

BOROUGH OF FOLSOM

ATLANTIC COUNTY

NEW JERSEY

AUDIT REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2010**

BOROUGH OF FOLSOM

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BOROUGH OF FOLSOM

PART 1

REPORT ON AUDIT OF FINANCIAL STATEMENTS

AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2010

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Independent Auditor's Report

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

We have audited the accompanying balance sheets - regulatory basis of the various funds and account groups of the Borough of Folsom, New Jersey, as of December 31, 2010 and 2009, the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2010. These financial statements are the responsibility of the Borough of Folsom's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audits in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The Length of Service Awards Program of the Borough of Folsom has not been audited, and we were not engaged to audit the Length of Service Awards Program financial statements as part of our audit of the Borough's financial statements.

As described in Note 1, the Borough of Folsom prepares and presents its financial statements on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with a modified accrual basis, with certain exceptions, and the budget laws of the State of New Jersey, which practices differ from accounting principles generally accepted in the United States of America. The presentation requirement does not include a Management Discussion

and Analysis as required by the Governmental Accounting Standards Board to be presented as Required Supplementary Information, but not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The affect on the financial statements of the variances between the prescribed basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the Borough's policy to prepare and present its financial statements on the basis of accounting discussed in the preceding paragraph of this report, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Borough of Folsom as of December 31, 2010 and 2009 or the results of its operations for the years then ended.

However, in our opinion, the financial statements referred to above, with the exception of the Length of Service Awards Plan, present fairly, in all material respects, the financial position - regulatory basis of the various funds and account groups of the Borough of Folsom, New Jersey, as of December 31, 2010 and 2009 and the results of its operations and changes in fund balance - regulatory basis of such funds for the years then ended and the statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2010 on a modified accrual basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2011 on our consideration of the Borough of Folsom's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements of the Borough of Folsom, New Jersey, taken as a whole. The supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Robert E. Swartz, CPA

Robert E. Swartz, CPA
Registered Municipal Accountant
No. 319

Swartz & Co., LLC

Swartz & Co., LLC
Certified Public Accountants

May 23, 2011

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EXHIBIT A - CURRENT FUND

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

	Ref.	<u>2010</u>	<u>2009</u>
ASSETS			
Regular Fund:			
Cash - Treasurer	A-4	\$588,685	802,161
Cash - Change Fund		100	100
Due from State of New Jersey - Senior Citizens and Veterans		<u>902</u>	<u>1,152</u>
		<u>589,687</u>	<u>803,413</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-6	112,309	108,115
Tax Title Liens Receivable	A-7	203,015	226,029
Property Acquired for Taxes-Assessed Valuation		213,377	122,477
Property Deeded		112,700	112,700
Due from Grant Fund		132,581	0
Revenue Accounts Receivable			
Construction Code Official	A-8	1,461	167
Municipal Court	A-8	<u>7,020</u>	<u>2,875</u>
		<u>782,463</u>	<u>572,363</u>
		<u>1,372,150</u>	<u>1,375,776</u>

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

ASSETS	Ref.	<u>2010</u>	<u>2009</u>
Federal and State Grant Fund:			
Due from Current Fund	A	\$0	8,533
State Grants Receivable	A-11	<u>249,780</u>	<u>40,781</u>
		<u>249,780</u>	<u>49,314</u>
		<u>\$1,621,930</u>	<u>1,425,090</u>

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

	Ref.	<u>2010</u>	<u>2009</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Regular Fund:			
Liabilities:			
Appropriation Reserves	A-3:A-9	\$33,924	55,609
Accounts Payable/Reserve for Encumbrances	A-3:A-9	92,002	44,559
Taxes Collected in Advance		24,995	28,942
Tax Overpayments		6,464	41
Due to State of New Jersey:			
Marriage License Fees		0	100
Due to Grant Fund	A	0	8,533
Local School District Tax Payable	A-10	354,319	328,960
Reserve for JIF Safety Funds		1,035	1,385
Reserve for Garden State Trust Pilot Program		<u>0</u>	<u>1,275</u>
		512,739	469,404
Reserves for Receivables and Other Assets	A	782,463	572,363
Fund Balance	A-1	<u>76,948</u>	<u>334,009</u>
		<u>1,372,150</u>	<u>1,375,776</u>

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

LIABILITIES, RESERVES AND FUND BALANCE	Ref.	<u>2010</u>	<u>2009</u>
Federal and State Grant Fund:			
Contracts Payable	A-12	\$44,119	4,694
Due to Current Fund	A	132,581	0
Reserve for State Grants			
Appropriated	A-12	73,080	42,030
Unappropriated	A-13	<u>0</u>	<u>2,590</u>
		<u>249,780</u>	<u>49,314</u>
		<u><u>\$1,621,930</u></u>	<u><u>1,425,090</u></u>

**CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS
AND CHANGE IN FUND BALANCE
REGULATORY BASIS**

	Ref.	<u>2010</u>	<u>2009</u>
Revenue and Other Income Realized			
Fund Balance Utilized	A-2	\$258,000	120,000
Miscellaneous Revenue Anticipated	A-2	503,060	456,631
Receipts from Delinquent Taxes	A-2	104,411	98,271
Receipts from Current Taxes	A-2	2,805,862	2,704,967
Non Budget Revenue	A-2	26,912	30,908
Other Credits to Income:			
Interfund Returned		0	162,511
Cancellation of Prior Year Local Share of Grant		165	1,064
Unexpended Balance of Approp Reserves	A-9	<u>51,360</u>	<u>76,527</u>
 Total Income		 <u>3,749,770</u>	 <u>3,650,879</u>
 Expenditures			
Budget and Emergency Appropriations:			
Operations:			
Salaries and Wages	A-3	336,283	332,080
Other Expenses	A-3	605,219	616,841
Deferred Charges and Statutory			
Expenditures	A-3	71,033	71,458
Capital Improvements	A-3	190,000	0
Municipal Debt Service	A-3	34,562	34,562
Local District School Tax	A-10	1,708,638	1,657,919
County Tax	A-6	670,311	610,925
County Share of Added Taxes	A-6	204	5,933
Interfund Created		<u>132,581</u>	<u>0</u>
 Total Expenditures		 <u>3,748,831</u>	 <u>3,329,718</u>
 Excess in Revenue		 <u>939</u>	 <u>321,161</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS
AND CHANGE IN FUND BALANCE
(CONTINUED)
REGULATORY BASIS**

	<u>Ref.</u>	<u>2010</u>	<u>2009</u>
Adjustments to Income before Fund Balance:			
Expenditures included above which are by Statute deferred Charges to Budget of Succeeding Year		0	0
Statutory Excess to Fund Balance		939	321,161
Fund Balance January 1	A	<u>334,009</u>	<u>132,848</u>
		334,948	454,009
Decreased by:			
Utilization as Anticipated Revenue	A-1:A-2	<u>258,000</u>	<u>120,000</u>
Balance December 31	A	<u><u>\$76,948</u></u>	<u><u>334,009</u></u>

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS**

Ref.	ANTICIPATED		EXCESS OR (DEFICIT)
	BUDGET	SPECIAL NJS 40A:4-87	
	BUDGET	REALIZED	
A-1	\$258,000	258,000	
Fund Balance Anticipated			
Miscellaneous Revenues:			
Section A: Local Revenues			
Fines and Costs:			
A-8	46,300	58,866	12,566
A-8	12,000	15,138	3,138
A-8	2,600	1,849	(751)
Interest and Costs on Taxes			
Interest on Investments and Deposits			
Total Section A			
	60,900	75,853	14,953
Section B: State Aid Without			
Offsetting Appropriations			
A-8	161,470	161,470	
A-8	24,612	24,612	
A	1,275	1,275	
Consolidated Municipal Property Tax Relief Act			
Reserve for Garden State Pilot Trust Fund			
Total Section B			
	187,357	187,357	0

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS**

	Ref.	ANTICIPATED		EXCESS OR (DEFICIT)
		BUDGET	SPECIAL NJS 40A:4-87 REALIZED	
Receipts from Delinquent Taxes	A-1:A-2	95,000	104,411	9,411
Amount to be Raised by Taxes for Support of Municipal Budget Local Tax for Municipal Purposes	A-2	571,684	607,055	35,371
Budget Totals		1,412,310	1,472,526	55,083
Non-Budget Revenues: Other Non-Budget Revenue	A-2		26,912	26,912
		<u>\$1,412,310</u>	<u>1,499,438</u>	<u>81,995</u>
	Ref. A-3	A-3	A-3	

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**CURRENT FUND
STATEMENT OF REVENUES
(CONTINUED)
REGULATORY BASIS**

	<u>Ref.</u>	
Analysis of Realized Revenues		
Allocation of Current Tax Collections:		
Revenue from Collections	A-1:A-6	\$2,805,862
Allocated to:		
School, County Taxes		<u>2,379,153</u>
Balance for Support of Municipal Budget Appropriations		426,709
Increased by:		
Appropriation "Reserve for Uncollected Taxes"	A-3	<u>180,346</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u><u>607,055</u></u>
Receipts from Delinquent Taxes:		
Delinquent Tax Collections	A-6	104,411
Tax Title Liens	A-7	<u>0</u>
	A-2	<u><u>\$104,411</u></u>

**CURRENT FUND
STATEMENT OF REVENUES
(CONTINUED)
REGULATORY BASIS**

Ref.

Analysis of Non-Budget Revenue

Tax Collector:

Tax Searches	30	
Other Miscellaneous	578	
	578	

A-5 608

Treasurer:

Other Miscellaneous	782	
Payment in Lieu of Taxes	7,531	
Administrative Operations	920	
Street Openings	3,270	
Cable Franchise Fee	8,169	
Licenses & Fees	5,632	
	5,632	

A-4 26,304

A-1:A-2 \$26,912

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS**

	APPROPRIATIONS			EXPENDED			UNEXPENDED	
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	BALANCE CANCELLED	OVER- EXPENDED	
GENERAL GOVERNMENT:								
Mayor and Council								
Salaries and Wages	\$18,300	18,300	18,300					
Other Expenses	1,800	1,800	1,434		366			
Municipal Clerk								
Salaries And Wages	37,500	47,500	46,869		631			
Other Expenses	23,350	18,350	14,440	2,379	1,531			
Financial Administration								
Salaries and Wages	12,000	12,000	12,000		196			
Other Expenses	4,300	5,299	4,833	270				
Audit Service	19,000	19,000	19,000					
Assessment of Taxes								
Salaries and Wages	14,010	14,010	14,006		4			
Other Expenses	4,325	4,325	2,307	1,225	793			
Tax Collector								
Salaries and Wages	18,400	17,400	17,159		241			
Other Expenses	4,370	4,370	4,328		42			
Legal Services and Costs								
Other Expenses	35,000	58,000	47,481	10,000	519			
Engineering Services and Costs								
Other Expenses	45,000	38,000	31,400	6,200	400			
Municipal Land Use Law (N.J.S.A. 40:55D-1)								
Planning Board								
Salaries and Wages	11,300	10,300	9,987		313			
Other Expenses	7,300	7,300	176	6,255	869			

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS**

	APPROPRIATIONS			EXPENDED			UNEXPENDED	
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	BALANCE CANCELLED	OVER- EXPENDED	
Insurance								
Employee Group Insurance	80,000	72,200	71,083		1,117			
General Liability	12,610	14,610	14,610					
Worker's Compensation	24,242	24,242	24,242					
Municipal Court								
Salaries and Wages	50,000	49,000	48,840		160			
Other Expenses	6,600	6,600	5,544	846	210			
Public Defender								
Salaries and Wages	3,090	3,090	3,090					
PUBLIC SAFETY:								
Emergency Management Service								
Salaries and Wages	1,500	1,500	1,500		200			
Other Expenses	200	200						
Fire								
Salaries and Wages	1,600	1,600	1,600					
Other Expenses	10,655	10,655	9,323	1,332				
Municipal Prosecutor's Office								
Salaries and Wages	5,517	5,517	5,517					
STREETS AND ROADS:								
Road Repairs and Maintenance								
Salaries and Wages	123,000	120,000	117,136		2,864			
Other Expenses	11,700	11,700	7,023	2,267	2,410			

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS**

	APPROPRIATIONS		EXPENDED			UNEXPENDED	
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	BALANCE CANCELLED	OVER-EXPENDED
Building and Grounds Other Expenses	9,999	7,500	6,380	511	609		
Vehicle Maintenance Other Expenses	14,000	16,300	13,943	1,192	1,165		
Solid Waste Collection Salaries and Wages Other Expenses	1,066 86,000	1,066 80,000	1,066 66,195	11,736	2,069		
Solid Waste Disposal Costs	56,500	55,500	41,747	10,400	3,353		
HEALTH AND WELFARE:							
Animal Control Service (Dog Regulation) Other Expenses	6,000	6,000	6,000				
Environmental Commission Other Expenses	600	600	130		470		
RECREATION AND EDUCATION:							
Recreation Services and Programs Other Expenses	7,000	3,000	1,125	149	1,726		
Historical Society Other Expenses	200	200			200		
STATE UNIFORM CONSTRUCTION CODE							
Construction Official Salaries and Wages Other Expenses	35,000 700	35,000 700	31,282 320		3,718 380		

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS**

	APPROPRIATIONS		EXPENDED			UNEXPENDED	
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	BALANCE CANCELLED	OVER-EXPENDED
UNCLASSIFIED:							
Utilities							
Electricity and Natural Gas	46,000	52,000	46,535	3,738	1,727		
Telecommunications	17,000	13,000	11,405	1,572	23		
Petroleum Products	10,000	10,000	7,465	1,930	605		
TOTAL OPERATIONS WITHIN "CAPS"	876,734	877,734	786,821	62,002	28,911	0	0
Detail:							
Salaries and Wages	332,283	336,283	328,352	0	7,931	0	0
Other Expenses	544,451	541,451	458,469	62,002	20,980	0	0

DEFERRED CHARGES AND STATUTORY EXPENDITURES:

Deferred Charges:
None

Statutory Expenditures:

Contribution to:
Public Employees Retirement System
Social Security

	29,033	29,033	29,033		513		
	28,000	27,000	26,487				
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES	57,033	56,033	55,520	0	513	0	0
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	933,767	933,767	842,341	62,002	29,424	0	0

OPERATIONS - EXCLUDED FROM "CAPS"

LOSAP Contributions
Dispatch Services
Emergency Medical Services

	4,500	4,500			4,500		
	10,671	10,671	10,671				
	12,150	12,150	12,150				

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS**

	APPROPRIATIONS		EXPENDED			UNEXPENDED	
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	BALANCE CANCELLED	OVER-EXPENDED
Total Other Operations - Excluded from "CAPS"	27,321	27,321	22,821	0	4,500	0	0
Public and Private Programs Offset by Revenues							
Clean Communities Act		5,133	5,133				
CDBG - Home Investment Partnership Program	11,999	11,999	11,999				
Recycling Tonnage Grant	2,590	2,590	2,590				
Municipal Alliance on Alcoholism & Drug Abuse							
State Share	7,780	7,780	7,780				
Municipal Share	1,945	1,945	1,945				
2009 Business Stimulus Funds	7,000	7,000	7,000				
Total Public and Private Programs Offset by Revenue	31,314	36,447	36,447	0	0	0	0
TOTAL OPERATIONS EXCLUDED FROM "CAPS"	58,635	63,768	59,268	0	4,500	0	0
Detail:							
Salaries and Wages	0	0	0	0	0	0	0
Other Expenses (Including Contingent)	58,635	63,768	59,268	0	4,500	0	0
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"							
New Jersey Transportation Trust Fund Authority Act							
Reconstruction of Memory Lane	190,000	190,000	190,000				
TOTAL CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"	190,000	190,000	190,000	0	0	0	0

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS**

	APPROPRIATIONS		EXPENDED		UNEXPENDED		
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	BALANCE CANCELLED	OVER-EXPENDED
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"							
Payment of Bond Principal	15,127	15,127	15,127				
Interest on Bonds	19,435	19,435	19,435				
	34,562	34,562	34,562	0	0	0	0
TOTAL MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"							
	15,000	15,000	15,000				
DEFERRED CHARGES - MUNICIPAL - EXCLUDED FROM "CAPS"							
DEFERRED CHARGES:							
Deferred Charges to Future Taxation Unfunded:							
General Improvements	15,000	15,000	15,000				
	15,000	15,000	15,000	0	0	0	0
Total Deferred Charges - Municipal - Excluded from "CAPS"							
	298,197	303,330	298,830	0	4,500	0	0
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"							
	1,231,964	1,237,097	1,141,171	62,002	33,924	0	0
SUBTOTAL GENERAL APPROPRIATIONS							
Reserve for Uncollected Taxes	180,346	180,346	180,346				
	\$1,412,310	1,417,443	1,321,517	62,002	33,924	0	0
TOTAL GENERAL APPROPRIATIONS							
	A-2	A-1	A-1		A:A-1		
Budget Appropriations by 40A:4-87	A-3	1,412,310					
		<u>5,133</u>					
		<u>\$1,417,443</u>					

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**CURRENT FUND
 STATEMENT OF EXPENDITURES
 (CONTINUED)
 REGULATORY BASIS**

	<u>Ref.</u>	<u>PAID OR CHARGED</u>
Federal and State Grants	A-12	\$226,447
Deferred Charges to Future Taxation		15,000
Reserve for Uncollected Taxes	A-2	180,346
Accounts Payable		30,000
Disbursed	A-4	<u>918,194</u>
		1,369,987
Appropriation Refunds	A-4	<u>48,470</u>
		<u><u>\$1,321,517</u></u>

EXHIBIT B - TRUST FUND

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

	<u>Ref.</u>	<u>2010</u>	<u>2009</u>
ASSETS			
Animal Control Fund:			
Cash - Treasurer	B-1	\$1,267	1,539
		<u>1,267</u>	<u>1,539</u>
LOSAP (unaudited)			
Investments	B-10	54,235	45,872
		<u>54,235</u>	<u>45,872</u>
Other Funds			
Cash - Treasurer	B-1	132,570	128,113
Overpaid Payroll Taxes	B-8	0	3
Small Cities Loans Receivable	Res.	126,826	137,386
		<u>259,396</u>	<u>265,502</u>
		<u>314,898</u>	<u>312,913</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Animal Control Fund:			
Due to State of New Jersey	B-3	9	0
Reserve for Dog Expenditures	B-2	1,258	1,539
		<u>1,267</u>	<u>1,539</u>
LOSAP (unaudited)			
Reserve for LOSAP	B-10	54,235	45,872
		<u>54,235</u>	<u>45,872</u>

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

	<u>Ref.</u>	<u>2010</u>	<u>2009</u>
LIABILITIES, RESERVES AND FUND BALANCE (CONT'D)			
Other Funds			
Due to State of New Jersey	B-6	305	190
Due to Current-Construction Code	A; B-6	1,461	167
Reserve for Receivables Small Cities Loans		126,826	137,386
Reserve for Unemployment	B-4	13,577	12,745
Reserve for Developer's Escrow	B-5	19,005	23,384
Reserve for TTL Redemptions	B-7	9,400	13,500
Reserve for Small Cities Revolving Fund	B-9	77,130	66,438
Reserve for Community Events	B-11	11,692	11,692
		<u>259,396</u>	<u>265,502</u>
		<u>\$314,898</u>	<u>312,913</u>

EXHIBIT C - CAPITAL FUND

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

	Ref.	<u>2010</u>	<u>2009</u>
ASSETS			
Cash	C-2	\$119,954	113,172
Deferred Charges to Future Taxation -			
Funded	C-3	377,309	392,436
Unfunded	C-4	<u>15,000</u>	<u>30,000</u>
		<u>512,263</u>	<u>535,608</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Serial Bonds Payable	C-7	377,309	392,436
Improvement Authorizations			
Funded	C-6	3,706	11,924
Capital Improvement Fund	C-5	26,933	26,933
Fund Balance	C-1	<u>104,315</u>	<u>104,315</u>
		<u>\$512,263</u>	<u>535,608</u>

There were bonds and notes authorized but not issued of \$15,000 at December 31, 2010 and \$30,000 at December 31, 2009. (C-8)

**GENERAL CAPITAL FUND
SCHEDULE OF FUND BALANCE
REGULATORY BASIS**

	<u>Ref.</u>	
Balance December 31, 2009	C	\$104,315
No Activity During 2010		
Balance December 31, 2010	C	<u><u>\$104,315</u></u>

EXHIBIT G - GENERAL FIXED ASSETS ACCOUNT GROUP

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**BOROUGH OF FOLSOM
COMPARATIVE BALANCE SHEET
REGULATORY BASIS
AS OF DECEMBER 31,**

	<u>2010</u>	<u>2009</u>
General Fixed Assets:		
Land	\$213,600	213,600
Buildings and Improvements	685,545	685,545
Furniture, Fixtures, and Equipment	211,696	211,696
Vehicles	<u>887,213</u>	<u>887,213</u>
	<u>1,998,054</u>	<u>1,998,054</u>
Investment in General Fixed Assets	<u>\$1,998,054</u>	<u>1,998,054</u>

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NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2010 AND 2009

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Borough of Folsom was incorporated in 1906 and is located in Southern New Jersey in Atlantic County. The population estimate by the US Department of Census as of July 2010 is 1,885. 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) Statement No. 14.

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.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009

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.

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. Ordinarily, it is the intention of the Borough to resell foreclosed property in order to recover all or a portion of the delinquent taxes or assessments and to return the property to a taxpaying basis. For this reason the value of the foreclosed property has not been included in the General Fixed Assets Account Group. If such property is converted to a municipal use, it will be recorded in the General Fixed Assets Account Group.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

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

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

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

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

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

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available except for land which is valued at estimated market value on the date of acquisition. Fixed Assets with an original cost of less than \$5,000 are not 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.

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

The following schedule is a summarization of the changes in general fixed assets for the calendar year ended December 31, 2010.

	Balance as of <u>12/31/09</u>	<u>Additions/ Adjustments</u>	<u>Disposals/ Adjustments</u>	Balance as of <u>12/31/10</u>
Land	\$213,600			213,600
Buildings and Improvements	685,545			685,545
Furniture, Fixtures & Equipment	211,696			211,696
Vehicles	887,213			887,213
Total	<u>\$1,998,054</u>	<u>0</u>	<u>0</u>	<u>1,998,054</u>

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2010 AND 2009

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. A ten (10) day grace period is permitted provided a resolution has been adopted by the Borough Council. NJSA 54:4-67 permits municipalities to charge interest on delinquent balances at a rate of 8% per annum on the first \$1,500 of delinquency and 18% per annum on any amount of taxes in excess of \$1,500. Any taxes that have not been paid by the 11th day of the 11th month in the fiscal year levied are subject to being included in the tax sale and the lien enforced by selling the property in accordance with NJSA 54:5 et. seq.

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

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.

Basic Financial Statements – GASB 34 prescribes the financial statement presentation requirements for governmental units which is significantly different from the reporting requirements under the regulatory basis of accounting in the State of New Jersey. GAAP prescribes that the financial statements must be presented on an entity wide basis including all funds exclusive of fiduciary funds and segregating only government type and business type funds. The statements are presented on a full accrual basis and include all of the non fiduciary assets and liabilities of the entity. In addition, GAAP requires separate fund basis financial statements for all governmental, proprietary and fiduciary funds. The New Jersey Regulatory basis requires reporting of the appropriate separate fund financial statements and the fixed asset account group.

D. 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.

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

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

taxes. The 2010 and 2009 statutory budgets included a reserve for uncollected taxes in the amount of \$180,346, and \$174,357. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2010 and 2009 statutory budgets was \$258,000 of \$332,857 available fund balance and \$120,000 of \$452,857 available fund balance.

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 2010 and 2009 calendar years.

	<u>2010</u>	<u>2009</u>
Municipal Clerk – S&W	10,000	(3,000)
Municipal Clerk - OE	(5,000)	
Legal Services & Costs – OE	23,000	
Engineering Services – OE	(7,000)	
Employee Health Insurance	(7,800)	
Solid Waste Disposal OE	(6,000)	5,000
Parks & Recreation – OE	(4,000)	
Electricity & Natural Gas	6,000	
Telecommunications	(4,000)	

NJSA 40A:4-87 permits special items of revenue and appropriations to be inserted into the annual budget when the item has been made available by any public or private funding source and the item was not determined at the time of budget adoption. During the 2010 calendar year, Borough Council approved a budget insertion for Clean Communities in the amount of \$5,133. During the 2009 calendar years, the Borough Council did not approve any significant budget insertions.

The municipality may make emergency appropriations, after the adoption of the budget, for a purpose which was not foreseen at the time the budget was adopted or for which adequate provision was not made therein. This type of appropriation shall be made to meet a pressing need for public expenditure to protect or promote the public health, safety, morals or welfare or to provide temporary housing or public assistance prior to the next succeeding fiscal year. Emergency appropriations, except those classified as a special emergency, must be raised in the budget of the succeeding year. Special emergency appropriations are permitted to be raised in the budgets of the succeeding three or five years. No emergency authorizations were approved by Borough Council during 2010 or 2009.

Note 3: INVESTMENTS

As of December 31, 2010 and 2009, 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

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

increasing interest rates. However, New Jersey Statutes 40A:5-15.1(a) limits the length of time for most investments to 397 days.

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

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

Unaudited Investments

As more fully described in Note 19, 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, 2010 and 2009 amounted to \$54,235 and \$45,872. The information on 5% or more invested with Lincoln Financial Group is not yet available.

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. As of December 31, 2010 and 2009, \$0 of the municipality’s bank balance of \$858,331 and \$1,018,212 was exposed to custodial credit risk.

Note 5: LONG TERM DEBT

Summary of Municipal Debt

Long-term debt as of December 31, 2010 consisted of the following:

	Balance 12/31/09	Additions	Payments	Balance 12/31/10	Due in One Year
General	\$392,436		15,127	377,309	15,892
Comp Absences	4,959	11,463	13,220	3,202	0
	<u>\$397,395</u>	<u>11,463</u>	<u>28,347</u>	<u>380,511</u>	<u>15,892</u>

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

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, 2010 and 2009 of \$377,309 and \$392,436. This loan is payable in semi-annual installments of \$17,281 beginning on July 18, 1997 and continuing through July 18, 2026. Interest is calculated at 5% and is included in the semi-annual installments. This method of calculating interest, as well as semi-annual principal payments, is not in conformance with New Jersey Statutes. The Borough has received approval from the Local Finance Board to use this method of interest calculation for this issue.

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

Year Ending December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	15,892	18,670	34,562
2012	16,698	17,864	34,562
2013	17,543	17,019	34,562
2014	18,431	16,131	34,562
2015	19,363	15,199	34,562
2016-2020	112,555	60,255	172,810
2021-2025	144,078	28,732	172,810
2026	32,749	1,226	33,975
Total	\$ <u>377,309</u>	<u>175,096</u>	<u>552,405</u>

As of December 31, 2010, the carrying value of the above bonds approximates the fair value of the bonds.

<u>Summary of Municipal Debt</u>	<u>Year 2010</u>	<u>Year 2009</u>	<u>Year 2008</u>
Bonds & Notes Issued	\$377,309	392,436	406,834
Bonds & Notes Authorized But Not Issued	<u>15,000</u>	<u>30,000</u>	<u>50,000</u>
Net Bonds & Notes Issued and Authorized But Not Issued	<u>\$392,309</u>	<u>422,436</u>	<u>456,834</u>

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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009

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 .20%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
School Debt	\$2,466,000	2,466,000	0
General Debt	392,309	0	392,309
	<u>\$2,858,309</u>	<u>2,466,000</u>	<u>392,309</u>

Net Debt \$392,309 ÷ Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$197,731,000 = .20%.

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

3 ½ % of Equalized Valuation Basis (Municipal)	\$6,929,585
Net Debt	392,309
Remaining Borrowing Power	<u><u>\$6,537,276</u></u>

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

Note 6: BOND ANTICIPATION NOTES

The Borough of Folsom had no outstanding notes at December 31, 2010. A bond ordinance was approved in 2001 for various general improvements which authorized debt of \$90,000. The Borough has not borrowed against this authorization and has, instead, been reducing the balance each year through a budget appropriation. During 2009 and 2010 the budget appropriation was \$20,000 and \$15,000, respectively, and the remaining authorized debt at December 31, 2010 was \$15,000.

Note 7: LEASE OBLIGATIONS

At December 31, 2010, the Borough had a lease agreement in effect for a postage meter and electric scale under an operating lease. The remaining balance of the lease was \$5,640 and future minimum payments are as follows:

<u>Year Ending Dec. 31,</u>	<u>Amount</u>
2011	\$ 2,820
2012	2,820
2013	0
2014	0
2015	0
Total	<u><u>\$ 5,640</u></u>

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

During the calendar year 2010 and 2009 rental payments were \$2,820 and \$2,820.

Note 8: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2010 and 2009 which were appropriated and included as anticipated revenue in the current operating budget for the year ending December, 31, 2011 and 2010 were as follows:

		<u>2011</u>	<u>2010</u>
Current Fund	\$	75,000	258,000

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 2011 budget is \$76,047 and \$332,857 in 2010.

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 Balance <u>12/31/10</u>	School Tax Balance <u>12/31/09</u>
Balance of Tax	\$854,319	828,960
Deferred	500,000	500,000
Tax Payable	<u>\$354,319</u>	<u>328,960</u>

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 <u>12/31/10</u>	Balance <u>12/31/09</u>
Prepaid Taxes	\$24,995	28,942
Cash Liability for Taxes Collected in Advance	<u>\$24,995</u>	<u>28,942</u>

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

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

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_archive.htm.

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.

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 5.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in PERS. The current PERS rate is 6.9% of covered payroll. The Borough's contributions to PERS for the years ended December 31, 2010, 2009 and 2008 were \$29,033, \$24,458, and \$18,684.

NOTE 12: POST-RETIREMENT BENEFITS

The New Jersey Health Benefits Commission administers cost-sharing multiple-employer health care plans under the State Health Benefits Program and the School Employees' health care plan. The New Jersey State Health Benefits Plan (SHBP) provides access to health care coverage to eligible retirees who qualify based on state law and local requirements. Coverage under the current program includes medical, prescription drug, mental health/substance abuse and Medicare Part B reimbursement to retirees and their covered dependents. The State of New Jersey pays a portion of the cost for retirees, spouses and dependents.

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**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

Members of the Public Employees' Retirement System would generally qualify for coverage under the following criteria:

Service Retirement	Eligible at age 60
Early Retirement	Eligible after 25 years of service
Service or Early Retirement Eligibility for State-paid SHBP Benefits	Attainment of 25 years of service
Ordinary Disability Retirement	Eligible after 10 years of service
Accidental Disability	Eligible upon total and permanent disability prior to age 65 as a result of a duty injury

The New Jersey State Health Benefits Plan issues a stand-alone financial report under GASB 43. To view the report, go to <http://www.state.nj.us/treasury/pensions/shbp.htm>.

The Borough of Folsom is a member of the SHBP. The Borough will consider each employee on an individual basis for benefits upon retirement. During 2010, \$73,955 was paid by the Borough for health care of employees. The amount paid during 2009 was \$69,367 for employees. Presently, there are no retirees either receiving benefits or covered by COBRA.

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.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

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 \$3,202 in 2010 and \$4,959 in 2009. 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, 2010; 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. During September 2009, a complaint was filed against the Borough by a suspended employee. This employee is seeking compensatory damages, as well as economic loss. As described in Note 17, the Borough is covered under the Municipal Excess Liability Joint Insurance Fund (MEL) who is providing a defense to the claim and will provide indemnification for compensatory damages. This suit was settled during the 2010 calendar year with the Borough being liable for \$30,000, which represents the maximum exposure of 20% co-insurance obligation on the first \$100,000 of cost or loss plus a \$10,000 self-insured retention.

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.

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 2010 or 2009. The Joint Insurance Fund issues its own

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

financial report which may be obtained from the Atlantic County Joint Insurance Fund, PO Box 12, Hammonton, NJ 08037

Worker’s Compensation Fund – The Borough currently maintains traditional insurance for its worker’s compensation coverage.

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:

<u>Calendar Year</u>	<u>Borough Contributions</u>	<u>Employee Contributions</u>	<u>Interest Earned</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2010	None	806	26	0	13,577
2009	None	771	39	0	12,745
2008	None	741	139	0	11,935

Note 18: INTERFUND BALANCES

As of December 31, 2010 the following interfunds were included on the balance sheets of the various funds of the Borough of Folsom:

	<u>Due From</u>	<u>Due To</u>
Current Fund:		
Grant Fund	132,581	
Grant Fund:		
Current Fund		132,581
	<u>\$ 132,581</u>	<u>132,581</u>

The interfund was created as a result of funds received from the New Jersey Department of Transportation as a reimbursement for road projects. The Borough does not maintain a separate bank account for the Grant Fund.

Note 19: LENGTH OF SERVICE AWARDS PROGRAM (UNAUDITED)

On August 9, 2001 Borough Council adopted an ordinance establishing the Length of Service Awards (LOSAP) Deferred Compensation Plan. This plan was approved by the voters of the Borough of Folsom by referendum at the general election in November of 2001. This plan is made available to all bona fide eligible volunteers who are performing qualified services which is defined as fire fighting and prevention services, emergency medical services and ambulance services pursuant to Section 457 of the Internal Revenue Code of 1986, as amended, except for provisions added by reason of the LOSAP as enacted into federal law in 1997. The establishment of this LOSAP also complies with New Jersey Public Law 1997, Chapter 388 and

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

the LOSAP Document. Contributions by the Borough for qualified participants were \$3,500 and \$3,500 for 2010 and 2009 respectively.

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 May 23, 2011, the date which the financial statements were available to be issued and no additional items were noted for disclosure.

SUPPLEMENTARY DATA

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements - regulatory basis of the Borough of Folsom, New Jersey as of and for the year ended December 31, 2010, and have issued our report thereon dated May 23, 2011. Our report disclosed that, as described in Note 1 to the financial statements – regulatory basis, the Borough of Folsom, New Jersey 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, that demonstrates compliance with a modified accrual basis of accounting, with certain exceptions, and the budget laws of the State of New Jersey, which practices differ from accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the “Division”).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Borough of Folsom, New Jersey's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements - regulatory basis but not for the purpose of expressing an opinion on the effectiveness of the Borough of Folsom's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Borough of Folsom's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in

internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Borough of Folsom, New Jersey in a separate letter dated May 23, 2011.

This report is intended solely for the information and use of management, the Finance Committee and the State of New Jersey, Division of Local Government Services and is not intended to be and should not be used by anyone other than these specified parties.

Robert E. Swartz, CPA

Robert E. Swartz, CPA
Registered Municipal Accountant
No. 319

Swartz & Co., LLC

Swartz & Co., LLC
Certified Public Accountants

May 23, 2011

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Federal or State Grantor/Pass - Through Grantor/Program Title	Pass-Through Grantor's # or CFDA #	Grant Period	Program or Award Amount	Balance Dec. 31, 2009	Receipts or Revenue Recognized	Disbursements/ Expenditures	Adjustments	Balance Dec. 31, 2010	Total Cumulative State Expenditures
State of New Jersey									
NJ Transportation Trust Fund Authority Act									
Reconstruction of Memory Lane	6320-480-078-6320-Z50-TCAP-6010	1/1/10-12/31/10	190,000	695	190,000	164,680	0	25,320	164,680
Department of Environmental Protection									
Recycling Tonnage Grant		1/1/08-12/31/08	695	695		695			695
Recycling Tonnage Grant		1/1/10-12/31/10	2,590		2,590	1,895		695	1,895
Clean Communities Act	4900-765-042-4900-004-VCMC-6020	1/1/10-12/31/10	5,132		5,132	5,132			5,132
Total State Assistance				695	197,722	172,402	0	26,015	172,402
Federal Assistance									
Environmental Protection Stormwater Grant	RP05-014	1/1/05-12/31/05	6,822	6,632		5,802		830	
2009 Business Stimulus Grant Tree Removal Project Grant	10.688	1/1/10-12/31/10	7,000		7,000	7,000			
Department of Human Services Start Talking Before They Start Drinking Small Cities Community Development Block Grant	93.959	1/1/06-12/31/06	500	410		86		324	
Home Investment Grant	14.219	1/1/06-12/31/06	15,000					3,001	
Home Investment Grant	14.219	1/1/07-12/31/07	15,000					15,000	
Home Investment Grant	14.219	1/1/08-12/31/08	15,000					15,000	
Home Investment Grant	14.219	1/1/10-12/31/10	11,999		11,999			11,999	
Total Federal Assistance				40,043	18,999	12,888	0	46,154	
Total State and Federal Assistance				\$40,738	216,721	185,290	0	72,169	

**Notes to Schedule of Expenditures of Federal and State Awards
December 31, 2010**

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of federal and state awards includes the federal and state grant activity of the Borough of Folsom, New Jersey and is presented on the basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Encumbrances are considered in determining single audit threshold on major programs.

NOTE 2: RELATIONSHIP TO GENERAL PURPOSE FINANCIAL STATEMENTS

Amounts reported in the accompanying schedule do not agree with amounts reported in the Borough's financial statement. Receipts from Federal and State grants are realized as revenue when anticipated in the Borough's budget. Expenditures are recognized when they become payable.

	<u>Revenue</u>	<u>Expenditures</u>
State	197,722	172,402
Federal	18,999	12,888
Less:		
State Funds to be received in subsequent periods	(208,999)	0
Municipal Alliance Program	7,088	9,241
Amount in Basic Financials	\$ <u>14,810</u>	<u>194,531</u>

NOTE 3: USDA RURAL DEVELOPMENT LOAN

Although the Federal government continues to be at risk for the \$377,309 loan, there are no specific covenants or compliance requirements beyond the loan repayment. Therefore, this loan is not included in the determination of the threshold for single audit requirements.

AUDIT FINDINGS AND RESPONSES

NONE

STATUS OF PRIOR RECOMMENDATIONS

NONE

**CURRENT FUND
SCHEDULE OF CASH - TREASURER**

	<u>Ref.</u>	<u>Current Fund</u>
Balance December 31, 2009		\$802,161
Increased by Receipts:		
Tax Collections	A-5	2,895,558
Revenue Accounts Receivable	A-8	262,145
State of New Jersey -		
Senior Citizens and Veterans		26,000
Miscellaneous Revenue	A-2	26,304
Appropriation Refunds	A-3	48,470
Due From Grant Fund	A-11	<u>12,220</u>
		<u>3,270,697</u>
		4,072,858
Decreased by Disbursements:		
2010 Appropriations	A-3	918,194
2009 Appropriation Reserves	A-9	7,745
Reserve for Encumbrances		41,063
State of New Jersey Marriage License Fees		275
Due To Grant Funds - Reserves	A-13	159,353
JIF Safety Money		3,749
County Taxes		670,515
Local District School Tax	A-10	<u>1,683,279</u>
		<u>3,484,173</u>
Balance December 31, 2010	A	<u><u>\$588,685</u></u>

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

	<u>Ref.</u>		
Increased by Receipts:			
Prepaid Taxes - 2011		24,995	
Taxes Receivable	A-6	2,854,817	
Interest and Costs on Taxes	A-8	15,138	
Miscellaneous Revenue	A-2	<u>608</u>	
			<u><u>2,895,558</u></u>
 Payment to Treasurer	 A-4		 <u><u>2,895,558</u></u>

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

YEAR	Balance Dec. 31, 2009	2010 Levy	Added Taxes	Overpayments Created	Overpayments 2009	Collections by Cash 2010	Overpayments Applied	Cancellations	Transferred to Foreclosed Property	Transferred to Tax Title Liens	Balance Dec. 31, 2010
2009	108,115					104,411		3,564		140	
2010	108,115	0	0	0	0	104,411	0	3,564	0	140	0
		2,952,406		2,753	28,942	2,776,156	3,517	15,371	2,526	16,338	112,309
	\$108,115	2,952,406	0	2,753	28,942	2,880,567	3,517	18,935	2,526	16,478	112,309

Ref. A

Cash Collected	A-5	\$2,854,817
Senior Citizen & Veteran Allowances		25,750
		<u>\$2,880,567</u>

A-7 A

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

Analysis of 2010 Property Tax Levy

Tax Yield			
General Property Tax		\$2,951,508	
Added Taxes (54:4-63.1,63.12 et.seq.)		<u>898</u>	
			<u><u>2,952,406</u></u>
Tax Levy	<u>Ref.</u>		
Local District School Tax (Abstract)	A-10	1,708,638	
County Tax (Abstract)	A-1	670,311	
Due County for Added and Omitted Taxes (54:4-63.1, 63.12 et. seq.)	A-1	<u>204</u>	
			2,379,153
Local Tax for Municipal Purposes	A-2	571,684	
Add: Additional Tax Levied		<u>1,569</u>	
Local Tax for Municipal Purposes Levied			<u>573,253</u>
			<u><u>\$2,952,406</u></u>

**CURRENT FUND
SCHEDULE OF TAX TITLE LIENS**

	<u>Ref.</u>		
Balance December 31, 2009	A		\$226,029
Increased by:			
Transfers from Taxes Receivable	A-6	16,478	
Interest and Costs on Tax Sale held on March 23, 2010	Res.	<u>37</u>	
			<u>16,515</u>
Decreased by:			
Transfer to Foreclosed Property		<u>39,529</u>	
			<u>39,529</u>
Balance December 31, 2010	A		<u><u>\$203,015</u></u>

**CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE**

Ref.	BALANCE DEC. 31, 2009	ACCRUED IN 2010	TAX COLLECTOR	TREASURER	BALANCE DEC. 31, 2010
Code Enforcement:					
Building Permits	167	16,642		15,348	1,461
Municipal Court:					
Fines and Costs	2,875	63,011		58,866	7,020
Interest and Costs on Taxes		15,138	15,138		
Energy Receipts Tax		161,470		161,470	
Consolidated Municipal Property Tax Relief		24,612		24,612	
Investment Interest		1,849		1,849	
	<u>\$3,042</u>	<u>282,722</u>	<u>15,138</u>	<u>262,145</u>	<u>8,481</u>
Ref.	A	Res.	A-5	A-4	A

**CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - 2009**

	BALANCE DEC. 31, 2009	BALANCE AFTER TRANSFERS	PAID OR CHARGED	BALANCE LAPSED	OVER- EXPENDED
Municipal Clerk					
Other Expenses	2,772	2,772	1,426	1,346	
Financial Administration					
Other Expenses	683	683	384	299	
Audit Services	600	600	600		
Tax Collector					
Other Expenses	394	394	186	208	
Assessment of Taxes					
Other Expenses	1,790	1,790	1,259	531	
Legal					
Other Expenses	4,280	4,280	4,277	3	
Engineering Services					
Other Expenses	6,685	6,685	345	6,340	
Planning Board					
Other Expenses	7,382	7,382	8	7,374	
Employee Health Insurance	8,433	8,433	6,478	1,955	
LOSAP Contributions	3,600	3,600	3,500	100	
Fire					
Other Expenses	1,212	1,212	141	1,071	
Streets and Roads					
Other Expenses	7,297	7,297	5,780	1,517	
Solid Waste					
Other Expenses	3,638	3,638	1,639	1,999	
Public Buildings and Grounds					
Other Expenses	2,559	2,559	586	1,973	
Vehicle Maintenance					
Other Expenses	6,519	6,519	4,562	1,957	
Utilities					
Electricity and Natural Gas	5,638	5,638	4,177	1,461	
Telecommunications	5,924	5,924	1,183	4,741	
Petroleum Products	6,051	6,051	3,759	2,292	
Solid Waste Disposal Cost					
Other Expenses	16,640	16,640	7,956	8,684	
Municipal Court					
Other Expenses	1,953	1,953	562	1,391	
Other Accounts - No Changes	6,118	6,118		6,118	
	<u>\$100,168</u>	<u>100,168</u>	<u>48,808</u>	<u>51,360</u>	<u>0</u>
	A	A	A-4	A-1	

SEE ACCOMPANYING AUDITOR'S REPORT

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

	<u>Ref.</u>		
Balance December 31, 2009			
School Tax Payable	A	328,960	
School Tax Deferred		<u>500,000</u>	
			828,960
Increased By:			
Levy - School Year July 1, 2010 to June 30, 2011	A-1:A-6		<u>1,708,638</u>
			2,537,598
Decreased By:			
Payments	A-4		<u>1,683,279</u>
Balance December 31, 2010			
School Tax Payable	A	354,319	
School Tax Deferred	A	<u>500,000</u>	
			<u><u>854,319</u></u>
2010 Liability for Local School Tax:			
Tax Paid		1,683,279	
Tax Payable 12/31/2010		<u>354,319</u>	
			2,037,598
Less: Tax Payable 12/31/2009		<u>328,960</u>	
Amount Charged to 2010 Operations	A-1		<u><u>\$1,708,638</u></u>

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

<u>Purpose</u>	Balance Dec. 31, 2009	Transferred from 2010 Budget Revenues	Received	Cancelled	Balance Dec. 31, 2010
Federal:					
Community Development Block Grant					
Home Investment Grant - 2006	3,001				3,001
Home Investment Grant - 2007	15,000				15,000
Home Investment Grant - 2008	15,000				15,000
Home Investment Grant - 2009		11,999			11,999
2009 Business Stimulus Grant		7,000			7,000
State of New Jersey:					
NJ Transportation Trust Fund Authority Act of 1984 Reconstruction of Memory Lane		190,000			190,000
Clean Communities		5,132	5,132		
Recycling Tonnage Grant		2,590	2,590		
County / Local:					
Municipal Alliance Program	7,780	7,780	7,088	692	7,780
	<u>\$40,781</u>	<u>224,501</u>	<u>14,810</u>	<u>692</u>	<u>249,780</u>
Ref.	A	A-2	A-4	A-1	A

SEE ACCOMPANYING AUDITOR'S REPORT

**STATE GRANT FUND
SCHEDULE OF APPROPRIATED RESERVE FOR FEDERAL AND STATE GRANTS**

<u>Grant</u>	<u>Balance Dec. 31, 2009</u>	<u>Transferred from 2010 Budget Appropriations</u>	<u>Expended</u>	<u>Encumbered</u>	<u>Adjustments</u>	<u>Balance Dec. 31, 2010</u>
Federal:						
Small Cities Community Development Block Grant						
Home Investment 2006 Partnership Program	3,001					3,001
Home Investment 2007 Partnership Program	15,000					15,000
Home Investment 2008 Partnership Program	15,000					15,000
Home Investment 2009 Partnership Program		11,999				11,999
NJDEP Stormwater Management Grant	6,632		5,802			830
Department of Human Services-Passed through New Jersey Prevention Network; Atlantic Prevention Resources						
Start Talking Before They Start Drinking	410		86			324
2009 Business Stimulus		7,000	7,000			
State of New Jersey:						
NJ Transportation Trust Fund Authority Act of 1984						
Reconstruction of Memory Lane		190,000	129,502	35,178		25,320
Clean Communities Act		5,133	5,133			
Recycling Tonnage Grant	695	2,590	2,590			695
County / Local:						
Municipal Alliance Program						
County Share	1,292	9,725	9,240		866	911
	<u>\$42,030</u>	<u>226,447</u>	<u>159,353</u>	<u>35,178</u>	<u>866</u>	<u>73,080</u>
Ref.	A	A-3	A-4	A	A-1	A

**STATE GRANT FUND
SCHEDULE OF UNAPPROPRIATED RESERVE FOR FEDERAL AND STATE GRANTS**

<u>Grant</u>	<u>Balance Dec. 31, 2009</u>	Transferred to	<u>2010 Budget Appropriations</u>	<u>Received</u>	<u>Balance Dec. 31, 2010</u>
Recycling Tonnage Grant - 2007	2,590		2,590		
	<u>\$2,590</u>		<u>2,590</u>	<u>0</u>	<u>0</u>
Ref. A		A-12		A-4	A

SEE ACCOMPANYING AUDITOR'S REPORT

**TRUST FUND
SCHEDULE OF CASH - TREASURER**

	<u>Ref.</u>	<u>Animal Control</u>	<u>Other</u>
Balance December 31, 2009	B	\$1,539	128,113
Increased By:			
Dog License Fees	B-2	1,163	
Cat License Fees	B-2	514	
State License Fees	B-3	227	2,264
Due to Current Fund	B-4		806
Interest Earned	B 4-9		158
Escrow Deposits	B-5		3,278
Construction Code Fees	B-6		18,177
Tax Title Lien Redemption	B-7		59,644
Payroll and Deductions	B-8		359,742
Small Cities Loan Repayments	B-9		10,560
		<u>1,904</u>	<u>454,629</u>
		3,443	582,742
Decreased By:			
Expenditures under NJS 4:19-15.22	B-2	1,958	
State of New Jersey	B-3;6	218	2,149
Escrow Payments	B-5		7,657
Current Fund	B-6		16,883
Tax Title Lien Redemption	B-7		63,744
Payroll and Deductions	B-8		359,739
		<u>2,176</u>	<u>450,172</u>
Balance December 31, 2010	B	<u>\$1,267</u>	<u>132,570</u>
Analysis of Other Cash			
Construction Code			1,766
Unemployment Trust			13,577
Developer's Escrow			19,005
Tax Title Lien Redemption			9,400
Small Cities Revolving Trust			77,130
Community Events			11,692
			<u>\$132,570</u>

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

	<u>Ref.</u>		
Balance December 31, 2009	B		\$1,539
Increased by:			
Dog License Fees Collected	B-1	1,163	
Cat License Fees Collected	B-1	514	
			1,677
			3,216
Decreased by:			
Expenditures under NJS 4:19-15.22	B-1	1,958	
			1,958
Balance December 31, 2010	B		\$1,258
 License Fees Collected			
	<u>Year</u>	<u>Amount</u>	
	2009	1,900	
	2008	2,522	
		\$4,422	

TRUST FUND
SCHEDULE OF AMOUNT DUE TO/(FROM) STATE OF NEW JERSEY -
DEPARTMENT OF HEALTH

	<u>Ref.</u>	
Balance December 31, 2009	B	\$0
Increased by:		
Collected in 2010		
State License Fees		134
Pilot Clinic Fee		27
Animal Population Control Fee		<u>66</u>
	B-1	<u>227</u>
		227
Decreased By:		
Payments	B-1	<u>218</u>
Balance December 31, 2010	B	<u><u>\$9</u></u>

B-4

**TRUST FUND
SCHEDULE OF UNEMPLOYMENT COMPENSATION FUND**

	<u>Ref.</u>		
Balance December 31, 2009	B		\$12,745
Increased by:			
Interest on Investments	B-1	26	
Received from Current Fund	B-1	<u>806</u>	
			<u>832</u>
Balance December 31, 2010	B		<u><u>\$13,577</u></u>

B-5

**TRUST FUND
SCHEDULE OF DEVELOPERS ESCROW FUND**

	<u>Ref.</u>		
Balance December 31, 2009	B		\$23,384
Increased By:			
Escrow Deposits	B-1		<u>3,278</u>
			26,662
Decreased by:			
Escrow Payments	B-1		<u>7,657</u>
Balance December 31, 2010	B		<u><u>\$19,005</u></u>

**TRUST FUND
SCHEDULE OF CONSTRUCTION CODE OFFICIAL**

Balance December 31, 2009	<u>Ref.</u> B		\$357
Increased by:			
State Fees		2,264	
Building Permits		<u>18,177</u>	
	B-1		<u>20,441</u>
			20,798
Decreased by:			
Payments to Borough Treasurer	B-1	16,883	
Payments to State of New Jersey	B-1	<u>2,149</u>	
			<u>19,032</u>
Balance December 31, 2010			<u><u>\$1,766</u></u>
<u>Analysis of Balance:</u>			
Due to State of New Jersey	B		305
Due to Borough Treasurer	B		<u>1,461</u>
			<u><u>\$1,766</u></u>

**TRUST FUND
SCHEDULE OF RESERVE FOR TAX TITLE LIEN REDEMPTIONS**

Balance December 31, 2009	<u>Ref.</u> B		\$13,500
Increased by:			
Deposits for redemptions	B-1		<u>59,644</u>
			73,144
Decreased by:			
Refund of redemptions	B-1		<u>63,744</u>
Balance December 31, 2010	B		<u><u>\$9,400</u></u>

**TRUST FUND
SCHEDULE OF RESERVE FOR PAYROLL DEDUCTIONS**

Balance December 31, 2009	<u>Ref.</u> B		(\$3)
Increased by:			
Payroll and Deductions	B-1	<u>359,742</u>	<u>359,742</u>
			359,739
Decreased by:			
Payment of Payroll and Deductions	B-1		<u>359,739</u>
Balance December 31, 2010	B		<u><u>\$0</u></u>

**TRUST FUND
SCHEDULE OF RESERVE FOR SMALL CITIES REVOLVING FUND**

Balance December 31, 2009	<u>Ref.</u> B		\$66,438
Increased by:			
Small Cities Loan Repayments	B-1	10,560	
Interest earned	B-1	<u>132</u>	<u>10,692</u>
			77,130
Decreased by:			
Housing Rehabilitations	B-1		<u> </u>
Balance December 31, 2010	B		<u><u>\$77,130</u></u>

B-10

**TRUST FUND
SCHEDULE OF RESERVE FOR LOSAP
(unaudited)**

Balance December 31, 2009	<u>Ref.</u> B		\$45,872
Increased by:			
Contributions	A-9	3,500	
Increase in value		<u>5,138</u>	
			<u>8,638</u>
			54,510
Decreased by:			
Fees		<u>275</u>	
			<u>275</u>
Balance December 31, 2010	B		<u><u>\$54,235</u></u>

B-11

**TRUST FUND
SCHEDULE OF RESERVE FOR COMMUNITY EVENTS**

Balance December 31, 2009	<u>Ref.</u> B		\$11,692
No Activity During 2010			
Balance December 31, 2010	B		<u><u>\$11,692</u></u>

GENERAL CAPITAL FUND
ANALYSIS OF CASH

	BALANCE Dec. 31, 2009	RECEIPTS	DISBURSEMENTS			TRANSFERS		BALANCE Dec. 31, 2010
			IMPROVEMENT AUTHORIZATIONS	MISC.	FROM	TO		
Fund Balance	104,315							104,315
Capital Improvement Fund	26,933							26,933
Improvement Authorizations								
#285 Various General Improvements	(30,000)	15,000						(15,000)
#05-2006 Purchase of Equipment	541							541
#08-2007 Various Capital Purchases	3,165							3,165
#06-2008 Road & Park Improvements	8,218		8,218					
	\$113,172	15,000	8,218	0	0	0		119,954
Ref.	C	A-4	C-6	C-1				C

SEE ACCOMPANYING AUDITOR'S REPORT

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

	<u>Ref.</u>	
Balance December 31, 2009	C	\$392,436
Decreased by:		
2009 Budget Appropriation to Pay Bonds:		
Municipal Bonds	C-7	<u>15,127</u>
Balance December 31, 2010	C	<u><u>\$377,309</u></u>

