

BOROUGH OF FOLSOM

ATLANTIC COUNTY

NEW JERSEY

AUDIT REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2012**

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, 2012

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FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Borough of Folsom, as of December 31, 2012 and 2011, 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, 2012, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Borough of Folsom as of December 31, 2012 and 2011, or changes in financial position for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

As described in Note 19 of the financial statements, the Borough participates in a Length of Service Award Program (LOSAP) for its volunteer fire and rescue personnel. The amount reflected in the trust fund statements of \$53,414 and \$57,532 for 2012 and 2011 respectively were not audited and, therefore, we express no opinion on the LOSAP program.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph, the financial statements referred to above present fairly, in all material respects, the regulatory basis balance sheets and account group as of December 31, 2012 and 2011, 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, 2012 in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 2013 on our consideration of the Borough of Folsom’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion

on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of Folsom's internal control over financial reporting and compliance.

Robert E. Swartz

Robert E. Swartz, CPA, RMA #319

Ford Scott & Associates, LLC

Ford Scott & Associates, LLC

April 1, 2013

EXHIBIT A - CURRENT FUND

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

	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
ASSETS			
Regular Fund:			
Cash - Treasurer	A-4	\$947,610	664,153
Cash - Petty Cash		100	100
Due from State of New Jersey - Senior Citizens and Veterans		<u>0</u>	<u>1,152</u>
		<u>947,710</u>	<u>665,405</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-6	113,562	124,487
Tax Title Liens Receivable	A-7	239,093	219,364
Property Acquired for Taxes-Assessed Valuation		159,477	216,977
Property Deeded		112,700	112,700
Due from Grant Fund		0	43,785
Revenue Accounts Receivable			
Construction Code Official	A-8	3,766	5,950
Municipal Court	A-8	<u>3,117</u>	<u>4,758</u>
		<u>631,715</u>	<u>728,021</u>
		<u>\$1,579,425</u>	<u>1,393,426</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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

	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
ASSETS			
Federal and State Grant Fund:			
State Grants Receivable	A-11	\$82,780	150,905
Due from Current Fund	A	<u>11,165</u>	<u>0</u>
		<u>93,945</u>	<u>150,905</u>
		<u>\$1,673,370</u>	<u>1,544,331</u>

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

	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Regular Fund:			
Liabilities:			
Appropriation Reserves	A-3:A-9	\$53,151	70,736
Accounts Payable/Reserve for Encumbrances	A-3:A-9	44,470	31,764
Taxes Collected in Advance		25,307	33,100
Tax Overpayments		731	757
Due to State of New Jersey - Senior Citizens and Veterans		98	0
Due to Grant Fund	A	11,165	0
Local School District Tax Payable	A-10	11,936	0
Reserve for JIF Safety Funds		699	1,093
Marriage License Payable		25	50
		147,582	137,500
Reserves for Receivables and Other Assets	A	631,715	728,021
Fund Balance	A-1	800,128	527,905
		<u>\$1,579,425</u>	<u>1,393,426</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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

	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Federal and State Grant Fund:			
Contracts Payable	A-12	\$213	401
Due to Current Fund	A	0	43,785
Reserve for State Grants			
Appropriated	A-12	91,132	100,817
Unappropriated	A-13	<u>2,600</u>	<u>5,902</u>
		<u>93,945</u>	<u>150,905</u>
		<u><u>\$1,673,370</u></u>	<u><u>1,544,331</u></u>

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

	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
Revenue and Other Income Realized			
Fund Balance Utilized	A-2	\$160,600	75,000
Miscellaneous Revenue Anticipated	A-2	356,253	457,874
Receipts from Delinquent Taxes	A-2	123,827	112,751
Receipts from Current Taxes	A-2	2,937,441	2,867,156
Non Budget Revenue	A-2	158,676	37,960
Proceeds from Sale of Municipal Property		62,300	0
Other Credits to Income:			
Interfund Returned		43,785	25,706
Cancellation of Prior Year Local Share of Grant		0	182
Unexpended Balance of Approp Reserves	A-9	<u>66,935</u>	<u>41,501</u>
Total Income		<u>3,909,817</u>	<u>3,618,130</u>
Expenditures			
Budget and Emergency Appropriations:			
Operations:			
Salaries and Wages	A-3	320,760	309,279
Other Expenses	A-3	572,617	577,465
Deferred Charges and Statutory			
Expenditures	A-3	62,377	73,495
Municipal Debt Service	A-3	34,562	34,562
Local District School Tax	A-10	1,766,197	1,371,161
County Tax	A-6	717,081	682,213
County Share of Added Taxes	A-6	3,400	213
Interfund Created		<u>0</u>	<u>43,785</u>
Total Expenditures		<u>3,476,994</u>	<u>3,092,173</u>
Excess in Revenue		<u>\$432,823</u>	<u>525,957</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>2012</u>	<u>2011</u>
Adjustments to Income before Fund Balance:			
Expenditures included above which are by			
Statute deferred Charges to Budget of			
Succeeding Year		<u>\$0</u>	<u>0</u>
Statutory Excess to Fund Balance		432,823	525,957
Fund Balance January 1	A	<u>527,905</u>	<u>76,948</u>
		960,728	602,905
Decreased by:			
Utilization as Anticipated Revenue	A-1:A-2	<u>160,600</u>	<u>75,000</u>
Balance December 31	A	<u><u>\$800,128</u></u>	<u><u>527,905</u></u>

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

Ref.	ANTICIPATED		EXCESS OR (DEFICIT)
	BUDGET	SPECIAL NJS 40A:4-87	
	REALIZED		
Fund Balance Anticipated			
A-1	\$160,600		160,600
Miscellaneous Revenues:			
Section A: Local Revenues			
Fines and Costs:			
Municipal Court	70,000		67,867
Interest and Costs on Taxes	12,000		19,388
Interest on Investments and Deposits	500		1,388
			888
Total Section A	82,500	0	88,643
			6,143
Section B: State Aid Without			
Offsetting Appropriations			
Energy Receipts Tax	171,563		171,563
Consolidated Municipal Property Tax Relief Act	14,519		14,519
Total Section B	\$186,082	0	186,082
			0

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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

	Ref.	ANTICIPATED		SPECIAL NJS 40A:4-87	REALIZED	EXCESS OR (DEFICIT)
		BUDGET				
Section C: Dedicated Uniform Construction Code Fees Offset with Appropriations (NJS 40A:4-36 & NJAC 5:23-4.17)	A-8	\$20,000			47,988	27,988
Uniform Construction Code Fees						
Total Section C		20,000		0	47,988	27,988
Section F: Special Items of General Revenue Anticipated with Prior Written Consent of Dir. of Local Government Services - Public and Private Revenues offset with Appropriations:						
Recycling Tonnage Grant		5,902			5,902	
Clean Communities Act				4,858	4,858	
Municipal Alliance Program		7,780			7,780	
CDBG - Home Investment Partnership Program		15,000			15,000	
Total Section F		\$28,682		4,858	33,540	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	
Total Miscellaneous Revenues	A-1	\$317,264	4,858	34,131
Receipts from Delinquent Taxes	A-1:A-2	110,000		13,827
Amount to be Raised by Taxes for Support of Municipal Budget Local Tax for Municipal Purposes	A-2	588,736		53,169
Budget Totals		1,176,600	4,858	101,127
Non-Budget Revenues:	A-2			
Other Non-Budget Revenue			158,676	158,676
		\$1,176,600	4,858	259,803
	Ref.	A-3	A-3	

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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

Ref.

Analysis of Realized Revenues

Allocation of Current Tax Collections:

Revenue from Collections	A-1:A-6	\$2,937,441
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Allocated to:

School, County Taxes		<u>2,486,678</u>
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Balance for Support of Municipal Budget Appropriations		450,763
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Increased by:

Appropriation "Reserve for Uncollected Taxes"	A-3	<u>191,142</u>
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Amount for Support of Municipal
Budget Appropriations

	A-2	<u><u>641,905</u></u>
--	-----	-----------------------

Receipts from Delinquent Taxes:

Delinquent Tax Collections	A-6	123,597
Tax Title Liens	A-7	<u>230</u>

	A-2	<u><u>\$123,827</u></u>
--	-----	-------------------------

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

Ref.

Analysis of Non-Budget Revenue

Tax Collector:

Tax Searches

	\$100	
A-5		100

Treasurer:

Other Miscellaneous

1,234

Liquor License

3,384

Copies/Certified Lists

505

Sale of Municipal Property

125,216

Payment in Lieu of Taxes

7,531

Administrative Operations

1,324

Street Openings

5,440

Cable Franchise Fee

8,347

Licenses & Fees

5,595

A-4		158,576
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A-1:A-2		\$158,676
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CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS

	APPROPRIATIONS		EXPENDED		UNEXPENDED	
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	OVER- BALANCE CANCELLED EXPENDED
GENERAL GOVERNMENT:						
Mayor and Council						
Salaries and Wages		18,300	18,300			
Other Expenses	\$18,300 1,800	1,800	1,336		464	
Municipal Clerk						
Salaries And Wages	54,000	54,000	52,650		1,350	
Other Expenses	21,950	21,950	21,547	372	31	
Financial Administration						
Salaries and Wages	13,000	13,000	13,000			
Other Expenses	8,900	8,900	7,478	313	1,109	
Audit Service	19,500	19,500	19,000		500	
Assessment of Taxes						
Salaries and Wages	13,201	13,201	13,201			
Other Expenses	4,370	4,370	2,787	250	1,333	
Tax Collector						
Salaries and Wages	14,572	14,572	14,572			
Other Expenses	4,325	4,325	3,342		983	
Legal Services and Costs						
Other Expenses	40,000	49,000	39,506	9,449	45	
Engineering Services and Costs						
Other Expenses	20,000	27,000	19,092		7,908	
Municipal Land Use Law (N.J.S.A. 40:55D-1)						
Planning Board						
Salaries and Wages	4,200	4,200	4,081		119	
Other Expenses	7,300	5,300	1,484	480	3,336	

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	OVER- BALANCE CANCELLED EXPENDED
Insurance						
Employee Group Insurance	62,000	61,000	55,026	5,405	569	
General Liability	23,045	20,145	20,092		53	
Worker's Compensation	10,000	8,700	8,635		65	
Health Benefits Waiver	5,000	5,100	5,029		71	
Unemployment Insurance	5,000	5,000	5,000			
Municipal Court						
Salaries and Wages	54,000	52,000	51,194		806	
Other Expenses	6,850	6,850	4,934	661	1,255	
Public Defender						
Salaries and Wages	3,215	3,215	3,091		124	
PUBLIC SAFETY:						
Emergency Management Service						
Salaries and Wages	1,500	1,500	1,471		29	
Other Expenses	200	200			200	
Municipal Prosecutor's Office						
Salaries and Wages	5,700	5,700	5,240	460		
STREETS AND ROADS:						
Road Repairs and Maintenance						
Salaries and Wages	123,000	122,000	120,758		1,242	
Other Expenses	17,600	17,600	10,192	4,985	2,423	

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	OVER- BALANCE CANCELLED EXPENDED
Building and Grounds Other Expenses	10,300	11,492	9,414	1,579	499	
Vehicle Maintenance Other Expenses	21,500	21,500	15,789	1,623	4,088	
Solid Waste Collection Other Expenses	66,000	66,000	59,026	5,375	1,599	
Solid Waste Disposal Costs	64,500	60,500	50,795	4,000	5,705	
HEALTH AND WELFARE: Animal Control Service (Dog Regulation) Other Expenses	6,000	6,000	6,000			
Environmental Commission Other Expenses	600	600	457		143	
RECREATION AND EDUCATION: Recreation Services and Programs Other Expenses	5,000	5,000	2,283	1,662	1,055	
Historical Society Other Expenses	200	200			200	
STATE UNIFORM CONSTRUCTION CODE Construction Official Salaries and Wages Other Expenses	16,664 1,100	19,072 1,100	19,001 688		71 412	

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	OVER- BALANCE CANCELLED EXPENDED
UNCLASSIFIED:						
Utilities						
Electricity and Natural Gas	50,000	48,000	38,531	5,980	3,489	
Telecommunications	14,000	12,000	9,396	480	2,124	
Petroleum Products	15,000	13,500	6,235	1,396	5,869	
TOTAL OPERATIONS WITHIN "CAPS"	833,392	833,392	739,653	44,470	49,269	0
Detail:						
Salaries and Wages	321,352	320,760	316,559	460	3,741	0
Other Expenses	512,040	512,632	423,094	44,010	45,528	0
DEFERRED CHARGES AND STATUTORY EXPENDITURES:						
Deferred Charges:						
None						
Statutory Expenditures:						
Contribution to:						
Public Employees Retirement System	34,377	34,377	34,377			
Social Security	26,000	26,000	24,438		1,562	
Defined Contribution Retirement Program	2,000	2,000			2,000	
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES	62,377	62,377	58,815	0	3,562	0
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	895,769	895,769	798,468	44,470	52,831	0
OPERATIONS - EXCLUDED FROM "CAPS"						
Dispatch Services	9,500	9,500	9,180		320	
Fire Services	15,000	15,000	15,000			

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"	24,500	24,500	24,180	0	320	0	0
Public and Private Programs Offset by Revenues							
Clean Communities Act		4,858	4,858				
CDBG - Home Investment Partnership Program	15,000	15,000	15,000				
Recycling Tonnage Grant	5,902	5,902	5,902				
Municipal Alliance on Alcoholism & Drug Abuse							
State Share	7,780	7,780	7,780				
Municipal Share	1,945	1,945	1,945				
Total Public and Private Programs Offset by Revenue	30,627	35,485	35,485	0	0	0	0
TOTAL OPERATIONS EXCLUDED FROM "CAPS"	55,127	59,985	59,665	0	320	0	0
Detail:							
Salaries and Wages	0	0	0	0	0	0	0
Other Expenses (Including Contingent)				0	320	0	0
	55,127	59,985	59,665	0	320	0	0
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"							
None		0					
TOTAL CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"	0	0	0	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	BALANCE CANCELLED	OVER- EXPENDED
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"						
Payment of Bond Principal	16,698	16,698	16,698			
Interest on Bonds	17,864	17,864	17,864			
TOTAL MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"	34,562	34,562	34,562	0	0	0
DEFERRED CHARGES - MUNICIPAL - EXCLUDED FROM "CAPS"						
DEFERRED CHARGES:						
None		0				
Total Deferred Charges - Municipal - Excluded from "CAPS"	0	0	0	0	0	0
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	89,689	94,547	94,227	0	320	0
SUBTOTAL GENERAL APPROPRIATIONS	985,458	990,316	892,695	44,470	53,151	0
Reserve for Uncollected Taxes	191,142	191,142	191,142			
TOTAL GENERAL APPROPRIATIONS	\$1,176,600	1,181,458	1,083,837	44,470	53,151	0
A-2			A-1		A:A-1	
Budget						
Appropriations by 40A:4-87		1,176,600				
		<u>4,858</u>				
		<u>\$1,181,458</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	\$35,485
Reserve for Uncollected Taxes	A-2	191,142
Disbursed	A-4	<u>878,215</u>
		1,104,842
Appropriation Refunds	A-4	<u>21,005</u>
		<u><u>\$1,083,837</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>2012</u>	<u>2011</u>
ASSETS			
Animal Control Fund:			
Cash - Treasurer	B-1	<u>\$1,569</u>	<u>1,250</u>
		<u>1,569</u>	<u>1,250</u>
LOSAP (unaudited)			
Investments	B-10	<u>53,414</u>	<u>57,532</u>
		<u>53,414</u>	<u>57,532</u>
Other Funds			
Cash - Treasurer	B-1	137,141	120,143
Small Cities Loans Receivable	Res.	<u>129,836</u>	<u>126,826</u>
		<u>266,977</u>	<u>246,969</u>
		<u>321,960</u>	<u>305,751</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Animal Control Fund:			
Reserve for Dog Expenditures	B-2	<u>1,569</u>	<u>1,250</u>
		<u>1,569</u>	<u>1,250</u>
LOSAP (unaudited)			
Reserve for LOSAP	B-10	<u>53,414</u>	<u>57,532</u>
		<u>\$53,414</u>	<u>57,532</u>

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

	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
LIABILITIES, RESERVES AND FUND BALANCE (CONT'D)			
Other Funds			
Due to State of New Jersey	B-6	\$666	959
Due to Current-Construction Code	A; B-6	3,766	5,950
Reserve for Receivables Small Cities Loans		129,836	126,826
Reserve for Payroll Tax Withholdings	B-8	7	37
Reserve for Unemployment	B-4	8,023	14,313
Reserve for Developer's Escrow	B-5	44,698	9,907
Reserve for TTL Redemptions	B-7	5,540	2,900
Reserve for Small Cities Revolving Fund	B-9	74,441	77,270
Reserve for Community Events	B-11	0	8,807
		<u>266,977</u>	<u>246,969</u>
		<u>\$321,960</u>	<u>305,751</u>

EXHIBIT C - CAPITAL FUND

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

	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
ASSETS			
Cash	C-2	\$54,532	104,282
Deferred Charges to Future Taxation -			
Funded	C-3	344,719	361,417
Unfunded	C-4	<u>365,700</u>	<u>0</u>
		<u>764,951</u>	<u>465,699</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Serial Bonds Payable	C-7	344,719	361,417
Contracts Payable		27,328	0
Improvement Authorizations			
Funded	C-6	16,550	2,328
Unfunded	C-6	318,700	0
Capital Improvement Fund	C-5	174	19,474
Fund Balance	C-1	<u>57,480</u>	<u>82,480</u>
		<u>\$764,951</u>	<u>465,699</u>

There were bonds and notes authorized but not issued of \$365,700 at December 31, 2012 and \$0 at December 31, 2011. (C-8)

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

	<u>Ref.</u>	
Balance December 31, 2011	C	\$82,480
Decreased by:		
Appropriated to Finance Improvement Authorizations	C-6	<u>25,000</u>
Balance December 31, 2012	C	<u><u>\$57,480</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>2012</u>	<u>2011</u>
General Fixed Assets:		
Land	\$213,600	213,600
Buildings and Improvements	735,295	685,545
Furniture, Fixtures, and Equipment	217,311	226,838
Vehicles	<u>479,228</u>	<u>479,228</u>
	<u>1,645,434</u>	<u>1,605,211</u>
Investment in General Fixed Assets	<u>\$1,645,434</u>	<u>1,605,211</u>

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

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 2,181. 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.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

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.

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.

NOTES TO FINANCIAL STATEMENTS **YEARS ENDED DECEMBER 31, 2012 AND 2011**

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 years ended December 31, 2012 and 2011.

	Balance as of <u>12/31/11</u>	Additions/ <u>Adjustments</u>	Disposals/ <u>Adjustments</u>	Balance as of <u>12/31/12</u>
Land	\$213,600			213,600
Buildings and Improvements	685,545	49,750		735,295
Furniture, Fixtures & Equipment	226,838	15,115	(24,642)	217,311
Vehicles	479,228			479,228
Total	<u>\$1,605,211</u>	<u>64,865</u>	<u>(24,642)</u>	<u>1,645,434</u>

	Balance as of <u>12/31/10</u>	Additions/ <u>Adjustments</u>	Disposals/ <u>Adjustments</u>	Balance as of <u>12/31/11</u>
Land	\$213,600			213,600
Buildings and Improvements	685,545			685,545
Furniture, Fixtures & Equipment	211,696	15,142		226,838
Vehicles	887,213		(407,985)	479,228
Total	<u>\$1,998,054</u>	<u>15,142</u>	<u>(407,985)</u>	<u>1,605,211</u>

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

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 - Governmental Accounting Standards Board (GASB), 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.

E. Recent Accounting Pronouncements Not Yet Effective

In November 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 61 "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The purpose of the statement is to amend the criteria for reporting and including component units with the primary government. This statement, which is effective for fiscal periods beginning after June 15, 2012, is not anticipated to have any effect on the Borough's financial reporting.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

In April 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 65 "Items Previously Reported as Assets and Liabilities". This statement, which clarifies the reporting requirements related to deferred assets and liabilities, is effective for fiscal periods beginning after December 15, 2012, is not anticipated to have any effect on the Borough's financial reporting.

In April 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 66 "Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62". This statement, which resolves conflicts between Statements No. 10 and No. 54 provides more flexibility in fund classifications for risk based activities, is effective for fiscal periods beginning after December 15, 2012, is not anticipated to have any effect on the Borough's financial reporting.

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 67 "Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25". This statement, which is effective for fiscal periods beginning after June 15, 2013, will not have any effect on the Borough's financial reporting.

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 68 "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27". This statement, which is effective for fiscal periods beginning after June 15, 2014, will not have any effect on the Borough's financial reporting.

In January 2013, the Governmental Accounting Standards Board (GASB) issued Statement No. 69 "Government Combinations and Disposals of Government Operations". This statement, which is effective for fiscal periods beginning after December 15, 2013, will not have any effect on the Borough's financial reporting.

Note 2: BUDGETARY INFORMATION

Under New Jersey State Statutes, the annual budget is required to be a balanced cash basis document. To accomplish this, the municipality is required to establish a reserve for uncollected taxes. The 2012 and 2011 statutory budgets included a reserve for uncollected taxes in the amount of \$191,142, and \$188,248. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2012 and 2011 statutory budgets was \$160,600 of \$526,753 available fund balance and \$75,000 of \$76,047 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 2012 and 2011 calendar years.

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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Municipal Clerk – S&W		(6,500)
Legal Services & Costs – OE	9,000	19,000
Engineering Services – OE	7,000	(2,200)
Planning Board - OE	(2,000)	(3,000)
Municipal Court - SW	(2,000)	
General Liability Insurance	(2,900)	(6,500)
Solid Waste Disposal OE	(4,000)	
Construction Officials - SW	2,000	
Electricity & Natural Gas	(2,000)	(2,000)
Telecommunications	(2,000)	(1,500)
Petroleum Products		2,000

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 2012 calendar year, Borough Council approved a budget insertion for Clean Communities in the amount of \$4,858. During the 2011 calendar year, Borough Council approved a budget insertion for Clean Communities in the amount of \$4,949.

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 2012 or 2011.

Note 3: INVESTMENTS

As of December 31, 2012 and 2011, 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.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

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, 2012 and 2011 amounted to \$53,414 and \$57,532. 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, 2012 and 2011, \$0 of the municipality's bank balance of \$1,147,889 and \$896,692 was exposed to custodial credit risk.

Note 5: LONG TERM DEBT

Summary of Municipal Debt

Long-term debt as of December 31, 2012 and 2011 consisted of the following:

	Balance 12/31/11	Additions	Payments	Balance 12/31/12	Due in One Year
General	\$ 361,417		16,698	344,719	17,543
Comp Absences	3,290	13,130	13,525	2,895	0
	<u>\$ 364,707</u>	<u>13,130</u>	<u>30,223</u>	<u>347,614</u>	<u>17,543</u>
	Balance 12/31/10	Additions	Payments	Balance 12/31/11	Due in One Year
General	\$ 377,309		15,892	361,417	16,698
Comp Absences	3,202	10,409	11,022	3,290	0
	<u>\$ 380,511</u>	<u>10,409</u>	<u>26,914</u>	<u>364,707</u>	<u>16,698</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, 2012 and 2011 of \$344,719 and \$361,417. 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, 2012 AND 2011

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

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	17,543	17,019	34,562
2014	18,431	16,131	34,562
2015	19,363	15,199	34,562
2016	20,344	14,218	34,562
2017	21,374	13,188	34,562
2018-2022	124,239	48,571	172,810
2023-2026	123,425	14,236	137,661
Total	<u>\$ 344,719</u>	<u>138,562</u>	<u>483,281</u>

As of December 31, 2012, the carrying value of the above bonds approximates the fair value of the bonds.

<u>Summary of Municipal Debt</u>	<u>Year 2012</u>	<u>Year 2011</u>	<u>Year 2010</u>
Bonds & Notes Issued	\$344,719	361,417	377,309
Bonds & Notes Authorized But Not Issued	<u>365,700</u>	<u>0</u>	<u>15,000</u>
Net Bonds & Notes Issued and Authorized But Not Issued	<u>\$710,419</u>	<u>361,417</u>	<u>392,309</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 .383%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
School Debt	\$2,176,000	2,176,000	0
General Debt	710,419	0	710,419
	<u>\$2,886,419</u>	<u>2,176,000</u>	<u>710,419</u>

Net Debt \$710,419 ÷ Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$185,535,410 = .383%.

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

3 ½ % of Equalized Valuation Basis (Municipal)	\$6,493,739
Net Debt	<u>710,419</u>
Remaining Borrowing Power	<u>\$5,783,320</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, 2012 AND 2011**

Note 6: BOND ANTICIPATION NOTES

The Borough of Folsom had no outstanding notes at December 31, 2012. A bond ordinance was approved in 2012 for various general improvements which authorized debt of \$365,700. The remaining authorized debt at December 31, 2012 was \$365,700.

Note 7: LEASE OBLIGATIONS

At December 31, 2012, 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 \$9,498 and future minimum payments are as follows:

<u>Year Ending Dec. 31,</u>	<u>Amount</u>
2013	\$ 2,280
2014	2,280
2015	2,280
2016	2,280
2017	378
Total	<u>\$ 9,498</u>

During the calendar year 2012 and 2011 rental payments were \$5,094 and \$2,820.

Note 8: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2012 and 2011 which were appropriated and included as anticipated revenue in the current operating budget for the year ending December, 31, 2013 and 2012 were as follows:

	<u>2013</u>	<u>2012</u>
Current Fund	\$ 230,000	160,600

As of the date of this audit report, the Borough has not adopted their 2013 Local Municipal Budget and the above amount is subject to change. 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 2013 budget is \$800,128 and \$526,753 in 2012.

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>12/31/12</u>	<u>12/31/11</u>
Balance of Tax	\$883,098	871,162
Deferred	871,162	871,162
Tax Payable	<u>\$11,936</u>	<u>0</u>

NOTES TO FINANCIAL STATEMENTS **YEARS ENDED DECEMBER 31, 2012 AND 2011**

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 12/31/12	Balance 12/31/11
Prepaid Taxes	\$25,307	33,100
Cash Liability for Taxes Collected in Advance	\$25,307	33,100

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.

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 6.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in PERS. The current PERS rate is 10.8% of covered payroll. The Borough's contributions to PERS for the years ended December 31, 2012, 2011 and 2010 were \$34,377, \$34,495, and \$29,033.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

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.

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/health-benefits.shtml>.

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 2012, \$64,400 was paid by the Borough for health care of employees. The amount paid during 2011 was \$72,443 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.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

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 \$2,895 in 2012 and \$3,290 in 2011. 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, 2012; 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.

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 2012 or 2011. 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

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

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>
2012	None	5,740	17	12,030	8,023
2011	None	711	25	0	14,313
2010	None	806	26	0	13,577

Note 18: INTERFUND BALANCES

As of December 31, 2012 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		11,165
Grant Fund:		
Current Fund	11,165	
	<u>\$ 11,165</u>	<u>11,165</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 the LOSAP Document. Contributions by the Borough for qualified participants were \$3,000 and \$3,000 for 2012 and 2011 respectively. The contributions are based on qualified service credits earned in the previous calendar year. Effective January 1, 2012, the volunteer fire company was dissolved by the Borough and no additional contributions will be made to the LOSAP program.

Note 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

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

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 April 1, 2013, 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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FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the regulatory basis financial statements of the various funds and account group as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise Borough's basic financial statements, and have issued our report thereon dated April 1, 2013, which was adverse due to being presented in accordance with the New Jersey regulatory basis of accounting.

Internal Control over Financial Reporting

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

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

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

we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses that we consider to be significant deficiencies as item 2012-1

Compliance and Other Matters

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

Borough's Response to Finding

The Borough's response to the finding identified in our audit is described in the accompany Schedule of Findings and Responses. The Borough's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Robert E. Swartz

Robert E. Swartz, CPA RMA #319

Ford Scott & Associates, LLC

Ford Scott & Associates, LLC

April 1, 2013

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Federal or State Grantor/Pass - Through Grantor/Program Title	Pass-Through Grantor's # or CFDA #	Grant Period	Program or Award Amount	Balance Dec. 31, 2011	Receipts or Revenue Recognized	Disbursements/ Expenditures	Adjusted	Balance Dec. 31, 2012	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	25,864			(25,864)		164,880
Department of Environmental Protection									
		1/1/11-12/31/11	5,346	5,346				5,346	0
		1/1/12-12/31/12	5,902		5,902			5,902	0
Clean Communities Act	4900-765-042-4900-004-VCMC-6020	1/1/11-12/31/11	4,949	4,949		4,949			4,949
		1/1/12-12/31/12	4,858		4,858	4,334		524	0
Total State Assistance				36,159	10,760	9,283	(25,864)	11,772	169,629
Federal Assistance									
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	324		324			
Home Investment Grant	14.219	1/1/06-12/31/06	15,000	3,001				3,001	
Home Investment Grant	14.219	1/1/07-12/31/07	15,000	15,000				15,000	
Home Investment Grant	14.219	1/1/08-12/31/08	15,000	15,000				15,000	
Home Investment Grant	14.219	1/1/10-12/31/10	11,999	11,999				11,999	
Home Investment Grant	14.219	1/1/11-12/31/11	15,000	15,000				15,000	
Home Investment Grant	14.219	1/1/12-12/31/12	15,000		15,000			15,000	
Total Federal Assistance				60,324	15,000	324	0	75,000	
Total State and Federal Assistance				\$96,483	25,760	9,607	(25,864)	86,772	

SEE ACCOMPANYING AUDITOR'S REPORT

**Notes to Schedule of Expenditures of Federal and State Awards
December 31, 2012**

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	\$ 10,760	9,283
Federal	15,000	324
Less:		
CDBG Home Investment Grant	(15,000)	0
Add:		
NJDOT Funds realized in previous year	57,261	0
Municipal Alliance Program	6,413	8,119
Amount in Basic Financials	\$ <u>74,434</u>	<u>17,726</u>

NOTE 3: USDA RURAL DEVELOPMENT LOAN

Although the Federal government continues to be at risk for the \$344,719 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

Finding 12-1

Criteria

As stated in NJSA 40A:2-18, a bond ordinance is not effective until 20 days after the first publication after final adoption. As a result, funds can not be committed against the bond ordinance until this estoppel period has passed.

Condition

At the October 2012 Council meeting, the Borough Council awarded a contract for roof replacement. At this same meeting, the public hearing and adoption was held for the bond ordinance which is funding the project. However, a quorum was not present at this meeting and the Mayor was incorrectly included in the vote. As a result, a second public hearing and adoption on this ordinance was held in December 2012. Based on the publication date, this ordinance was not effective until January 8, 2013.

Cause

Due to the dire need of having the roof replaced, Council wanted to award the contract so the work could be completed before winter weather made the project not possible to complete. In addition, the project was bid and awarded just before the devastation from Super Storm Sandy. If the time for contract completion had expired the Borough may have been charged a much higher cost.

Effect

The 20 day estoppel period allows any interested party a time frame in which to file a suit, action or proceeding to question the validity of the ordinance. As a result, the commitment of funds before this time period lapses results in an expenditure without an appropriation.

Recommendation

That no funds be committed against a bond ordinance until the 20 day estoppel period has lapsed. This 20 day period begins upon the publication of the ordinance after adoption.

Management Response

The Chief Financial Officer will ensure that Borough Council does not award a contract that is to be funded through a bond ordinance until after the ordinance becomes effective.

STATUS OF PRIOR RECOMMENDATIONS

NONE

**CURRENT FUND
SCHEDULE OF CASH - TREASURER**

	<u>Ref.</u>	<u>Current Fund</u>
Balance December 31, 2011		\$664,153
Increased by Receipts:		
Tax Collections	A-5	3,051,083
Revenue Accounts Receivable	A-8	303,325
State of New Jersey -		
Senior Citizens and Veterans		24,750
Marriage License Fees		175
Miscellaneous Revenue	A-2	158,576
Appropriation Refunds	A-3	21,005
Land Sale Deposits		67,800
JIF Safety Money		800
Grant Fund - Unappropriated Reserves	A-13	2,600
Due From Grant Fund	A-11	<u>68,532</u>
		<u>3,698,646</u>
		4,362,799
Decreased by Disbursements:		
2012 Appropriations	A-3	878,215
2011 Appropriation Reserves	A-9	35,565
Reserve for Encumbrances		401
Tax Refunds		1,646
Refund Land Sale Deposit		5,500
State of New Jersey Marriage License Fees		200
Due To Grant Funds - Reserves	A-13	17,726
JIF Safety Money		1,194
County Taxes		720,481
Local District School Tax	A-10	<u>1,754,261</u>
		<u>3,415,189</u>
Balance December 31, 2012	A	<u><u>\$947,610</u></u>

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

	<u>Ref.</u>		
Increased by Receipts:			
Prepaid Taxes - 2013		\$25,307	
Taxes Receivable	A-6	3,006,058	
Tax Title Liens	A-7	230	
Interest and Costs on Taxes	A-8	19,388	
Miscellaneous Revenue	A-2	100	
		<hr/>	
			3,051,083
			<hr/> <hr/>
 Payment to Treasurer	 A-4		 \$3,051,083
			<hr/> <hr/>

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

YEAR	Balance Dec. 31, 2011	2012 Levy	Added Taxes	Overpayments Created	Collections by Cash 2011	2012	Overpayments Applied	Cancellations	Transferred to Tax Title Liens	Balance Dec. 31, 2012
2010	\$7					7				0
2011	124,480					123,590			890	0
2012	124,487	0	0	0	0	123,597	0	0	890	0
		3,087,183		1,644	33,100	2,905,961	24	17,273	18,907	113,562
	<u>\$124,487</u>	<u>3,087,183</u>	<u>0</u>	<u>1,644</u>	<u>33,100</u>	<u>3,029,558</u>	<u>24</u>	<u>17,273</u>	<u>19,797</u>	<u>113,562</u>
Ref.	A								A-7	A

Cash Collected	A-5	\$3,006,058
Senior Citizen & Veteran Allowances		<u>23,500</u>
		<u><u>\$3,029,558</u></u>

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

Analysis of 2012 Property Tax Levy

Tax Yield

General Property Tax	\$3,072,631	
Added Taxes (54:4-63.1,63.12 et.seq.)	<u>14,552</u>	
		<u><u>3,087,183</u></u>

Tax Levy

	<u>Ref.</u>		
Local District School Tax			
(Abstract)	A-10	1,766,197	
County Tax (Abstract)	A-1	717,081	
Due County for Added and Omitted Taxes			
(54:4-63.1, 63.12 et. seq.)	A-1	<u>3,400</u>	
			2,486,678

Local Tax for Municipal
Purposes

Add: Additional Tax Levied	A-2	<u>588,736</u>	
		<u>11,769</u>	

Local Tax for Municipal Purposes
Levied

<u>600,505</u>
<u><u>\$3,087,183</u></u>

**CURRENT FUND
SCHEDULE OF TAX TITLE LIENS**

	<u>Ref.</u>		
Balance December 31, 2011	A		\$219,364
Increased by:			
Transfers from Taxes Receivable	A-6	19,797	
Interest and Costs on Tax Sale held on April 24, 2012	Res.	<u>162</u>	
			<u>19,959</u>
Decreased by:			
Collections	A-2	<u>230</u>	
			<u>230</u>
Balance December 31, 2012	A		<u><u>\$239,093</u></u>

**CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE**

Ref.	BALANCE DEC. 31, 2011	ACCRUED IN 2012	TAX COLLECTOR	TREASURER	BALANCE DEC. 31, 2012
A-2	\$5,950	45,804		47,988	3,766
A-2	4,758	66,226		67,867	3,117
A-2		19,388	19,388		
A-2		171,563		171,563	
A-2		14,519		14,519	
A-2		1,388		1,388	
	<u>\$10,708</u>	<u>318,888</u>	<u>19,388</u>	<u>303,325</u>	<u>6,883</u>
Ref.	A	Res.	A-5	A-4	A

Code Enforcement:

Building Permits

Municipal Court:

Fines and Costs

Interest and Costs on Taxes

Energy Receipts Tax

Consolidated Municipal Property Tax Relief

Investment Interest

**CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - 2011**

	BALANCE DEC. 31, 2011	BALANCE AFTER TRANSFERS	PAID OR CHARGED	BALANCE LAPSED	OVER- EXPENDED
Municipal Clerk					
Other Expenses	\$3,324	3,324	2,036	1,288	
Financial Administration					
Other Expenses	633	633	632	1	
Tax Collector					
Other Expenses	807	807	247	560	
Assessment of Taxes					
Other Expenses	1,056	1,056	446	610	
Legal					
Other Expenses	7,846	7,846	187	7,659	
Engineering Services					
Other Expenses	17,579	17,579	7,029	10,550	
Planning Board					
Other Expenses	3,549	3,549	40	3,509	
Employee Health Insurance	5,235	5,235	5,000	235	
LOSAP Contributions	4,500	4,500	3,000	1,500	
Fire					
Other Expenses	7,691	7,691	309	7,382	
Streets and Roads					
Other Expenses	8,098	8,098	830	7,268	
Solid Waste					
Other Expenses	6,094	6,094	1,672	4,422	
Public Buildings and Grounds					
Other Expenses	468	468	411	57	
Vehicle Maintenance					
Other Expenses	2,944	2,944	391	2,553	
Parks and Recreation					
Other Expenses	3,426	3,426	1,500	1,926	
Utilities					
Electricity and Natural Gas	9,424	9,424	3,989	5,435	
Telecommunications	1,298	1,298	1,108	190	
Petroleum Products	1,980	1,980	1,972	8	
Solid Waste Disposal Cost					
Other Expenses	4,873	4,873	4,188	685	
Municipal Court					
Other Expenses	793	793	578	215	
Other Accounts - No Changes	10,882	10,882		10,882	
	<u>\$102,500</u>	<u>102,500</u>	<u>35,565</u>	<u>66,935</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, 2011		
School Tax Payable	A	\$0
School Tax Deferred		<u>871,162</u>
		871,162
Increased By:		
Levy - School Year July 1, 2012 to June 30, 2013	A-1:A-6	<u>1,766,197</u>
		2,637,359
Decreased By:		
Payments	A-4	<u>1,754,261</u>
Balance December 31, 2012		
School Tax Payable	A	11,936
School Tax Deferred	A	<u>871,162</u>
		<u><u>883,098</u></u>
2012 Liability for Local School Tax:		
Tax Paid		1,754,261
Tax Payable 12/31/2012		<u>11,936</u>
		1,766,197
Less: Tax Payable 12/31/2011		<u>0</u>
Amount Charged to 2012 Operations	A-1	<u><u>\$1,766,197</u></u>

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

<u>Purpose</u>	<u>Balance Dec. 31, 2011</u>	<u>Transferred from 2012 Budget Revenues</u>	<u>Received</u>	<u>Cancelled</u>	<u>Balance Dec. 31, 2012</u>
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	26,999				26,999
Home Investment Grant - 2012		15,000			15,000
State of New Jersey:					
NJ Transportation Trust Fund Authority Act of 1984					
Reconstruction of Memory Lane	83,125		57,261	25,864	
Clean Communities		4,858	4,858		
Recycling Tonnage Grant		5,902	5,902		
County / Local:					
Municipal Alliance Program	7,780	7,780	6,413	1,367	7,780
	<u>\$150,905</u>	<u>33,540</u>	<u>74,434</u>	<u>27,231</u>	<u>82,780</u>
Ref.	A	A-2	A-4	A-1	A
Received in Cash		C-4	68,532		
Prior Year Unappropriated Reserves			5,902		
			<u>74,434</u>		

SEE ACCOMPANYING AUDITOR'S REPORT

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

<u>Grant</u>	<u>Balance Dec. 31, 2011</u>	<u>Transferred from 2012 Budget Appropriations</u>	<u>Expended</u>	<u>Encumbered</u>	<u>Cancelled</u>	<u>Balance Dec. 31, 2012</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	26,999					26,999
Home Investment 2012 Partnership Program		15,000				15,000
Department of Human Services-Passed through New Jersey Prevention Network: Atlantic Prevention Resources Start Talking Before They Start Drinking	324		324			
State of New Jersey:						
NJ Transportation Trust Fund Authority Act of 1984	25,864				25,864	
Reconstruction of Memory Lane	4,949	4,858	9,283			524
Clean Communities Act	5,346	5,902				11,248
Recycling Tonnage Grant						
County / Local:						
Municipal Alliance Program						
Local Share		1,945	1,945			
County Share	4,334	7,780	6,174	213	1,367	4,360
	<u>\$100,817</u>	<u>35,485</u>	<u>17,726</u>	<u>213</u>	<u>27,231</u>	<u>91,132</u>
Ref.	A	A-3	A-4	A	A-1	A

SEE ACCOMPANYING AUDITOR'S REPORT

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

<u>Grant</u>	Balance Dec. 31, 2011	Transferred to 2012 Budget Appropriations	Received	Balance Dec. 31, 2012
Recycling Tonnage Grant	\$5,902	5,902	2,600	2,600
	<u>\$5,902</u>	<u>5,902</u>	<u>2,600</u>	<u>2,600</u>
Ref. A	A	A-12	A-4	A

SEE ACCOMPANYING AUDITOR'S REPORT

**TRUST FUND
SCHEDULE OF CASH - TREASURER**

	Ref.	Animal Control	Other
Balance December 31, 2011	B	\$1,250	120,143
Increased By:			
Dog License Fees	B-2	1,338	
Cat License Fees	B-2	469	
State License Fees	B-3	236	3,423
Due to Current Fund	B-4		5,723
Interest Earned	B 4-11		198
Escrow Deposits	B-5		69,383
Construction Code Fees	B-6		45,801
Tax Title Lien Redemption	B-7		34,851
Payroll and Deductions	B-8		342,644
Small Cities Loan Repayments	B-9		6,485
Community Events	B-11		2,358
		<u>2,043</u>	<u>510,866</u>
		3,293	631,009
Decreased By:			
Expenditures under NJS 4:19-15.22	B-2	1,488	
State of New Jersey	B-3;6	236	3,716
Unemployment Claims	B-4		12,030
Escrow Payments	B-5		34,592
Current Fund	B-6		47,985
Tax Title Lien Redemption	B-7		32,211
Payroll and Deductions	B-8		342,674
Small Cities Housing Rehabilitations	B-9		9,495
Community Event Payments	B-11		11,165
		<u>1,724</u>	<u>493,868</u>
Balance December 31, 2012	B	<u>\$1,569</u>	<u>137,141</u>

Analysis of Other Cash

Construction Code	4,432
Payroll Deductions	7
Unemployment Trust	8,023
Developer's Escrow	44,698
Tax Title Lien Redemption	5,540
Small Cities Revolving Trust	74,441
	<u>\$137,141</u>

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

	<u>Ref.</u>		
Balance December 31, 2011	B		\$1,250
Increased by:			
Dog License Fees Collected	B-1	1,338	
Cat License Fees Collected	B-1	<u>469</u>	
			<u>1,807</u>
			3,057
Decreased by:			
Expenditures under NJS 4:19-15.22	B-1	<u>1,488</u>	
			<u>1,488</u>
Balance December 31, 2012	B		<u><u>\$1,569</u></u>

License Fees Collected	<u>Year</u>	<u>Amount</u>
	2011	1,686
	2010	<u>1,163</u>
		<u><u>\$2,849</u></u>

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

	<u>Ref.</u>	
Balance December 31, 2011	B	\$0
Increased by:		
Collected in 2012		
State License Fees	144	
Pilot Clinic Fee	29	
Animal Population Control Fee	63	
		<hr/>
	B-1	<hr/> 236
		236
Decreased By:		
Payments	B-1	<hr/> 236
Balance December 31, 2012	B	<hr/> <hr/> \$0

B-4

TRUST FUND
SCHEDULE OF UNEMPLOYMENT COMPENSATION FUND

	<u>Ref.</u>	
Balance December 31, 2011	B	\$14,313
Increased by:		
Interest on Investments	B-1	17
Received from Current Fund	B-1	5,723
		<u>5,740</u>
		20,053
Decreased by:		
Payments for Unemployment Claims	B-1	<u>12,030</u>
Balance December 31, 2012	B	<u><u>\$8,023</u></u>

B-5

TRUST FUND
SCHEDULE OF DEVELOPERS ESCROW FUND

	<u>Ref.</u>	
Balance December 31, 2011	B	\$9,907
Increased By:		
Escrow Deposits	B-1	<u>69,383</u>
		79,290
Decreased by:		
Escrow Payments	B-1	<u>34,592</u>
Balance December 31, 2012	B	<u><u>\$44,698</u></u>

B-6

**TRUST FUND
SCHEDULE OF CONSTRUCTION CODE OFFICIAL**

Balance December 31, 2011	<u>Ref.</u> B		\$6,909
Increased by:			
State Fees		3,423	
Building Permits		<u>45,801</u>	
	B-1		<u>49,224</u>
			56,133
Decreased by:			
Payments to Borough Treasurer	B-1	47,985	
Payments to State of New Jersey	B-1	<u>3,716</u>	
			<u>51,701</u>
Balance December 31, 2012			<u><u>\$4,432</u></u>
<u>Analysis of Balance:</u>			
Due to State of New Jersey	B		666
Due to Borough Treasurer	B		<u>3,766</u>
			<u><u>\$4,432</u></u>

B-7

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

Balance December 31, 2011	<u>Ref.</u> B		\$2,900
Increased by:			
Deposits for redemptions	B-1		<u>34,851</u>
			37,751
Decreased by:			
Refund of redemptions	B-1		<u>32,211</u>
Balance December 31, 2012	B		<u><u>\$5,540</u></u>

B-8

TRUST FUND
SCHEDULE OF RESERVE FOR PAYROLL DEDUCTIONS

Balance December 31, 2011	<u>Ref.</u> B		\$37
Increased by:			
Payroll and Deductions	B-1	<u>342,644</u>	<u>342,644</u>
			342,681
Decreased by:			
Payment of Payroll and Deductions	B-1		<u>342,674</u>
Balance December 31, 2012	B		<u><u>\$7</u></u>

B-9

TRUST FUND
SCHEDULE OF RESERVE FOR SMALL CITIES REVOLVING FUND

Balance December 31, 2011	<u>Ref.</u> B		\$77,270
Increased by:			
Small Cities Loan Repayments	B-1	6,485	
Interest earned	B-1	<u>181</u>	<u>6,666</u>
			83,936
Decreased by:			
Housing Rehabilitations	B-1		<u>9,495</u>
Balance December 31, 2012	B		<u><u>\$74,441</u></u>

B-10

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

Balance December 31, 2011	<u>Ref.</u> B		\$57,532
Increased by:			
Contributions	A-9	3,000	
Increase in value		<u>5,673</u>	
			<u>8,673</u>
			66,205
Decreased by:			
Withdrawals		12,349	
Fees		<u>442</u>	
			<u>12,791</u>
Balance December 31, 2012	B		<u><u>\$53,414</u></u>

B-11

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

Balance December 31, 2011	<u>Ref.</u> B		\$8,807
Increased by:			
Deposits for Events	B-1		<u>2,358</u>
			11,165
Decreased by:			
Events Expenditures	B-1		<u>11,165</u>
Balance December 31, 2012	B		<u><u>\$0</u></u>

SEE ACCOMPANYING AUDITOR'S REPORT

**GENERAL CAPITAL FUND
ANALYSIS OF CASH**

	BALANCE Dec. 31, 2011	RECEIPTS	DISBURSEMENTS		TRANSFERS		BALANCE Dec. 31, 2012
			IMPROVEMENT AUTHORIZATIONS	MISC.	FROM	TO	
Fund Balance	\$82,480				25,000		57,480
Capital Improvement Fund	19,474				19,300		174
Contracts Payable						27,328	27,328
<u>Improvement Authorizations</u>							
#08-2011 Various Road Improvements & Capital Purchases	2,328				2,328		
#07-2012 Purchase & Installation of Recreation Equipment					25,000	25,000	
#08-2012 Various General Improvements			49,750			19,300	(30,450)
	<u>\$104,282</u>	<u>0</u>	<u>49,750</u>	<u>0</u>	<u>71,628</u>	<u>71,628</u>	<u>54,532</u>
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, 2011	C	\$361,417
Decreased by:		
2012 Budget Appropriation to Pay Bonds:		
Municipal Bonds	C-7	<u>16,698</u>
Balance December 31, 2012	C	<u><u>\$344,719</u></u>

GENERAL CAPITAL FUND
STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED

ORDINANCE #	IMPROVEMENT DESCRIPTION	ANALYSIS OF BALANCE - DECEMBER 31, 2012					
		FINANCED BY		UNEXPENDED			
		BALANCE Dec. 31, 2011	2012 AUTHORIZATION	BALANCE Dec. 31, 2012	BOND ANTICIPATION NOTES	EXPENDITURES	IMPROVEMENT AUTHORIZATIONS
8-2012	Various General Improvements	\$0	365,700	365,700		47,000	318,700
		\$0	365,700	365,700	0	47,000	318,700
Ref.		C	C-6	C			C-6

SEE ACCOMPANYING AUDITOR'S REPORT

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

Balance December 31, 2011	<u>Ref.</u> C	\$19,474
Decreased by:		
Appropriated to Finance Improvement Authorizations	C-6	<u>19,300</u>
Balance December 31, 2012	C	<u><u>\$174</u></u>

**GENERAL CAPITAL FUND
STATEMENT OF IMPROVEMENT AUTHORIZATIONS**

Ord. #	IMPROVEMENT DESCRIPTION	ORD. DATE	AMOUNT	Dec. 31, 2011		CAPITAL IMPROVEMENT FUND	CAPITAL SURPLUS	DEFERRED CHARGES TO FUTURE TAXATION- UNFUNDED	PAID OR CHARGED	Dec. 31, 2012	
				FUNDED	UNFUNDED					FUNDED	UNFUNDED
8-2011	Various Road Improvements & Capital Purchases	9/14/11	25,000	\$2,328						2,328	
7-2012	Purchase & Installation of Recreation Equipment	10/24/12	25,000				25,000			25,000	
8-2012	Various General Improvements (a) Purchase of Computer & Electronic Equipment	12/12/12	15,000			800		14,200		800	14,200
	(b) Acquisition of Ford F550 & F650 Trucks for Public Works		190,000			9,500		180,500		9,500	180,500
	(c) Municipal Building Roof Replacement		55,000			2,750		52,250	49,750		5,250
	(d) Acquisition of Public Works Equip including Diesel & Gas Mowers		25,000			1,250		23,750		1,250	23,750
	(e) Construction of Public Works Storage		100,000			5,000		95,000		5,000	95,000
				\$2,328	0	19,300	25,000	365,700	49,750	27,328	318,700
Ref.				C	C	C-5	C-1	C-4	C-2	C	C

SEE ACCOMPANYING AUDITOR'S REPORT

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

PURPOSE	DATE OF ISSUE	AMOUNT OF ORIGINAL ISSUE	MATURITIES OF BONDS OUTSTANDING		INT. RATE	BALANCE Dec. 31, 2011	INCREASED DECREASED	BALANCE Dec. 31, 2012
			DECEMBER 31, 2012 DATE	AMOUNT				
Acquisition of Land, Renovations, and Addition to Borough Hall	7/18/96	534,000	7/18/13	17,543				
			7/18/14	18,431				
			7/18/15	19,463				
			7/18/16	20,344				
			7/18/17	21,174				
			7/18/18	22,456				
			7/18/19	23,593				
			7/18/20	24,788				
			7/18/21	26,072				
			7/18/22	27,460				
			7/18/23	28,745				
			7/18/24	30,201				
			7/18/25	31,729				
			7/18/26	32,752				
					5%	361,417	16,698	344,719
						<u>\$361,417</u>	<u>0</u>	<u>344,719</u>
						C	C-3	C

SEE ACCOMPANYING AUDITOR'S REPORT

GENERAL CAPITAL FUND
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

ORD #	IMPROVEMENT DESCRIPTION	BALANCE		2012 AUTHORIZATIONS	PAID THROUGH BUDGET	BALANCE Dec. 31, 2012
		Dec. 31, 2011				
8-2012	Various General Improvements	\$0		365,700		365,700
		\$0		365,700	0	365,700
Ref.	C		C-6		C-4	C

SEE ACCOMPANYING AUDITOR'S REPORT

BOROUGH OF FOLSOM

PART II

LETTER OF COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2012

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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 \$29,000, except by contract or agreement". Effective July 1, 2010, the bid threshold was increased to \$36,000 for municipalities with a Qualified Purchasing Agent. On August 11, 2011 the Borough Council adopted a resolution to increase the bid threshold.

The governing body of the municipality has the responsibility of determining whether the expenditures of any category will exceed \$36,000 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 contract was bid in 2012: Repairs to Municipal Building Roof.

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 \$36,000 "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 4, 2012 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 30st, an additional penalty of six percent (6%) shall be charged against the delinquency.

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

Delinquent Taxes and Tax Title Liens

The last tax sale was held on April 24, 2012 and was complete. There were no properties in bankruptcy as of December 31, 2012.

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>
2012	122
2011	121
2010	111

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 2012 and 2013 Taxes	5
Delinquent Taxes	4
Municipal Court	6

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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>
2012	\$3,087,183	2,937,441	95.14%
2011	3,014,379	2,867,156	95.12%
2010	2,952,406	2,805,862	95.04%
2009	2,831,391	2,704,967	95.53%
2008	2,723,677	2,607,362	95.72%

Comparative Schedule of Tax Rate Information

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Tax Rate	2.902	2.851	2.779	2.672	2.602
Apportionment of Tax Rate:					
Municipal	.556	.549	.538	.519	.490
County	.678	.654	.632	.580	.525
Local School	1.668	1.648	1.609	1.5736	1.587
Assessed Valuation	108,879,775	105,697,672	106,207,502	105,427,312	104,025,045

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>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage Of Tax Levy</u>
2012	\$239,093	113,562	352,655	11.42%
2011	219,364	124,488	343,852	11.41%
2010	203,015	112,309	315,324	10.68%
2009	226,029	108,115	334,144	11.80%
2008	206,172	101,648	307,820	11.30%

Uniform Construction Code

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

RECOMMENDATIONS

1. That no funds be committed against a bond ordinance until the 20 day estoppel period has lapsed. This 20 day period begins upon the publication of the ordinance after adoption.

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,

Robert E. Swartz, CPA

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

Ford Scott & Associates, LLC

Ford Scott & Associates, LLC
Certified Public Accountants

April 1, 2013