

**BOROUGH OF FOLSOM**

**ATLANTIC COUNTY**

**NEW JERSEY**

**AUDIT REPORT**

**FOR THE YEAR ENDED  
DECEMBER 31, 2021**



# BOROUGH OF FOLSOM

## TABLE OF CONTENTS

	Exhibit	Page
<b>PART 1</b>		
Independent Auditor's Report		1-3
<b>CURRENT FUND</b>		
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
<b>TRUST FUND</b>		
Comparative Balance Sheet - Regulatory Basis	B	16-17
<b>CAPITAL FUND</b>		
Comparative Balance Sheet - Regulatory Basis	C	18
Schedule of Fund Balance - Regulatory Basis	C-1	19
<b>GENERAL FIXED ASSETS ACCOUNT GROUP</b>		
Balance Sheet - Regulatory Basis	G	20
<b>NOTES TO FINANCIAL STATEMENTS</b>		21-36
<b>SUPPLEMENTARY DATA</b>		
Independent Auditor's Report - Government Auditing Standards		37-38
Audit Findings and Responses		39
Status of Prior Recommendations		39

# BOROUGH OF FOLSOM

## TABLE OF CONTENTS

	Exhibit	Page
<b>CURRENT FUND</b>		
Schedule of Cash - Treasurer	A-4	40
Schedule of Current Cash - Collector	A-5	41
Schedule of Taxes Receivable and Analysis of Property Tax Levy	A-6	42
Schedule of Tax Title and Other Liens	A-7	43
Schedule of Revenue Accounts Receivable	A-8	44
Schedule of Appropriation Reserves-Prior Year	A-9	45
Schedule of Local District School Tax	A-10	46
Schedule of Federal and State Grants Receivable	A-11	47
Schedule of Appropriated Reserve for Federal and State Grants	A-12	48
Schedule of Federal and State Grants - Unappropriated Reserves	A-13	49
<b>TRUST FUNDS</b>		
Schedule of Cash - Treasurer	B-1	50
Schedule of Reserve for Animal Control Fund Expenditures	B-2	51
Schedule of Amount Due From State of New Jersey Department of Health	B-3	52
Schedule of Miscellaneous Reserves	B-4	53
<b>CAPITAL FUNDS</b>		
Schedule of Cash - Treasurer	C-2	54
Analysis of Cash	C-3	55
Statement of Deferred Charges to Future Taxation - Funded	C-4	56
Statement of Deferred Charges to Future Taxation - Unfunded	C-5	57
Schedule of Capital Improvement Fund	C-6	58
Schedule of Improvement Authorizations	C-7	59
Schedule of General Serial Bonds Payable	C-8	60
Schedule of Bonds and Notes Authorized But Not Issued	C-9	61
<b>PART II</b>		
General Comments		62-64
Recommendations		65

**BOROUGH OF FOLSOM**

**PART 1**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS**

**AND SUPPLEMENTARY DATA**

**YEAR ENDED DECEMBER 31, 2021**

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# FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## **INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and  
Members of Borough Council  
Borough of Folsom  
County of Atlantic, New Jersey

### **Report on the Financial Statements**

#### ***Opinions***

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, 2021 and 2020, 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, 2021 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### ***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, 2021 and 2020, or changes in financial position for the years then ended.

#### ***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the regulatory basis balances sheets and account group as of December 31, 2021 and 2020, 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, 2021 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.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of the Borough of Folsom and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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.

### ***Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Borough of Folsom's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibility for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and audit requirements prescribed by the Division of Local Government Services will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and audit requirements prescribed by the Division of Local Government Services, we:

- exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of the internal control relevant to the audit 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 Borough of Folsom's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.



- Conclude whether in our judgement there are conditions or events considered in the aggregate, that raise substantial doubt about the Borough of Folsom's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charge with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control – related matters that we identified during the audit.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Folsom 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 regulatory basis 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 July 29, 2022, 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 the effectiveness 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.

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

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

**July 29, 2022**

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**EXHIBIT A - CURRENT FUND**

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

	2021	2020
<u>ASSETS</u>		
Regular Fund:		
Cash:		
Treasurer	\$ 536,829.51	558,561.06
Petty Cash	100.00	100.00
Total Cash	536,929.51	558,661.06
Other Receivables:		
Due from State - Senior Citizens and Veterans	829.61	1,151.71
Total Other Receivables	829.61	1,151.71
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	84,523.87	75,806.91
Tax Title and Other Liens	45,622.56	37,804.87
Property Acquired for Taxes - at Assessed Valuation	676,900.00	549,100.00
Property Deeded	78,500.00	309,100.00
Miscellaneous Receivables	6,035.66	-
Interfund Receivable:		
Grant Fund	-	33,577.56
General Capital Fund	195,000.00	357.50
Total Receivables and Other Assets	1,086,582.09	1,005,746.84
Deferred Charges		
Special Emergency Appropriation	4,428.80	20,428.80
	4,428.80	20,428.80
Total Regular Fund	1,628,770.01	1,585,988.41
Federal and State Grant Fund:		
Federal and State Grants Receivable	765,324.92	769,253.58
Due from Regular Fund	61,772.49	-
Total Federal and State Grant Fund	827,097.41	769,253.58
Total Current Fund	\$ 2,455,867.42	2,355,241.99

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>2021</u>	<u>2020</u>
Regular Fund:		
Liabilities:		
Appropriation Reserves	\$ 61,475.19	56,814.18
Encumbrances Payable/Accounts Payable	44,399.09	58,254.54
Prepaid Taxes	41,170.64	30,452.67
Overpaid Taxes	4,468.88	5,211.18
Due to Grant Fund	61,772.49	-
Due to State of New Jersey		
Marriage License	-	100.00
Local School Tax Payable	63,314.73	46,704.75
County Added Tax Payable	1,032.21	-
Other		
Reserve for JIF Safety Funds	<u>3,520.16</u>	<u>2,962.38</u>
	281,153.39	200,499.70
Reserve for Receivables and Other Assets	1,086,582.09	1,005,746.84
Fund Balance	<u>261,034.53</u>	<u>379,741.87</u>
Total Regular Fund	<u>1,628,770.01</u>	<u>1,585,988.41</u>
Federal and State Grant Fund:		
Due to Regular Fund	-	33,577.56
Unappropriated Reserves	92,893.34	-
Appropriated Reserves	435,430.15	735,234.16
Encumbrances Payable	<u>298,773.92</u>	<u>441.86</u>
Total Federal and State Grant Fund	<u>827,097.41</u>	<u>769,253.58</u>
Total Current Fund	<u>\$ 2,455,867.42</u>	<u>2,355,241.99</u>

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

	2021	2020
Revenue and Other Income Realized		
Fund Balance	\$ 243,600.00	193,500.00
Miscellaneous Revenue Anticipated	524,444.00	575,192.88
Receipts from Delinquent Taxes	76,153.81	118,287.52
Receipts from Current Taxes	3,656,497.40	3,563,651.55
Non Budget Revenue	27,634.06	22,757.30
Other Credits to Income:		
Unexpended Balance of Appropriation Res.	85,947.12	117,272.33
Interfund Returned	33,935.06	29,330.28
Cancellation of Prior Year Liability	1,424.00	746.00
Sale of Municipal Assets	61,250.00	13,550.00
Cancelled Reserve for Tax Map	-	1,753.08
Total Income	4,710,885.45	4,636,040.94
Expenditures		
Budget and Emergency Appropriations:		
Appropriations Within "CAPS"		
Operations:		
Salaries and Wages	302,140.00	301,942.00
Other Expenses	563,451.00	550,501.00
Deferred Charges & Statutory Expenditures	67,653.00	67,418.00
Appropriations Excluded from "CAPS"		
Operations:		
Salaries and Wages	-	-
Other Expenses	59,132.75	61,191.42
Capital Improvements	285,000.00	305,000.00
Municipal Debt Service	34,562.00	34,562.00
Deferred Charges & Statutory Expenditures	52,570.00	67,570.00
Local District School Tax	2,030,436.00	1,997,216.00
County Tax	988,980.17	937,514.78
County Share of Added Tax	1,032.21	2,528.59
Receivable Created	6,035.66	
Interfund Created	195,000.00	-
Total Expenditures	4,585,992.79	4,325,443.79
Excess in Revenue	124,892.66	310,597.15

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,**

	2021	2020
Adjustments to Income before Fund Balance:		
Expenditures included above which are by Statute Deferred Charges to Budgets of Succeeding Year	-	-
Total Adjustments	-	-
Statutory Excess to Fund Balance	124,892.66	310,597.15
Fund Balance January 1	379,741.87	262,644.72
	504,634.53	573,241.87
Decreased by:		
Utilization as Anticipated Revenue	243,600.00	193,500.00
Fund Balance December 31	\$ 261,034.53	379,741.87



**CURRENT FUND  
STATEMENT OF REVENUES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Anticipated		Realized	Excess or (Deficit)
	Budget	N.J.S. 40A:4-87		
Fund Balance Anticipated	\$ 243,600.00		243,600.00	
Total Fund Balance Anticipated	243,600.00	-	243,600.00	-
Miscellaneous Revenues:				
Section A: Local Revenues				
Interest on Investments and Deposits	4,500.00		6,776.32	2,276.32
Interest and Costs on Taxes	15,300.00		15,644.77	344.77
Total Section A: Local Revenues	19,800.00	-	22,421.09	2,621.09
Section B: State Aid Without Offsetting Appropriations				
Consolidated Municipal Property Tax Relief	6,051.00		6,051.00	-
Energy Receipts Tax	180,031.00		180,031.00	-
Total Section B: State Aid Without Offsetting Appropriations	186,082.00	-	186,082.00	-

**CURRENT FUND  
STATEMENT OF REVENUES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	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	-	2,708.37	2,708.37	
USRDA Boom Lift	-	17,000.00	17,000.00	
Clean Communities Program		6,465.20	6,465.20	
Municipal Alliance on Alcoholism & Drug Abuse	4,767.34		4,767.34	
N.J. Transportation Trust Fund Authority Act	285,000.00		285,000.00	
<b>Total Section F: Special Items - Public and Private Programs</b>	<b>289,767.34</b>	<b>26,173.57</b>	<b>315,940.91</b>	<b>-</b>
Section G: Special Items of General Revenue Anticipated with Prior Written Consent of Director of Local Government Services - Other Special Items:				
Capital Fund Surplus	-	-	-	-
<b>Total Section G: Special Items of General Revenue Anticipated with Prior Written Consent of Director of Local Government Services - Other Special Items:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Total Miscellaneous Revenues:	495,649.34	26,173.57	524,444.00	2,621.09
Receipts from Delinquent Taxes	80,000.00		76,153.81	(3,846.19)
Amount to be Raised by Taxes for Support of Municipal Budget Local Tax for Municipal Purposes	724,810.42		823,772.60	98,962.18
Total Amount to be Raised by Taxes for Support of Municipal Budget	724,810.42	-	823,772.60	98,962.18
Budget Totals	1,544,059.76	26,173.57	1,667,970.41	97,737.08
Non- Budget Revenues: Other Non- Budget Revenues:	-		27,634.06	27,634.06
<b>\$</b>	<b>1,544,059.76</b>	<b>26,173.57</b>	<b>1,695,604.47</b>	<b>125,371.14</b>

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

**CURRENT FUND  
STATEMENT OF REVENUES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

Analysis of Realized Revenues

Allocation of Current Tax Collections:

Revenue from Collections	\$	3,656,497.40
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Allocated to:

School, County and Other Taxes	3,020,448.38
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Balance for Support of Municipal Budget Appropriations	636,049.02
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Increased by:

Appropriation "Reserved for Uncollected Taxes"	187,723.58
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Amount for Support of Municipal Budget Appropriations	<u>823,772.60</u>
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Receipts from Delinquent Taxes:

Delinquent Tax Collection	75,121.60
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Tax Title Lien Collections	<u>1,032.21</u>
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Total Receipts from Delinquent Taxes	<u>76,153.81</u>
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Analysis of Non-Budget Revenue:

Miscellaneous Revenue Not Anticipated:

Licenses and Fees	4,281.60
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Fees & Permits	5,715.00
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Cable Franchise Fees	9,161.96
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Recycling Fees	1,715.50
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Vacant Property Registration	3,600.00
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Recreation Field Usage	2,600.00
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Miscellaneous Other	<u>560.00</u>
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	<u>27,634.06</u>
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Total Miscellaneous Revenue Not Anticipated:	\$	<u>27,634.06</u>
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**CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
<b>OPERATIONS WITHIN "CAPS"</b>						
<b>GENERAL GOVERNMENT</b>						
Borough Council	\$ 22,000.00	22,000.00	21,150.00		850.00	
Salaries and Wages	1,800.00	1,800.00	1,178.93		621.07	
Other Expenses						
Municipal Clerk	80,000.00	80,000.00	79,291.64		708.36	
Salaries and Wages	22,500.00	24,500.00	21,951.70	225.74	2,322.56	
Other Expenses						
Financial Administration	16,980.00	16,980.00	16,979.06		0.94	
Salaries and Wages	9,000.00	9,000.00	7,009.02	542.35	1,448.63	
Other Expenses	19,500.00	19,500.00	19,000.00		500.00	
Audit Service						
Tax Assessment Administration	16,245.00	16,245.00	16,242.97		2.03	
Salaries and Wages	4,000.00	4,000.00	3,658.43		341.57	
Other Expenses						
Collection of Taxes	17,590.00	17,590.00	17,585.10		4.90	
Salaries and Wages	4,000.00	4,000.00	2,732.66		1,267.34	
Other Expenses						
Legal Services and Costs	30,000.00	36,000.00	34,735.84	675.00	589.16	
Other Expenses						
Engineering Services and Costs	10,000.00	10,000.00	9,506.00		494.00	
Other Expenses						
Historical Society						
Other Expenses						
Planning Board						
Salaries and Wages	5,525.00	5,525.00	5,525.00			
Other Expenses	5,000.00	5,000.00	2,302.15		2,697.85	
Insurance						
General Liability	15,355.00	15,355.00	14,601.00		754.00	
Worker's Compensation	31,995.00	31,995.00	31,995.00			
Employee Group Insurance	65,000.00	50,000.00	39,246.10	8,840.24	1,913.66	
Health Benefits Waiver	7,700.00	7,700.00	7,504.14		195.86	

**CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
<b>PUBLIC SAFETY</b>						
Office of Emergency Management						
Salaries and Wages	1,100.00	1,100.00	950.00		150.00	
Other Expenses	200.00	200.00	-		200.00	
<b>STREETS AND ROADS</b>						
Streets and Road Maintenance						
Salaries and Wages	140,000.00	135,000.00	126,729.92		8,270.08	
Other Expenses	35,000.00	26,000.00	13,846.92	971.46	11,181.62	
Reserve for Snow Removal	1.00	5,001.00	5,000.00		1.00	
Solid Waste Collection						
Other Expenses	107,000.00	107,000.00	98,170.61	6,377.42	2,451.97	
Public Building and Grounds						
Other Expenses	20,000.00	25,000.00	16,616.87	7,546.11	837.02	
Vehicle Maintenance	15,000.00	18,000.00	15,023.65	-	2,976.35	
<b>SANITATION</b>						
Landfill & Solid Waste Disposal Costs						
Other Expenses	70,000.00	75,000.00	60,509.05	3,906.43	10,584.52	
<b>HEALTH AND WELFARE</b>						
Animal Control Services						
Other Expenses	8,000.00	8,000.00	6,650.00		1,350.00	
Environmental Commission						
Other Expenses	600.00	600.00	181.04		418.96	
<b>RECREATION AND EDUCATION</b>						
Recreation Services and Programs						
Other Expenses	5,000.00	6,000.00	3,207.10	1,967.20	825.70	
Parks Commission						
Other Expenses	1,500.00	3,500.00		2,986.03	513.97	

**CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
<b>UTILITIES</b>						
Electricity & Natural Gas	60,000.00	60,000.00	51,112.51	8,387.04	500.45	
Telecommunications Costs	9,000.00	9,000.00	6,893.36	800.00	1,306.64	
Petroleum Products	9,000.00	9,000.00	6,154.75	1,174.07	1,671.18	
<b>TOTAL OPERATIONS WITHIN "CAPS"</b>	<b>865,591.00</b>	<b>865,591.00</b>	<b>763,240.52</b>	<b>44,399.09</b>	<b>57,951.39</b>	<b>-</b>
Contingent	-	-	-	-	-	
<b>TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"</b>	<b>865,591.00</b>	<b>865,591.00</b>	<b>763,240.52</b>	<b>44,399.09</b>	<b>57,951.39</b>	<b>-</b>
Detail:						
Salaries and Wages	307,140.00	302,140.00	291,957.83	-	10,182.17	
Other Expenses	558,451.00	563,451.00	471,282.69	44,399.09	47,769.22	
<b>DEFERRED CHARGES AND STATUTORY EXPENDITURES:</b>						
Deferred Charges:						
none						
Statutory Expenditures:						
Contributions to:						
Public Employees' Retirement System	42,653.00	42,653.00	42,653.00	-	-	
Social Security System (O.A.S.I.)	24,000.00	24,000.00	22,229.10	-	1,770.90	
Unemployment Compensation	500.00	500.00	-	-	500.00	
Defined Contribution Retirement Program	500.00	500.00	-	-	500.00	
<b>TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES:</b>	<b>67,653.00</b>	<b>67,653.00</b>	<b>64,882.10</b>	<b>-</b>	<b>2,770.90</b>	<b>-</b>
<b>TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"</b>	<b>933,244.00</b>	<b>933,244.00</b>	<b>828,122.62</b>	<b>44,399.09</b>	<b>60,722.29</b>	<b>-</b>

**CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Appropriations		Expended			(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
OPERATIONS - EXCLUDED FROM "CAPS"						
(A) Operations - Excluded from "CAPS"	-	-	-	-	-	-
Employee Group Insurance						
TOTAL OTHER OPERATIONS - EXCLUDED FROM "CAPS"	-	-	-	-	-	-
Interlocal Municipal Service Agreements						
Police Dispatch	11,000.00	11,000.00	10,247.10	-	752.90	
Fire Services	16,000.00	16,000.00	16,000.00	-	-	18,000.00
Joint Municipal Court - Hammonton	18,000.00	18,000.00	-	-	-	
TOTAL SHARED SERVICE AGREEMENTS	45,000.00	45,000.00	26,247.10	-	752.90	18,000.00
(A) Public and Private Programs Off-Set by Revenues						
Clean Communities Program Grant		6,465.20	6,465.20	-	-	
Municipal Alliance on Alcoholism and Drug Abuse						
State Match	4,767.34	4,767.34	4,767.34	-	-	
Local Match	1,191.84	1,191.84	1,191.84	-	-	
Recycling Tonnage Grant	-	2,708.37	2,708.37	-	-	
USRDA Boom Lift	-	17,000.00	17,000.00	-	-	
Total Public and Private Programs Off-Set by Revenues	5,959.18	32,132.75	32,132.75	-	-	-
Total Operations - Excluded from "CAPS"	50,959.18	77,132.75	58,379.85	-	752.90	
Detail:						
Salaries and Wages	-	-	-	-	-	
Other Expenses	50,959.18	77,132.75	58,379.85	-	752.90	
(C) Capital Improvements Capital Improvement Fund						
New Jersey Transportation Trust Fund Authority Act	285,000.00	285,000.00	285,000.00	-	-	

**CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Appropriations		Expended			(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
Total Capital Improvements	285,000.00	285,000.00	285,000.00	-	-	-
(D) Debt Service						
Payment of Bond Principal	26,041.96	26,041.96	26,041.96			-
Interest on Bonds	8,521.04	8,521.04	8,520.04			1.00
Total Debt Service	34,563.00	34,563.00	34,562.00	-	-	1.00
(E) Deferred Charges						
Special Emergency Authorizations - 5 Years	16,000.00	16,000.00	16,000.00		-	
Deferred Charge to Future Taxation Unfunded Ordinance	36,570.00	36,570.00	36,570.00		-	
Total Deferred Charges	52,570.00	52,570.00	52,570.00	-	-	-
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	423,092.18	449,265.75	430,511.85	-	752.90	18,001.00
SUBTOTAL GENERAL APPROPRIATIONS	1,356,336.18	1,382,509.75	1,258,634.47	44,399.09	61,475.19	18,001.00
(M) Reserve for Uncollected Taxes	187,723.58	187,723.58	187,723.58			
TOTAL GENERAL APPROPRIATIONS	\$ 1,544,059.76	1,570,233.33	1,446,358.05	44,399.09	61,475.19	18,001.00
Budget Appropriations by 40A.4-87		1,544,059.76				
		26,173.57				
		<u>1,570,233.33</u>				
Reserve for Uncollected Taxes			187,723.58			
Federal and State Grants			317,132.75			
Deferred Charges			16,000.00			
Disbursements			925,501.72			
			<u>1,446,358.05</u>			



**EXHIBIT B - TRUST FUND**

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

	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
Animal Control Fund:		
Cash	\$ 1,212.85	522.75
	1,212.85	522.75
Length of Service Award Program (LOSAP)		
Investments	89,527.37	76,120.61
	89,527.37	76,120.61
Other Funds:		
Cash - Treasurer	205,370.14	190,891.99
Small Cities Loans Receivable	119,886.00	119,886.00
	325,256.14	310,777.99
	\$ 415,996.36	387,421.35

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

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

	<b>2021</b>	<b>2020</b>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>		
Animal Control Fund:		
Reserve for Expenditures	1,212.85	522.75
	1,212.85	522.75
Length of Service Award Program (LOSAP)		
Net Assets Available for Benefits	89,527.37	76,120.61
Other Funds:		
Reserve for Receivables - Small Cities Loans	119,886.00	119,886.00
Reserves - Miscellaneous	205,370.14	190,891.99
	325,256.14	310,777.99
	\$ 415,996.36	387,421.35

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

**EXHIBIT C - CAPITAL FUND**

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

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
Cash	\$ 2,334.56	71,205.14
Deferred Charges to Future Taxation -		
Funded	150,684.00	176,726.00
Unfunded	<u>451,152.32</u>	<u>487,722.32</u>
	<u>604,170.88</u>	<u>735,653.46</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Serial Bonds Payable	150,684.00	176,726.00
Contracts Payable	84,350.00	164,256.69
Interfund Payable:		
Due to Current Fund	195,000.00	357.50
Improvement Authorizations:		
Funded	13,022.70	-
Unfunded	131,544.22	294,743.31
Capital Improvement Fund	12,090.49	82,090.49
Fund Balance	17,479.47	17,479.47
	<u>\$ 604,170.88</u>	<u>735,653.46</u>

There were bonds and note authorized but not issued at December 31,

2020	487,722.32
2021	451,152.32

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

	<u>2021</u>	<u>2020</u>
Beginning Balance January 1	\$ 17,479.47	57,479.47
Decreased by:		
Appropriated in Budget	<u>-</u>	<u>(40,000.00)</u>
Ending Balance December 31	<u>\$ 17,479.47</u>	<u>17,479.47</u>



**EXHIBIT G - GENERAL FIXED ASSETS ACCOUNT GROUP**

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**STATEMENT OF GENERAL FIXED ASSETS**  
**DECEMBER 31,**  
**REGULATORY BASIS**

	<u>2021</u>	<u>2020</u>
General Fixed Assets:		
Land	\$ 213,600.00	213,600.00
Buildings and Improvements	818,930.00	818,930.00
Vehicles	580,916.45	297,215.31
Furniture, Fixtures and Equipment	332,845.00	332,845.00
	<u>1,946,291.45</u>	<u>1,662,590.31</u>
Investment in General Fixed Assets	\$ <u>1,946,291.45</u>	<u>1,662,590.31</u>

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## **NOTES TO FINANCIAL STATEMENTS**

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# NOTES TO FINANCIAL STATEMENTS

## YEARS ENDED DECEMBER 31, 2021 AND 2020

### **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 2020 is 1,610. 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, 2021 AND 2020

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 is 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, 2021 AND 2020**

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 11<sup>th</sup> day of the 11<sup>th</sup> 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 31<sup>st</sup>, 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 March 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 94, "Public-Private Partnerships and Availability Payment Arrangements". This statement is effective for fiscal periods beginning after June 15, 2022, will not have any effect on the Borough's financial reporting.

In May 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 96, "Subscription-Based Information Technology Arrangements". This statement is effective for fiscal periods beginning after June 15, 2022 and will not have any effect on the Borough's financial reporting.

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2021 AND 2020**

In June 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32". This statement is effective for fiscal periods beginning after June 15, 2021 and will not have any effect on the Borough's financial reporting.

In October 2021, the Governmental Accounting Standards Board (GASB) issued Statement No. 98, "The Annual Comprehensive Financial Report". This statement is effective for fiscal periods ending after December 15, 2021, and will not have any effect on the City'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 2021 and 2020 statutory budgets included a reserve for uncollected taxes in the amount of \$187,723.58 and \$183,303.21. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2021 and 2020 statutory budgets was \$243,600.00 and \$193,500.00.

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 2021 and 2020 calendar years.

	<u>2021</u>	<u>2020</u>
Municipal Clerk S&W	-	(\$5,000)
Legal Services and Costs – OE	\$6,000	-
Engineering Services – OE	-	(4,000)
Public Buildings & Grounds – OE	5,000	-
Vehicle Maintenance – OE	3,000	-
Employee Group Insurance	(15,000)	(7,000)
Reserve for Snow Removal	5,000	10,000
Landfill & Solid Waste Disposal – OE	5,000	-
Streets & Roads – S&W	(5,000)	-
Streets & Roads – OE	(9,000)	(5,000)

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 2021 calendar year, Borough Council approved total budget insertions in the amount of \$26,173.57. Borough Council approved total budget insertions in the amount of \$6,078.36 during the 2020 calendar year. The following schedule details the significant budget insertions:

<u>Budget Category</u>		<u>2021</u>	<u>2020</u>
Clean Communities	\$	6,465.20	6,078.36
Recycling Tonnage		2,702.37	-
USRDA Boom Lift		17,000	-

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

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2021 AND 2020**

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 2021 and 2020.

**Note 3: INVESTMENTS**

As of December 31, 2021 and 2020, 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.

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, 2021 and 2020 amounted to \$89,527.37 and \$76,120.61.

The following investments represent 5% or more of the total invested with Lincoln Financial Advisors as of December 31, 2021 and 2020.

	<u>2021</u>	<u>2020</u>
American Funds Growth Fund	\$ 11,308.59	9,369.99
Fixed	20,618.33	19,978.82
L VIP SSgA S&P 500 Index Fund	35,670.74	28,129.46
L VIP T Rowe Price Structured Mid Cap Growth	11,399.12	10,120.73
All Others	10,530.59	8,521.61
Total	<u>\$ 89,527.37</u>	<u>76,120.61</u>

**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, 2021 and 2020, \$0 of the municipality's bank balance of \$750,734.69 and \$870,927.38 was exposed to custodial credit risk.

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

**Note 5: FIXED ASSETS**

The following schedule is a summarization of the changes in general fixed assets for the calendar years ended December 31, 2021 and 2020.

		Balance as of <u>12/31/19</u>	<u>Additions/ Adjustments</u>	<u>Disposals/ Adjustments</u>	Balance as of <u>12/31/20</u>
Land	\$	213,600.00			213,600.00
Buildings and Improvements		818,930.00			818,930.00
Furniture, Fixtures & Equipment		297,315.31			297,315.31
Vehicles		332,845.00			332,845.00
<b>Total</b>		<u>1,662,590.31</u>	<u>                    </u>	<u>                    </u>	<u>1,662,590.31</u>
		Balance as of <u>12/31/20</u>	<u>Additions/ Adjustments</u>	<u>Disposals/ Adjustments</u>	Balance as of <u>12/31/21</u>
Land		213,600.00			213,600.00
Buildings and Improvements		818,930.00			818,930.00
Furniture, Fixtures & Equipment		297,315.31	283,701.14		580,916.45
Vehicles		332,845.00			332,845.00
<b>Total</b>	\$	<u>1,662,590.31</u>	<u>283,701.14</u>	<u>                    </u>	<u>1,946,291.45</u>

**Note 6: LONG TERM DEBT**

Summary of Municipal Debt

Long-term debt as of December 31, 2021 and 2020 consisted of the following:

		Balance 12/31/19	Additions	Payments	Balance 12/31/20	Due in One Year
General	\$	201,514.00		24,788.00	176,726.00	26,042.00
Comp Absences		5,541.01	10,436.36	12,371.29	3,727.44	0.00
		<u>207,055.01</u>	<u>10,436.36</u>	<u>37,159.29</u>	<u>180,453.44</u>	<u>26,042.00</u>
		Balance 12/31/20	Additions	Payments	Balance 12/31/21	Due in One Year
General		176,726.00		26,042.00	150,684.00	27,360.00
Comp Absences		3,727.44	11,857.71	12,511.69	3,073.46	0.00
	\$	<u>180,453.44</u>	<u>11,857.71</u>	<u>38,553.69</u>	<u>153,757.46</u>	<u>27,360.00</u>

**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, 2021 and 2020 of \$150,684 and \$176,728. 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.

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

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

Year Ending December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	27,360.33	7,201.67	34,652.00
2023	28,745.44	5,816.56	34,652.00
2024	30,200.69	4,361.31	34,652.00
2025	31,729.60	2,832.40	34,652.00
2026	32,647.97	1,230.26	33,878.23
Total	<u>\$ 150,684.03</u>	<u>21,442.20</u>	<u>172,126.23</u>

As of December 31, 2021, the carrying value of the above bonds approximates the fair value of the bonds.

<u>Summary of Municipal Debt</u>	<u>Year 2021</u>	<u>Year 2020</u>	<u>Year 2019</u>
Bonds & Notes Issued	\$ 150,684.00	176,726.00	201,514.00
Bonds & Notes Authorized But Not Issued	<u>451,152.32</u>	<u>487,722.32</u>	<u>88,292.32</u>
Net Bonds & Notes Issued and Authorized But Not Issued	<u>\$ 601,836.32</u>	<u>664,448.32</u>	<u>289,806.32</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 0.335%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
School Debt	\$ 595,000.00	595,000.00	0.00
General Debt	<u>601,836.32</u>	<u>0.00</u>	<u>601,836.32</u>
	<u>\$ 1,196,836.32</u>	<u>595,000.00</u>	<u>601,836.32</u>

Net Debt \$664,448.32 ÷ Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$179,659,839.33 = 0.335%.

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

3 ½ % of Equalized Valuation Basis (Municipal)	\$ 6,288,094.38
Net Debt	<u>601,836.32</u>
Remaining Borrowing Power	<u>\$ 5,686,258.06</u>

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

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2021 AND 2020**

**Note 7: BOND ANTICIPATION NOTES**

The Borough of Folsom had no outstanding notes at December 31, 2021. 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, 2021 and 2020 was \$451,152.32 and \$487,722.32, respectively.

**Note 8: FUND BALANCES APPROPRIATED**

Fund balances at December 31, 2021 and 2020 which were appropriated and included as anticipated revenue in the current operating budget for the year ending December, 31, 2022 and 2021 were as follows:

		<u>2022</u>	<u>2021</u>
Current Fund	\$	170,000.00	243,600.00

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 2022 budget is \$261,034.53 and \$379,741.87 in 2021.

**Note 9: 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>12/31/21</u>	<u>12/31/20</u>
Balance of Tax	\$	1,015,216.73	998,606.75
Deferred		951,902.00	951,902.00
Tax Payable	\$	63,314.73	46,704.75

**Note 10: 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>12/31/21</u>	<u>12/31/20</u>
Prepaid Taxes	\$	41,170.64	30,452.67
Cash Liability for Taxes Collected in Advance	\$	41,470.64	30,452.67

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

### Note 11: 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.

#### 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 7.50% of employee's annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in PERS. The current PERS rate is 15.11% of covered payroll. The Borough's contributions to PERS for the years ended December 31, 2021, 2020, and 2019 were \$42,653.00, \$40,418.00, and \$42,927.00.

The total payroll for the years ended December 31, 2021, 2020, and 2019 was \$294,839.34, \$305,038.31, and \$333,594.82. Payroll covered by PERS was \$228,922.00, \$250,666.00, and \$273,245.00.

#### 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.

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

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  $\frac{1}{60}$ <sup>th</sup> from  $\frac{1}{55}$ <sup>th</sup>, 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 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  $\frac{1}{7}$ <sup>th</sup> 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



**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2021 AND 2020**

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 12: 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, 2020:

**Public Employees' Retirement System**

The Borough has a liability of \$635,824.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019 that was rolled forward to June 30, 2020. 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, 2020, the Borough's proportion is 0.00389899150%, which was a decrease of 5.44% from its proportion measured as of June 30, 2019.

For the year ended December 31, 2020, the Borough would have recognized pension expense of \$14,851.00. At December 31, 2020, 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	\$ 20,627.00	266,225.00
Difference between expected and actual experience	11,577.00	2,249.00
Net difference between projected and actual earnings on pension plan investments	21,733.00	
Changes in proportion and differences between Boro. contributions and proportionate share of contributions	30,748.00	62,222.00
<b>Total</b>	<b>\$ 84,685.00</b>	<b>330,696.00</b>

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,	
2021	\$ (91,489)
2022	(83,410)
2023	(47,667)
2024	(19,276)
2025	(4,169)
<b>Total</b>	<b>\$ (246,011)</b>

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2021 AND 2020**

**Actuarial Assumptions**

The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of July 1, 2019, which was rolled forward to June 30, 2020. This actuarial valuation used the following assumptions, applied to all periods in the measurement:

Inflation rate	
Price	2.75%
Wage	3.25%
Salary increases:	
Through 2026	2.00% – 6.00% (based on years of service)
Thereafter	3.00% - 7.00% (based on years of service)
Investment rate of return:	7.00%

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disable retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2020) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2020 are summarized in the following table:

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US equity	27.00%	7.71%
Non-U.S. developed markets equity	13.50%	8.57%
Emerging markets equity	5.50%	10.23%
Private equity	13.00%	11.42%
Real assets	3.00%	9.73%
Real estate	8.00%	9.56%
High yield	2.00%	5.95%
Private Credit	8.00%	7.59%
Investment grade credit	8.00%	2.67%
Cash equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Risk mitigation strategies	3.00%	3.40%

*Discount Rate*

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2020. 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 78% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for local employers. 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 2057. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine 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 7.00%, as well as what the Borough's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Borough's proportionate share of the net pension liability	\$ 757,264.63	\$ 635,824.00	\$ 532,910.81

## **NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020**

### *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 13: 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.

### **Note 14: 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 \$3,073.46 in 2021 and \$3,727.44 in 2020. 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, 2020; but, instead is accounting for the expense on a pay-as-you-go basis.

### **Note 15: 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 16: 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 17: 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.

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2021 AND 2020**

**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 2021 or 2020. 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
2021	0.00	657.14	0.00	0.00	36,958.32
2020	0.00	2,883.90	334.68	0.00	36,301.18
2019	0.00	5,521.79	174.48	0.00	33,082.60

**Note 18: INTERFUND BALANCES**

As of December 31, 2021, the following interfunds were included on the balance sheets of the various funds of the Borough of Folsom:

	Due From	Due To
Current Fund:		
Grant Fund	\$	61,772.49
General Capital Fund	195,000.00	
Grant Fund:		
Current Fund	61,772.49	
General Capital Fund		
Current Fund		195,000.00
	\$ <u>256,772.49</u>	<u>256,772.49</u>

The grant fund interfund was created as a result of funds expended in the grant fund but not yet received from the grantor. The Borough does not maintain a separate bank account for the Grant Fund.

**Note 19: LENGTH OF SERVICE AWARDS PROGRAM**

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 2021 and 2020 calendar years. The contributions are based on qualified service credits

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

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 20: 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.

**Note 21: SUBSEQUENT EVENTS**

The Borough has evaluated subsequent events through July 29, 2022, the date which the financial statements were available to be issued and noted no issues for disclosure or adjustment.

## **SUPPLEMENTARY DATA**

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# FORD - SCOTT

& ASSOCIATES, L.L.C.

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**INDEPENDENT AUDITOR'S REPORT**  
**ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER**  
**MATTER BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE**  
**WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and  
Members of the Borough Council  
Borough of Folsom  
County of Atlantic, 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 financial statements – regulatory basis, as listed in the accompanying table of contents, of the Borough of Folsom, State of New Jersey, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 29, 2022, which was adverse due to being presented in accordance with the New Jersey Regulatory Basis of Accounting. Our report disclosed that, as described in Note 1 to the financial statements, the Borough of Folsom prepares its financial statements on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), that demonstrates compliance with a modified accrual basis of accounting and the budget laws of the State of New Jersey.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's control over financial reporting (internal control) as a basis for designing 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City'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 financial statements. 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.

*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

July 29, 2022

***AUDIT FINDINGS AND RESPONSES***

**NONE**

***STATUS OF PRIOR RECOMMENDATIONS***

**NONE**

**CURRENT FUND  
SCHEDULE OF CASH - TREASURER**

		Current Fund
Balance December 31, 2020	\$	558,561.06
Increased by Receipts:		
Tax Collector		3,740,086.05
Revenue Accounts Receivable		192,858.32
Miscellaneous Revenue		27,634.06
State of New Jersey:		
Senior Citizen and Veterans Deductions		19,250.00
Marriage Licenses		275.00
Due from General Capital		357.50
Sale of Municipal Property		73,143.39
Reserve for JIF Safety Fees		2,305.01
Federal and State Unappropriated Reserves		92,893.34
Federal and State Receivables		314,173.57
		4,462,976.24
		5,021,537.30
Decreased by Disbursements:		
Current Year Appropriation		925,501.72
Prior Year Appropriations		29,121.60
County Taxes		988,980.17
Local District School Taxes		2,013,826.02
State of New Jersey:		
Marriage Licenses		375.00
Property Tax Refunds		18,671.35
Due to General Capital		195,000.00
Reserve for JIF Safety Fees		1,747.23
Federal and State Disbursements		311,484.70
		4,484,707.79
Balance December 31, 2021	\$	536,829.51

See Accompanying Auditor's Report

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

Balance December 31, 2020		\$	-
Increased by Receipts:			
Prepaid Taxes	41,170.64		
Taxes Receivable	3,682,238.43		
Revenue Accounts Receivable	15,644.77		
Tax Title and Other Liens	1,032.21		
	<hr/>		<hr/>
			3,740,086.05
			3,740,086.05
Payments to Treasurer			<hr/>
			3,740,086.05
Balance December 31, 2021		\$	<hr/> <hr/>
			-



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

Balance December 31, 2020		\$	37,804.87
Increased by:			
Transfers from Taxes Receivable	8,765.54		
Interest and Costs Accrued by Sale of May 26, 2021	<u>84.36</u>		<u>8,849.90</u>
			46,654.77
Decreased by:			
Collections	<u>1,032.21</u>		<u>1,032.21</u>
Balance December 31, 2021		\$	<u><u>45,622.56</u></u>

**CURRENT FUND  
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE**

	Balance Dec. 31, 2020	Accrued in 2021	Collected by		Balance Dec. 31, 2021
			Collector	Treasurer	
Interest and Costs on Taxes	\$	15,644.77	15,644.77		
Interest Earned on Investments and Deposits		6,776.32		6,776.32	
Energy Receipts Tax		180,031.00		180,031.00	
Consolidated Municipal Property Tax Relief Act		6,051.00		6,051.00	
	\$	208,503.09	15,644.77	192,858.32	-

See Accompanying Auditor's Report



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

	Balance Dec. 31, 2020	Balance After Transfers	Paid or Charged	Balance Lapsed	Over- Expended
<b>OPERATIONS WITHIN "CAPS"</b>					
<b>GENERAL GOVERNMENT</b>					
Municipal Clerk					
Other Expenses	\$ 3,303.56	3,303.56	1,258.20	2,045.36	
Financial Administration					
Other Expenses	1,859.43	1,859.43	231.30	1,628.13	
Engineering Services and Costs					
Other Expenses	2,081.00	2,081.00	193.00	1,888.00	
Planning Board					
Other Expenses	2,793.73	2,793.73	447.00	2,346.73	
<b>STREETS AND ROADS</b>					
Streets and Road Maintenance					
Other Expenses	23,533.52	23,533.52	134.00	23,399.52	
Building and Grounds					
Other Expenses	17,366.10	17,366.10	13,346.43	4,019.67	
<b>RECREATION AND EDUCATION</b>					
Parks Commission					
Other Expenses	1,500.00	1,500.00	1,232.17	267.83	
<b>UTILITIES</b>					
Electricity & Natural Gas	11,483.59	11,483.59	3,613.33	7,870.26	
Telecommunication Costs		-		-	
Petroleum Products	4,820.18	4,820.18	666.17	4,154.01	
<b>INTERLOCAL MUNICIPAL SERVICE AGREEMENTS</b>					
Fire Services	8,000.00	8,000.00	8,000.00	-	
All Other Accounts - No Change	38,327.61	38,327.61	-	38,327.61	
	<u>\$ 115,068.72</u>	<u>115,068.72</u>	<u>29,121.60</u>	<u>85,947.12</u>	<u>-</u>

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

Balance December 31, 2020			
School Tax Payable	\$	46,704.75	
School Tax Deferred		<u>951,902.00</u>	
			998,606.75
Increased by:			
Levy - School Year July 1, 2021 to June 30, 2022			<u>2,030,436.00</u>
			3,029,042.75
Decreased by:			
Payments			<u>2,013,826.02</u>
Balance December 31, 2021			
School Tax Payable		63,314.73	
School Tax Deferred		<u>951,902.00</u>	
			<u><u>1,015,216.73</u></u>
Current Year Liability for Local School District School Tax:			
Tax Paid			2,013,826.02
Tax Payable Ending			<u>63,314.73</u>
			2,077,140.75
Less: Tax Payable Beginning			<u>46,704.75</u>
Amount Charged to Current Year Operations	\$		<u><u>2,030,436.00</u></u>

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

<u>Purpose</u>	Balance Dec. 31, 2020	Transferred From 2021 Revenues	Received	Cancelled	Balance Dec. 31, 2021
<b>FEDERAL GRANTS:</b>					
	\$				
Community Development Block Grant	44,557.58		-		44,557.58
USRDA Boom Lift Grant	-	17,000.00			17,000.00
<b>Total Federal</b>	<b>44,557.58</b>	<b>17,000.00</b>	<b>-</b>	<b>-</b>	<b>61,557.58</b>
<b>STATE GRANTS:</b>					
NJ Transportation Trust Fund Authority - 2020	305,000.00		305,000.00	-	-
NJ Transportation Trust Fund Authority - 2021	414,000.00	285,000.00			285,000.00
NJ Transportation Alternative Clean Communities	-	6,465.20	6,465.20		-
Recycling Tonnage Grant	-	2,708.37	2,708.37		-
<b>Total State</b>	<b>719,000.00</b>	<b>294,173.57</b>	<b>314,173.57</b>	<b>-</b>	<b>699,000.00</b>
<b>LOCAL GRANTS:</b>					
Municipal Alliance Program	5,696.00	4,767.34	-	(5,696.00)	4,767.34
<b>Total Local</b>	<b>5,696.00</b>	<b>4,767.34</b>	<b>-</b>	<b>(5,696.00)</b>	<b>4,767.34</b>
<b>\$</b>	<b>769,253.58</b>	<b>315,940.91</b>	<b>314,173.57</b>	<b>(5,696.00)</b>	<b>765,324.92</b>
		Cash	314,173.57		
		Unappropriated Reserves	-		
			<b>314,173.57</b>		

See Accompanying Auditor's Report

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

	Balance December 31, 2020	2021		Disbursed	Encumbrances	Cancelled	Balance
	Appropriated	Reserve for Encumbrances	Appropriations				Dec. 31, 2021
<b>FEDERAL GRANTS:</b>							
Community Development Block Grant	733.58	-	17,000.00	-	17,000.00	-	733.58
USRDA Boom Lift Grant	-	-	-	-	-	-	-
<b>Total Federal</b>	<b>733.58</b>	<b>-</b>	<b>17,000.00</b>	<b>-</b>	<b>17,000.00</b>	<b>-</b>	<b>733.58</b>
<b>STATE GRANTS:</b>							
Recycling Tonnage Grant	8,378.95	441.86	2,708.37	5,518.18	2,873.92	-	2,695.22
Clean Communities	-	-	6,465.20	441.86	-	-	6,465.20
NJ Transportation Trust Fund Authority Act - 2020	305,000.00	-	-	305,000.00	-	-	-
NJ Transportation Trust Fund Authority Act - 2021	414,000.00	-	285,000.00	-	278,900.00	-	6,100.00
NJ Transportation Alternative	1.63	-	-	-	-	-	414,000.00
Sustainable Jersey Grant	-	-	-	-	-	-	1.63
<b>Total State</b>	<b>727,380.58</b>	<b>441.86</b>	<b>294,173.57</b>	<b>310,960.04</b>	<b>281,773.92</b>	<b>-</b>	<b>429,262.05</b>
<b>LOCAL GRANTS:</b>							
Atlantic County Drug Alliance-County	7,120.00	-	5,959.18	524.66	-	(7,120.00)	5,434.52
<b>Total Local</b>	<b>7,120.00</b>	<b>-</b>	<b>5,959.18</b>	<b>524.66</b>	<b>-</b>	<b>(7,120.00)</b>	<b>5,434.52</b>
<b>\$</b>	<b>735,234.16</b>	<b>441.86</b>	<b>317,132.75</b>	<b>311,484.70</b>	<b>298,773.92</b>	<b>(7,120.00)</b>	<b>435,430.15</b>

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

Purpose	Balance Dec. 31, 2020	Transferred To 2021 Appropriations	Received	Balance Dec. 31, 2021
<b>STATE GRANTS:</b>				
American Rescue Plan	\$ -	-	92,893.34	92,893.34
<b>Total State</b>	<b>\$ -</b>	<b>-</b>	<b>92,893.34</b>	<b>92,893.34</b>

See Accompanying Auditor's Report

**TRUST FUND  
SCHEDULE OF CASH - TREASURER**

	Animal Control	Other
Balance December 31, 2020	\$ 522.75	190,891.99
Increased By:		
State Dog License Fees	104.40	
Municipal Dog License Fees	641.60	
Cat License Fees	216.00	
Unemployment Claims		657.14
Escrow Deposits		44,049.67
Small Cities Receipts		-
Community Garden		40.00
Community Events		2,140.00
Tax Title Lien Redemption		15,168.00
Payroll and Deductions		316,426.19
	962.00	385,481.00
	1,484.75	576,372.99
Decreased By:		
Paid to State of NJ	104.40	
Dog Fund Expenditures	167.50	
Escrow Payments		35,089.99
Tax Title Lien Premiums		2,515.60
Tax Title Lien Redemptions		15,168.00
Payroll and Deductions		316,424.26
Community Events		1,805.00
	271.90	371,002.85
Balance December 31, 2021	1,212.85	205,370.14
<b>Analysis of December 31, 2021 Balance</b>		
Payroll Deductions		1.93
Unemployment Trust		36,958.32
Developer's Escrow		69,495.60
Tax Title Lien Redemption		31,300.00
Small Cities Revolving Loan Trust		67,614.29
	\$	205,370.14

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

Balance December 31, 2020	\$		522.75
Increased by:			
Dog License Fees Collected		641.60	
Cat License Fees Collected		216.00	
		857.60	857.60
			1,380.35
Decreased by:			
Expenditures under N.J.S.A. 4:19-15.11:			
Cash		167.50	
		167.50	167.50
Balance December 31, 2021	\$		1,212.85

License Fees Collected

<u>Year</u>	<u>Amount</u>
2020	756.80
2019	1,021.00
	1,777.80
	1,777.80

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

Balance December 31, 2020	\$		-
Increased By:			
Collected in 2021			
State License Fees		62.00	
Pilot Clinic Fund Fees		12.40	
Animal Population Control Fees		30.00	
		104.40	104.40
Decreased By:			
Payments			
			104.40
Balance December 31, 2021	\$		-

See Accompanying Auditor's Report



**TRUST - OTHER FUNDS  
SCHEDULE OF MISCELLANEOUS RESERVES  
FOR THE YEAR ENDED DECEMBER 31, 2021**

Reserve	Increased by		Decreased by		Balance Dec. 31, 2021
	Balance Dec. 31, 2020	Receipts	Other	Disbursements	
Unemployment Compensation Trust	\$ 36,301.18	657.14			36,958.32
Developers Escrow	42,193.30	44,049.67		35,089.99	51,152.98
Tax Title Lien Premiums	31,815.60	2,000.00		2,515.60	31,300.00
Tax Title Lien Redemptions	-	15,168.00		15,168.00	-
Payroll Deductions	-	316,426.19		316,424.26	1.93
Small Cities Revolving Loan Trust	67,614.29	-			67,614.29
Storm Recovery Trust	12,901.00	5,000.00			17,901.00
Community Garden	66.62	40.00		-	106.62
Community Events	-	2,140.00		1,805.00	335.00
	<u>\$ 190,891.99</u>	<u>385,481.00</u>	<u>-</u>	<u>371,002.85</u>	<u>205,370.14</u>

See Accompanying Auditor's Report

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

Balance December 31, 2020		\$	71,205.14
Increased by:			
Current Operating Budget Appropriations:			
Due from Current	195,000.00		
Bonds and Notes Authorized But Not Issued	36,570.00		
	<u>                    </u>		<u>231,570.00</u>
			302,775.14
Decreased by:			
Improvement Authorizations	300,083.08		
Due to Current Fund	357.50		
	<u>                    </u>		<u>300,440.58</u>
Balance December 31, 2021		\$	<u><u>2,334.56</u></u>

**GENERAL CAPITAL FUND  
ANALYSIS OF CASH**

	Balance		Budget		Receipts		Disbursements		Transfers		Balance Dec. 31, 2021
	Dec. 31, 2020		Appropriation	Miscellaneous	Improvement Authorizations	Miscellaneous	From	To			
Fund Balance	\$ 17,479.47										17,479.47
Capital Improvement Fund	82,090.49		-					70,000.00			12,090.49
Contracts Payable	164,256.69							164,256.69		84,350.00	84,350.00
Due to Current Fund	357.50			195,000.00		357.50					195,000.00
<u>Improvement Authorizations:</u>											
8-2012 Various General Improvements	(51,722.32)			36,570.00	298,955.78			28,500.00	164,256.69		(15,152.32)
6-2020 Equipment and Roadway Improvements	(141,256.69)				1,127.30			28,900.00	35,000.00		(304,455.78)
10-2021 LED Sign	-				-			26,950.00	35,000.00		4,972.70
13-2021 Tow Behind Boom Lift	-				-						8,050.00
	\$ 71,205.14		-	231,570.00	300,083.08	357.50	318,606.69	318,606.69	318,606.69		2,334.56

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

Balance December 31, 2020	\$	176,726.00
Decreased by:		
2021 Budget Appropriation to Pay Bonds:		
Municipal Bonds		<u>26,042.00</u>
Balance December 31, 2021	\$	<u><u>150,684.00</u></u>

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

Ord #	Improvement Description	Balance Dec. 31, 2020	2021 Authorizations	Raised in 2021 Budget	Cancelled Authorization	Balance Dec. 31, 2021	Analysis of Balance		
							Bond Anticipation Notes	Expenditures	Unexpended Improvement Authorizations
8-2012	Various General Improvements Equipment and Roadway Improvements	\$ 51,722.32	-	36,570.00	-	15,152.32	-	15,152.32	-
6-2020		436,000.00	-	-	-	436,000.00	-	304,455.78	131,544.22
		<u>\$ 487,722.32</u>	<u>-</u>	<u>36,570.00</u>	<u>-</u>	<u>451,152.32</u>	<u>-</u>	<u>319,608.10</u>	<u>131,544.22</u>

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

Balance December 31, 2020	\$	82,090.49
Increased by:		
Cancelled Improvement Authorizations		-
Decreased by:		
Appropriated to Finance Improvement Authorization		70,000.00
		<hr/>
Balance December 31, 2021	\$	<u><u>12,090.49</u></u>

**GENERAL CAPITAL FUND  
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS**

Ord #	Improvement Description	Ord. Date	Amount	Balance December 31, 2020		Authorizations			Paid or Charged	Encumbered	Cancelled	Balance December 31, 2021	
				Funded	Unfunded	Other Funding	Deferred Charges to Future Taxation	Funded				Unfunded	
6-2020	Equipment and Roadway Improvements	6/9/20	459,000 \$	294,743.31	-	-	-	134,699.09	28,500.00	-	4,972.70	131,544.22	
10-2021	LED Sign	7/13/21	35,000	-	35,000.00	-	-	1,127.30	28,900.00	-	8,050.00	-	
13-2021	Tow Behind Boom Lift	9/14/21	35,000	-	35,000.00	-	-	-	26,950.00	-	-	-	
			\$	294,743.31	70,000.00	-	-	135,826.39	84,350.00	-	13,022.70	131,544.22	

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

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance Dec. 31, 2020	Increased	Decreased	Balance Dec. 31, 2021
			Date	Amount					
Acquisition of Land, Renovations, and Addition to Borough Hall	7/18/96	534,000	1/18/22	13,511	5.00%	176,726.00	-	26,042.00	150,684.00
			7/18/22	13,849					
			1/18/23	14,195					
			7/18/23	14,550					
			1/18/24	14,914					
			7/18/24	15,287					
			1/18/25	15,669					
			7/18/25	16,061					
			1/18/26	16,461					
			7/18/26	16,187					
					\$	176,726.00		26,042.00	150,684.00
					\$	176,726.00		26,042.00	150,684.00



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

Ordinance Number	Improvement Description	Balance Dec. 31, 2020	2021 Authorizations	Debt Issued	Cancelled Authorization	Paid Through Budget	Balance Dec. 31, 2021
8-2012	Various General Improvements	\$ 51,722.32			-	36,570.00	15,152.32
6-2020	Equipment & Road Improvements	436,000.00	-				436,000.00
		<u>\$ 487,722.32</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,570.00</u>	<u>451,152.32</u>

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**BOROUGH OF FOLSOM**

**PART II**

**LETTER OF COMMENTS AND RECOMMENDATIONS**

**YEAR ENDED DECEMBER 31, 2021**

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## **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, 2020, the bid threshold was increased to \$44,000 for municipalities with a Qualified Purchasing Agent. The Borough Council appointed a Qualified Purchasing Agent and adopted a resolution to increase the bid threshold to \$44,000.

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 2021:  
- Road Repairs

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 \$44,000 "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 5, 2021 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 31<sup>st</sup>, 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 May 26, 2021 and was complete. There were no properties in bankruptcy as of December 31, 2021.

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>
2021	25
2020	23
2019	23

**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 2021 and 2022 Taxes	5
Delinquent Taxes	5
Tax Title Liens	3

**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>Tax Levy</u>	<u>Currently</u>	
		<u>Cash Collections</u>	<u>Percent of Collections</u>
2020	\$ 3,749,101.50	3,656,497.40	97.53%
2020	3,650,220.59	3,563,651.55	97.63%
2019	3,522,128.88	3,385,748.93	96.13%
2018	3,483,278.41	3,363,151.28	96.55%
2017	3,503,491.09	3,359,707.09	95.90%

**Comparative Schedule of Tax Rate Information**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018*</u>	<u>2017</u>
Tax Rate	2.145	2.087	2.006	2.004	3.240
Apportionment of Tax Rate:					
Municipal	0.415	0.404	0.384	0.384	0.616
County	0.568	0.539	0.531	0.540	0.894
Local School	1.162	1.144	1.091	1.080	1.730
Assessed Valuation	174,601,400	174,433,700	174,454,600	173,365,600	107,936,899

\* - The Borough conducted a revaluation effective for 2018.

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## 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>
2021	\$	45,622.56	84,523.87	130,146.43	3.47%
2020		37,804.87	75,806.91	113,611.78	3.11%
2019		30,979.12	117,919.11	148,898.23	4.23%
2018		20,795.33	106,109.16	126,904.49	3.64%
2017		17,458.90	106,776.81	124,235.71	3.55%

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## 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

July 29, 2022