reserve for Amortization	D-28	648,000.00	210,000.00
				Fund Balance	D- 2	<u>1,550,304.42</u>	<u>1,550,304.42</u>
Total Capital Fund		<u>60,527,981.74</u>	<u>59,446,029.86</u>	Total Capital Fund		<u>60,527,981.74</u>	<u>59,446,029.86</u>
		<u>\$74,402,283.74</u>	<u>\$71,917,173.50</u>			<u>\$74,402,283.74</u>	<u>\$71,917,173.50</u>
Bonds and Notes Authorized but not issued at December 31, 2016 and 2015 (See Exhibit D-29).						<u>\$ 6,408,383.00</u>	<u>\$ 5,388,383.00</u>

See accompanying notes to financial statements.

TOWNSHIP OF FRANKLIN
WATER UTILITY FUND

WATER UTILITY OPERATING FUND
STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE
REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

D-1

<u>REVENUE AND OTHER INCOME</u>	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
Water Rents	D-3	\$ 12,134,472.36	\$ 12,404,399.51
Fire Service Rents	D-3	1,130,578.98	1,085,692.14
Miscellaneous	D-3	901,028.36	1,396,972.57
Other Credits to Income:			
Unexpended Balance of Approp. Reserves	D-17	731,381.25	992,061.31
Accrued Interest Adjustment	D-21	<u>10,194.05</u>	<u>9,943.66</u>
Total Revenues		<u>14,907,655.00</u>	<u>15,889,069.19</u>
 <u>EXPENDITURES</u>			
Budget Expenditures:			
Operating	D-4	11,051,452.00	10,869,295.80
Capital Improvements	D-4	265,000.00	5,000.00
Debt Service	D-4	1,578,156.51	1,573,148.37
Deferred Charges and Statutory Expenditures	D-4	414,199.00	355,500.00
Refunds of Prior Year Revenues	D-6	<u>1,074.15</u>	<u>34,748.00</u>
Total Expenditures		<u>13,309,881.66</u>	<u>12,837,692.17</u>
Excess of Revenues		1,597,773.34	3,051,377.02
 <u>FUND BALANCE</u>			
Balance, December 31,	D	<u>6,878,435.27</u>	<u>3,827,058.25</u>
Balance, December 31,	D	<u>\$ 8,476,208.61</u>	<u>\$ 6,878,435.27</u>

See accompanying notes to financial statements.

TOWNSHIP OF FRANKLIN
WATER UTILITY FUND

WATER UTILITY CAPITAL FUND
STATEMENT OF FUND BALANCE
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

D-2

	<u>Ref.</u>	
Balance, December 31, 2015	D	<u>\$1,550,304.42</u>
Balance, December 31, 2016	D	<u>\$1,550,304.42</u>

See accompanying notes to financial statements.

TOWNSHIP OF FRANKLIN
WATER UTILITY FUND

WATER UTILITY OPERATING FUND
STATEMENT OF REVENUES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

D-3

	<u>Ref.</u>	<u>2016 Budget</u>	<u>Realized</u>	<u>Excess</u>
Fund Balance Utilized	D-1	\$ -	\$ -	\$
Water Rents	D-1	11,500,000.00	12,134,472.36	634,472.36
Fire Service Rents	D-1	1,000,000.00	1,130,578.98	130,578.98
Miscellaneous	D-1	<u>831,951.00</u>	<u>901,028.36</u>	<u>69,077.36</u>
	D-4	<u>\$13,331,951.00</u>	<u>\$14,166,079.70</u>	<u>\$ 834,128.70</u>

Analysis of Realized Revenues:

Analysis of Water Rents:

Water Rent Collections	D-10	\$12,123,928.04
Water Rent Liens Collected	D-12	<u>10,544.32</u>
	D-1	<u>\$12,134,472.36</u>

Analysis of Fire Service Rents:

Fire Service Rent Collections	D-11	\$ 1,129,217.41
Prepaid Fire Service Rents Applied	D-19	<u>1,361.57</u>
	D-1	<u>\$ 1,130,578.98</u>

Analysis of Miscellaneous:

Collector:

Connections	\$	533,718.74	
Sales of Meters		87,809.00	
Water Taps		29,452.14	
Installation and Inspection Fees		7,600.00	
Interest on Delinquencies		141,603.86	
Miscellaneous		<u>14,937.37</u>	
	D-6		\$ 815,121.11

Treasurer:

Miscellaneous	D-6	67,358.78
Interest Accrued - Water Capital Fund	D-14	<u>18,548.47</u>
		<u>85,907.25</u>
	D-1	<u>\$ 901,028.36</u>

See accompanying notes to financial statements.

TOWNSHIP OF FRANKLIN
WATER UTILITY FUND

WATER UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

D-4

	2016	Budget After	Expended		Reserved	Unexpended
	<u>Budget</u>	<u>Modification</u>	<u>Paid or</u>	<u>Encumbered</u>		<u>Balance</u>
			<u>Charged</u>			<u>Cancelled</u>
Operating:						
Salaries and Wages	\$ 2,115,401.00	\$ 2,115,401.00	\$ 1,815,969.82	\$	\$ 299,431.18	\$
Other Expenses	8,004,250.00	7,889,106.00	6,927,278.16	850,939.71	110,888.13	
Health Benefits	850,000.00	916,004.00	916,003.18		0.82	
Insurance - Other	130,000.00	130,941.00	130,941.00			
Capital Improvements:						
Capital Improvement Fund	5,000.00	5,000.00	5,000.00			
Capital Outlay	260,000.00	260,000.00			260,000.00	
Debt Service:						
Payment of Bond Principal	1,138,000.00	1,138,000.00	1,138,000.00			
Interest on Bonds	249,300.00	249,300.00	246,748.76			2,551.24
Loan Repayments for Principal and Interest	214,000.00	214,000.00	193,407.75			20,592.25
Statutory Expenditures:						
Contribution to:						
Public Employees' Retirement System	200,000.00	270,199.00	270,199.00			
Social Security System (O.A.S.I.)	160,000.00	140,000.00	134,461.38		5,538.62	
Disability Insurance	6,000.00	4,000.00	4,000.00			
	<u>\$ 13,331,951.00</u>	<u>\$ 13,331,951.00</u>	<u>\$ 11,782,009.05</u>	<u>\$ 850,939.71</u>	<u>\$ 675,858.75</u>	<u>\$ 23,143.49</u>
	<u>Ref.</u>	<u>D-3</u>	<u>D-6</u>	<u>D</u>	<u>D</u>	
Disbursed	D-6		\$ 11,777,009.05			
Due to Water Capital Fund	D-13		5,000.00			
			<u>\$ 11,782,009.05</u>			

TOWNSHIP OF FRANKLIN
WATER UTILITY FUND

WATER UTILITY TRUST ASSESSMENT FUND
STATEMENT OF FUND BALANCE
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

D-5

	<u>Ref.</u>	
Balance, December 31, 2015	D	<u>\$ 14,487.70</u>
Balance, December 31, 2016	D	<u>\$ 14,487.70</u>

See accompanying notes to financial statements.

TOWNSHIP OF FRANKLIN
SOMERSET COUNTY, NEW JERSEY

PUBLIC ASSISTANCE FUND
COMPARATIVE BALANCE SHEET - STATUTORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015

		BALANCE	BALANCE
	REF.	December 31, 2016	December 31, 2015
<u>ASSETS</u>			
Cash - Treasurer	E - 1	\$ _____	\$ _____
<u>LIABILITIES AND RESERVES</u>			
Reserve for Public Assistance	E - 6	\$ _____	\$ _____
Advanced State Aid	E - 6	_____	_____
	E - 1	\$ _____	\$ _____

TOWNSHIP OF FRANKLIN
SOMERSET COUNTY, NEW JERSEY

STATEMENT OF GOVERNMENTAL FIXED ASSETS-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
<u>Governmental Fixed Assets</u>		
Buildings	\$ 12,304,960.00	\$ 12,304,960.00
Land	27,590,390.00	27,590,390.00
Equipment	9,099,219.01	8,878,301.14
Vehicles	<u>9,630,818.80</u>	<u>8,898,478.30</u>
	<u>\$ 58,625,387.81</u>	<u>\$ 57,672,129.44</u>
<u>Reserve</u>		
Investments in Governmental Fixed Assets	<u>\$ 58,625,387.81</u>	<u>\$ 57,672,129.44</u>

Note: See Notes to Financial Statements

TOWNSHIP OF FRANKLIN
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 1: FORM OF GOVERNMENT

Reporting Entity

The Township of Franklin (the "Township") is managed under a Council-Manager form of government authorized under Plan D of the "Faulkner Act of 1950". This form of government became effective July 1, 1959. The Township is divided into five wards. One councilperson is elected to represent each ward and four others are elected at large to comprise a governing body of nine councilpersons. Effective with the November 5, 2002 general election, the charter was amended to allow for the election of the Mayor by the citizens. The mayoral election was held on November 4, 2003, and the Mayor will begin the four (4) year term on January 1, 2004. This form of government provides for the administrative function of government under the Manager, supported by various department heads and for the legislative function under the Township Council.

Except as noted below, the financial statements of the Township include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Township, as required by N.J.S.A. 40A: 5-5. Accordingly, the financial statements of the Township do not include the operations of the municipal library, the board of education, the sewerage authority, first aid organizations, volunteer fire companies or fire districts.

The Governmental Accounting Standards Board and subsequent Codification (collectively, "GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles for state and local governments. The GASB 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 generally accepted accounting principles ("GAAP").

The accounting policies of the Township conform to the accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), which is another comprehensive basis of accounting other than generally accepted accounting principles. 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 separate funds, which differ from the fund structure required by GAAP.

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 those boards, bodies, officers or commissions as required by the provisions of N.J.S.A. 40A:5-5. The financial statements of the Township do not include the operations of the Municipal Library, which is a separate entity subject to a separate examination.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Funds

The accounting policies of the Township conform to the accounting principles applicable to municipalities that have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). 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:

TOWNSHIP OF FRANKLIN
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Current Fund - resources and expenditures for governmental operations of a general nature, including Federal and State grant funds, except as otherwise noted.

Trust Fund - receipts, custodianship and disbursement of funds in accordance with the purposes for which each reserve was created. Pursuant to the provisions of N.J.S.A. 40A: 4-39, the financial transactions of the following funds and accounts are also reported within the Trust Fund:

- Affordable Housing
- Animal Control Trust Fund
- Unemployment Compensation Insurance Trust Fund
- Dedicated Law Enforcement Trust Fund
- Self-Insurance Trust Fund
- Developer's Escrow Fund
- Disposal of Forfeited Property (P.L. 1985, Ch. 135)
- Open Space Trust Fund
- Recreation Trust Fund
- Payroll & Payroll Agency Fund

General Capital Fund - resources, including Federal and State Grants in aid of construction, and expenditures for the acquisition of general capital facilities, other than those acquired through the Current Fund, including the status of bonds and notes authorized for said purposes.

Water Utility Fund - resources and expenditures for the operations and acquisition of capital facilities of the municipally owned Water Utility.

Public Assistance Fund - receipt and disbursement of funds that provide assistance to certain residents of the Township pursuant to Title 44 of New Jersey Statutes.

Governmental Fixed Assets - the Governmental Fixed Asset System is used to account for fixed assets used in governmental fund type operations for control purposes. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available or any other reasonable basis, provided such basis is adequately disclosed in the financial statements. Donated fixed assets are valued at their estimated fair value on the date of donation. No depreciation is recorded on general fixed assets.

Basis of Accounting

The basis of accounting as prescribed by the Division for its operating funds is generally a modified cash basis for revenue recognition and a modified accrual basis for expenditures. The operating funds utilize a "current financial resources" measurement focus. The accounting principles and practices prescribed for municipalities by the Division differ in certain respects from GAAP applicable to local government units. The most significant is the reporting of entity-wide financial statements, which are not presented in the accounting principles prescribed by the Division. The other more significant differences are as follows:

Capital Lease Purchase Agreements – the Township's participation in capital lease purchase agreements are reflected by the annual appropriation of minimum lease payments within the Township's operating budgets. The terms of the lease, including future minimum lease payments are disclosed in the Note 3. Capital lease payable amounts are recorded within the General Capital Fund. Accounting principles generally accepted in the United States of America (GAAP) requires the activity of the capital lease purchase to be recorded in the capital projects fund and the recording of the lease payments in the long-term debt.

TOWNSHIP OF FRANKLIN
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues - Revenues are recognized when cash is received, except for statutory reimbursements and grant funds that are due from other governmental units. State and Federal grants, entitlements and shared revenues received for operating purposes are realized as revenues when anticipated in the Township budget. Receivables for property taxes and water utility consumer charges are recorded with offsetting reserves within the Current Fund and Water Utility Fund, respectively. Other amounts that are due to the Township, which are susceptible to accrual, are recorded as receivables with offsetting reserves. These reserves are liquidated and revenues are recorded as realized upon receipt of cash. GAAP requires the recognition of revenues for general operations in the accounting period in which they become available and measurable, with the exception of water utility consumer charges, which would be recognized in the period they are earned and become measurable.

Expenditures - For purposes of financial reporting, expenditures are recorded as "paid or charged" or "appropriation reserves". Paid or charged refers to the Township "budgetary" basis of accounting. Generally, these expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the encumbrance accounting system. Reserves for unliquidated encumbrances at the close of the year are reported as a cash liability. Encumbrances do not constitute expenditures under GAAP. Appropriation reserves refer to unexpended appropriation balances at the close of the year. Appropriation reserves are automatically created and recorded as a cash liability, except for amounts, which may be cancelled by the governing body. Appropriation reserves are available until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred and not recorded in the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Generally, unexpended balances of budget appropriations are not recorded as expenditures under GAAP.

For the purpose of calculating the results of Current Fund operations, the regulatory basis of accounting utilized by the Township requires that certain expenditures be deferred, and raised as items of appropriation in budgets of succeeding years. These deferred charges include the two general categories of over-expenditures and emergency appropriations. Over-expenditures occur when expenditures recorded as "paid or charged" exceed available appropriation balances. Emergency appropriations occur when, subsequent to the adoption of a balanced budget, the governing body authorizes the establishment of additional appropriations based on unforeseen circumstances or for other special purposes as defined by statute. Over-expenditures and emergency appropriations are deducted from total expenditures in the calculation of operating results and are established as assets for Deferred Charges on the Current Fund balance sheet.

GAAP does not permit the deferral of over-expenditures to succeeding budgets. In addition, GAAP does not recognize expenditures based on the authorization of an appropriation. Instead, the authorization of special purpose expenditures, such as the preparation of tax maps or revaluation of assessable real property, would represent the designation of fund balance.

New Jersey Statutes require municipalities to provide annual funding to Free Public Libraries through the Current Fund Budget. Amounts paid on behalf of the Free Public Library (the "Library") or transferred to the custody of the Library's management are recorded as budgetary expenditures of the Township, notwithstanding the fact that the Library is recognized as a separate entity for financial reporting purposes. Under GAAP, the Library would be recognized, as a "component unit" of the Township, and discrete reporting of the Library's financial position and operating results would be incorporated in the Township's financial statements.

Compensated Absences - The Township records expenditures for payments of earned and unused vacation and sick leave in the accounting period in which the payments are made. GAAP requires that expenditures be recorded in the governmental (Current) fund in an amount that would normally be liquidated with available financial resources, and that expenditures be recorded in the enterprise (Water Utility) fund on a full accrual basis.

Property Acquired for Taxes - Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved. GAAP requires such property to be recorded in the general fixed asset account group at the lower of cost or fair market value.

TOWNSHIP OF FRANKLIN
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Self-Insurance Reserves - Charges to self-insurance reserves are recorded when payments of claims and related expenses are made. Increases to self-insurance reserves are recorded from budgetary appropriations in the accounting period in which budgetary expenditures are recorded. Earnings on investments and miscellaneous reimbursements are credited to reserves when received in cash. GAAP requires that liabilities for incurred claims be recorded as determined actuarially, and that operating transfers to self-insurance funds not exceed the amount determined.

Interfunds - Interfund receivables in the Current Fund are recorded with offsetting reserves, which are created by charges to operations. Income is recognized in the accounting period the receivables are liquidated. GAAP does not require the establishment of an offsetting reserve. Interfund receivables in the other funds are not offset by reserves.

Inventories of Supplies - The cost of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased and is not included on the various balance sheets. Although the expenditure method of accounting for purchases of supplies is in accordance with GAAP, the cost of inventory on hand at the close of the year should be reported on the balance sheet, with an offsetting reserve for conformity with GAAP.

Sale of Municipal Assets - Cash proceeds from the sale of Township owned property may be realized as revenue or reserved until utilized as an item of revenue in a subsequent year budget. Year-end balances of reserved proceeds are reported as a cash liability in the Current Fund. GAAP requires that revenue be recognized in the accounting period that the terms of the sales contracts become legally enforceable.

Fixed Assets - Property and equipment purchased by the Current and the General Capital Funds are recorded as expenditures at the time of purchase and are not capitalized. Property and equipment purchased by the Water Utility Fund are recorded in their respective capital accounts at cost and are adjusted for dispositions and abandonments. Contributions in aid of construction are not capitalized. The balances in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the Water Utility Capital Fund represent charges to operations for the costs of acquisitions of property, equipment and improvements, and costs funded from sources other than bonded debt of the utility. The utility does not record depreciation on fixed assets. GAAP does not require the establishment of a reserve for amortization for utility fixed assets, but does require the recognition of depreciation of these assets as an operating expense of the utility.

Disclosures About Pension Liabilities - The Township has included information relating to its allocated shares of the net pension liabilities of the state sponsored, cost-sharing, multiple employer defined benefit pension plans in which it participates in the Notes to the Financial Statements and the accompanying required supplementary information. As the Township does not present entity-wide financial statements, it does not present on the face of its financial statements its proportionate share of the net pension liability of the defined benefit plans in which its employees are enrolled. GAAP requires the recognition of the net pension liability and associated deferred inflows and deferred outflows of financial resources in the entity-wide financial statements.

Governmental Fixed Assets - New Jersey Administrative Code 5:30-5.6 established a mandate for fixed asset accounting by municipalities, effective December 31, 1985. The Township, in conjunction with a third party inventory service, performed a physical inventory and assessment of fixed assets in June 1992. Assets acquired through June 1992 were valued based on actual costs, where available, and other methods including current replacement values and estimated historical costs. The Township records assets acquired subsequent to June 1992 at original costs.

Disclosures About Fair Value of Financial Instruments - The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

TOWNSHIP OF FRANKLIN
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents and short-term investments - The carrying amount approximates fair value because of the short maturity of those instruments.

Long-term debt - The Township's long-term debt is stated at face value. The debt is not traded and it is not practicable to determine its fair value without incurring excessive cost. Additional information pertinent to the Township's long-term debt is disclosed in Note 3 to the financial statements.

Recent Accounting Pronouncements:

GASB issued Statement No. 72, "Fair Value Measurement and Application" in February 2015. The Statement addresses accounting and financial reporting issues related to fair value measurements and provides guidance for determining a fair value measurement for financial reporting purposes. Statement 72 is effective for periods beginning after June 15, 2015, with earlier application encouraged.

GASB issued Statement 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" in June, 2015. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions.

GASB issued Statement No. 74 "Financial Reporting For Postemployment Benefit Plans Other Than Pension Plans" in June 2015. This Statement replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement 43, and Statement No. 50, Pension Disclosures.

GASB issued Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" in June 2015. This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB.

GASB issued Statement No. 76 "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments" in June 2015. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). This Statement supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.

GASB issued Statement No. 77 "Tax Abatement Disclosures" in August 2015. The requirements of this Statement 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.

GASB issued Statement No. 78 "Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans" in December 2015. 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.

TOWNSHIP OF FRANKLIN
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

GASB issued Statement No. 79 "Certain External Investment Pools and Pool Participants" in December 2015. This Statement will enhance comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement.

GASB issued Statement No. 80, "Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14" in January 2016. The objective of this statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, "The Financial Reporting Entity, as amended."

GASB issued Statement No. 81, "Irrevocable Split-Interest Agreements" in March 2016. 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.

GASB issued Statement No. 82, "Pension Issues - an amendment of GASB Statements No. 67, No. 68 and No. 73" in March 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements 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*. 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 for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

GASB issued Statement No. 83, "Certain Asset Retirement Obligations" in November 2016. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

GASB issued Statement No. 84, "Fiduciary Activities" in January 2017. This Statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

GASB issued Statement No. 85 "Omnibus 2017" in March 2017. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

GASB issued Statement No. 86, "Certain Debt Extinguishment Issues" in May 2017. The objective of this Statement is to improve 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. The 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.

Use of Estimates – The preparation of the 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.

TOWNSHIP OF FRANKLIN
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Comparative Data - Comparative data for the prior year has been presented in order to provide an understanding of changes on the Township's financial position and operations. However, comparative data has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION

The Local Bond Law, Chapter 40A:2 et seq, governs the issuance of the debt to finance municipal capital expenditures. The Township's Debt is summarized as follows:

Summary of Municipal Debt for Capital Projects

	<u>CY 2016</u>	<u>CY 2015</u>
<u>Issued:</u>		
General:		
Bonds and Notes	\$ 13,762,000.00	\$ 17,942,000.00
Energy Lease Payable	863,368.10	921,446.50
Somerset County Improvement Authority		
Capital Lease Payable	124,363.77	247,435.31
Open Space Trust:		
Bonds and Notes	11,310,000.00	14,025,000.00
Water Utility:		
Bonds and Notes	8,433,000.00	9,571,000.00
Infrastructure Water Loan	339,789.75	518,566.15
Total Issued	<u>34,832,521.62</u>	<u>43,225,447.96</u>
<u>Authorized But Not Issued:</u>		
General:		
Bonds and Notes	16,403,318.67	9,564,818.67
Water Utility:		
Bonds and Notes	<u>6,408,383.00</u>	<u>5,388,383.00</u>
Total Authorized But Not Issued	<u>22,811,701.67</u>	<u>14,953,201.67</u>
Total Bonds and Notes Issued and Authorized but not Issued	<u>\$ 57,644,223.29</u>	<u>\$ 58,178,649.63</u>

TOWNSHIP OF FRANKLIN
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (continued)

Summarized below are the Township's individual bond and loan issues, which were outstanding at December 31, 2016 and 2015:

	<u>CY 2016</u>	<u>CY 2015</u>
<u>General Debt:</u>		
\$7,557,000, General Improvement Bonds Series 2007, due with one remaining installment of \$832,000 due January 15, 2017, interest at 4.00%	\$ 832,000.00	\$ 1,682,000.00
\$10,730,000, General Improvement Refunding Bonds Series 2009, with one remaining installment of \$1,510,000 due May 1, 2017, interest at 5.00%	1,510,000.00	3,040,000.00
\$9,550,000, General Improvement Bonds Series 2010, with two installments of \$1,400,000 through May 15, 2018, interest at 3.50%	2,800,000.00	4,100,000.00
\$9,620,000, General Improvement Bonds Series 2014, due in annual installments of \$620,000 to \$1,000,000 through November 1, 2026 interest at 1.00% to 3.00%	8,620,000.00	9,120,000.00
\$609,030 Somerset County Improvement Authority Capital Lease Payable 2012, due in annual installments of \$119,275 to \$124,364 through July 1, 2017, interest at 2.10%	124,363.77	247,435.31
\$15,675,000, Open Space Trust Fund Bonds Series 2007, which mature during 2016		1,150,000.00
\$8,495,000, Open Space Trust Fund Refunding Bonds Series 2009, with one remaining installment of \$1,355,000 due May 1, 2017, interest at 5.00%	1,355,000.00	2,720,000.00
\$6,795,000, Open Space Trust Fund Refunding Bonds Series 2014, due in annual installments of \$1,110,000 to \$1,135,000 through January 1, 2022, interest at 4.00%	6,795,000.00	6,795,000.00
\$3,560,000, Open Space Trust Fund Bonds Series 2014, due in annual installments of \$205,000 to \$250,000 through November 1, 2029 interest at 1.00% to 3.00%.	3,160,000.00	3,360,000.00
Program Loans: \$1,132,878.21 Energy Efficient Equipment Lease; due in annual installments of \$63,416.84 to \$111,713.64 through Sept 7, 2026, interest at 3.7529%	\$ 863,368.10	\$ 921,446.50
Total General Debt	<u>\$ 26,059,731.87</u>	<u>\$ 33,135,881.81</u>

TOWNSHIP OF FRANKLIN
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (continued)

Utility Debt:

\$855,000, Infrastructure Water Loan, due in annual installments of \$60,000 to \$70,000 through Aug. 1, 2020, interest at 5.25%	255,000.00	310,000.00
\$685,612, Infrastructure Water Loan - Principal Only, due in semi-annual installments of \$674.55 to 4,115.20 through Feb. 1, 2017	4,789.75	48,566.15
\$860,000, Infrastructure Water Loan, with one remaining installment of \$80,000 through Aug. 1, 2017, interest at 5.00%	80,000.00	160,000.00
\$2,575,000 Water Bonds Series 2007, with one remaining installment of \$258,000 through Jan. 15, 2017, interest at 4.00%	258,000.00	516,000.00
\$5,440,000 Water Bonds Series 2010, with one remaining installment of \$555,000 through May 15, 2020, interest at 3.50%	2,220,000.00	2,775,000.00
\$6,580,000 Water Bonds Series 2014, due in annual installments of \$350,000 to \$525,000 through November 1, 2029, interest at 1.00% to 3.00%	<u>5,955,000.00</u>	<u>6,280,000.00</u>
Total Utility Debt	<u>\$ 8,772,789.75</u>	<u>\$ 10,089,566.15</u>
Total Debt Issued and Outstanding	<u>\$ 34,832,521.62</u>	<u>\$ 43,225,447.96</u>

TOWNSHIP OF FRANKLIN
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 3. DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (continued)

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 indicates a statutory net debt of:

<u>2016</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 104,010,257.00	\$ 104,010,257.00	\$
Water Utility Debt	15,186,172.75	15,186,172.75	
General Debt	<u>42,463,050.54</u>	<u>11,660,470.13</u>	<u>30,802,580.41</u>
	<u>\$ 161,659,480.29</u>	<u>\$ 130,856,899.88</u>	<u>\$ 30,802,580.41</u>

Net Debt \$ 30,802,580.41 Divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended \$ 9,087,667,654.33 = 0.339%

<u>2015</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 108,140,257.00	\$ 108,140,257.00	\$
Water Utility Debt	15,477,949.15	15,477,949.15	
General Debt	<u>42,700,700.48</u>	<u>14,375,470.13</u>	<u>28,325,230.35</u>
	<u>\$ 166,318,906.63</u>	<u>\$ 137,993,676.28</u>	<u>\$ 28,325,230.35</u>

Net Debt \$ 28,325,230.35 Divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended \$8,909,445,283.00 = 0.318%

The Township's Borrowing Power Under N.J.S.A. 40A:2-6 as Amended, at December 31, 2016 and 2015, was as follows:

	<u>2016</u>	<u>2015</u>
3 1/2% of Equalized Valuation Basis Municipal Net Debt	<u>\$ 318,068,367.90</u> <u>30,802,580.41</u>	<u>\$ 311,830,584.91</u> <u>28,325,230.35</u>
Remaining Borrowing Power	<u>\$ 287,265,787.49</u>	<u>\$ 283,505,354.56</u>

The Township's Borrowing Power Available Under N.J.S.A. 40A:2-7(F) at December 31, was as follows:

	<u>2016</u>	<u>2015</u>
Borrowing Power Available Under R.S. 40:1-16(d) (Which is Available Only When the Percentage of Net Debt Exceeds 3 1/2%)		
Balance of Debt Incurring Capacity as of June 30 R.S. 40:1-16(d) as shown on Annual Debt Statement	<u>\$ 115,461.85</u>	<u>\$ 115,461.85</u>
Remaining Balance of Debt Incurring Capacity Under R.S. 40:1-16(d) at June 30	<u>\$ 115,461.85</u>	<u>\$ 115,461.85</u>

TOWNSHIP OF FRANKLIN
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (continued)

Capital Lease Purchase Agreement with the Somerset County Improvement Authority (S.C.I.A.)

2012 –Capital Equipment Lease Agreement - \$609,030.00

	<u>Year Ended Dec 31,</u>	<u>Amount</u>
	2017	\$ 128,267.68
Total Minimum Lease Payments		128,267.68
Less: Amounts Representing Interest		3,903.91
Present Value of Net Minimum Lease Payments		<u>\$ 124,363.77</u>

Energy Lease Payable

In connection with a program to promote energy saving initiatives, the Township entered into a energy lease in the amount of \$1,091,900.00, which also included capitalized interest of \$40,978.21. The energy lease runs through to year 2026 at an interest rate of 3.7529%. Total payments are scheduled to be \$1,471,568.08, which includes interest payable of \$379,668.13 in total.

Calculation of "Self-Liquidating Purpose"
Water Utility Per N.J.S.A. 40A: 2-45

The calculation of "Self-Liquidating Purpose" for the Water Utility, per N.J.S.A. 40A: 2-45 is as follows:

	<u>2016</u>	<u>2015</u>
Cash Receipts from Fees, Rents or Other Charges for Year	\$ 14,166,079.70	\$ 14,887,064.22
Deductions:		
Operating and Maintenance Costs	11,465,651.00	11,224,795.80
Debt Service	<u>1,578,156.51</u>	<u>1,573,148.37</u>
Total Deductions	<u>13,043,807.51</u>	<u>12,797,944.17</u>
Excess in Revenues	<u>\$ 1,122,272.19</u>	<u>\$ 2,089,120.05</u>

TOWNSHIP OF FRANKLIN
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (continued)

Deduction of Self-Liquidating Utility Debt for
Statutory Net Debt - Water Utility per N.J.S.A. 40A: 2-45

The differences between the excess in revenues for debt statement purposes and the statutory cash basis for the Water Utility Fund is as follows:

	2016	2015
Excess in Revenues - Cash Basis (D-1)	\$ 1,597,773.34	\$ 3,051,377.02
Add: Capital Improvements	265,000.00	5,000.00
Other Deductions to Operations	1,074.15	34,748.00
	1,863,847.49	3,091,125.02
Less: Reserves Cancelled	731,381.25	992,061.31
Other Additions to Operations	10,194.05	9,943.66
	741,575.30	1,002,004.97
Excess (Deficit) in Revenues	\$ 1,122,272.19	\$ 2,089,120.05

Schedule of Annual Debt Service for Principal and Interest for
Bonded Debt Issued and Outstanding

	GENERAL*		WATER UTILITY	
Year	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2017	\$ 4,362,000.00	\$ 314,715.00	\$ 1,163,000.00	\$ 215,141.25
2018	2,150,000.00	205,125.00	930,000.00	187,056.25
2019	750,000.00	171,250.00	955,000.00	162,943.75
2020	750,000.00	156,250.00	980,000.00	135,518.75
2021	750,000.00	141,250.00	455,000.00	117,306.25
2022	1,000,000.00	118,750.00	475,000.00	103,656.25
2023	1,000,000.00	98,750.00	475,000.00	94,156.25
2024	1,000,000.00	77,500.00	475,000.00	84,062.50
2025	1,000,000.00	55,000.00	475,000.00	73,375.00
2026	1,000,000.00	30,000.00	475,000.00	61,500.00
2027			525,000.00	47,250.00
2028			525,000.00	31,500.00
2029			525,000.00	15,750.00
Total	\$ 13,762,000.00	\$ 1,368,590.00	\$ 8,433,000.00	\$ 1,329,216.25

TOWNSHIP OF FRANKLIN
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (continued)

Schedule of Annual Debt Service for Principal and Interest for
Bonded Debt Issued and Outstanding

Year	OPEN SPACE		TOTAL	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2017	\$ 2,670,000.00	\$ 357,775.00	\$ 8,195,000.00	\$ 887,631.25
2018	1,345,000.00	276,850.00	4,425,000.00	669,031.25
2019	1,390,000.00	228,687.50	3,095,000.00	562,881.25
2020	1,385,000.00	178,187.50	3,115,000.00	469,956.25
2021	1,385,000.00	127,787.50	2,590,000.00	386,343.75
2022	1,385,000.00	74,887.50	2,860,000.00	297,293.75
2023	250,000.00	47,187.50	1,725,000.00	240,093.75
2024	250,000.00	41,875.00	1,725,000.00	203,437.50
2025	250,000.00	36,250.00	1,725,000.00	164,625.00
2026	250,000.00	30,000.00	1,725,000.00	121,500.00
2027	250,000.00	22,500.00	775,000.00	69,750.00
2028	250,000.00	15,000.00	775,000.00	46,500.00
2029	250,000.00	7,500.00	775,000.00	23,250.00
TOTAL	\$ 11,310,000.00	\$ 1,444,487.50	\$ 33,505,000.00	\$ 4,142,293.75

*Annual debt service for the "Water Supply Loans", "S.C.I.A. Leases" and "Energy Lease" is not included in the above schedules.

Loan Agreements

Department of Environmental Protection
Environmental Infrastructure Loans

The Township has contracted with the State of New Jersey, Department of Environmental Protection to fund a portion of the costs incurred for the Water Main Cleaning and Cement Lining Project. Information relating to these loans is as follows:

	<u>Loan #1</u>	<u>Loan #2</u>	<u>Loan #3</u>
Drawn down Date	11/9/2000	11/9/2000	10/15/2002
Loan Amount	\$855,000.00	685,612.00	\$860,000.00
Interest Rates	Various	0.00%	Various
Due Dates	Aug. 1 & Feb. 1	Feb. 1 & Aug. 1	Aug. 1 & Feb. 1
Number of Payments	19	19	16
Final Payment Date	1-Aug-20	1-Aug-17	1-Aug-17
Balance:			
December 31, 2015	\$ 310,000.00	\$ 48,566.15	\$ 160,000.00
December 31, 2016	\$ 255,000.00	\$ 4,789.75	\$ 50,000.00

Pursuant to the provisions of N.J.S.A. 40A: 2-1 et seq. the combined outstanding principal of these loans has been included in the calculation of the Township's statutory debt condition.

TOWNSHIP OF FRANKLIN
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 4: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2016 and 2015, which were appropriated and included as anticipated revenue in their own respective funds for the succeeding years were as follows:

	Fund Balance December 31, 2016	Utilized in Succeeding Year's Budget
Current Fund	\$ 25,116,865.61	\$ 6,234,270.00
Water Utility Operating Fund	8,476,208.61	-

	Fund Balance December 31, 2015	Utilized in Succeeding Year's Budget
Current Fund	\$ 23,464,094.20	\$ 6,381,494.00
Water Utility Operating Fund	6,878,435.27	-

Note 5: DEFERRED COMPENSATION

The Township has instituted a Deferred Compensation Plan (the "Plan") pursuant to section 457 of the Internal Revenue Code and P.L. 1977, C. 381; P.L. 1978, C. 39; P.L. 1980, C. 78; and P.L. 1997, C. 116 of the New Jersey Statutes. The Plan is an arrangement whereby a public employer may establish a plan and permit its employees to voluntarily authorize a portion of their current salary to be withheld and invested in one or more of the types of investments permitted under the governing regulations. The Township has engaged a private contractor to administer the Plan.

Note 6: DEPOSITS AND INVESTMENTS

New Jersey Statutes set forth deposit requirements and investments that may be purchased by local units and the Township deposits and invests its funds pursuant to its policies and an adopted cash management plan.

Deposits

New Jersey Statutes permit the deposit of public funds in institutions located in New Jersey, which are insured by the Federal Deposit Insurance Corporation ("FDIC") or by any other agencies of the United States that insures deposits or the State of New Jersey Cash Management Fund. New Jersey Statutes require public depositories to maintain collateral for deposit of public funds that exceed insurance limits to protect deposits from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-41 et. seq. establishes the requirements for the security of deposits of governmental units. This statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five (5) percent of the average daily balance of collected public funds; or if the public funds deposited exceed 75 percent of the capital funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent, to secure the deposits of governmental units.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the governmental units.

TOWNSHIP OF FRANKLIN
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 6: DEPOSITS AND INVESTMENTS (continued)

At December 31, 2016 and 2015, the cash and cash equivalents and investments of the Township on deposit and on-hand consisted of the following:

	<u>2016</u>	<u>2015</u>
Cash (Demand Accounts)	\$ 102,768,485.83	\$ 100,316,721.70
Change Funds (On-Hand)	1,455.00	1,455.00
	<u>\$ 102,769,940.83</u>	<u>\$ 100,318,176.70</u>
Current	\$ 39,347,576.52	\$ 32,184,123.53
Grant	1,294,795.78	1,086,026.51
Trust	41,018,835.48	43,330,381.97
General Capital	862,116.73	4,697,022.43
Water Operating	10,774,696.98	9,172,654.80
Water Capital	9,470,464.34	9,846,512.46
	<u>\$ 102,768,485.83</u>	<u>\$ 100,316,721.70</u>
Assessment	\$ 778,974.79	\$ 777,446.08
Animal	259,164.06	219,415.50
Trust Other	13,408,041.54	11,680,172.96
Unemployment	1,294,644.10	1,328,166.12
Self Insurance	849,172.81	847,968.60
Open Space	12,887,522.41	16,146,373.59
Workers Comp	692,552.25	690,257.09
Recreation	910,961.29	903,696.92
Developers	1,580,712.32	1,524,160.18
Historical Pres	157,854.23	153,668.75
Tax Collector	3,455,761.77	4,163,292.50
Payroll/Payroll Agency	427,491.32	429,931.79
Affordable Housing	3,660,168.11	3,827,413.59
Police Forfeiture	67,765.37	68,628.93
Flexible Spending	2,564.01	11,152.89
LOSAP	585,485.10	558,636.48
	<u>\$ 41,018,835.48</u>	<u>\$ 43,330,381.97</u>
LOSAP	<u>\$ 41,018,835.48</u> (585,485.10)	
	<u>\$ 40,433,350.38</u>	

TOWNSHIP OF FRANKLIN
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 6: DEPOSITS AND INVESTMENTS (continued)

Based upon GASB criteria, the Township considers change funds, cash in banks, investments in certificates of deposit and State of New Jersey Cash Management Fund as cash and cash equivalents. At December 31 2016 the carrying amount of the Township's deposits was \$102,768,486.37 and the bank balance was \$105,036,719.45.

The Township has implemented the disclosure requirements of GASB No. 40 "Deposits and Investment Risk Disclosures" (GASB 40), and accordingly, the Township has assessed the Custodial Risk, the Concentration of Credit Risk and Interest Rate Risk of its cash and investments.

Custodial Credit Risk – The Township's deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are: uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name. The deposit risk is that, in the event of the failure of a depository financial institution, the Township will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The Township's investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Township and are held by either: the counterparty or the counterparty's trust department or agent, but not in the Township's name. The investment risk is that, in the event of the failure of the counterparty to a transaction, the Township will not be able to recover the value of the investment or collateral securities that in possession of an outside party.

Concentration of Credit Risk – This is the risk associated with the amount of investments that Township has with any one issuer that exceeds 5 percent or more of its total investments. Investment issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement.

Credit Risk – GASB 40 requires that disclosure be made as to the credit rating of all debt security investments, except for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government. This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. In general, the Township does not have an investment policy regarding Credit Risk except to the extent outlined under the Township's investment policy. The New Jersey Cash Management Fund is not rated.

Interest Rate Risk – This is the risk that changes in interest rates will adversely affect the fair value of an investment. The Township does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from interest rate fluctuations.

As of December 31, 2016, the Township was subject to Custodial Credit Risk in the following amounts:

<u>Depository Account</u>	<u>Bank Balance</u>
Insured - FDIC	\$ 1,099,704.14
Insured - NJGUDPA (N.J.S.A. 17:941)	103,378,378.83
Held by Trustee (LOSAP - Unaudited)	<u>558,636.48</u>
Total	<u>\$ 105,036,719.45</u>

The Township does not have a deposit policy for custodial risk. Based upon the existing deposit and investment practices, the Township is generally not exposed to credit risks, custodial credit risks (FDIC and NJGUDPA coverage's) for its deposits and investments; concentration of credit risks and interest rate risks for its investments; nor is it exposed to foreign currency risks for its deposits and investments.

TOWNSHIP OF FRANKLIN
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 6: DEPOSITS AND INVESTMENTS (continued)

Investments

New Jersey Statutes establish the following securities as eligible for the investment of Township funds:

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States;
2. Government money market mutual funds;
3. Any obligation that a Federal agency or a Federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided such obligation bear a fixed rate of interest not dependent on any index or other external factor;
4. Bonds or other obligations of the Township or bonds or other obligations of School Districts of which the Township is a part and within which the School District is located;
5. Bonds or other obligations having a maturity date of not more than 397 days from the date of purchase that are approved by the Division of Investment of the Department of Treasury for investment by local units;
6. Local government investment pools;
7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1997, c. 281 (C.52:18A-90.4); or
8. Agreements for the repurchase of fully collateralized securities, if:
 - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3);
 - b. the custody of collateral is transferred to a third party;
 - c. the maturity of the agreement is more than 30 days; and
 - d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.19:9-41) and for which a master repurchase agreement providing for the custody and security of the collateral is executed.

New Jersey Cash Management Fund (the "Fund") – All investments in the Fund are governed by the regulations of the Investment Council (the "Council"), which prescribe specific standards designed to insure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment's existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the "Other Than State" participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis. As of December 31, 2016 and 2015, the Township had no deposits with the Fund.

Note 7 ASSESSMENT AND COLLECTION OF PROPERTY TAXES

New Jersey statutes require that taxable valuation of real property be prepared by the local unit's Tax Assessor as of October 1 in each year and filed with the County Board of Taxation by January 10 of the following year. Upon the filing of certified adopted budgets by the Township, Local School District, County and Fire Districts, the tax rate is struck by the board based on the certified amounts in each of the taxing districts for collection to fund the budgets. Pursuant to statute, this process is to be completed on or before May 3, with a completed duplicate of the tax rolls to be delivered to the local unit's Tax Collector on or before May 13th.

Tax bills are prepared and mailed by the Collector of Taxes of the Township annually and set forth the final tax for the tax year. The bill contains a credit for preliminary amounts billed previously with the balance payable in equal installments on August 1st and November 1st of the tax year. In addition, the property owner receives a preliminary bill for the succeeding year based on one half of the prior year's tax. The preliminary payments are due and payable on February 1st and May 1st. The New Jersey Statutes allow a grace period of 10 days for each payment period.

TOWNSHIP OF FRANKLIN
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 7: ASSESSMENT AND COLLECTION OF PROPERTY TAXES (continued)

Taxes become delinquent if not paid on the installment dates and become subject to interest penalties of 8% to 18% of the amount delinquent, and if a delinquency (including interest) is in excess of \$10,000.00 and remains in arrears after December 31, an additional flat penalty of 6% shall be charged against the delinquency. If taxes are delinquent on or after April 1st of the succeeding year, the delinquent amount is subject to "Tax Sale" which places a tax lien on the property allowing the holder to enforce the tax lien by collection or foreclosure. New Jersey property tax laws establish a tax lien on real estate as of January 1st of the current tax year even though the amount due is not known.

Note 8: PENSION PLANS

Description of Plans – The State of New Jersey, Division of Pension and Benefits (the Division) was created and exists pursuant to N.J.S.A. 52:18A to oversee and administer the pension trust and other postemployment benefit plans sponsored by the State of New Jersey (the State). According to the State of New Jersey Administrative Code, all obligations of the Systems will be assumed by the State of New Jersey should the plans terminate. Each defined benefit pension plan's designated purpose is to provide retirement, death and disability benefits to its members. The authority to amend the provision of plan rests with new legislation passed by the State of New Jersey. Pension reforms enacted pursuant to Chapter 78, P.L. 2011 included provisions creating special Pension Plan Design Committees for the public Employees Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS), once a Target Funded Ratio (TFR) is met, that will have the discretionary authority to modify certain plan design features, including member contribution rate; formula for calculation of final compensation or final salary; fraction used to calculate a retirement allowance; age at which a member may be eligible and the benefits for service or early retirement; and benefits provided for disability retirement. The committee will also have the authority to reactivate the cost of living adjustment (COLA) on pensions.

However, modifications can only be made to the extent that the resulting impact does not cause the funded ratio to drop below the TFR in any one year of a 30-year projection period. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for each of the plans. This report may be accessed via the Division of Pensions and Benefits website, at www.state.nj.us/treasury/pensions, or may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM

The Public Employee Retirement System is a cost-sharing, multiple employer defined benefit pension plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the PERS Plan are as follows:

Plan Membership and Contributing Employers- Substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency are enrolled in PERS, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or other jurisdiction's pension fund. Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2016:

Inactive plan members or beneficiaries currently receiving benefits	170,685
Inactive plan members entitled to but not yet receiving benefits	650
Active plan members	<u>254,685</u>
Total	<u>426,020</u>

Contributing Employers – 1,710

Significant Legislation – Chapter 19, P.L. 2009, effective March 17, 2009, provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State Fiscal Year 2009. Such an employer will be credited with the full payment and any such amounts will not be included in their unfunded liability.

TOWNSHIP OF FRANKLIN
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 8: PENSION PLAN (continued)

The actuaries will determine the unfunded liability of PERS, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

Pursuant to the provision of Chapter 78, P.L. 2011, COLA increases were suspended for all current and future retirees of PERS.

For the year ended December 31, 2016, the Township's total PERS covered payroll was \$9,532,150.00. Covered payroll refers to pensionable compensation, rather than total compensation, paid by the Township to active employees covered by the Plan.

Specific Contribution Requirements and benefit provisions – The contribution policy is set by N.J.S.A 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.06% in State fiscal year 2016. The phase-in of the additional incremental member contribution rate will take place in July of each subsequent State fiscal year. Employers' contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. The Township's cash basis contributions to the Plan for the years ended December 31, 2015 and 2016 were \$1,080,369 and \$1,172,381, respectively. Township contributions are due and payable on April 1st in the second fiscal period subsequent to plan year for which the contributions requirements were calculated. Township payments to PERS for the years ending December 31, 2015 and 2016 consisted of the following:

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONT'D.)

	2015	2016
Normal Cost	\$ 179,857	\$ 198,479
Amortization of Accrued Liability	831,980	914,322
Total Pension	1,011,837	1,112,801
NCGI Premiums	68,532	59,580
Total Regular Billing	1,080,369	1,172,381
Total PERS Payment	\$ 1,080,369	\$ 1,172,381

When applicable, Ch. 19, P.L. 2009 billings reflect the recoupment of the 50% deferral of normal and accrued liability costs due on April 1, 2009. The law set a fifteen-year repayment schedule for the deferred amount, with additional annual adjustments to reflect the return on investment of actuarial net assets of the plan on deferred principal balances. The Township did not participate in the Ch. 19, P.L. 2009 program.

When applicable, ERI #1 billings reflect the recoupment of the additional costs of pensions and health benefits, plus interest, resulting from an entities participation in the 1991 early retirement program. The repayment term is 27 years, commencing with bills due on April 1, 1995. The Township did not participate in the ERI #1 program.

TOWNSHIP OF FRANKLIN
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 8: PENSION PLAN (continued)

When applicable, ERI #2 billings reflect the recoupment of the additional costs of pensions and health benefits, plus interest, resulting from an entities participation in the 1993 early retirement program. A variety of repayment terms were offered as part of this retirement incentive program. The Township did not participate in the ERI #2 program.

The Township recognizes liabilities to PERS and records expenditures for same in the fiscal period that bills become due.

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 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

A service retirement benefit of 1/55th of final average salary for each year of service credit is available to tier 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tier 1 and 2 members before reaching age 60, tiers 3 and 4 with 25 years or more years of service credit before age 62 and tier 5 members with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age of his/her respective tier. 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.

A. Public Employees' Retirement System (PERS) (Cont'd.)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – The regulatory basis of accounting which is basis for the preparation of the Township's basic financial statements does not require or permit the inclusion of entity-wide, full accrual basis financial statements. Accordingly, the Township does not recognize pension liabilities for any current or prior period until the fiscal period in which such payments will become due and payable.

At June 30, 2016, the PERS reported a net pension liability of \$29,617,131,759 for its Local (Non-State) Employer Member Group. The Township's proportionate share of the net pension liability for the Local Employer Member Group that is attributable to the Township was \$42,326,209 or 0.142911%. At June 30, 2015, the PERS reported a net pension liability of \$22,447,996,119 for its Local Employer Member Group. The Township's proportionate share of the net pension liability for the Local Employer Member Group that was attributable to the Township was \$30,611,412 or 0.136366%.

Actuarial Assumptions- The collective total pension liability in the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015 that was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.08%
Salary Increases: Through 2026	1.65-4.15% Based on age
Thereafter	2.65-5.15% Based on age
Investment rate of return	7.65%

TOWNSHIP OF FRANKLIN
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 8: PENSION PLAN (continued)

A. Public Employees' Retirement System (PERS) (Cont'd.)

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement 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 plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 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).

The actuarial assumptions used in the July 1, 2015 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 experiences 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.

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 the pension plans' target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%
	<u>100.00%</u>	

Discount Rate – The discount rate used to measure the pension liabilities of PERS was 3.98%.

Sensitivity of Collective Net Pension Liability to Changes in the Discount Rate – the following presents the collective net pension liability of PERS participating employers as of June 30, 2016, calculated using the discount rates as disclosed above as well as what the collective net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage rate higher than the current rate:

TOWNSHIP OF FRANKLIN
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 8: PENSION PLAN (continued)

	At 1% Decrease (2.98%)	At current discount rate (3.98%)	At 1% increase (4.98%)
State	\$34,422,851,197	\$29,390,685,705	\$25,246,574,457
Local	36,292,338,055	29,617,131,759	24,106,170,190
PERS Plan Total	<u>\$70,715,189,252</u>	<u>\$59,007,817,464</u>	<u>\$49,352,744,647</u>

Components of Net Pension Liability – The components of the collective net pension liability for PERS, including the State of New Jersey, at June 30, 2016 is as follows:

	State	Local	Total
Total Pension Liability	\$ 36,295,189,928	\$ 49,474,698,146	\$ 85,769,888,074
Plan Fiduciary Net Position	6,904,504,223	19,857,566,387	26,762,070,610
Net Pension Liability	<u>29,390,685,705</u>	<u>29,617,131,759</u>	<u>59,007,817,464</u>

Collective Deferred Outflows of Resources and Deferred Inflows of Resources – Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions will be recognized in pension expense as follows:

<u>Year ending</u>	<u>Amount</u>
2017	\$ 3,000,951
2018	3,000,951
2019	3,366,510
2020	2,845,223
2021	<u>930,891</u>
Total	<u>\$13,144,526</u>

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 5.57, 5.72 and 6.44 years for the 2016, 2015, and 2014 amounts, respectively.

B. Police and Firemen's Retirement System (PFRS) - The Police and Firemen's Retirement System is a cost-sharing, multiple employer defined benefit pension plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the PFRS Plan are as follows:

Plan Membership and Contributing Employers- Substantially all full-time county and municipal police or firemen and state firemen or officer employees with police powers appointed after June 30, 1944 are enrolled in PFRS. Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2016:

Inactive plan members or beneficiaries currently receiving benefits	40,789
Inactive plan members entitled to but not yet receiving benefits	47
Active plan members	<u>45,625</u>
Total	<u>86,461</u>

Contributing Employers – 585.

TOWNSHIP OF FRANKLIN
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 8: PENSION PLAN (continued)

Significant Legislation – Chapter 19, P.L. 2009, effective March 17, 2009, provided an option for local employers of PFRS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State Fiscal Year 2009. Such an employer will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of PERS, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

Pursuant to the provision of Chapter 78, P.L. 2011, COLA increases were suspended for all current and future retirees of PFRS.

For the year ended December 31, 2016 the Township's PFRS covered payroll was \$11,433,321. Covered payroll refers to all compensation paid by the Township to active employees covered by the Plan.

Specific Contribution Requirements and benefit provisions – The contribution policy is set by N.J.S.A 43:16A and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contributions rate increased from 8.5% of annual compensation to 10.0% in October 2011. Employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. The Township's cash basis contributions to the Plan for the years ended December 31, 2015 and 2016 were \$2,610,103 and \$2,746,128, respectively.

Township Contributions are due and payable on April 1st in the second fiscal period subsequent to plan year for which the contribution requirements were calculated.

	<u>2015</u>	<u>2016</u>
Normal Cost	\$ 895,327	\$ 920,666
Amortization of Accrued Liability	<u>1,597,697</u>	<u>1,703,043</u>
Total Pension	2,493,024	2,623,709
NCGI Premiums	<u>117,079</u>	<u>122,419</u>
Total Regular Billing	<u>2,610,103</u>	<u>2,746,128</u>
Total PFRS Payment	<u>\$2,610,103</u>	<u>\$2,746,128</u>

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

The following represents the membership tiers for PFRS:

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

TOWNSHIP OF FRANKLIN
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 8: PENSION PLAN (continued)

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

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – The regulatory basis of accounting which is basis for the preparation of the Township's basic financial statements does not require or permit the inclusion of entity-wide, full accrual basis financial statements. Accordingly, the Township does not recognize pension liabilities for any current or prior period until the fiscal period in which such payments will become due and payable

At June 30, 2016, the PFRS reported a net pension liability of \$19,102,557,969 for its Non-State, Non-Special Funding Situation Employer Member Group. The Township's proportionate share of the net pension liability for the Non-State Non-Special Funding Situation Employer Member Group was \$66,541,583, or 0.348339%. At June 30, 2015, the PFRS reported a net pension liability of \$16,656,514,197 for its Non-State, Non-Special Funding Situation Employer Member Group. The Township's proportionate share of the net pension liability for the Non-State Non-Special Funding Situation Employer Member Group was \$56,272,218, or 0.337839%.

Actuarial Assumptions- The collective total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions:

Inflation	3.08%
Salary Increases: Through 2026	2.10-8.98% Based on age
Thereafter	3.10-9.98% Based on age
Investment rate of return	7.65%

Pre-retirement mortality rates were based on the RP-2000 Pre-Retirement mortality tables projected thirteen years using Projection Scale BB and then projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for male service retirements and beneficiaries are based the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for female service retirements and beneficiaries were based the RP-2000 Combined Healthy Mortality Tables projected thirteen years using Projection Scale BB and then two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Disability mortality rates were based on special mortality tables used for the period after disability retirement.

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

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 the pension plans' target asset allocation as of June 30, 2016 are summarized in the following table:

TOWNSHIP OF FRANKLIN
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 8: PENSION PLAN (continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%
	<u>100.00%</u>	

Discount Rate – The discount rate used to measure the pension liabilities of PFRS was 5.55%.

B. Police and Firemen's Retirement System (PFRS) (Cont'd.)

Sensitivity of Net Pension Liability – The following presents the collective net pension liability of the participating employers as of June 30, 2016, 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:

	At 1% Decrease (4.55%)	At current discount rate (5.55%)*	At 1% increase (6.55%)
State	\$ 5,612,325,178	\$ 4,710,744,193	\$ 3,977,817,225
Local	<u>26,699,770,118</u>	<u>20,706,699,056</u>	<u>15,819,710,095</u>
PFRS Plan Total	<u>\$32,312,095,296</u>	<u>\$25,417,443,249</u>	<u>\$19,797,527,320</u>

*- Local Share includes \$1,604,141,087 of Special Funding Situation allocated to the State of NJ as a non-employer.

Components of Net Pension Liability – The components of the collective net pension liability for PFRS, including the State of New Jersey, at June 30, 2016 is as follows:

	State	Local	Total
Total Pension Liability	\$ 6,255,619,682	\$43,146,550,231	\$49,402,169,913
Plan Fiduciary Net Position	<u>1,544,875,489</u>	<u>22,439,851,175</u>	<u>23,984,726,664</u>
Net Pension Liability	<u>\$ 4,710,744,193</u>	<u>\$20,706,699,056</u>	<u>\$25,417,443,249</u>

TOWNSHIP OF FRANKLIN
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 8: PENSION PLAN (continued)

Collective Deferred Outflows of Resources and Deferred Inflows of Resources – Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions will be recognized in pension expense as follows:

<u>Year ending</u>	<u>Amount</u>
2017	\$ 4,067,457
2018	4,067,457
2019	5,158,005
2020	2,925,551
2021	<u>290,661</u>
Total	<u>\$16,509,131</u>

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 5.58, 5.53, and 6.17 years for the 2016, 2015 and 2014 amounts, respectively.

Special Funding Situation- Under N.J.S.A 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The amounts contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation and state is treated as a non-employer entity. The non-employer contributing entities' total proportionate share of the collective net pension liability that is associated with the Township as of June 30, 2016 and 2015 for police and fire is 0.348339% and 0.337839%, respectively. The non-employer contributing entities' contribution for the year ended June 30, 2016 and 2015 was \$214,110 and \$256,886, respectively. The state's proportionate share of net pension liability attributable to the Township as of June 30, 2016 and 2015 was \$713,699 and \$615,555, respectively.

C. Defined Contribution Retirement System (DCRP)

The Defined Contribution Retirement Plan (DCRP) is a multiple employer defined contribution plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the DCRP are as follows:

Plan Membership and Contributing Employers- Enrollment in the DCRP is required for state or local officials, elected or appointed on or after July 1, 2007; employees enrolled in PFRS or PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in PFRS or PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least \$5,000 annually; and employees otherwise eligible to enroll in PFRS or PERS after May 21, 2010, who do not work the minimum number of hours per week required for tier 4 or tier 5 enrollment, but who earn salary of at least \$5,000 annually. At June 30, 2016, the membership in the DCRP, based on the information within the Division's database, was 46,557.

Contribution Requirement and Benefit Provisions - State and local government employers contribute 3% of the employees base salary. Active members contribute 5.5% of base salary.

TOWNSHIP OF FRANKLIN
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 8: PENSION PLAN (continued)

Eligible members are provided with a defined contribution retirement plan intended to qualify for favorable Federal income tax treatment under IRC Section 401(a), a noncontributory group life insurance plan and a noncontributory group disability benefit plan. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employee contributions shall immediately become and shall at all times remain fully vested and non forfeitable. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and non forfeitable on the date the participant commences the second year of employment or upon his or her attainment of age 65, while employed by an employer, whichever occurs first.

For the year ended December 31, 2016, the Township's total DCRP covered payroll was \$485,039.21. Covered payroll refers to all compensation paid by the Township to active employees covered by the Plan.

D. Cumulative PERS and PFRS Deferred Outflows of Resources and Deferred Inflows of Resources

	<u>Net Pension Liability</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Total Pension Expense</u>
PERS	\$ 42,326,209	\$13,144,526	\$0	\$1,172,381
PFRS	<u>56,541,583</u>	<u>17,115,205</u>	<u>606,074</u>	<u>2,746,128</u>
Total	<u>\$ 98,867,792</u>	<u>\$30,259,731</u>	<u>\$606,074</u>	<u>\$3,918,509</u>

Note 9: POST-EMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS – HEALTHCARE BENEFITS

The Township provides health benefits to its employees through a premium-based traditional risk transfer employee health insurance program. Benefit provisions for the Township are established and amended through negotiations between the Township and the respective unions, along with prior negotiated contracts. GASB 45 requires a bi-annual actuarial valuation of the Township's annual postemployment benefit ("OPEB") cost (expense), resulting in a two-year cycle for the update of the presented information.

The Township's OPEB cost (expense) is calculated based on the annual required contributions of the employer ("ARC"), an amount actuarially determined in accordance with the parameters espoused in GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the Township's annual OPEB cost for the year, any amounts contributed to the OPEB and the Township's net OPEB obligation. For 2015, the most recent biennially required calculation, the Township's annual OPEB cost (expense) of \$10,131,000.00, whereas the ARC was calculated as \$11,021,100.00.

TOWNSHIP OF FRANKLIN
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 8: PENSION PLAN (continued)

Most Recent Required Actuarial Valuations:	12/2016 Total	12/2014 Total	12/2012 Total
Net OPEB obligation - beginning of year	\$ 66,167,300.00	\$ 49,920,600.00	\$ 31,854,300.00
Annual required contribution (ARC)	7,969,800.00	10,131,000.00	11,131,300.00
Less: Contributions	(2,034,400.00)	(1,840,100.00)	(2,066,500.00)
Net OPEB obligation - end of year	<u>\$ 72,102,700.00</u>	<u>\$ 58,211,500.00</u>	<u>\$ 40,919,100.00</u>

Historical Annual OPEB Cost and Net OPEB Obligation (Last three fiscal years):	12/2016 Total	12/2015 Total	12/2014 Total
Annual OPEB Cost	\$ 7,969,800.00	\$ 9,983,200.00	\$ 10,131,000.00
Percentage of Annual OPEB Cost Contributed	25.50. %	20.30%	18.20%
Net OPEB Obligation	\$ 72,107,700.00	66,167,300.00	58,211,500.00

The funded status of the plan for the Township
as of December 31, 2016, is as follows:

	Total
Actuarial accrued liability (AAL)	\$ 7,969,800.00
Actuarial value of plan assets	25.50. %
	\$ 72,107,700.00
Unfunded actuarial accrued liability (UAAL)	

Funded ratio (actuarial value of plan assets/AAL)

Note 9: POST-EMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS – HEALTHCARE BENEFITS

The funded status of the OPEB for the Township as of December 31, 2016, is as follows:

	Total
Actuarial accrued liability (AAL)	\$ 113,718,400.00
Actuarial value of plan assets	
Unfunded actuarial accrued liability (UAAL)	<u>\$ 113,718,400.00</u>
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$ 23,825,468.36
UAAL as a percentage of covered payroll	477.30%

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the OPEB and the ARC of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information following the notes to the financial statements, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

TOWNSHIP OF FRANKLIN
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 9: POST-EMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS – HEALTHCARE BENEFITS (continued)

Projections of benefits for financial reporting purposes are based on the substantive plan and includes the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in the actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the January 1, 2015 actuarial valuation, the projected unit credit cost method was used. A rate of 4.00% was utilized as the discount rate and the amount of increase in the normal cost amount. The unfunded accrued liability is being amortized as a level dollar amount using an open period of thirty (30) years.

Note 10: ACCRUED SICK AND VACATION BENEFITS

The Township has established uniform personnel policies via employee contracts and municipal ordinances that set forth the terms under which an employee may accumulate unused benefits as follows:

Sick Leave - Sick Leave shall accumulate at the rate of one (1) day per month for all permanent employees and shall be cumulative from year to year to a maximum of 110 days. Upon retirement or death after 10 years of service, the employee or his/her survivor is entitled to receive full payment for any unused accumulated sick leave up to 110 days computed on the basis of final wages. Effective January 1, 1988, allowable accumulations for the Township police officers enrolled in the PFRS increase by 10% per year of the total days accumulated from a zero base as of the effective date of enrollment to 100% of the maximum allowed.

Vacations - Vacation pay for permanent employees accumulates in accordance with the approved schedules. Vacation days may be taken in year earned, but not to exceed the number of days earned at time of vacation. Earned vacation may be accumulated up to two (2) years of current vacation credits. Any employee who has separated his/her employment may be paid the salary equivalent to accrued vacation earned, not to exceed more than two (2) years of current vacation credits earned.

The Township maintains up-to-date records of each employee's status relating to earned and unused sick and vacation pay. The cost of such unpaid sick and vacation pay calculated, using applicable capped payout limitations, is calculated at \$6,108,346.00 and \$5,718,555.81 as at December 31, 2016 and 2015, respectively. This amount represents the current value of all accumulations, and is not intended to portray amounts that would be recorded under GAAP. The Township has not discounted the total based upon a study of utilization by employees separating from service, nor has it excluded the accumulations of any employees based upon the likelihood that the right to receive termination payments for such accumulations will vest with the employees. The amount that the valuation reported above would be reduced under either of the methodologies permitted under GAAP has not been determined. Expenditures for payment of accrued sick and vacation benefits are recorded in the period in which payments are made as part of the current year's operating budget appropriations.

Note 11: LEASES

The Township currently leases a parcel of land to the Franklin Villagers Barn Theater (the "Lessee"). This lease, originally dated September 26, 1989, was amended on September 29, 1997. The term of this lease, as amended, is for forty years, which commenced on August 1, 1997 and will terminate on July 31, 2037 unless sooner terminated by a breach of the terms and conditions of the lease, or by an abandonment of the premises by the Lessee. The Lessee shall pay rent to the Township for the use and occupancy of the demised premises on the first day of each and every calendar month, in the amount of \$86.82 which consists of principal and interest, for twenty years beginning on August 1, 1997. The Lease is for \$12,621.00 with an interest rate of 5.5%. The future annual operating lease payments due over the remaining term of the lease, and the present value of net minimum lease payments at December 31, 2016, are as follows:

TOWNSHIP OF FRANKLIN
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 11: LEASES (continued)

Year Ended <u>December 31,</u>	
2017	<u>\$ 607.73</u>
Total Minimum Lease Payments	607.73
Less: Amount Representing Interest	<u>10.99</u>
Present Value of Net Minimum Lease Payments	<u>\$ 596.74</u>

Note 12: RISK MANAGEMENT

The Township maintains a self-insurance risk management program for claims relating to Automobile Collision Liability (Township Only), Eyeglass Liability and Disability Liability. The Township retains all risks associated with Collision Liability, for Township vehicles only, and Eyeglass Liability, and retains all risks for the second and third months only for Disability Liability. In addition, the Township maintains a reserve for environmental impairment.

The Township continued to carry commercial insurance for other risks of loss, including workers' compensation and employee health and accident insurance through December 31, 2016. In addition, the Township had established a self-insured Worker's Compensation fund in 1990, which combines risk retention and reinsurance coverage for claims relating to statutory Workers' compensation.

For the Fiscal Year Ended December 31, 2016, the Township obtained specific excess insurance coverage as follows:

Company's Limit of Indemnity Each Occurrence	\$ 1,000,000.00
Worker's Compensation & Employer's Liability Combined	\$10,000,000.00

The Township has engaged an outside service company to service as administrator of the workers' compensation program for reported claims previous to the transition back to the current traditional risk transfer program. Loss reserves are established by the administrator for estimated benefits and expenses for reported claims.

Established reserves are subject to change, as facts and circumstances relating to claims dictate and no provision is made for estimated losses relating to costs incurred but not reported. At December 31, 2016, the administrator had established an estimated reserve requirement for reported claims in the amount of \$76,006.32.

TOWNSHIP OF FRANKLIN
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 12: RISK MANAGEMENT (continued)

Changes in the Self-Insurance Fund reserves, the Workmen's Compensation Fund reserve and the Environmental/Impairment reserve at December 31, 2016 and 2015 were:

2016

	Balance December 31, 2015	Increases to Reserves	Decreases To Reserves	Balance December 31, 2016
Other Insurance Reserves	\$ 241,147.25	\$ 79,912.66	\$ 52,145.58	\$ 268,914.33
Workers's Compensation	689,587.09	133,832.71	84,172.95	739,246.85
Environmental Impairment	99,394.05			99,394.05

2015

	Balance December 31, 2014	Increases to Reserves	Decreases To Reserves	Balance December 31, 2014
Other Insurance Reserves	\$ 246,424.57	\$ 159,112.32	\$ 164,389.64	\$ 241,147.25
Workers's Compensation	661,347.15	115,036.26	86,796.32	689,587.09
Environmental Impairment	99,394.05			99,394.05

The Township, together with other governmental units, is a member of the Central Jersey Joint Insurance Fund (the "CJ JIF"). The Joint Insurance Fund (the "JIF"), which is organized and operated pursuant to the regulatory authority of the Department of Insurance and Community Affairs, State of New Jersey, provides for a pooling of risks, subject to established limits and deductibles. Payments to the JIF are calculated by the CJ JIF's governing board based upon actuarial and budgetary requirements. Each participant in the CJ JIF is jointly and severally obligated for any deficiency in the amount available to pay all claims. The JIF insures against property damage, general liability, auto liability, equipment liability, public official liability, law enforcement liability and workers compensation. Additional assessments or premiums can be levied by the CJ JIF to assure payment of the JIF's obligations. The JIF's governing board based upon actuarial and budgetary requirements calculates payments to the CJ JIF. The JIF contracts for excess liability insurance for property damage, general liability, auto liability, equipment liability, public official liability, law enforcement liability and worker's compensation. At December 31, 2015, the CJ JIF reported for all years combined, total assets of \$19,628,462.01, liabilities and reserves of \$14,818,348.20, which includes case and IBNR reserves of \$14,632,315.52, and an unrestricted net position of \$4,810,113.81. See Note 15 - Commitments and Contingencies with respect to the Township's participation in the CJ JIF. The Township continues to carry commercial insurance for other risks of loss, principally employee health insurance.

New Jersey Unemployment Compensation Insurance – The Township has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this method, 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. Following is a summary of Township appropriations, interest earning and remittances to the State are as follows:

TOWNSHIP OF FRANKLIN
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 12: RISK MANAGEMENT (continued)

<u>Year</u>	<u>Township Appropriation</u>	<u>Net Interest Earnings/Employee Contributions/ Remittances</u>	<u>Ending Balance</u>
CY 2016	\$ -	\$ (33,522.02)	\$ 1,294,644.10
CY 2015	-	(27,505.88)	1,328,166.12
CY 2014	-	(21,937.94)	1,355,672.00

Note 13: LENGTH OF SERVICE AWARD PROGRAM (LOSAP) - UNAUDITED

The Township has instituted a Length of Service Award Program (LOSAP) pursuant to section 457(e) of the Internal Revenue Code and P.L. 1997, C. 388 as amended by P.L. 2001, C. 272 of the Statutes of New Jersey. The program provides for fixed annual contributions to a deferred income account for volunteer firefighters who meet specified service criteria. In accordance with State of New Jersey regulations, LOSAP is subject to an accountant's review report and is unaudited. The unaudited LOSAP balances are included within the Trust Fund.

Note 14: LONG TERM TAX EXEMPTIONS

The Township provides for long-term tax exemptions, as authorized and permitted by New Jersey State Statutes. N.J.S.A. 40A:20-1 et seq. sets forth the criteria and mechanism by which property taxes can and are abated. The exemptions provided by the Township are predominately for affordable housing projects. Taxes abated include municipal, local school and county taxes. The Township is required to remit five percent (5.00%) to the County for any payments received in lieu of taxes (PILOT payments). The Township PILOT billings in 2016 were \$318,690.31 and taxes in 2016 that otherwise would have been due on these long-term tax exemptions amounted to \$322,302.20, based upon the assessed valuations of the long-term tax exemptions properties.

Note 15: COMMITMENTS AND CONTINGENCIES

The Township participates in various Federal and State financial assistance grant programs ("programs"). Entitlement to the programs is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditures of funds for eligible purposes. These programs are also subject to compliance and financial audits by the grantors or their representatives. As of December 31, 2016, the Township believes that it is in compliance with Federal and State laws and regulations, as well as grantor requirements.

As a constituent member of the Central Jersey Joint Insurance Fund (the "CJJIF"), the Township of Franklin, together with the other members of the CJJIF, is jointly and severally responsible for the timely payment of Supplemental and Retrospective Assessments levied with the approval of the CJJIF Commissioners. At December 31, 2015, the CJJIF had outstanding Supplemental and Retrospective Assessments Receivable in the amount of \$4,447,615.00, which were levied and are due in ten equal installments to its members.

The Supplemental Assessments were established as receivables from the constituent members in the same proportion as the original assessments for each Loss Year were levied. At December 31, 2015 and including year 2016, it was estimated Franklin Township would be required to make additional payments to the CJJIF or forego dividend payments (if any should be declared) from 2016 through 2023 in the total amount of \$259,498.00 for its allocated share of the Supplemental and Retrospective Assessments.

TOWNSHIP OF FRANKLIN
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 15: COMMITMENTS AND CONTINGENCIES (continued)

As of the date of this report, the Township was not involved in any pending or threatened litigation nor any unasserted claims or assessments that would be of a material nature. There are a number of commercial tax appeals pending before the Tax Court. At December 31, 2016, the Township has \$2,119,449.08 available for this purpose in a special reserve and has appropriated \$500,000.00 in the 2017 budget, which may be utilized to the extent available.

Note 16: INTERFUNDS

The following interfund balances remained on the balance sheet at December 31, 2016:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Current Fund	\$ 711,897.73	\$ 4,314,882.65
Grant Fund	22,156.79	
Animal Control		
Trust - Other		305,459.62
Self-Insurance	96,554.93	
Open Space Trust		194,487.37
Workers Compensation	46,694.60	
Recreation Trust		1,895.33
Payroll and Payroll Agency		365,305.41
General Capital	4,304,726.33	
Water Operating	181,009.67	14,487.70
Water Assessment	14,487.70	
Water Capital		181,009.67
	<hr/>	<hr/>
Totals	\$ 5,377,527.75	\$ 5,377,527.75

These interfund balances are not an indication that the respective fund cannot meet its obligation. The interfund amounts are reflective of year-end closing journals and adjustments. The balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Transfers are used to (1) move revenues from the funds New Jersey Statute or budget requires to collect to fund the appropriation and the statute or budget to expend them.

Note 17: SUBSEQUENT EVENTS

The Township has evaluated the possibility of subsequent events existing in the Township's financial statements occurring after December 31, 2016, through to the date the financial statements were available to be issued. The Township has determined that the following event requires disclosure in the Township's financial statements:

TOWNSHIP OF FRANKLIN
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Note 17: SUBSEQUENT EVENTS (continued)

The Township authorized the following bond and capital ordinances subsequent to year end:

<u>Ord. No.</u>	<u>Description</u>	<u>Total Authorized</u>	<u>Bonds and Notes Authorized</u>
4172-17	Purchase of Real Estate	\$ 14,090,000.00	\$ -
4174-17	Acquisition of Property	\$ 145,600.00	\$ -
4176-17	Acquisition of Property	\$ 511,600.00	\$ -
4189-17	Various Capital Acquisitions and Improvs.	\$ 2,754,450.00	\$ 2,555,522.00
4190-17	2017 Road Resurfacing Program	\$ 2,324,000.00	\$ 1,970,300.00
4191-17	Improvements to and Equipment Acquisitions for Various Parks	\$ 680,340.00	\$ 646,323.00
4192-17	Improvements to Various Historic Houses	\$ 678,240.00	\$ 644,328.00
4193-17	Var. Cap. Improvs. - Water Utility	\$ 3,143,100.00	\$ 3,143,100.00
4194-17	Security Cameras and Soccer Goals	\$ 35,000.00	\$ -
4195-17	Var. Cap. Acquis. - Water Utility	\$ 316,500.00	\$ -
4196-17	Var. Cap. Acquis. - Water Utility	\$ 93,000.00	\$ -

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APPENDIX C

FORM OF APPROVING LEGAL OPINION

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90 Woodbridge Center Drive
Suite 900 Box 10
Woodbridge, NJ 07095-0958
732.636.8000

December __, 2017

Mayor and Township Council of the
Township of Franklin
Franklin, New Jersey

Ladies and Gentlemen:

We have served as Bond Counsel in connection with the authorization, sale, issuance and delivery of \$24,225,000 aggregate principal amount of General Obligation Bonds, Series 2017 consisting of: (i) \$12,725,000 aggregate principal amount of General Improvement Bonds, Series 2017 (the "General Improvement Bonds"); (ii) \$6,500,000 aggregate principal amount of Open Space Trust Fund Bonds, Series 2017 (the "Open Space Trust Fund Bonds"); and (iii) \$5,000,000 aggregate principal amount of Water Utility Bonds, Series 2017 (the "Water Utility Bonds" and together with the General Improvement Bonds and the Open Space Trust Fund Bonds, the "Bonds") of the Township of Franklin, in the County of Somerset (the "Township"), a municipal corporation of the State of New Jersey (the "State").

The Bonds are authorized by and are issued pursuant to the provisions of the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law"), various bond ordinances duly adopted by the Township Council of the Township and approved and published as required by law, and by a resolution duly adopted by the Township Council of the Township on November 28, 2017.

The Bonds are being issued to provide for the permanent financing of various general, open space and water utility improvements in and by the Township in the amount of \$24,225,000.

The Bonds are issued in fully registered form, without coupons, initially registered in the name of, and held by, Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), an automated depository for securities and clearing house for securities transactions. One certificate shall be issued for the aggregate principal amount of the Bonds of each series maturing in each year. Purchases of the Bonds will be made in book-entry only form, without certificates, in principal denominations of \$5,000 each or any integral multiple thereof, with a minimum purchase of \$5,000 required, except that those Bonds in excess of the largest principal amount thereof not equaling a multiple of \$5,000 shall be in denominations of \$1,000 or any integral multiple thereof. So long as DTC

or its nominee is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the Township directly to Cede & Co., as nominee for DTC. Disbursal of such payments to DTC participants is the responsibility of DTC and disbursal of such payments to the beneficial owners of the Bonds is the responsibility of the DTC participants.

The Bonds are dated and shall bear interest from their date of delivery, which interest shall be payable semiannually on the fifteenth (15th) day of June and December (each an "Interest Payment Date"), commencing June 15, 2018, in each year until maturity or earlier redemption, as applicable. The Bonds shall mature on December 15 in each of the years, in the principal amounts and at the interest rates as follows:

\$12,725,000 GENERAL IMPROVEMENT BONDS, SERIES 2017

<u>Maturity (December 15)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Maturity (December 15)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2018	\$1,100,000	2.000%	2026	\$ 600,000	3.000 %
2019	1,100,000	2.000	2027	1,100,000	2.125
2020	800,000	2.000	2028	1,000,000	3.000
2021	800,000	2.000	2029	1,000,000	3.000
2022	550,000	3.000	2030	1,000,000	3.000
2023	550,000	3.000	2031	1,000,000	3.000
2024	550,000	4.000	2032	1,000,000	3.000
2025	575,000	4.000			

\$6,500,000 OPEN SPACE TRUST FUND BONDS, SERIES 2017

<u>Maturity (December 15)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Maturity (March 15)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2018	\$ 600,000	2.000%	2026	\$ 300,000	3.000 %
2019	600,000	2.000	2027	300,000	2.125
2020	600,000	2.000	2028	300,000	3.000
2021	600,000	2.000	2029	300,000	3.000
2022	600,000	3.000	2030	300,000	3.000
2023	500,000	3.000	2031	300,000	3.000
2024	500,000	4.000	2032	300,000	3.000
2025	400,000	4.000			

\$5,000,000 WATER UTILITY BONDS, SERIES 2017

<u>Maturity</u> <u>(December 15)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Maturity</u> <u>(December 15)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
2018	\$ 300,000	2.000%	2023	\$ 600,000	3.000 %
2019	300,000	2.000	2024	600,000	4.000
2020	300,000	2.000	2025	600,000	4.000
2021	600,000	2.000	2026	600,000	3.000
2022	600,000	3.000	2027	500,000	2.125

The Bonds are subject to optional redemption prior to their stated maturities as stated therein.

We have examined such matters of law, certified copies of the proceedings, including all authorization proceedings for the Bonds, and other documents and proofs, relative to the authorization, sale, issuance and delivery of the Bonds, as we have deemed necessary or appropriate for the purposes of the opinion rendered below. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion we have, when relevant facts were not independently established, relied upon the aforesaid instruments, certificates and documents.

We are of the opinion that (i) such proceedings and proofs show lawful authority for the authorization, sale, issuance and delivery of the Bonds pursuant to New Jersey Statutes, including the Local Bond Law, (ii) the Bonds have been duly authorized, executed and delivered and constitute valid and legally binding obligations of the Township enforceable in accordance with their terms, and (iii) the Township has pledged its full faith and credit for the payment of the principal of and interest on the Bonds and, unless paid from other sources, all the taxable property within the Township is subject to the levy of *ad valorem* taxes, without limitation as to rate or amount, for the payment of principal of and interest on the Bonds.

The Internal Revenue Code of 1986, as amended (the "Code"), sets forth certain requirements which must be met at the time of, and on a continuing basis subsequent to, the issuance and delivery of the Bonds in order for the interest thereon to be and remain excludable from gross income for Federal income tax purposes. Noncompliance with such requirements could cause interest on the Bonds to be included in gross income for Federal income tax purposes retroactive to the date of the issuance of the Bonds. The Township will represent in its tax certificate relating to the Bonds that it expects and intends to comply, and will comply, to the extent permitted by law, with such requirements.

In our opinion, assuming continuing compliance by the Township with the Code and the aforementioned covenants and representations in its tax certificate, under

existing laws, statutes, regulations, rulings and court decisions, interest on the Bonds is not includable for Federal income tax purposes in the gross income of the owners of the Bonds pursuant to Section 103 of the Code. The Bonds are not "specified private activity bonds" within the meaning of Section 57 of the Code and, therefore, the interest on the Bonds will not be treated as a preference item for purposes of computing the Federal alternative minimum tax imposed by Section 55 of the Code. However, the interest on the Bonds owned by corporations will be included in such corporations' "adjusted current earnings" (as defined in Section 56(g) of the Code) in calculating such corporations' alternative minimum taxable income for purposes of determining the Federal alternative minimum tax.

We are also of the opinion that, under existing laws of the State of New Jersey, interest on the Bonds and any gain on the sale thereof are not includable in gross income under the New Jersey Gross Income Tax Act, 1976 N.J. Laws c. 47, as amended and supplemented.

The Bonds maturing on December 15 in the 2018 through 2026, inclusive, and 2028 through 2031, inclusive (the "Premium Bonds"), have been sold to the public at a premium. Section 171 of the Code provides rules under which a bond premium may be amortized and a deduction allowed for the amount of the amortizable bond premium for a taxable year. Under Section 171(a)(2) of the Code, however, no deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excludable from gross income. Under Section 1016(a)(5) of the Code, the purchaser's basis in a Premium Bond will be reduced by the amount of the amortizable bond premium disallowable as a deduction under Section 171(2) of the Code. Proceeds received from the sale, exchange, redemption or payment of a Premium Bond in excess of the owner's adjusted basis (as reduced pursuant to Section 1016(a)(5) of the Code), will be treated as a gain from the sale or exchange of such Premium Bond and not as interest.

Bond Counsel is also of the opinion that the difference between the stated principal amount of the Bonds maturing on December 15 in the year 2027 (the "Discount Bonds") and its initial public offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of the Discount Bonds of the same maturity and interest rate were sold, constitutes original issue discount which is treated as interest and is excludable from gross income for federal income tax purposes to the same extent described above. In the case of any holder of the Discount Bonds, the amount of such original issue discount which is treated as having accrued with respect to the Discount Bonds is added to the cost basis of the holder in determining, for federal income tax purposes, gain or loss upon disposition (including sale, redemption or payment at maturity).

Except as stated in the preceding paragraphs, we express no opinion as to any Federal, state or local tax consequences of the ownership or disposition of the Bonds. Furthermore, we express no opinion as to any Federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other bond counsel.

This opinion is qualified to the extent that the enforceability of the rights or remedies with respect to the Bonds may be limited by bankruptcy, insolvency, debt adjustment, moratorium, reorganization or other similar laws affecting creditors' rights or remedies heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

We have examined one of the General Improvement Bonds, one of the Open Space Trust Fund Bonds, and one of the Water Utility Bonds, as executed by the Township, and, in our opinion, the form of each such Bond and its execution are regular and proper.

Very truly yours,

WILENTZ, GOLDMAN & SPITZER, P.A.

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APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement dated December 20, 2017 (the "Disclosure Agreement") is executed and delivered by the Township of Franklin, in the County of Somerset, State of New Jersey (the "Township" or the "Issuer") in connection with the issuance of its \$24,225,000 aggregate principal amount of General Obligation Bonds, Series 2017 consisting of: (i) \$12,725,000 aggregate principal amount of General Improvement Bonds, Series 2017 (the "General Improvement Bonds"); (ii) \$6,500,000 aggregate principal amount of Open Space Trust Fund Bonds, Series 2017 (the "Open Space Trust Fund Bonds"); and (iii) \$5,000,000 aggregate principal amount of Water Utility Bonds, Series 2017 (the "Water Utility Bonds" and together with the General Improvement Bonds and the Open Space Trust Fund Bonds, the "Bonds"), all such Bonds being dated their date of delivery. The Bonds are being issued pursuant to various bond ordinances duly adopted by the Township Council of the Township approved and published as required by law, and a resolution entitled, "RESOLUTION PROVIDING FOR THE COMBINATION OF CERTAIN BOND ORDINANCES AND DETERMINING THE FORM AND OTHER DETAILS OF THE OFFERING OF \$24,225,000 GENERAL OBLIGATION BONDS, SERIES 2017 CONSISTING OF \$12,725,000 GENERAL IMPROVEMENT BONDS, SERIES 2017, \$6,500,000 OPEN SPACE TRUST FUND BONDS, SERIES 2017 AND \$5,000,000 WATER UTILITY BONDS, SERIES 2017 OF THE TOWNSHIP OF FRANKLIN, IN THE COUNTY OF SOMERSET, STATE OF NEW JERSEY AND PROVIDING FOR THEIR SALE" (the "Bond Resolution"), being duly adopted by the Township Council of the Township on November 28, 2017. The Township covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Township for the benefit of the holders of the Bonds and Beneficial Owners of the Bonds and in order to assist the participating Underwriter in complying with the Rule (as defined below). The Township acknowledges it is an "Obligated Person" under the Rule (as defined below).

SECTION 2. Definitions. In addition to the definitions set forth in the Bond Resolution which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Township pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of any Bonds, as applicable (including persons holding Bonds, as applicable through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds, as applicable, for Federal income tax purposes.

“Continuing Disclosure Information” shall mean, collectively, (i) each Annual Report, (ii) any notice required to be filed by the Township with the EMMA (as defined herein) pursuant to Section 3 of this Disclosure Agreement, and (iii) any notice of a Listed Event required to be filed by the Authority with EMMA pursuant to Section 5 of this Disclosure Agreement.

“Disclosure Representative” shall mean the Chief Financial Officer of the Township or her designee, or such other person as the Township shall designate in writing from time to time for the purposes of this Disclosure Agreement.

“Dissemination Agent” shall mean, initially, Phoenix Advisors, LLC or any Dissemination Agent subsequently designated in writing by the Township which has filed with the Township a written acceptance of such designation.

“EMMA” shall mean the Electronic Municipal Market Access system, a website created by the MSRB (as defined herein) and approved by the SEC (as defined herein) to provide a central location where investors can obtain municipal bond information including disclosure documents. The Township or the Dissemination Agent shall submit disclosure documents to EMMA as a Portable Document File (PDF file) to www.emma.msrb.org.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission (“SEC”) under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” shall mean the United States Securities and Exchange Commission.

“State” shall mean the State of New Jersey.

“Underwriters” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the purchase of the Bonds.

SECTION 3. Provision of Annual Reports. (a) The Township shall provide or cause to be provided to the Dissemination Agent within 260 days following the close of each of the Township’s fiscal years beginning with the fiscal year ending December 31, 2017, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Each Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Township may be submitted separately from the balance of the Annual Report; and provided, further, that if the audited financial

statements of the Township are not available by such date, the Township shall include unaudited financial statements with its Annual Report and when such audited financial statements become available to the Township, the same shall be submitted to the Dissemination Agent no later than thirty (30) days after the receipt of the same by the Township.

(b) Not later than within 270 days following the close of each of the Township's fiscal years, the Dissemination Agent shall file with EMMA a copy of the Annual Report received by the Dissemination Agent pursuant to subsection (a) hereof.

(c) If the Township does not provide or is unable to provide an Annual Report by the applicable date required in subsection (a) above, such that the Dissemination Agent cannot file the Annual Report with EMMA in accordance with subsection (b) above, the Dissemination Agent shall send a notice of such event to EMMA in substantially the form attached hereto as Exhibit A, with copies to the Township (if the Dissemination Agent is not the Township).

(d) Each year the Dissemination Agent shall file a report with the Township (if the Dissemination Agent is not the Township), certifying that the Annual Report has been provided to EMMA pursuant to this Disclosure Agreement, and stating the date it was provided.

(e) If the fiscal year of the Township changes, the Township shall give written notice of such change to the Dissemination Agent and the Dissemination Agent shall, within five (5) business days after the receipt thereof from the Township, forward a notice of such change to EMMA in the manner provided in Section 5(e) hereof.

SECTION 4. Content of Annual Reports. (a) The Township's Annual Report shall contain or incorporate by reference the following:

(1) The audited financial statements of the Township (as of December 31 of each year).

The audited financial statements are to be prepared in accordance with generally accepted auditing standards and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") that demonstrate compliance with the modified accrual basis, with certain exceptions, which is a comprehensive basis of accounting other than generally accepted accounting principles (GAAP) and the budget laws of the State.

(2) The most current annual debt statement of the Township (as of December 31).

(3) The general financial information and operating data of the Township consistent with the information set forth in Appendix A to the Official Statement dated

December 7, 2017, prepared in connection with the sale of the Bonds (the "Official Statement").

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the Township is an "Obligated Person" (as defined by the Rule), which have been filed with EMMA or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Township shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events. (a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds, as applicable:

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

13. The consummation of a merger, consolidation, or acquisition involving the Township or the sale of all or substantially all of the assets of the Township, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

14. Appointment of a successor or additional trustee for the Bonds or the change of name of a trustee for the Bonds, if material.

The Township shall, in a timely manner not in excess of ten (10) business days after the occurrence of any Listed Event, file a notice of the occurrence of such Listed Event with the MSRB in accordance with the provisions of Section 5 of this Disclosure Agreement. In determining the materiality of any of the Listed Events specified in subsection (a) of this Section 5, the Township may, but shall not be required to, rely conclusively on an opinion of counsel.

(b) Whenever the Township has or obtains knowledge of the occurrence of any of the Listed Events, the Township shall, as soon as possible, determine if such event would constitute information material to the Beneficial Owners of the Bonds.

(c) If the Township determines that the occurrence of a Listed Event would be material to the Beneficial Owners of the Bonds, the Township shall promptly notify the Dissemination Agent in writing (if the Township is not the Dissemination Agent) and the Township shall instruct the Dissemination Agent to report such Listed Event and the Dissemination Agent shall report the occurrence of such Listed Event pursuant to subsection (e) hereof.

(d) If the Township determines that the occurrence of a Listed Event would not be material to the Beneficial Owners of the Bonds, the Township shall promptly notify the Dissemination Agent in writing (if the Dissemination Agent is not the Township) and the Dissemination Agent (if the Dissemination Agent is not the Township) shall be instructed by the Township not to report the occurrence.

(e) If the Dissemination Agent has been instructed in writing by the Township to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with EMMA, with a copy to the Township (if the Dissemination Agent is not the Township). Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) hereof need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Beneficial Owner of the affected Bonds pursuant to the Bond Resolution or the Bonds, as applicable.

SECTION 6. Termination of Reporting Obligation. The Township's obligations under this Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds or when the Township is no longer an "Obligated

Person” (as defined in the Rule). The Township shall file a notice of the termination of its reporting obligations pursuant to the provisions hereof with the Dissemination Agent, which notice shall be filed with EMMA in accordance with the provisions of Section 5(e) hereof.

SECTION 7. Compliance with the Rule. The Township has entered into prior undertakings to provide information pursuant to prior Continuing Disclosure Certificates for certain outstanding bond issues. In connection with such bond issues, the Township previously failed to file, in accordance with the Rule, in a timely manner, under previous filing requirements: (i) audited financial information for the fiscal years ending December 31, 2011, 2012, and 2014 (unaudited financial information, in lieu of audited financial information, was timely filed for the fiscal years ending December 31, 2013 and 2015); (ii) operating data for the fiscal years ending December 31, 2011, 2012, 2013, 2014, 2015 and 2016; and (iii) annual debt statements for fiscal years ending December 31, 2011, 2012, 2013, 2015 and 2016. Additionally, the Township previously failed to file late filing notices in connection with its untimely filings of: (i) audited financial information; (ii) operating data; and (iii) annual debt statements, all as described above. Such notices of late filings have since been filed with EMMA. The Township is currently in compliance with all previous undertakings to provide secondary market disclosure pursuant to the Rule.

SECTION 8. Dissemination Agent; Compensation. The Township may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Phoenix Advisors, LLC. The Township shall compensate the Dissemination Agent (which shall be appointed) for the performance of its obligations hereunder in accordance with an agreed upon fee structure.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Township may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver (supported by an opinion of counsel expert in Federal securities laws acceptable to the Township to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof) is (a) made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the obligated person, or type of business conducted; (b) the undertaking, as amended or waived, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (c) the amendment or waiver does not materially impair the interests of holders, as determined either by parties unaffiliated with the Township or “Obligated Person,” or by approving vote of the Beneficial Owners of the Bonds, as applicable pursuant to the terms of the Bond Resolution at the time of the amendment. The Township shall give notice of such amendment or waiver to this Disclosure Agreement to the Dissemination Agent,

which notice shall be filed in accordance with the provisions of Section 5 hereof. Notwithstanding the above, the addition of or change in the Dissemination Agent shall not be construed to be an amendment under the provisions hereof.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Township shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Township. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements (i) notice of such change shall be given in the same manner as a Listed Event under Section 5 hereof, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Township from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Township chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the Township shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. Default. In the event of a failure of the Township to comply with any provision of this Disclosure Agreement, the holders of at least 25% aggregate principal amount of Outstanding Bonds or any Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Township to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default on the Bonds and the sole remedy under this Disclosure Agreement in the event of any failure of the Township to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 12. Duties, Immunities and Liabilities of the Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and, to the extent permitted by law, the Township agrees to indemnify and hold the Dissemination Agent (if the Dissemination Agent is not the Township) and its respective officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding

liabilities due to the Dissemination Agent's gross negligence or willful misconduct. To the extent permitted by law, the Township further releases the Dissemination Agent from any liability for the disclosure of any information required by the Rule and this Disclosure Agreement. The obligations of the Township under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Township, the Dissemination Agent, the Underwriters, and the Beneficial Owners of the Bonds, including Bondholders, and shall create no rights in any other person or entity.

SECTION 14. Notices. All notices and submissions required hereunder shall be given to the following, or their successors, by facsimile transmission or electronic mail (with written confirmation of receipt), followed by hard copy sent by certified or registered mail, personal delivery or recognized overnight delivery:

(a) If to the Township

Ms. Kathleen Moody
Chief Financial Officer
Township of Franklin
Municipal Building
475 DeMott Lane
Somerset, New Jersey 08873
Email: Kathleen.Moody@twp.franklin.nj.us

(b) Copies of all notices to the Dissemination Agent from
time to time with respect to the Bonds:

initially: Anthony P. Inverso
Senior Managing Director
Phoenix Advisors, LLC
4 West Park Street
Bordentown, New Jersey 08505
Telephone: (609) 291-0130
Email: ainverso@muniadvisors.com

Each party shall give notice from time to time to the other parties, in the manner specified herein, of any change of the identity or address of anyone listed herein.

SECTION 15. Counterparts. This Disclosure Agreement may be executed in any number of counterparts which shall be executed by authorized signatories of the Township and the Dissemination Agent, as applicable, and all of which together shall be regarded for all purposes as one original and shall constitute and be but one and the same.

SECTION 16. Severability. If any one or more of the covenants or agreements in this Disclosure Agreement to be performed on the part of the Township and the

Dissemination Agent should be contrary to law, then such covenant or covenants, agreement or agreements, shall be deemed severable from the remaining covenants and agreements and shall in no way affect the validity of the other provisions of this Disclosure Agreement.

SECTION 17. Governing Law. This Disclosure Agreement shall be construed in accordance with and governed by the Laws of the United States of America and the State of New Jersey as applicable.

**TOWNSHIP OF FRANKLIN, IN THE
COUNTY OF SOMERSET, NEW JERSEY**

By: _____
KATHLEEN MOODY,
Chief Financial Officer

Acknowledged and Accepted by:
PHOENIX ADVISORS, LLC,
as Dissemination Agent

AUTHORIZED SIGNATORY

EXHIBIT A

**NOTICE TO EMMA OF FAILURE
TO FILE ANNUAL REPORT**

Name of Issuer: Township of Franklin,
in the County of Somerset, State of New Jersey

Name of Issue: \$24,225,000 General Obligation Bonds, Series 2017
Dated: December 20, 2017
(CUSIP Number: 355046LW1)

Date of Issuance: December 20, 2017

NOTICE IS HEREBY GIVEN that the above designated Township has not provided an Annual Report with respect to the above-named Bonds as required by the Bond Resolution and a Continuing Disclosure Agreement for the Bonds, dated December 20, 2017, executed by and between the Township and the Dissemination Agent.

DATED: _____

DISSEMINATION AGENT
(on behalf of the Township)

cc: The Township