

BOROUGH OF FOLSOM

ATLANTIC COUNTY

NEW JERSEY

AUDIT REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2016**

BOROUGH OF FOLSOM

TABLE OF CONTENTS

	Exhibit	Page
PART 1		
Independent Auditor's Report		1-3
CURRENT FUND		
Comparative Balance Sheet - Regulatory Basis	A	4-5
Comparative Statement of Operations and Change in Fund Balance - Regulatory Basis	A-1	6-7
Statement of Revenues - Regulatory Basis	A-2	8-10
Statement of Expenditures - Regulatory Basis	A-3	11-15
TRUST FUND		
Comparative Balance Sheet - Regulatory Basis	B	16-17
CAPITAL FUND		
Comparative Balance Sheet - Regulatory Basis	C	18
Schedule of Fund Balance - Regulatory Basis	C-1	19
GENERAL FIXED ASSETS ACCOUNT GROUP		
Balance Sheet - Regulatory Basis	G	20
NOTES TO FINANCIAL STATEMENTS		21-37
SUPPLEMENTARY DATA		
Independent Auditor's Report - Government Auditing Standards		38-39
Audit Findings and Responses		40
Status of Prior Recommendations		40

BOROUGH OF FOLSOM

TABLE OF CONTENTS

	Exhibit	Page
CURRENT FUND		
Schedule of Cash - Treasurer	A-4	41
Schedule of Current Cash - Collector	A-5	42
Schedule of Taxes Receivable and Analysis of Property Tax Levy	A-6	43
Schedule of Tax Title and Other Liens	A-7	44
Schedule of Revenue Accounts Receivable	A-8	45
Schedule of Appropriation Reserves-Prior Year	A-9	46
Schedule of Local District School Tax	A-10	47
Schedule of Federal and State Grants Receivable	A-11	48
Schedule of Appropriated Reserve for Federal and State Grants	A-12	49
Schedule of Federal and State Grants - Unappropriated Reserves	A-13	50
TRUST FUNDS		
Schedule of Cash - Treasurer	B-1	51
Schedule of Reserve for Animal Control Fund Expenditures	B-2	52
Schedule of Amount Due From State of New Jersey Department of Health	B-3	53
Schedule of Miscellaneous Reserves	B-4	54
CAPITAL FUNDS		
Schedule of Cash - Treasurer	C-2	55
Analysis of Cash	C-3	56
Statement of Deferred Charges to Future Taxation - Funded	C-4	57
Statement of Deferred Charges to Future Taxation - Unfunded	C-5	58
Schedule of Capital Improvement Fund	C-6	59
Schedule of General Serial Bonds Payable	C-7	60
Schedule of Bonds and Notes Authorized But Not Issued	C-8	61
PART II		
General Comments		62-64
Recommendations		65

BOROUGH OF FOLSOM

PART 1

REPORT ON AUDIT OF FINANCIAL STATEMENTS

AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2016

{THIS PAGE IS INTENTIONALLY LEFT BLANK}



FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

1535 HAVEN AVENUE • OCEAN CITY, NJ • 08226

PHONE 609.399.6333 • FAX 609.399.3710

www.ford-scott.com

Independent Auditor's Report

The Honorable Mayor and
Members of Borough Council
Borough of Folsom, New Jersey

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Borough of Folsom, as of December 31, 2016 and 2015, the related statement of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 1 of the financial statements, the financial statements are prepared by the Borough of Folsom on the basis of the financial reporting provisions prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of New Jersey.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the 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 each fund of the Borough of Folsom as of December 31, 2016 and 2015, or changes in financial position for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

As described in Note 21 of the financial statements, the Borough participates in a Length of Service Award Program (LOSAP) for its volunteer fire and rescue personnel. The amount reflected in the trust fund statements of \$52,267.69 and \$48,801.99 for 2016 and 2015 respectively were not audited and, therefore, we express no opinion on the LOSAP program.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph, the financial statements referred to above present fairly, in all material respects, the regulatory basis balance sheets and account group as of December 31, 2016 and 2015, the regulatory basis statements of operations for the years then ended and the regulatory basis statements of revenues and expenditures for the year ended December 31, 2016 in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Folsom’s basic financial statements. The supplementary information listed in the table of contents and the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic

financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2017 on our consideration of the Borough of Folsom'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 Borough of Folsom's internal control over financial reporting and compliance.

Very truly yours,

Ford, Scott & Associates, L.L.C.
FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Harvey C. Cocozza, Jr.
Harvey C. Cocozza, Jr.
Certified Public Accountant
Registered Municipal Accountant
No. 551

May 12, 2017

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

EXHIBIT A - CURRENT FUND

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

**CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,**

	2016	2015
<u>ASSETS</u>		
Regular Fund:		
Cash:		
Treasurer	\$ 703,560.05	1,026,844.90
Petty Cash	100.00	100.00
Total Cash	703,660.05	1,026,944.90
Other Receivables:		
Due from State - Senior Citizens and Veterans	651.71	651.71
Total Other Receivables	651.71	651.71
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	91,233.56	120,151.38
Tax Title and Other Liens	88,043.16	82,516.53
Property Acquired for Taxes - at Assessed Valuation	561,800.00	567,877.00
Property Deeded	337,500.00	337,500.00
Revenue Accounts Receivable		
Municipal Court	2,889.86	3,059.22
Interfund Receivable:		
Grant Fund	90,516.98	-
General Capital Fund	30,000.00	100,000.00
Total Receivables and Other Assets	1,201,983.56	1,211,104.13
Deferred Charges		
Special Emergency Appropriation	60,000.00	75,000.00
	60,000.00	75,000.00
Total Regular Fund	1,966,295.32	2,313,700.74
Federal and State Grant Fund:		
Federal and State Grants Receivable	323,797.21	114,662.47
Due from Regular Fund	-	152,341.65
Total Federal and State Grant Fund	323,797.21	267,004.12
Total Current Fund	\$ 2,290,092.53	2,580,704.86

The Accompanying Notes To The Financial Statements Are An Integral Part of This Statement

**CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,**

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>2016</u>	<u>2015</u>
Regular Fund:		
Liabilities:		
Appropriation Reserves	\$ 51,980.91	59,716.65
Encumbrances Payable/Accounts Payable	140,388.49	75,413.12
Prepaid Taxes	30,277.39	37,219.12
Overpaid Taxes	2,388.20	628.67
Due to State of New Jersey		
DCA Training Fees	339.62	637.68
Local School Tax Payable	50,280.97	36,980.99
Marriage License Payable	50.00	75.00
County Added Tax Payable	2,227.74	4,604.06
Interfund Payable:		
Grant Fund	-	152,341.65
Trust Funds	-	4.57
Other		
Reserve for Tax Map Update	2,750.00	64,162.50
Reserve for JIF Safety Funds	559.45	210.51
	281,242.77	431,994.52
Reserve for Receivables and Other Assets	1,201,983.56	1,211,104.13
Fund Balance	483,068.99	670,602.09
Total Regular Fund	1,966,295.32	2,313,700.74
Federal and State Grant Fund:		
Due to Regular Fund	90,516.98	-
Unappropriated Reserves	-	2,404.68
Appropriated Reserves	233,280.23	53,455.38
Encumbrances Payable	-	211,144.06
Total Federal and State Grant Fund	323,797.21	267,004.12
Total Current Fund	\$ 2,290,092.53	2,580,704.86

The Accompanying Notes To The Financial Statements Are An Integral Part of This Statement

**CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES
IN FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31,**

	2016	2015
Revenue and Other Income Realized		
Fund Balance	\$ 383,500.00	310,000.00
Miscellaneous Revenue Anticipated	538,112.10	553,547.75
Receipts from Delinquent Taxes	125,122.99	126,748.97
Receipts from Current Taxes	3,204,686.38	3,195,603.86
Non Budget Revenue	31,183.93	55,684.74
Proceeds from Sale of Municipal Property	25,000.00	106,000.00
Other Credits to Income:		
Unexpended Balance of Appropriation Res.	100,041.18	75,676.94
Interfund Returned	70,000.00	76,340.40
Cancellation of Prior Year Liability	-	9.41
Payment in Lieu of Taxes on Real Property	7,530.65	7,530.65
Total Income	4,485,177.23	4,507,142.72
Expenditures		
Budget and Emergency Appropriations:		
Appropriations Within "CAPS"		
Operations:		
Salaries and Wages	342,315.00	327,800.00
Other Expenses	666,567.00	671,674.00
Deferred Charges & Statutory Expenditures	58,631.00	60,112.00
Appropriations Excluded from "CAPS"		
Operations:		
Salaries and Wages	-	-
Other Expenses	286,759.26	289,328.13
Capital Improvements	50,000.00	50,000.00
Municipal Debt Service	34,562.00	34,562.00
Deferred Charges & Statutory Expenditures	51,570.00	36,570.00
Local District School Tax	1,842,888.00	1,816,288.00
County Tax	863,173.35	844,114.71
County Share of Added Tax	2,227.74	4,604.06
Refund of Prior Year Revenue	-	1,640.50
Interfund Created	90,516.98	-
Total Expenditures	4,289,210.33	4,136,693.40
Excess in Revenue	195,966.90	370,449.32

The Accompanying Notes To The Financial Statements Are An Integral Part of This Statement

**CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES
IN FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31,**

	2016	2015
Adjustments to Income before Fund Balance:		
Expenditures included above which are by Statute Deferred Charges to Budgets of Succeeding Year	-	75,000.00
Total Adjustments	-	75,000.00
Statutory Excess to Fund Balance	195,966.90	445,449.32
Fund Balance January 1	670,602.09	535,152.77
	866,568.99	980,602.09
Decreased by:		
Utilization as Anticipated Revenue	383,500.00	310,000.00
Fund Balance December 31	\$ 483,068.99	670,602.09

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Anticipated		Realized	Excess or (Deficit)
	Budget	N.J.S. 40A:4-87		
Fund Balance Anticipated	\$ 383,500.00		383,500.00	
Total Fund Balance Anticipated	<u>383,500.00</u>	<u>-</u>	<u>383,500.00</u>	<u>-</u>
Miscellaneous Revenues:				
Section A: Local Revenues				
Fines and Costs:				
Municipal Court	50,000.00		41,869.67	(8,130.33)
Interest on Investments and Deposits	500.00		813.70	313.70
Interest and Costs on Taxes	17,400.00		23,279.47	5,879.47
Total Section A: Local Revenues	<u>67,900.00</u>	<u>-</u>	<u>65,962.84</u>	<u>(1,937.16)</u>
Section B: State Aid Without Offsetting Appropriations				
Consolidated Municipal Property Tax Relief	6,992.00		6,992.00	-
Energy Receipts Tax	179,090.00		179,090.00	-
Total Section B: State Aid Without Offsetting Appropriations	<u>186,082.00</u>	<u>-</u>	<u>186,082.00</u>	<u>-</u>
Section C: Uniform Construction Code Fees				
Uniform Construction Code Fees	25,000.00		26,349.00	1,349.00
Total Section C: Uniform Construction Code Fees	<u>25,000.00</u>	<u>-</u>	<u>26,349.00</u>	<u>1,349.00</u>

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Anticipated		Realized	Excess or (Deficit)
	Budget	N.J.S. 40A:4-87		
Section F: Special Items - Public and Private Programs				
Off-Set with Appropriations				
Recycling Tonnage Grant	2,404.68		2,404.68	
Clean Communities Program		7,433.94	7,433.94	
Municipal Alliance on Alcoholism & Drug Abuse	8,164.00		8,164.00	
Community Development Block Grant		51,715.64	51,715.64	
NJ Department of Transportation Trust Fund		190,000.00	190,000.00	
Total Section F: Special Items - Public and Private Programs	10,568.68	249,149.58	259,718.26	-
Total Miscellaneous Revenues:	289,550.68	249,149.58	538,112.10	(588.16)
Receipts from Delinquent Taxes	100,000.00		125,122.99	25,122.99
Amount to be Raised by Taxes for Support of Municipal Budget	652,911.27		681,104.56	28,193.29
Local Tax for Municipal Purposes				
Total Amount to be Raised by Taxes for Support of Municipal Budget	652,911.27	-	681,104.56	28,193.29
Budget Totals	1,425,961.95	249,149.58	1,727,839.65	52,728.12
Non- Budget Revenues:				
Other Non- Budget Revenues:	-		31,183.93	31,183.93
\$	1,425,961.95	249,149.58	1,759,023.58	83,912.05

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Analysis of Realized Revenues

Allocation of Current Tax Collections:

Revenue from Collections	\$	3,204,686.38
--------------------------	----	--------------

Allocated to:

School, County and Other Taxes	2,708,289.09
--------------------------------	--------------

Balance for Support of Municipal Budget Appropriations	496,397.29
--	------------

Increased by:

Appropriation "Reserved for Uncollected Taxes"	184,707.27
--	------------

Amount for Support of Municipal Budget Appropriations	<u>681,104.56</u>
---	-------------------

Receipts from Delinquent Taxes:

Delinquent Tax Collection	119,949.54
---------------------------	------------

Tax Title Lien Collections	<u>5,173.45</u>
----------------------------	-----------------

Total Receipts from Delinquent Taxes	<u>125,122.99</u>
--------------------------------------	-------------------

Analysis of Non-Budget Revenue:

Miscellaneous Revenue Not Anticipated:

Licenses and Fees	2,571.00
-------------------	----------

Zoning/Planning Board Fees	13,632.60
----------------------------	-----------

Cable Franchise Fees	9,868.10
----------------------	----------

Administration Fee - Senior Citizens and Veterans	930.00
---	--------

Prior Year Refund	190.00
-------------------	--------

Miscellaneous Other	<u>3,992.23</u>
---------------------	-----------------

	<u>31,183.93</u>
--	------------------

Total Miscellaneous Revenue Not Anticipated:	\$	<u>31,183.93</u>
--	----	------------------

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

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
OPERATIONS WITHIN "CAPS"						
GENERAL GOVERNMENT						
Borough Council						
Salaries and Wages	\$ 22,000.00	22,000.00	21,900.00		100.00	
Other Expenses	1,800.00	1,800.00	1,397.00		403.00	
Municipal Clerk						
Salaries and Wages	64,000.00	64,000.00	63,060.08		939.92	
Other Expenses	22,500.00	17,700.00	16,954.35	464.08	281.57	
Financial Administration						
Salaries and Wages	14,710.00	14,710.00	14,707.99		2.01	
Other Expenses	10,000.00	9,800.00	8,587.91	304.45	907.64	
Audit Service	19,500.00	19,100.00	19,100.00		-	
Tax Assessment Administration						
Salaries and Wages	14,430.00	14,430.00	14,429.05		0.95	
Other Expenses	4,500.00	4,500.00	3,127.00	500.00	873.00	
Preparation of Tax Map						
Collection of Taxes						
Salaries and Wages	15,930.00	15,930.00	15,928.08		1.92	
Other Expenses	4,850.00	4,850.00	3,663.26		1,186.74	
Legal Services and Costs						
Other Expenses	70,000.00	82,000.00	41,894.28	39,089.16	1,016.56	
Engineering Services and Costs						
Other Expenses	50,000.00	48,000.00	11,350.00	34,189.00	2,461.00	
Historical Society						
Other Expenses	200.00	200.00			200.00	
Planning Board						
Salaries and Wages	4,420.00	4,420.00	4,329.99		90.01	
Other Expenses	4,000.00	2,000.00	430.42		1,569.58	
Insurance						
General Liability	29,415.00	49,415.00	10,038.22	38,800.00	576.78	
Worker's Compensation	27,000.00	27,000.00	27,000.00		-	
Employee Group Insurance	60,000.00	59,000.00	57,602.40		1,397.60	
Health Benefits Waiver	7,800.00	8,300.00	7,858.80		441.20	
Unemployment Compensation Insurance	5,000.00	5,000.00	5,000.00		-	
Municipal Court						
Salaries and Wages	57,000.00	57,000.00	55,888.01		1,111.99	
Other Expenses	13,000.00	13,000.00	12,990.56		9.44	
Public Defender						
Other Expenses	4,000.00	4,000.00	3,500.04		499.96	

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

	Appropriations		Budget After Modifications	Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications			Encumbered	Reserved	
PUBLIC SAFETY							
Office of Emergency Management							
Salaries and Wages	1,000.00	1,000.00		1,000.00		-	
Other Expenses	200.00	200.00				200.00	
Municipal Prosecutor's Office							
Other Expenses	6,000.00	6,000.00		5,800.04		199.96	
Emergency Medical Services	1.00	1.00				1.00	
STREETS AND ROADS							
Streets and Road Maintenance							
Salaries and Wages	133,000.00	128,000.00		123,122.03		4,877.97	
Other Expenses	30,000.00	27,000.00		17,407.78	9,035.00	557.22	
Reserve for Snow Removal	1.00	1.00				1.00	
Solid Waste Collection							
Other Expenses	78,000.00	78,000.00		70,227.41	7,205.25	567.34	
Public Building and Grounds							
Other Expenses	25,000.00	16,000.00		14,459.91	544.70	995.39	
Vehicle Maintenance	20,000.00	20,000.00		14,419.33	4,198.78	1,381.89	
SANITATION							
Landfill & Solid Waste Disposal Costs							
Other Expenses	62,000.00	62,000.00		46,795.14	3,945.22	11,259.64	
HEALTH AND WELFARE							
Animal Control Services							
Other Expenses	6,000.00	6,000.00		6,000.00		-	
Environmental Commission							
Other Expenses	600.00	600.00				600.00	
RECREATION AND EDUCATION							
Recreation Services and Programs							
Other Expenses	9,500.00	5,500.00		4,114.64		1,385.36	
Parks Commission							
Other Expenses	5,000.00	5,000.00		4,024.22	764.00	211.78	
STATE UNIFORM CONSTRUCTION CODE							
Construction Official							
Salaries and Wages	20,325.00	20,825.00		20,406.34		418.66	
Other Expenses	1,100.00	2,600.00		375.00		2,225.00	

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

	Appropriations		Budget After Modifications	Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget				Encumbered	Reserved	
UTILITIES							
Electricity & Natural Gas	58,000.00		58,000.00	51,164.74	1,331.27	5,503.99	
Telecommunications Costs	13,000.00		13,000.00	11,903.85	17.58	1,078.57	
Petroleum Products	13,000.00		11,000.00	5,826.88		5,173.12	
TOTAL OPERATIONS WITHIN "CAPS"	1,007,782.00		1,008,882.00	817,784.75	140,388.49	50,708.76	-
Contingent	-		-	-	-	-	
TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"	1,007,782.00		1,008,882.00	817,784.75	140,388.49	50,708.76	-
Detail:							
Salaries and Wages	346,815.00		342,315.00	334,771.57	-	7,543.43	
Other Expenses	660,967.00		666,567.00	483,013.18	140,388.49	43,165.33	
DEFERRED CHARGES AND STATUTORY EXPENDITURES:							
Deferred Charges:							
none			-				
Statutory Expenditures:							
Contributions to:							
Public Employees' Retirement System	30,731.00		30,731.00	30,731.00		-	
Social Security System (O.A.S.I.)	28,000.00		26,900.00	26,201.24		698.76	
Defined Contribution Retirement Program	1,000.00		1,000.00	772.17		227.83	
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES:	59,731.00		58,631.00	57,704.41	-	926.59	-
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	1,067,513.00		1,067,513.00	875,489.16	140,388.49	51,635.35	-

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

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
OPERATIONS - EXCLUDED FROM "CAPS"	-	-	-	-	-	-
(A) Operations - Excluded from "CAPS"	-	-	-	-	-	-
Employee Group Insurance	-	-	-	-	-	-
TOTAL OTHER OPERATIONS - EXCLUDED FROM "CAPS"	-	-	-	-	-	-
Interlocal Municipal Service Agreements	10,000.00	10,000.00	9,654.44	-	345.56	-
Police Dispatch	15,000.00	15,000.00	15,000.00	-	-	-
Fire Services	-	-	-	-	-	-
TOTAL SHARED SERVICE AGREEMENTS	25,000.00	25,000.00	24,654.44	-	345.56	-
(A) Public and Private Programs Off-Set by Revenues						
Clean Communities Program Grant		7,433.94	7,433.94	-	-	-
Community Development Block Grant		51,715.64	51,715.64	-	-	-
NJ Dept. of Transportation Trust Fund		190,000.00	190,000.00	-	-	-
Municipal Alliance on Alcoholism and Drug Abuse						
State Match	8,164.00	8,164.00	8,164.00	-	-	-
Local Match	2,041.00	2,041.00	2,041.00	-	-	-
Recycling Tonnage Grant	2,404.68	2,404.68	2,404.68	-	-	-
Total Public and Private Programs Off-Set by Revenues	12,609.68	261,759.26	261,759.26	-	-	-
Total Operations - Excluded from "CAPS"	37,609.68	286,759.26	286,413.70	-	345.56	-
Detail:						
Salaries and Wages	-	-	-	-	-	-
Other Expenses	37,609.68	286,759.26	286,413.70	-	345.56	-
(C) Capital Improvements						
Capital Improvement Fund	50,000.00	50,000.00	50,000.00	-	-	-

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

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered Reserved	
Total Capital Improvements	50,000.00	50,000.00	50,000.00	-	-
(D) Debt Service					
Payment of Bond Principal	20,344.00	20,344.00	20,344.00		-
Interest on Bonds	14,218.00	14,218.00	14,218.00		-
Total Debt Service	34,562.00	34,562.00	34,562.00	-	-
(E) Deferred Charges					
Special Emergency Authorizations - 5 Years	15,000.00	15,000.00	15,000.00		-
Deferred Charge to Future Taxation Unfunded Ordinance	36,570.00	36,570.00	36,570.00		-
Total Deferred Charges	51,570.00	51,570.00	51,570.00	-	-
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	173,741.68	422,891.26	422,545.70	345.56	-
SUBTOTAL GENERAL APPROPRIATIONS	1,241,254.68	1,490,404.26	1,298,034.86	140,388.49	51,980.91
(M) Reserve for Uncollected Taxes	184,707.27	184,707.27	184,707.27		
TOTAL GENERAL APPROPRIATIONS	\$ 1,425,961.95	1,675,111.53	1,482,742.13	140,388.49	51,980.91
Budget Appropriations by 40A:4-87		1,425,961.95			
		249,149.58			
		<u>1,675,111.53</u>			
Reserve for Uncollected Taxes Federal and State Grants			184,707.27		
Deferred Charges			261,759.26		
Disbursements			51,570.00		
			984,705.60		
			<u>1,482,742.13</u>		

EXHIBIT B - TRUST FUND

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

**TRUST FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,**

	2016	2015
ASSETS		
Animal Control Fund:		
Cash	\$ 797.62	757.32
	797.62	757.32
Length of Service Award Program (LOSAP) (unaudited)		
Investments	52,267.69	48,801.99
	52,267.69	48,801.99
Other Funds:		
Cash - Treasurer	219,375.47	151,569.69
Small Cities Loans Receivable	136,016.00	136,016.00
Interfund Receivable:		
Current Fund	-	4.57
	355,391.47	287,590.26
	\$ 408,456.78	337,149.57

**TRUST FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,**

	2016	2015
LIABILITIES, RESERVES AND FUND BALANCE		
Animal Control Fund:		
Due to the State of New Jersey	9.60	-
Reserve for Expenditures	788.02	757.32
	797.62	757.32
Length of Service Award Program (LOSAP) (unaudited)		
Net Assets Available for Benefits	52,267.69	48,801.99
Other Funds:		
Cash Overdraft	-	3.93
Reserve for Receivables - Small Cities Loans	136,016.00	136,016.00
Reserves - Miscellaneous	219,375.47	151,570.33
	355,391.47	287,590.26
	\$ 408,456.78	337,149.57

The Accompanying Notes To The Financial Statements Are An Integral Part of This Statement

EXHIBIT C - CAPITAL FUND

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

**GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,**

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
Cash	\$ 24,652.38	8,082.38
Deferred Charges to Future Taxation -		
Funded	268,937.00	289,281.00
Unfunded	<u>198,002.32</u>	<u>234,572.32</u>
	<u>491,591.70</u>	<u>531,935.70</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Serial Bonds Payable	268,937.00	289,281.00
Interfund Payable:		
Due to Current Fund	30,000.00	100,000.00
Capital Improvement Fund	135,175.23	85,175.23
Fund Balance	57,479.47	57,479.47
	<u>\$ 491,591.70</u>	<u>531,935.70</u>
There were bonds and note authorized but not issued at December 31,		
2015	234,572.32	
2016	198,002.32	

**GENERAL CAPITAL FUND
COMPARATIVE STATEMENT OF FUND BALANCE -
REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31,**

	<u>2016</u>	<u>2015</u>
Beginning Balance January 1	\$ 57,479.47	57,479.47
No Activity		
Ending Balance December 31	\$ <u>57,479.47</u>	<u>57,479.47</u>

EXHIBIT G - GENERAL FIXED ASSETS ACCOUNT GROUP

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

STATEMENT OF GENERAL FIXED ASSETS
DECEMBER 31,
REGULATORY BASIS

	<u>2016</u>	<u>2015</u>
General Fixed Assets:		
Land	\$ 213,600.00	277,500.00
Buildings and Improvements	818,930.00	971,530.00
Vehicles	294,396.00	294,396.00
Furniture, Fixtures and Equipment	290,943.83	285,674.22
	<u>1,617,869.83</u>	<u>1,829,100.22</u>
Investment in General Fixed Assets	\$ <u>1,617,869.83</u>	<u>1,829,100.22</u>

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

NOTES TO FINANCIAL STATEMENTS

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2016 AND 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Borough of Folsom was incorporated in 1906 and is located in Southern New Jersey in Atlantic County. The population estimate by the US Department of Census as of July 2010 is 1,873. The Borough provides to its citizens the following services: recreation, public improvements, planning and zoning and general administrative services.

The Borough of Folsom is governed by a Mayor and a six-member Borough Council. The Mayor is the chief executive officer and Council is the legislative body of the Borough. The Mayor is elected to a four-year term and the six Borough Council members are elected to three-year terms. The Borough Clerk monitors the daily administrative responsibilities.

The financial statements of the Borough of Folsom include every board, body, office or commission supported and maintained wholly or in part by funds appropriated by the Borough of Folsom, as required by N.J.S. 40A:5-5.

Component units are legally separate organizations for which the Borough is financially accountable. The Borough is financially accountable for an organization if the Borough appoints a voting majority of the organization's governing board and (1) the Borough is able to significantly influence the programs or services performed or provided by the organization; or (2) the Borough is legally entitled to or can otherwise access the organization's resources; the Borough is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to the organization; or the Borough is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Borough in that the Borough approves the budget, the issuance of debt or the levying of taxes. The Borough of Folsom had no component units as defined by Governmental Accounting Standards Board (GASB).

B. Description of Funds

The accounting policies of the Borough of Folsom conform to the accounting principles applicable to municipalities which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. 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 the respect to public funds. Under this method of accounting, the Borough of Folsom accounts for its financial transactions through the following separate funds:

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

Trust Funds -- receipts, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created.

General Capital Fund -- receipt and disbursement of funds for the acquisition of general facilities, other than those acquired in the Current Fund.

General Fixed Assets Account Group -- All fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the general fixed assets account group, rather than in governmental funds.

C. Basis of Accounting

The accounting principles and practices prescribed for municipalities by the State of New Jersey differ in certain respects from accounting principles generally accepted in the United States of America applicable to local governmental units. The more significant policies in New Jersey follow.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2016 AND 2015

A modified accrual basis of accounting is followed with minor exceptions.

Revenues -- are recorded as received in cash except for certain amounts which are due from other governmental units. Receipts from Federal and State grants are realized as revenue when anticipated in the Borough budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due to the Borough which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received.

Expenditures -- are recorded on the "budgetary" basis of accounting. Generally expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the Encumbrance Accounting System. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31st of each year and recorded as liabilities, except for amounts which may be canceled 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 during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriations for principal payments on outstanding general capital bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis. Compensated absences are reported on a pay as you go basis and no accrual or expenditure is reported as the absences are earned.

Foreclosed Property -- Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved.

Interfunds -- Interfund receivables in the Current Fund are recorded with offsetting reserves which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves.

Inventories of Supplies - The cost of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The cost of inventories are not included on the various balance sheets.

General Fixed Assets -- The Borough of Folsom has developed a fixed assets accounting and reporting system in accordance with the requirements of the State of New Jersey, Division of Local Government Services. This reporting system differs in certain respects from Generally Accepted Accounting Principles.

As required by New Jersey Statutes, foreclosed property is reported in the current operating fund of the municipality.

Fixed assets used in governmental operations (general fixed assets) are accounted for in the General Fixed Assets Account Group. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available except for land which is valued at estimated market value on the date of acquisition. Expenditures for long lived assets with an original cost in excess of \$5,000 are capitalized except for computer equipment which is capitalized regardless of cost.

No depreciation has been provided for in the financial statements.

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

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2016 AND 2015

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

Levy of Taxes -- The County Board of Taxation certifies the tax levy of the municipality each year. The tax levy is based on the assessed valuation of taxable property within the municipality. Taxes are payable on the first day of February, May, August, and November. Any taxes that have not been paid by the 11th day of the 11th month in the fiscal year levied are subject to being included in the tax sale and the lien enforced by selling the property in accordance with NJSA 54:5 et. seq.

The municipality is responsible for remitting 100% of the school and county taxes to the respective agency. The loss for delinquent or uncollectible accounts is borne by the municipality and not the school district or county.

Interest on Delinquent Taxes -- It is the policy of the Borough to collect interest for the nonpayment of taxes or assessments on or before the date when they would become delinquent. The Tax Collector is authorized to charge eight percent (8%) per annum on the first \$1,500 of taxes becoming delinquent after due date and eighteen percent (18%) per annum on any amount of taxes in excess of \$1,500 becoming delinquent after due date and if a delinquency is in excess of \$10,000 and remains in arrears beyond December 31st, an additional penalty of six percent (6%) shall be charged against the delinquency.

Capitalization of Interest -- It is the policy to the Borough of Folsom to treat interest on projects as a current expense and the interest is included in the current operating budget.

Use of Estimates -- The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America or the regulatory basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D Required Financial Statements

The State of New Jersey requires the following financial statements to be presented for each fund on the regulatory basis of accounting: Balance Sheet, Statement of Operations and Changes in Fund Balance, Statement of Revenue and Statement of Expenditures. These statements differ from those presented under Generally Accepted Accounting Principles, which requires a Statement of Net Position and Statement of Activities in addition to the fund financial statements.

E. Comparative Data

Comparative total data for the prior year has been presented in the accompanying Balance Sheets and Statement of Operations in order to provide an understanding of changes in the Borough's financial position. However, comparative (i.e., presentation of prior year totals by fund type) data have not been presented in the Statement of Revenues-Regulatory Basis and Statement of Expenditures-Regulatory Basis since their inclusion would make the statements unduly complex and difficult to read.

F. Recent Accounting Pronouncements Not Yet Effective

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans". This statement is effective for fiscal periods beginning after June 30, 2016, and establishes new accounting and financial reporting requirements for OPEB plans. It is anticipated that this statement will not have any effect on the Borough's financial reporting.

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". This statement

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

is effective for fiscal periods beginning after June 30, 2017. Although not determinable, the impact of this statement on the net position of the entity is anticipated to be significant.

In January 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 80 “Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14”. This statement, which is effective for fiscal periods beginning after June 15, 2016, will not have any effect on the Borough’s financial reporting.

In March 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 81, “Irrevocable Split-Interest Agreements”. This statement is effective for fiscal periods beginning after December 15, 2016, will not have any effect on the Borough’s financial reporting.

In March 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 82, “Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No.73”. This statement is effective for fiscal periods beginning after June 15, 2016, will not have any effect on the Borough’s financial reporting, however will affect the disclosure of pension related items.

In November 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 83, “Certain Asset Retirement Obligations”. This statement is effective for fiscal periods beginning after June 15, 2018, will not have any effect on the Borough’s financial reporting.

In January 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 84, “Fiduciary Activities”. This statement is effective for fiscal periods beginning after December 15, 2018, will not have any effect on the Borough’s financial reporting.

Note 2: BUDGETARY INFORMATION

Under New Jersey State Statutes, the annual budget is required to be a balanced cash basis document. To accomplish this, the municipality is required to establish a reserve for uncollected taxes. The 2016 and 2015 statutory budgets included a reserve for uncollected taxes in the amount of \$184,707.27, and \$201,275.20. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2016 and 2015 statutory budgets was \$383,500.00 and \$310,000.00.

The Chief Financial Officer has the discretion of approving intra department budgetary transfers throughout the year. Inter department transfers are not permitted prior to November 1. After November 1 these transfers can be made in the form of a resolution and approved by Borough Council. The following significant budget transfers were approved in the 2016 and 2015 calendar years.

	<u>2016</u>	<u>2015</u>
Municipal Clerk - OE	(4,800)	(11,000)
Legal Services and Costs – OE	12,000	
Engineering Services – OE		30,000
Employee Group Insurance		(8,000)
General Liability Insurance	20,000	
Public Works - S&W	(5,000)	(10,000)
Public Buildings and Grounds – OE	(9,000)	
Recreation Services – OE	(4,000)	

NJSA 40A:4-87 permits special items of revenue and appropriations to be inserted into the annual budget when the item has been made available by any public or private funding source and the item was not determined at the time of budget adoption. During the 2016 calendar year, Borough Council approved total budget insertions in the amount of \$249,150. Borough Council approved total budget insertions in the amount of \$247,349.64 during the 2015 calendar year. The following schedule details the significant budget insertions:

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

<u>Budget Category</u>		<u>2016</u>	<u>2015</u>
Clean Communities	\$	7,433.94	6,499.64
Community Development Block		51,715.64	50,850.00
NJ DOT Trust Fund		190,000.00	190,000.00

The municipality may make emergency appropriations, after the adoption of the budget, for a purpose which was not foreseen at the time the budget was adopted or for which adequate provision was not made therein. This type of appropriation shall be made to meet a pressing need for public expenditure to protect or promote the public health, safety, morals or welfare or to provide temporary housing or public assistance prior to the next succeeding fiscal year. Emergency appropriations, except those classified as a special emergency, must be raised in the budget of the succeeding year. Special emergency appropriations are permitted to be raised in the budgets of the succeeding three or five years. No emergency authorizations were approved by Borough Council during 2016. During 2015 the Borough approved a special emergency in the amount of \$75,000 for the preparation of tax maps. No emergency authorizations were approved by Borough Council during 2015.

Note 3: INVESTMENTS

As of December 31, 2016 and 2015, the municipality had no investments other than in the Length of Service Award Program (LOSAP).

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

Credit Risk. New Jersey Statutes 40A:5-15.1(a) limits municipal investments to those specified in the Statutes. The type of allowable investments are Bonds of the United States of America or of the local unit or school districts of which the local unit is a part of: obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

Concentration of Credit Risk. The municipality places no limit on the amount the Borough may invest in any one issuer.

Unaudited Investments

As more fully described in Note 21, the Borough has created a Length of Service Award Program (LOSAP) for emergency service volunteers. The LOSAP investments are similar to those allowed in a deferred compensation program as specified in NJSA 43:15B-1 et. seq. except that all investments are retained in the name of the Borough. All investments are valued at fair value. In accordance with NJAC 5:30-14.37 the investments are maintained by Lincoln Financial Group, which is an authorized provider approved by the Division of Local Government Services. The balance in the account on December 31, 2016 and 2015 amounted to \$52,267.69 and \$48,801.99.

The following investments represent 5% or more of the total invested with Lincoln Financial Advisors as of December 31, 2016 and 2015.

		<u>2016</u>	<u>2015</u>
American Funds Growth Fund	\$	3,849.46	3,557.01
Fixed		19,164.42	18,609.49
L VIP SSgA S&P 500 Index Fund		18,821.49	17,089.66
L VIP T Rowe Price Structured Mid Cap Growth		4,837.13	4,549.86
All Others		5,595.19	4,995.97
Total	\$	<u>52,267.69</u>	<u>48,801.99</u>

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

Note 4: CASH

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The municipality's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. Under the act, all demand deposits are covered by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the municipality in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, bail funds or funds that may pass to the municipality relative to the happening of a future condition. As of December 31, 2016 and 2015, \$0 of the municipality's bank balance of \$1,018,206.35 and \$1,220,007.23 was exposed to custodial credit risk.

Note 5: FIXED ASSETS

The following schedule is a summarization of the changes in general fixed assets for the calendar years ended December 31, 2016 and 2015.

	Balance as of <u>12/31/15</u>	<u>Additions/ Adjustments</u>	<u>Disposals/ Adjustments</u>	Balance as of <u>12/31/16</u>
Land	\$ 277,500.00		63,900.00	213,600.00
Buildings and Improvements	971,530.00		152,600.00	818,830.00
Furniture, Fixtures & Equipment	285,674.22	5,269.61		290,943.83
Vehicles	294,396.00			294,396.00
Total	<u>1,829,100.22</u>	<u>5,269.61</u>	<u>216,500.00</u>	<u>1,617,869.83</u>

	Balance as of <u>12/31/14</u>	<u>Additions/ Adjustments</u>	<u>Disposals/ Adjustments</u>	Balance as of <u>12/31/15</u>
Land	213,600.00	63,900.00		277,500.00
Buildings and Improvements	818,930.00	152,600.00		971,530.00
Furniture, Fixtures & Equipment	279,849.22	5,825.00		285,674.22
Vehicles	294,396.00			294,396.00
Total	<u>\$ 1,606,775.22</u>	<u>222,325.00</u>		<u>1,829,100.22</u>

Note 6: LONG TERM DEBT

Summary of Municipal Debt

Long-term debt as of December 31, 2016 and 2015 consisted of the following:

	Balance 12/31/15	Additions	Payments	Balance 12/31/16	Due in One Year
General	\$ 289,281.00		20,344.00	268,937.00	21,373.85
Comp Absences	3,778.97	8,661.94	10,378.28	2,062.63	0.00
	<u>293,059.97</u>	<u>8,661.94</u>	<u>30,722.28</u>	<u>270,999.63</u>	<u>21,373.85</u>
	Balance 12/31/14	Additions	Payments	Balance 12/31/15	Due in One Year
General	308,744.00		19,463.00	289,281.00	20,343.00
Comp Absences	3,540.58	10,935.05	10,696.66	3,778.97	-
	<u>\$ 312,284.58</u>	<u>10,935.05</u>	<u>30,159.66</u>	<u>293,059.97</u>	<u>20,343.00</u>

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

Outstanding bonds whose principal and interest are paid from the Current Fund Budget of the Borough:

\$534,000 General Improvement Bond with the United States Department of Agriculture, Rural Economic and Community Development with a balance due on December 31, 2016 and 2015 of \$268,937 and \$289,281. This loan is payable in semi-annual installments of \$17,281 beginning on July 18, 1997 and continuing through July 18, 2026. Interest is calculated at 5% and is included in the semi-annual installments. This method of calculating interest, as well as semi-annual principal payments, is not in conformance with New Jersey Statutes. The Borough has received approval from the Local Finance Board to use this method of interest calculation for this issue.

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

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 21,373.85	13,188.15	34,562.00
2018	22,455.90	12,106.10	34,562.00
2019	23,592.73	10,969.27	34,562.00
2020	24,787.11	9,774.89	34,562.00
2021	26,041.96	8,520.04	34,652.00
2022-2026	150,685.45	21,442.20	172,127.65
Total	<u>\$ 268,936.58</u>	<u>76,000.65</u>	<u>344,937.23</u>

As of December 31, 2016, the carrying value of the above bonds approximates the fair value of the bonds.

<u>Summary of Municipal Debt</u>	<u>Year 2016</u>	<u>Year 2015</u>	<u>Year 2014</u>
Bonds & Notes Issued	\$ 268,937.00	289,281.00	308,744.00
Bonds & Notes Authorized But Not Issued	198,002.32	234,572.00	292,560.00
Net Bonds & Notes Issued and Authorized But Not Issued	<u>\$ 466,939.32</u>	<u>523,853.00</u>	<u>601,304.00</u>

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of .342%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
School Debt	\$ 1,495,000.00	1,495,000.00	0.00
General Debt	469,939.32	0.00	466,939.32
	<u>\$ 1,961,939.32</u>	<u>1,495,000.00</u>	<u>466,939.32</u>

Net Debt \$466,939.32 ÷ Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$1,69,327,770.33 = 0.276%.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

Borrowing Power Under N.J.S.A. 40A:2-6 as Amended

3 ½ % of Equalized Valuation Basis (Municipal)	\$ 5,926,471.96
Net Debt	<u>466,939.32</u>
Remaining Borrowing Power	<u>\$ 5,459,532.64</u>

The above information is in agreement with the Annual Debt Statement filed by the Borough of Folsom.

Note 7: BOND ANTICIPATION NOTES

The Borough of Folsom had no outstanding notes at December 31, 2016. A bond ordinance was approved in 2012 for various general improvements which authorized debt of \$365,700. It is the Borough's intent to pay off the authorized debt through the Local Municipal Budget over ten years. The remaining authorized debt at December 31, 2016 and 2015 was \$198,002.32 and \$234,572.32, respectively.

Note 8: LEASE OBLIGATIONS

At December 31, 2016, the Borough had a lease agreement in effect for a postage meter and electric scale under an operating lease. The remaining balance of the lease was \$379.92 and future minimum payments are as follows:

<u>Year Ending Dec. 31,</u>	<u>Amount</u>
2017	379.92
2018	-
2019	-
2020	-
Total	<u>\$ 379.92</u>

During the calendar year 2016 and 2015 rental payments were \$2,279.76 and \$2,279.76.

Note 9: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2016 and 2015 which were appropriated and included as anticipated revenue in the current operating budget for the year ending December, 31, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Current Fund	\$ 375,000.00	383,500.00

Municipalities are permitted to appropriate the full amount of fund balance, net of any amounts due from the State of New Jersey for Senior Citizens and Veterans Deductions, deferred charges, and cash deficit. The total amount of fund balance available to the Borough to appropriate in the 2017 budget is \$422,417.28 and \$594,950.38 in 2016.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

Note 10: SCHOOL TAXES

Local District School Taxes have been raised and a liability deferred by statute, resulting in the school tax payable set forth in the Current Fund liabilities as follows:

	Local District School Tax	
	Balance	Balance
	<u>12/31/16</u>	<u>12/31/15</u>
Balance of Tax	\$ 921,442.97	908,142.99
Deferred	871,162.00	871,162.00
Tax Payable	<u>\$ 50,280.97</u>	<u>36,980.99</u>

Note 11: TAXES COLLECTED IN ADVANCE

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

	Balance	Balance
	<u>12/31/16</u>	<u>12/31/15</u>
Prepaid Taxes	\$ 30,277.39	37,219.12
Cash Liability for Taxes Collected in Advance	<u>\$ 30,277.39</u>	<u>37,219.12</u>

Note 12: PENSION FUNDS

Description of Plans

Substantially all of the Borough's employees are covered by the Public Employees' Retirement System cost sharing multiple-employer defined benefit pension plan which has been established by State Statute and is administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the system terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System. This report may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625 or the report can be accessed on the internet – <http://www.state.nj.us/treasury/pensions/annrpts.shtml>.

Public Employees' Retirement System

The Public Employees' Retirement System was established in January, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement system is a cost-sharing multiple—employer plan. Membership is mandatory for substantially all full time employees of the State or any County, Municipality, School District or public agency provided the employee is not required to be a member of another State-administered retirement system or other state or local jurisdiction.

Defined Contribution Retirement Plan (DCRP)

The Defined Contribution Retirement Program (DCRP) was established as of July 1, 2008 under the provisions of Chapter 92, P.L. 2008 and Chapter 103, P.L. 2008 (NJSA 43:15c-1 et seq). The DCRP is a cost-sharing multiple employer defined contribution pension fund. The DCRP provides eligible members and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by NJSA 43:15c-1 et seq.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2016 AND 2015

Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provided for employee contributions of 7.06% through June 30, 2016 and 7.20% thereafter of employee's annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in PERS. The current PERS rate is 12.91% of covered payroll. The Borough's contributions to PERS for the years ended December 31, 2016, 2015 and 2014 were \$30,731.00, \$32,862.00, and \$30,488.93.

The total payroll for the years ended December 31, 2016, 2015 and 2014 was \$346,271.94, \$318,371.00, and \$312,297.12. Payroll covered by PERS was \$274,809.00, \$255,851.00, and \$258,521.00.

Significant Legislation

Chapter 78, P.L. 2011, effective June 28, 2011 made various changes to the manner in which the Public Employees' Retirement System (PERS) AND THE Police and Firemen's Retirement System (PFRS) operate and to the benefit provisions of those systems.

Chapter 78's provisions impacting employee pension and health benefits include:

- New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of $\frac{1}{4}$ of 1% for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years.
- Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years; PFRS active member rate increase from 8.5% to 10%. For fiscal year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates for PES members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.
- New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary.
- In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

Chapter 1, P.L. 2010, effective May 21, 2010, made a number of changes to the State-administered retirement systems concerning eligibility, the retirement allowance formula, the definition of compensation, the positions eligible for service credit, the non-forfeitable right to a pension, the prosecutor's part of the PERS, special retirement under the PFRS, and employer contributions to the retirement systems.

Also, Chapter 1, P.L. 2010 changed the membership eligibility criteria for new members of PERS from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of PERS to $\frac{1}{60}$ th from $\frac{1}{55}$ th, and it provided that new members of PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of PERS will no longer receive pension

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

service credit from more than one employer. Pension service credit will be earned for the highest paid position only. For new members of the PFRS, the law capped the maximum compensation that can be used to calculate a pension from these plans at the annual wage contribution base for social security, and requires the pension to be calculated using a three year average annual compensation instead of the last year's salary. This law also closed the Prosecutors Part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time 5 years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined a 1/7th of the required amount, beginning in fiscal years 2012.

Chapter 3, P.L. 2010, effective May 21, 2010, replaced the accidental and ordinary disability retirement for new members of the PERS with disability insurance coverage similar to that provided by the State to individuals enrolled in the State's Defined Contribution Retirement Program.

Chapter 92, P.L. 2007 implemented certain recommendations contained in the December 1, 2006 report of the Joint Legislative Committee on Public Employee Benefits Reform; established a DCRP for elected and certain appointed officials, effective July 1, 2007; the new pension loan interest rate became 4.69% per year, and an \$8.00 processing fee per loan was charged, effective January 1, 2008. The legislation also removed language from existing law that permits the State Treasurer to reduce employer pension contributions needed to fund the Funds and Systems when excess assets are available.

Note 13: PENSION LIABILITIES

In 2012, the Governmental Accounting Standards Board issued GASB statement 68. This statement is effective for fiscal years beginning after June 15, 2014. This statement changes the method of reporting the Borough's pension liabilities. However, due to the fact that the Borough reports on the regulatory basis of accounting, no financial statement impact will be recognized.

The following represents the Borough's pension liabilities as June 30, 2016:

Public Employees' Retirement System

The Borough has a liability of \$1,197,006.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the Borough's proportion is 0.00404160030%, which was an increase of 13.07% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the Borough would have recognized pension expense of \$117,170.00. At December 31, 2016, the Borough would report deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 247,956	
Difference between expected and actual experience	22,261	
Net difference between projected and actual earnings on pension plan investments	45,643	
Changes in proportion and differences between Boro. contributions and proportionate share of contributions	76,429	51,547
Total	\$ 392,289	51,547

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

Amounts that would be reported as deferred outflows of resources and deferred inflows of resources related to pensions would be recognized in pension expense as follows:

Year ended June 30,		
2017	\$	77,112.04
2018		77,112.04
2019		88,154.90
2020		73,770.97
2021		24,592.05
Total	\$	<u>340,742.00</u>

Actuarial Assumptions

The 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 assumptions, applied to all periods in the measurement:

Inflation rate	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%

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 2014 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 experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more experience deviates, the larger the impact on future financial statements.

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

percentage and by adding expected inflations. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

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 (Except US)	5.00%	-0.25%
REIT	5.25%	5.63%

Discount Rate

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Borough's proportionate share of the net pension liability to changes in the discount rate.

The following presents the Borough's proportionate share of the net pension liability calculated using the discount rate of 3.98%, as well as what the Municipality's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.98%) or 1-percentage point higher (4.98%) than the current rate:

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
Borough's proportionate share of the net pension liability	\$ 1,434,496.47	1,197,006.00	\$ 1,001,147.54

Pension plan fiduciary net position.

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

NOTE 14: POST-RETIREMENT BENEFITS

Plan Description – The Borough contributes to the State Health Benefits Program (SHBP), a cost-sharing, multi-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pension and Benefits. The SHBP was established in 1961 under N.J.S.A 52:14-17.25 et seq to provide health benefits to State employees, retirees, and their dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

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

Plan Coverage - The Borough does not provide post-retirement benefits to retirees.

Note 15: DEFERRED COMPENSATION

Employees of the Borough may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments).

The deferred compensation plan is available to all employees of the Borough. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency.

An unrelated financial institution administers the deferred compensation plan. Under the terms of an IRC Section 457 deferred compensation plan, all deferred compensation and income attributable to the investment of the deferred compensation amounts held by the financial institution, until paid or made available to the employees or beneficiaries, are the property of the employees.

As part of its fiduciary role, the Borough has an obligation of due care in selecting the third party administrator. In the opinion of the Borough's legal counsel, the Borough has acted in a prudent manner and is not liable for losses that may arise from the administration of the plan.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

Note 16: ACCRUED SICK AND VACATION BENEFITS

Borough employees are permitted to accrue six (6) sick days per year which may be accumulated from year to year with a 25 day limitation. If the employee was hired prior to January 1, 1999, they are permitted to accumulate up to 36 days. Employees are not permitted to receive compensation for this accumulated time upon termination. Vacation is earned depending on length of service, with five (5) days permitted to be carried over to the following year provided notice is given thirty (30) days prior to the end of the year. Employees will be paid for this time, plus vacation earned in the current year, upon termination. Compensatory time will be paid upon termination only if the time was earned in the immediately preceding six months.

It is estimated that the current cost of such unpaid compensation would approximate \$2,062.63 in 2016 and \$3,778.97 in 2015. This amount is not reported either as an expenditure or liability. Effective January 1, 2002 the State of New Jersey is allowing municipalities to accrue a compensated absences liability. The Borough has elected not to accrue this liability as of December 31, 2016; but, instead is accounting for the expense on a pay-as-you-go basis.

Note 17: ECONOMIC DEPENDENCY

The Borough of Folsom is not economically dependent on any one business or industry as a major source of tax revenue for the Borough.

Note 18: CONTINGENT LIABILITIES

From time to time, the Borough is a defendant in legal proceedings relating to its operations as a municipality. In the best judgment of the Borough's management, the outcome of any present legal proceedings will not have an adverse material effect on the accompanying financial statements.

Note 19: RISK MANAGEMENT

The Borough is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Property and Liability Insurance –The Borough is a member of the Atlantic County Joint Insurance Fund and the Municipal Excess Liability Fund which also includes other municipalities throughout the region. The Borough is obligated to remit insurance premiums into these funds for sufficient insurance coverage. There is an unknown contingent liability with the Atlantic County Municipal Joint Insurance Fund if there is a catastrophic insurance claim from any member of the fund. The Borough has a coverage limitation of \$100,000 under JIF and a coverage limitation of \$10,000,000 under MEL. There was no reduction in coverage and no claims in excess of coverage during 2016 or 2015. The Joint Insurance Fund issues its own financial report which may be obtained from the Atlantic County Joint Insurance Fund, PO Box 488, Marlton, NJ 08053

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

Calendar Year	Borough Contributions	Employee Contributions	Interest Earned	Amount Reimbursed	Ending Balance
2016	0.00	2,504.83	8.49	466.32	20,862.11
2015	5,000.00	632.61	1.24	2,739.20	18,815.11
2014	11,000.00	698.54	4.36	4,521.00	15,920.46

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

Note 20: INTERFUND BALANCES

As of December 31, 2016, the following interfunds were included on the balance sheets of the various funds of the Borough of Folsom:

	<u>Due From</u>	<u>Due To</u>
Current Fund:		
Grant Fund	\$ 90,516.98	
General Capital	30,000.00	
Grant Fund:		
Current Fund		90,516.98
General Capital:		
Current Fund		<u>30,000.00</u>
	<u>\$ 120,516.98</u>	<u>120,516.98</u>

The grant fund interfund was created as a result of funds awarded but not yet received from the New Jersey Department of Transportation for road projects. The general capital interfund was the result of a current fund advance of cash to cover expenditures. The Borough does not maintain a separate bank account for the Grant Fund.

Note 21: LENGTH OF SERVICE AWARDS PROGRAM (UNAUDITED)

On August 9, 2001 Borough Council adopted an ordinance establishing the Length of Service Awards (LOSAP) Deferred Compensation Plan. This plan was approved by the voters of the Borough of Folsom by referendum at the general election in November of 2001. This plan is made available to all bona fide eligible volunteers who are performing qualified services which is defined as fire fighting and prevention services, emergency medical services and ambulance services pursuant to Section 457 of the Internal Revenue Code of 1986, as amended, except for provisions added by reason of the LOSAP as enacted into federal law in 1997. The establishment of this LOSAP also complies with New Jersey Public Law 1997, Chapter 388 and the LOSAP Document. Contributions by the Borough for qualified participants were \$0 for the 2016 and 2015 calendar years. The contributions are based on qualified service credits earned in the previous calendar year. Effective January 1, 2012, the volunteer fire company was dissolved by the Borough and no additional contributions will be made to the LOSAP program.

Note 22: SANITARY LANDFILL

The Borough owns a landfill that has not been open for several years. Although the Borough has complied with monitoring requirements, the landfill has not been permanently closed in accordance with the requirements of the Commissioner of the New Jersey Department of Environmental Protection, the Solid Waste Management Act, the Sanitary Landfill Closure and Contingency Fund Act, and the New Jersey Water Pollution Control Act. The Borough has been in communication with the Department of Environmental Protection to determine the specific requirements for this landfill. There is not sufficient information available to estimate the cost of closure or the required cost of post closure activity.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

Note 23: RESTATEMENT OF PRIOR BALANCES

Certain prior year balances have been restated to conform with current categories.

Note 24: SUBSEQUENT EVENTS

The Borough has evaluated subsequent events through May 12, 2017, the date which the financial statements were available to be issued and no additional items were noted for disclosure or adjustment.

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

SUPPLEMENTARY DATA

{THIS PAGE IS INTENTIONALLY LEFT BLANK}



FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

1535 HAVEN AVENUE • OCEAN CITY, NJ • 08226

PHONE 609.399.6333 • FAX 609.399.3710

www.ford-scott.com

Independent Auditor's Report

The Honorable Mayor and
Members of Borough Council
Borough of Folsom, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the regulatory basis financial statements of the various funds and account group as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Borough's basic financial statements, and have issued our report thereon dated May 12, 2017, which was adverse due to being presented in accordance with the New Jersey regulatory basis of accounting.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an

opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Very truly yours,

Ford, Scott & Associates, L.L.C.

**FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS**

Harvey C. Cocozza, Jr.

**Harvey C. Cocozza, Jr.
Certified Public Accountant
Registered Municipal Accountant
No. 551**

May 12, 2017

AUDIT FINDINGS AND RESPONSES

NONE

STATUS OF PRIOR RECOMMENDATIONS

NONE

**CURRENT FUND
SCHEDULE OF CASH - TREASURER**

		Current Fund
Balance December 31, 2015	\$	1,026,844.90
Increased by Receipts:		
Tax Collector		3,326,397.11
Revenue Accounts Receivable		255,114.37
Miscellaneous Revenue		31,183.93
State of New Jersey:		
Senior Citizen and Veterans Deductions		19,750.00
Marriage Licenses		250.00
DCA Training Fees		1,748.00
Due from Escrows		
Due from General Capital		70,000.00
Land Sale Deposits		25,000.00
Sale of Municipal Property		
Payment In Lieu of Taxes on Real Property		
Reserve for JIF Safety Fees		1,869.34
Federal and State Unappropriated Reserves		-
Federal and State Receivables		10,925.66
		3,742,238.41
		4,769,083.31
Decreased by Disbursements:		
Current Year Appropriation		984,705.60
Prior Year Appropriations		35,088.59
County Taxes		867,777.41
Local District School Taxes		1,829,588.02
Due to Escrow		4.57
State of New Jersey:		
Marriage Licenses		275.00
DCA Training Fees		2,046.06
Property Tax Refunds		9,348.44
Reserve for JIF Safety Fees		1,520.40
Reserve for Tax Map Update		43,519.48
Federal and State Disbursements		291,649.69
		4,065,523.26
Balance December 31, 2016	\$	703,560.05

See Accompanying Auditor's Report

**CURRENT FUND
SCHEDULE OF CURRENT CASH - COLLECTOR**

Balance December 31, 2015		\$	-
Increased by Receipts:			
Prepaid Taxes	30,277.39		
Taxes Receivable	3,267,666.80		
Revenue Accounts Receivable	23,279.47		
Tax Title and Other Liens	5,173.45		
			3,326,397.11
			3,326,397.11
Payments to Treasurer			3,326,397.11
Balance December 31, 2016		\$	-

**CURRENT FUND
SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY**

Year	Balance Dec. 31, 2015	Current Year Levy	Added Taxes	Overpayments Created	Collections by Cash 2015	2016	Overpayments Applied	Transferred To Tax Title Lien	Transferred to Foreclosed Property	Cancelled	Balance Dec. 31, 2016
2015	\$ 120,151.38	-	-	-	119,949.54	119,949.54	-	201.84	-	-	0.00
2016	-	3,359,546.41	8,656.07	-	37,219.12	3,167,467.26	-	10,440.42	-	61,842.12	91,233.56
	\$ 120,151.38	3,359,546.41	8,656.07	-	37,219.12	3,287,416.80	-	10,642.26	-	61,842.12	91,233.56

Cash Receipts
Senior Citizens and Veterans
3,267,666.80
19,750.00
3,287,416.80

Analysis of Current Year Tax Levy

Tax Yield:
General Property Tax
Added Taxes (54.4-63.1 et. Seq.)
3,359,546.41
8,656.07
3,368,202.48

Tax Levy:
General County Taxes
County Library Taxes
County Health Taxes
County Open Space Taxes
County Added and Omitted Taxes
Total County Taxes
865,401.09

Local School District Tax
1,842,888.00

Local Tax for Municipal Purposes
Add: Additional Tax Levied
652,911.27
7,002.12
659,913.39

3,368,202.48

**CURRENT FUND
SCHEDULE OF TAX TITLE AND OTHER LIENS**

Balance December 31, 2015		\$	82,516.53
Increased by:			
Transfers from Taxes Receivable	10,642.26		
Interest and Costs Accrued by Sale of April 5, 2016	<u>57.82</u>		
			<u>10,700.08</u>
			93,216.61
Decreased by:			
Collections	<u>5,173.45</u>		
			<u>5,173.45</u>
Balance December 31, 2016		\$	<u><u>88,043.16</u></u>

**CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE**

	Balance Dec. 31, 2015	Accrued in 2015	Collected by		Balance Dec. 31, 2016
			Collector	Treasurer	
\$					
Code Enforcement:					
Building Permits		26,349.00		26,349.00	
Municipal Court:					
Fines and Costs	3,059.22	41,700.31		41,869.67	2,889.86
Interest and Costs on Taxes		23,279.47	23,279.47		
Interest Earned on Investments and Deposits		813.70		813.70	
Energy Receipts Tax		179,090.00		179,090.00	
Consolidated Municipal Property					
Tax Relief Act		6,992.00		6,992.00	
	<u>3,059.22</u>	<u>278,224.48</u>	<u>23,279.47</u>	<u>255,114.37</u>	<u>2,889.86</u>

See Accompanying Auditor's Report

**CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR**

	Balance Dec. 31, 2015	Balance After Transfers	Paid or Charged	Balance Lapsed	Over- Expended
OPERATIONS WITHIN "CAPS"					
GENERAL GOVERNMENT					
Borough Council					
Other Expenses	\$ 5,014.29	5,014.29	1,040.22	3,974.07	
Assessment of Taxes					
Other Expenses	1,978.23	1,978.23	500.22	1,478.01	
Engineering Services and Costs					
Other Expenses	36,585.50	36,585.50	15,125.00	21,460.50	
Municipal Court					
Other Expenses	4,194.40	4,194.40	360.00	3,834.40	
STREETS AND ROADS					
Road Repairs and Maintenance					
Other Expenses	8,023.30	8,023.30	386.76	7,636.54	
Building and Grounds					
Other Expenses	3,977.95	3,977.95	434.80	3,543.15	
Vehicle Maintenance					
Other Expenses	2,757.77	2,757.77	2,103.09	654.68	
Solid Waste Collection					
Other Expenses	11,985.77	11,985.77	5,973.58	6,012.19	
Solid Waste Deposal Costs	16,489.18	16,489.18	4,530.58	11,958.60	
STATE UNIFORM CONSTRUCTION CODE					
Construction Official					
Other Expenses	396.00	396.00	157.50	238.50	
RECREATION AND EDUCATION					
Recreation Services and Programs					
Other Expenses	1,745.50	1,745.50	1,114.50	631.00	
UTILITIES					
Electricity and Natural Gas	6,841.92	6,841.92	2,667.51	4,174.41	
Telecommunications	213.85	213.85	191.93	21.92	
Petroleum Products	4,855.19	4,855.19	486.32	4,368.87	
STATUTORY EXPENDITURES:					
Defined Contribution Retirement Program	502.06	502.06	16.58	485.48	
All Other Accounts - No Change	29,568.86	29,568.86	-	29,568.86	
	<u>\$ 135,129.77</u>	<u>135,129.77</u>	<u>35,088.59</u>	<u>100,041.18</u>	<u>-</u>

**CURRENT FUND
SCHEDULE OF LOCAL DISTRICT SCHOOL TAX**

Balance December 31, 2015			
School Tax Payable	\$	36,980.99	
School Tax Deferred		<u>871,162.00</u>	
			908,142.99
Increased by:			
Levy - School Year July 1, 2015 to June 30, 2016			<u>1,842,888.00</u>
			2,751,030.99
Decreased by:			
Payments			<u>1,829,588.02</u>
Balance December 31, 2016			
School Tax Payable		50,280.97	
School Tax Deferred		<u>871,162.00</u>	
			<u>921,442.97</u>
Current Year Liability for Local School District School Tax:			
Tax Paid			1,829,588.02
Tax Payable Ending			<u>50,280.97</u>
			1,879,868.99
Less: Tax Payable Beginning			<u>36,980.99</u>
Amount Charged to Current Year Operations	\$		<u><u>1,842,888.00</u></u>

**CURRENT FUND
SCHEDULE OF FEDERAL AND STATE GRANTS RECEIVABLE**

<u>Purpose</u>	Balance Dec. 31, 2015	Transferred From 2016 Revenues	Received	Cancelled	Balance Dec. 31, 2016
FEDERAL GRANTS:					
Community Development Block Grant	\$ 50,850.00	51,715.64	35,824.40		66,741.24
Total Federal	<u>50,850.00</u>	<u>51,715.64</u>	<u>35,824.40</u>	<u>-</u>	<u>66,741.24</u>
STATE GRANTS:					
NJ Transportation Trust Fund Authority	58,891.97	190,000.00			248,891.97
Green Communities Grant 2013		7,433.94	7,433.94		-
Clean Communities		2,404.68	2,404.68		-
Recycling Tonnage Grant					
Total State	<u>58,891.97</u>	<u>199,838.62</u>	<u>9,838.62</u>	<u>-</u>	<u>248,891.97</u>
LOCAL GRANTS:					
Municipal Alliance Program	4,920.50	8,164.00	3,491.72	(1,428.78)	8,164.00
Total Local	<u>4,920.50</u>	<u>8,164.00</u>	<u>3,491.72</u>	<u>(1,428.78)</u>	<u>8,164.00</u>
	<u>\$ 114,662.47</u>	<u>259,718.26</u>	<u>49,154.74</u>	<u>(1,428.78)</u>	<u>323,797.21</u>
		Cash	10,925.66		
		Unappropriated Reserves	2,404.68		
			<u>13,330.34</u>		

See Accompanying Auditor's Report

**CURRENT FUND
SCHEDULE OF APPROPRIATED RESERVES FOR FEDERAL AND STATE GRANTS**

	Balance December 31, 2015	Reserve for		2016	Disbursed	Encumbrances	Cancelled	Balance
	Appropriated	Encumbrances	Appropriations	Appropriations				Dec. 31, 2016
FEDERAL GRANTS:								
Community Development Block Grant	14,516.64	36,333.36	51,715.64	81,218.81	-	-		21,346.83
Total Federal	<u>14,516.64</u>	<u>36,333.36</u>	<u>51,715.64</u>	<u>81,218.81</u>				<u>21,346.83</u>
STATE GRANTS:								
Recycling Tonnage Grant	18,890.50	-	2,404.68	4,542.49				16,752.69
Clean Communities	-	-	7,433.94	7,433.94				-
Green Communities Grant								
NJ Transportation Trust Fund Authority Act	15,189.30	174,810.70	190,000.00	190,000.00				190,000.00
Total State	<u>34,079.80</u>	<u>174,810.70</u>	<u>199,838.62</u>	<u>201,976.43</u>				<u>206,752.69</u>
LOCAL GRANTS:								
Atlantic County Drug Alliance-County	4,858.94	-	10,205.00	8,454.45			(1,428.78)	5,180.71
Total Local	<u>4,858.94</u>	<u>-</u>	<u>10,205.00</u>	<u>8,454.45</u>			<u>(1,428.78)</u>	<u>5,180.71</u>
	<u>\$ 53,455.38</u>	<u>211,144.06</u>	<u>261,759.26</u>	<u>291,649.69</u>			<u>(1,428.78)</u>	<u>233,280.23</u>

**CURRENT FUND
SCHEDULE OF FEDERAL AND STATE GRANTS - UNAPPROPRIATED RESERVES**

<u>Purpose</u>	<u>Balance Dec. 31, 2015</u>	<u>Transferred To 2016 Appropriations</u>	<u>Received</u>	<u>Balance Dec. 31, 2016</u>
STATE GRANTS:				
Recycling Tonnage Grant	\$ 2,404.68	2,404.68	-	-
Total State	<u>\$ 2,404.68</u>	<u>2,404.68</u>	<u>-</u>	<u>-</u>

See Accompanying Auditor's Report

**TRUST FUND
SCHEDULE OF CASH - TREASURER**

	Animal Control	Other
Balance December 31, 2015	\$ 757.32	151,565.76
Increased By:		
State Dog License Fees	181.80	
Municipal Dog License Fees	950.20	
Cat License Fees	384.00	
Due from Current Fund		31.26
Unemployment Claims		2,513.32
Escrow Deposits		19,879.48
Tax Title Lien Premiums		117,500.00
Tax Title Lien Redemption		95,951.29
Payroll and Deductions		373,676.39
	1,516.00	609,551.74
	2,273.32	761,117.50
Decreased By:		
Paid to State of NJ	172.20	
Dog Fund Expenditures	1,303.50	
Unemployment Claims		466.32
Escrow Payments		19,444.97
Tax Title Lien Premiums		77,500.00
Tax Title Lien Redemptions		70,658.25
Payroll and Deductions		373,672.49
	1,475.70	541,742.03
Balance December 31, 2016	797.62	219,375.47
Analysis of December 31, 2016 Balance		
Payroll Deductions		(0.03)
Unemployment Trust		20,862.11
Developer's Escrow		27,143.75
Tax Title Lien Redemption		112,054.05
Small Cities Revolving Loan Trust		59,315.59
		219,375.47
	\$	219,375.47

**TRUST FUND
SCHEDULE OF RESERVE FOR ANIMAL CONTROL
FUND EXPENDITURES**

Balance December 31, 2015	\$		757.32
Increased by:			
Dog License Fees Collected		950.20	
Cat License Fees Collected		384.00	
		1,334.20	1,334.20
			2,091.52
Decreased by:			
Expenditures under N.J.S.A. 4:19-15.11:			
Cash		1,303.50	
		1,303.50	1,303.50
Balance December 31, 2016	\$		788.02

License Fees Collected

<u>Year</u>	<u>Amount</u>
2015	1,537.80
2014	1,472.20
	3,010.00
	3,010.00

**TRUST FUND
SCHEDULE OF AMOUNT DUE TO/(FROM) STATE OF NEW JERSEY
ANIMAL CONTROL FUND**

Balance December 31, 2015	\$		-
Increased By:			
Collected in 2016			
State License Fees		109.00	
Pilot Clinic Fund Fees		21.80	
Animal Population Control Fees		51.00	
		181.80	181.80
Decreased By:			
Payments			
			172.20
Balance December 31, 2016	\$		9.60

**TRUST - OTHER FUNDS
SCHEDULE OF MISCELLANEOUS RESERVES
FOR THE YEAR ENDED DECEMBER 31, 2016**

Reserve	Balance Dec. 31, 2015	Increased by		Decreased by		Balance Dec. 31, 2016
		Receipts	Other	Disbursements	Other	
Unemployment Compensation Trust	\$ 18,815.11	2,513.32		466.32		20,862.11
Developers Escrow	26,709.24	19,879.48		19,444.97		27,143.75
Tax Title Lien Premiums	28,600.00	117,500.00		77,500.00		68,600.00
Tax Title Lien Redemptions	18,161.01	95,951.29		70,658.25		43,454.05
Payroll Deductions	(3.93)	373,676.39		373,672.49		(0.03)
Small Cities Revolving Loan Trust	59,288.90	26.69				59,315.59
	<u>\$ 151,570.33</u>	<u>609,547.17</u>	<u>-</u>	<u>541,742.03</u>	<u>-</u>	<u>219,375.47</u>

**GENERAL CAPITAL FUND
SCHEDULE OF CASH - TREASURER**

Balance December 31, 2015		\$	8,082.38
Increased by:			
Current Operating Budget Appropriations:			
Capital Improvement Fund	50,000.00		
Bonds and Notes Authorized But Not Issued	<u>36,570.00</u>		
			<u>86,570.00</u>
			94,652.38
Decreased by:			
Due to Current Fund	<u>70,000.00</u>		
			<u>70,000.00</u>
Balance December 31, 2016		\$	<u><u>24,652.38</u></u>

**GENERAL CAPITAL FUND
ANALYSIS OF CASH**

	Balance	Receipts		Disbursements		Transfers		Balance
	Dec. 31, 2015	Budget Appropriation	Miscellaneous	Improvement Authorizations	Miscellaneous	From	To	Dec. 31, 2016
Fund Balance	\$ 57,479.47							57,479.47
Capital Improvement Fund	85,175.23	50,000.00						135,175.23
Due to Current Fund	100,000.00				70,000.00			30,000.00
Improvement Authorizations:								
8-2012 Various General Improvements	(234,572.32)			36,570.00				(198,002.32)
	<u>\$ 8,082.38</u>	<u>50,000.00</u>	<u>36,570.00</u>	<u>-</u>	<u>70,000.00</u>	<u>-</u>	<u>-</u>	<u>24,652.38</u>

**GENERAL CAPITAL FUND
DEFERRED CHARGES TO FUTURE TAXATION - FUNDED**

Balance December 31, 2015	\$	289,281.00
Decreased by:		
2016 Budget Appropriation to Pay Bonds:		
Municipal Bonds		20,344.00
Balance December 31, 2016	\$	268,937.00

**GENERAL CAPITAL FUND
SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED**

Ord #	Improvement Description	Balance Dec. 31, 2015	2016 Authorizations	Raised in 2016 Budget	Cancelled Authorization	Balance Dec. 31, 2016	Analysis of Balance		
							Bond Anticipation Notes	Expenditures	Unexpended Improvement Authorizations
8-2012	Various General Improvements	\$ 234,572.32		36,570.00	-	198,002.32	-	198,002.32	-
		<u>\$ 234,572.32</u>	<u>-</u>	<u>36,570.00</u>	<u>-</u>	<u>198,002.32</u>	<u>-</u>	<u>198,002.32</u>	<u>-</u>

**GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND**

Balance December 31, 2015	\$	85,175.23
Increased by:		
Budget Appropriation		<u>50,000.00</u>
Balance December 31, 2016	\$	<u><u>135,175.23</u></u>

**GENERAL CAPITAL FUND
SCHEDULE OF GENERAL SERIAL BONDS PAYABLE**

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding December 31, 2016 Date	Interest Rate	Balance		
					Dec. 31, 2015	Dec. 31, 2016	
					Increased	Decreased	
Acquisition of Land, Renovations, and Addition to Borough Hall	7/18/96	534,000	1/18/17				
			7/18/17	10,555			
			1/18/18	10,819			
			7/18/18	11,089			
			1/18/19	11,367			
			7/18/19	11,651			
			1/18/20	11,942			
			7/18/20	12,240			
			1/18/21	12,546			
			7/18/21	12,860			
			1/18/22	13,182			
			7/18/22	13,511			
			1/18/23	13,849			
			7/18/23	14,195			
			1/18/24	14,550			
			7/18/24	14,914			
			1/18/25	15,287			
		7/18/25	15,669				
		1/18/26	16,061				
		7/18/26	16,461				
		16,190		5.00%			
							289,281.00
							<u>289,281.00</u>
							20,344.00
							<u>20,344.00</u>
							<u>268,937.00</u>
							<u>268,937.00</u>

**GENERAL CAPITAL FUND
SCHEDULE OF BOND AND NOTES AUTHORIZED BUT NOT ISSUED**

Ordinance Number	Improvement Description	Balance Dec. 31, 2015	2016 Authorizations	Debt Issued	Cancelled Authorization	Paid Through Budget	Balance Dec. 31, 2016
8-2012	Various General Improvements	\$ 234,572.32			-	36,570.00	198,002.32
		<u>\$ 234,572.32</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,570.00</u>	<u>198,002.32</u>

BOROUGH OF FOLSOM

PART II

LETTER OF COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2016

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

GENERAL COMMENTS

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

N.J.S. 40A:11-4 states "Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the cost of the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only after public advertising for bids and bidding therefore, except as provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$17,500, except by contract or agreement". Effective July 1, 2010, the bid threshold was increased to \$40,000 for municipalities with a Qualified Purchasing Agent. On August 11, 2011 the Borough Council appointed a Qualified Purchasing Agent and adopted a resolution to increase the bid threshold to \$40,000.

The governing body of the municipality has the responsibility of determining whether the expenditures of any category will exceed \$40,000 within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Borough Counsel's opinion should be sought before a commitment is made.

The minutes indicated the following contracts were bid in 2016: ADA walkways.

The minutes indicate resolutions were adopted and advertised authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S. 40A:11-5.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear cut violations existed.

My examination of expenditures did not reveal individual payments, contracts or agreements in excess of \$40,000 "for the performance of any work or hiring of any materials or supplies", other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of N.J.S. 40A:11-6.

Collection of Interest on Delinquent Taxes and Assessments

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

The governing body on January 1, 2016 adopted the following resolution authorizing interest to be charged on delinquent taxes:

WHEREAS, NJSA 54:5-67 permits the governing body of each municipality to fix the rate of interest to be charged for nonpayment of taxes or assessments subject to any abatement or discount for the payment of taxes as provided by law.

NOW, THEREFORE BE IT RESOLVED, by the Mayor and Council of the Borough of Folsom, County of Atlantic and State of New Jersey, as follows:

The Tax Collector is hereby authorized and directed to charge eight percent (8%) per annum on the first \$1,500 of taxes becoming delinquent as due date and eighteen percent (18%) per annum on any amount of taxes in excess of \$1,500 becoming delinquent after the due date and if a delinquency is in excess of \$10,000 and remains in arrears beyond December 31st, an additional penalty of six percent (6%) shall be charged against the delinquency.

There will be a ten (10) day grace period of quarterly tax payments made by cash, check, or money order. If payments are not received within the grace period, interest is then calculated from the date when the payment was originally due, until the date of actual payment.

Delinquent Taxes and Tax Title Liens

The last tax sale was held on April 5, 2016 and was complete. There were no properties in bankruptcy as of December 31, 2016.

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

<u>Year</u>	<u>Number of Liens</u>
2016	50
2015	47
2014	44

Verification of Delinquent Taxes and Other Charges

A test verification of delinquent charges and current payments was made in accordance with the regulation of the Division of Local Government Services, including the mailing of verification notices as follows:

<u>Type</u>	<u>Number Mailed</u>
Payment of 2016 and 2017 Taxes	5
Delinquent Taxes	9
Tax Title Liens	0

Comparison of Tax Levies and Collections Currently

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

<u>Year</u>		<u>Currently</u>	
		<u>Tax Levy</u>	<u>Cash Collections</u>
2016	\$	3,368,202.48	3,204,686.38
2015		3,326,794.29	3,195,603.86
2014		3,301,280.55	3,150,845.06
2013		3,273,416.00	3,141,659.00
2012		3,087,183.00	2,937,441.00

Comparative Schedule of Tax Rate Information

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Tax Rate	3.124	3.051	3.055	3.063	2.902
Apportionment of Tax Rate:					
Municipal	0.607	0.597	0.590	0.570	0.556
County	0.804	0.779	0.816	0.802	0.678
Local School	1.713	1.675	1.649	1.691	1.668
Assessed Valuation	107,539,899	108,448,913	107,996,651	106,472,183	108,879,775

{This space intentionally left blank}

Delinquent Taxes and Tax Title Liens

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

<u>Year</u>		Amount of Tax Title <u>Liens</u>	Amount of Delinquent <u>Taxes</u>	Total <u>Delinquent</u>	Percentage Of Tax <u>Levy</u>
2016	\$	88,043.16	91,233.56	179,276.72	5.32%
2015		82,516.53	120,151.38	202,667.91	6.09%
2014		71,172.57	128,174.60	199,347.17	6.04%
2013		259,156.00	102,709.00	361,865.00	11.05%
2012		239,093.00	113,562.00	352,655.00	11.42%

Uniform Construction Code

The Borough of Folsom construction code official is in compliance with uniform construction code rules NJAC 5:23.17(b)2 and NJAC 5:23.4.17(b)3.

RECOMMENDATIONS

NONE

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

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

Very truly yours,

Ford, Scott & Associates, L.L.C.
FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Harvey C. Cocozza, Jr.
Harvey C. Cocozza, Jr.
Certified Public Accountant
Registered Municipal Accountant
No. 551

May 12, 2017