

**BOROUGH OF FOLSOM**

**ATLANTIC COUNTY**

**NEW JERSEY**

**AUDIT REPORT**

**FOR THE YEAR ENDED  
DECEMBER 31, 2011**



# BOROUGH OF FOLSOM

## TABLE OF CONTENTS

	<b>Exhibit</b>	<b>Page</b>
<b>PART 1</b>		
Independent Auditor's Report		1-2
<b>CURRENT FUND</b>		
Comparative Balance Sheet - Regulatory Basis	A	3-6
Comparative Statement of Operations and Change in Fund Balance - Regulatory Basis	A-1	7-8
Statement of Revenues - Regulatory Basis	A-2	11-13
Statement of Expenditures - Regulatory Basis	A-3	14-20
<b>TRUST FUND</b>		
Comparative Balance Sheet - Regulatory Basis	B	21-22
<b>CAPITAL FUND</b>		
Comparative Balance Sheet - Regulatory Basis	C	23
Schedule of Fund Balance - Regulatory Basis	C-1	24
<b>GENERAL FIXED ASSETS ACCOUNT GROUP</b>		
Balance Sheet - Regulatory Basis	G	25
<b>NOTES TO FINANCIAL STATEMENTS</b>		26-39
<b>SUPPLEMENTARY DATA</b>		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards		40-41
Schedule of Expenditures of Federal and State Awards		42
Notes to Schedule of Expenditures of Federal and State Awards		43
Audit Findings and Responses		44
Status of Prior Recommendations		44

# BOROUGH OF FOLSOM

## TABLE OF CONTENTS

	<b>Exhibit</b>	<b>Page</b>
<b>CURRENT FUND</b>		
Schedule of Cash - Treasurer	A-4	45
Schedule of Current Cash - Collector	A-5	46
Schedule of Taxes Receivable and Analysis of Property Tax Levy	A-6	47-48
Schedule of Tax Title Liens	A-7	49
Schedule of Revenue Accounts Receivable	A-8	50
Schedule of Appropriation Reserves	A-9	51
Schedule of Local District School Tax	A-10	52
Schedule of State Grants Receivable	A-11	53
Schedule of Reserve for State Grants - Appropriated	A-12	54
Schedule of Reserve for State Grants - Unappropriated	A-13	55
<b>TRUST FUNDS</b>		
Schedule of Cash - Treasurer	B-1	56
Schedule of Reserve for Animal Control Fund Expenditures	B-2	57
Schedule of Amount Due From State of New Jersey Department of Health	B-3	58
Schedule of Unemployment Compensation Fund	B-4	59
Schedule of Developers Escrow	B-5	59
Schedule of Construction Code Official	B-6	60
Schedule of Reserve for Tax Title Lien Redemptions	B-7	60
Schedule of Reserve for Performance Guarantees	B-8	61
Schedule of Reserve for Small Cities Revolving Fund	B-9	61
Schedule of Reserve for LOSAP (Unaudited)	B-10	62
Schedule of Reserve for Community Events	B-11	62
<b>CAPITAL FUNDS</b>		
Analysis of Cash	C-2	63
Statement of Deferred Charges to Future Taxation - Funded	C-3	64
Statement of Deferred Charges to Future Taxation - Unfunded	C-4	65

# BOROUGH OF FOLSOM

## TABLE OF CONTENTS

	<b>Exhibit</b>	<b>Page</b>
Schedule of Capital Improvement Fund	C-5	66
Schedule of Improvement Authorizations	C-6	67
Schedule of Serial Bonds Payable	C-7	68
Schedule of Bonds and Notes Authorized But Not Issued	C-8	69
<b>PART II</b>		
General Comments		70-72
Recommendations		73

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**BOROUGH OF FOLSOM**

**PART 1**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS**

**AND SUPPLEMENTARY DATA**

**YEAR ENDED DECEMBER 31, 2011**

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## Independent Auditor's Report

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

We have audited the accompanying balance sheet - regulatory basis of the various funds and account groups of the Borough of Folsom, New Jersey, as of December 31, 2011, the related statement of operations and changes in fund balance - regulatory basis for the year 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, 2011. These financial statements are the responsibility of the Borough of Folsom's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements for the year ended December 31, 2010 were audited by other auditors whose report dated May 23, 2011 expressed an unqualified opinion under the Regulatory Basis of Accounting and an adverse opinion under Generally Accepted Accounting Principles.

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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Borough of Folsom prepares and presents its financial statements on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with a modified accrual basis, with certain exceptions, and the budget laws of the State of New Jersey, which practices differ from accounting principles generally accepted in the United States of America. The presentation requirement does not include a Management Discussion and Analysis as required by the Governmental Accounting Standards Board to be presented as Required Supplementary Information, but not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The affect on the financial statements of the variances between the prescribed basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the Borough's policy to prepare its financial statements on the basis of accounting discussed in the preceding paragraph of this report, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Borough of Folsom as of December 31, 2011 or the results of its operations for the year then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the financial position - regulatory basis of the various funds and account groups of the Borough of Folsom, New Jersey, as of December 31, 2011 and the results of its operations and changes in fund balance - regulatory basis of such funds for the year then ended and the statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2011 on a modified accrual basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2012 on our consideration of the Borough of Folsom's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Borough of Folsom, New Jersey, taken as a whole. The accompanying supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*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 18, 2012

**EXHIBIT A - CURRENT FUND**

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

	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>			
Regular Fund:			
Cash - Treasurer	A-4	\$664,153	588,685
Cash - Change Fund		100	100
Due from State of New Jersey - Senior Citizens and Veterans		<u>1,152</u>	<u>902</u>
		<u>665,405</u>	<u>589,687</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-6	124,487	112,309
Tax Title Liens Receivable	A-7	219,364	203,015
Property Acquired for Taxes-Assessed Valuation		216,977	213,377
Property Deeded		112,700	112,700
Due from Grant Fund		43,785	132,581
Revenue Accounts Receivable			
Construction Code Official	A-8	5,950	1,461
Municipal Court	A-8	<u>4,758</u>	<u>7,020</u>
		<u>728,021</u>	<u>782,463</u>
		<u>1,393,426</u>	<u>1,372,150</u>

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

ASSETS	Ref.	<u>2011</u>	<u>2010</u>
Federal and State Grant Fund: State Grants Receivable	A-11	<u>150,905</u>	<u>249,780</u>
		<u>150,905</u>	<u>249,780</u>
		<u>\$1,544,331</u>	<u>1,621,930</u>

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

	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
Regular Fund:			
Liabilities:			
Appropriation Reserves	A-3:A-9	\$70,736	33,924
Accounts Payable/Reserve for Encumbrances	A-3:A-9	31,764	92,002
Taxes Collected in Advance		33,100	24,995
Tax Overpayments		757	6,464
Local School District Tax Payable	A-10	0	354,319
Reserve for JIF Safety Funds		1,093	1,035
Marriage License Payable		50	0
		<hr/>	<hr/>
		137,500	512,739
Reserves for Receivables and Other Assets	A	728,021	782,463
Fund Balance	A-1	527,905	76,948
		<hr/>	<hr/>
		1,393,426	1,372,150

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

LIABILITIES, RESERVES AND FUND BALANCE	Ref.	<u>2011</u>	<u>2010</u>
Federal and State Grant Fund:			
Contracts Payable	A-12	\$401	44,119
Due to Current Fund	A	43,785	132,581
Reserve for State Grants			
Appropriated	A-12	100,817	73,080
Unappropriated	A-13	<u>5,902</u>	<u>0</u>
		<u>150,905</u>	<u>249,780</u>
		<u><u>\$1,544,331</u></u>	<u><u>1,621,930</u></u>



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

	Ref.	<u>2011</u>	<u>2010</u>
Revenue and Other Income Realized			
Fund Balance Utilized	A-2	\$75,000	258,000
Miscellaneous Revenue Anticipated	A-2	457,874	503,060
Receipts from Delinquent Taxes	A-2	112,751	104,411
Receipts from Current Taxes	A-2	2,867,156	2,805,862
Non Budget Revenue	A-2	40,460	26,912
Other Credits to Income:			
Interfund Returned		25,706	0
Cancellation of Prior Year Local Share of Grant		182	165
Unexpended Balance of Approp Reserves	A-9	<u>39,001</u>	<u>51,360</u>
 Total Income		 <u>3,618,130</u>	 <u>3,749,770</u>
 Expenditures			
Budget and Emergency Appropriations:			
Operations:			
Salaries and Wages	A-3	309,279	336,283
Other Expenses	A-3	577,465	605,219
Deferred Charges and Statutory Expenditures	A-3	73,495	71,033
Capital Improvements	A-3	0	190,000
Municipal Debt Service	A-3	34,562	34,562
Local District School Tax	A-10	1,371,161	1,708,638
County Tax	A-6	682,213	670,311
County Share of Added Taxes	A-6	213	204
Interfund Created		<u>43,785</u>	<u>132,581</u>
 Total Expenditures		 <u>3,092,173</u>	 <u>3,748,831</u>
 Excess in Revenue		 <u>525,957</u>	 <u>939</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>2011</u>	<u>2010</u>
Adjustments to Income before Fund Balance:			
Expenditures included above which are by Statute deferred Charges to Budget of Succeeding Year		0	0
Statutory Excess to Fund Balance		525,957	939
Fund Balance January 1	A	76,948	334,009
		602,905	334,948
Decreased by:			
Utilization as Anticipated Revenue	A-1:A-2	75,000	258,000
Balance December 31	A	<u>\$527,905</u>	<u>76,948</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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

Ref.	ANTICIPATED		EXCESS OR (DEFICIT)
	BUDGET	SPECIAL NJS 40A:4-87	
	BUDGET	REALIZED	
A-1	\$75,000	75,000	
Fund Balance Anticipated			
Miscellaneous Revenues:			
Section A: Local Revenues			
Fines and Costs:			
A-8	54,500	76,737	22,237
A-8	13,000	15,392	2,392
A-8	1,500	932	(568)
Total Section A			
	69,000	93,061	24,061
Section B: State Aid Without Offsetting Appropriations			
A-8	165,091	165,091	
A-8	20,991	20,991	
Consolidated Municipal Property Tax Relief Act			
	186,082	186,082	0
Total Section B			

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				
A-8	15,000			38,781	23,781
	15,000	0		38,781	23,781
Section C: Dedicated Uniform Construction Code Fees Offset with Appropriations (NJS 40A:4-36 & NJAC 5:23-4.17)					
Uniform Construction Code Fees					
Total Section C					
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:					
	5,346		4,949	5,346	
				4,949	
	7,780			7,780	
	15,000			15,000	
CDBG - Home Investment Partnership Program					
	28,126		4,949	33,075	0
Total Section F					

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS



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

	<u>Ref.</u>	
Analysis of Realized Revenues		
Allocation of Current Tax Collections:		
Revenue from Collections	A-1:A-6	\$2,867,156
Allocated to:		
School, County Taxes		<u>2,424,750</u>
Balance for Support of Municipal Budget Appropriations		442,406
Increased by:		
Appropriation "Reserve for Uncollected Taxes"	A-3	<u>188,248</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u><u>630,654</u></u>
Receipts from Delinquent Taxes:		
Delinquent Tax Collections	A-6	111,396
Tax Title Liens	A-7	<u>1,355</u>
	A-2	<u><u>\$112,751</u></u>

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

	<u>Ref.</u>		
Analysis of Non-Budget Revenue			
Tax Collector:			
Tax Searches		310	
	A-5		310
Treasurer:			
Other Miscellaneous		2,946	
Sale of Municipal Property		7,102	
Refunds of Prior Year		175	
Payment in Lieu of Taxes		7,531	
Administrative Operations		2,493	
Street Openings		2,200	
Cable Franchise Fee		8,102	
Licenses & Fees		9,601	
	A-4		40,150
	A-1:A-2		\$40,460

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

	APPROPRIATIONS			EXPENDED			UNEXPENDED	
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	CANCELLED	OVER- EXPENDED	
<b>GENERAL GOVERNMENT:</b>								
Mayor and Council								
Salaries and Wages	\$18,300	18,300	18,300					
Other Expenses	1,800	1,800	1,364		436			
Municipal Clerk								
Salaries And Wages	52,000	45,500	44,991		509			
Other Expenses	22,850	21,850	18,526	2,059	1,265			
Financial Administration								
Salaries and Wages	12,240	12,240	12,240					
Other Expenses	7,900	7,900	7,267	524	109			
Audit Service	19,000	19,000	19,000					
Assessment of Taxes								
Salaries and Wages	12,945	12,945	12,942		3			
Other Expenses	4,370	4,370	3,314	451	605			
Tax Collector								
Salaries and Wages	14,290	14,290	14,286		4			
Other Expenses	4,325	3,825	3,018	247	560			
Legal Services and Costs								
Other Expenses	18,000	37,000	29,154	187	7,659			
Engineering Services and Costs								
Other Expenses	20,000	17,800	221	2,279	15,300			
Municipal Land Use Law (N.J.S.A. 40:55D-1)								
Planning Board								
Salaries and Wages	4,000	4,000	3,846		154			
Other Expenses	7,300	4,300	751	40	3,509			

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	CANCELLED	OVER- EXPENDED	
Insurance								
Employee Group Insurance	75,088	68,588	63,353	5,028	207			
General Liability	41,000	41,000	40,894		106			
Worker's Compensation	23,000	23,000	23,000		0			
Municipal Court								
Salaries and Wages	51,250	51,250	49,725		1,525			
Other Expenses	6,600	6,600	5,807	578	215			
Public Defender								
Salaries and Wages	3,155	3,155	3,152		3			
<b>PUBLIC SAFETY:</b>								
Emergency Management Service								
Salaries and Wages	1,500	1,500	1,471		29			
Other Expenses	200	200			200			
Fire								
Salaries and Wages	1,632	1,632	1,632		0			
Other Expenses	14,000	14,000	6,309	244	7,447			
Municipal Prosecutor's Office								
Salaries and Wages	5,517	5,717	5,698		19			
<b>STREETS AND ROADS:</b>								
Road Repairs and Maintenance								
Salaries and Wages	120,500	120,500	117,342		3,158			
Other Expenses	11,700	11,700	3,602	830	7,268			

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	CANCELLED	BALANCE	OVER-EXPENDED
Building and Grounds Other Expenses	8,000	9,000	8,532	397	71			
Vehicle Maintenance Other Expenses	19,000	20,000	17,056	460	2,484			
Solid Waste Collection Other Expenses	64,600	64,600	58,506	5,016	1,078			
Solid Waste Disposal Costs	59,500	59,500	54,627	4,774	99			
<b>HEALTH AND WELFARE:</b>								
Animal Control Service (Dog Regulation) Other Expenses	6,000	6,000	6,000					
Environmental Commission Other Expenses	600	600			600			
<b>RECREATION AND EDUCATION:</b>								
Recreation Services and Programs Other Expenses	5,000	5,000	1,574	1,500	1,926			
Historical Society Other Expenses	200	200			200			
<b>STATE UNIFORM CONSTRUCTION CODE</b>								
Construction Official Salaries and Wages Other Expenses	18,250 700	18,250 700	18,216 644		34 56			

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	CANCELLED	BALANCE	OVER-EXPENDED
UNCLASSIFIED:								
Utilities								
Electricity and Natural Gas	52,000	50,000	40,576	3,989	5,435			
Telecommunications	13,000	11,500	10,202	1,181	117			
Petroleum Products	11,000	13,000	11,020	1,980	0			
<b>TOTAL OPERATIONS WITHIN "CAPS"</b>	<b>832,312</b>	<b>832,312</b>	<b>738,158</b>	<b>31,764</b>	<b>62,390</b>	<b>0</b>	<b>0</b>	<b>0</b>
Detail:								
Salaries and Wages	315,579	309,279	303,841	0	5,438	0	0	0
Other Expenses	516,733	523,033	434,317	31,764	56,952	0	0	0

**DEFERRED CHARGES AND STATUTORY EXPENDITURES:**

Deferred Charges:  
None

Statutory Expenditures:

Contribution to:  
Public Employees Retirement System  
Social Security

	34,495	34,495	34,495					
	24,000	24,000	23,399		601			
<b>TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES</b>	<b>58,495</b>	<b>58,495</b>	<b>57,894</b>	<b>0</b>	<b>601</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"</b>	<b>890,807</b>	<b>890,807</b>	<b>796,052</b>	<b>31,764</b>	<b>62,991</b>	<b>0</b>	<b>0</b>	<b>0</b>

**OPERATIONS - EXCLUDED FROM "CAPS"**

LOSAP Contributions  
Dispatch Services  
Emergency Medical Services  
Employee Group Insurance

	4,500	4,500			4,500			
	9,500	9,500	9,167		333			
	2,500	2,500	2,500					
	2,912	2,912			2,912			

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	CANCELLED	BALANCE	OVER-EXPENDED
Total Other Operations - Excluded from "CAPS"	19,412	19,412	11,667	0	7,745	0	0	0
Public and Private Programs Offset by Revenues								
Clean Communities Act	4,949	4,949	4,949					
CDBG - Home Investment Partnership Program	15,000	15,000	15,000					
Recycling Tonnage Grant	5,346	5,346	5,346					
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	35,020	35,020	35,020	0	0	0	0	0
TOTAL OPERATIONS EXCLUDED FROM "CAPS"	54,432	54,432	46,687	0	7,745	0	0	0
Detail:								
Salaries and Wages								
Other Expenses (Including Contingent)	54,432	54,432	46,687	0	7,745	0	0	0
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"								
none	0	0	0	0	0	0	0	0
TOTAL CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"	0	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	RESERVED	BALANCE CANCELLED	OVER-EXPENDED
<b>MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"</b>							
Payment of Bond Principal	15,893	15,893	15,893				
Interest on Bonds	18,669	18,669	18,669				
	34,562	34,562	34,562	0	0	0	0
<b>TOTAL MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"</b>							
	15,000	15,000	15,000				
<b>DEFERRED CHARGES - MUNICIPAL - EXCLUDED FROM "CAPS"</b>							
<b>DEFERRED CHARGES:</b>							
Deferred Charges to Future Taxation Unfunded:							
General Improvements			15,000				
	15,000	15,000	15,000	0	0	0	0
<b>Total Deferred Charges - Municipal - Excluded from "CAPS"</b>							
	103,994	103,994	96,249	0	7,745	0	0
<b>TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"</b>							
	994,801	994,801	892,301	31,764	70,736	0	0
<b>SUBTOTAL GENERAL APPROPRIATIONS</b>							
Reserve for Uncollected Taxes	188,248	188,248	188,248				
	\$1,183,049	1,183,049	1,080,549	31,764	70,736	0	0
<b>TOTAL GENERAL APPROPRIATIONS</b>							
	A-2	A-1	A-1	A:A-1			
Budget Appropriations by 40A:4-87	A-3	1,178,100	4,949				
		<u>\$1,183,049</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	\$35,020
Reserve for Uncollected Taxes	A-2	188,248
Disbursed	A-4	<u>874,134</u>
		1,097,402
Appropriation Refunds	A-4	<u>16,853</u>
		<u><u>\$1,080,549</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>2011</u>	<u>2010</u>
<b>ASSETS</b>			
Animal Control Fund:			
Cash - Treasurer	B-1	\$1,250	1,267
		<u>1,250</u>	<u>1,267</u>
LOSAP (unaudited)			
Investments	B-10	57,532	54,235
		<u>57,532</u>	<u>54,235</u>
Other Funds			
Cash - Treasurer	B-1	120,143	132,570
Small Cities Loans Receivable	Res.	126,826	126,826
		<u>246,969</u>	<u>259,396</u>
		<u>305,751</u>	<u>314,898</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
Animal Control Fund:			
Due to State of New Jersey	B-3	0	9
Reserve for Dog Expenditures	B-2	1,250	1,258
		<u>1,250</u>	<u>1,267</u>
LOSAP (unaudited)			
Reserve for LOSAP	B-10	57,532	54,235
		<u>57,532</u>	<u>54,235</u>

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

	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
LIABILITIES, RESERVES AND FUND BALANCE (CONT'D)			
Other Funds			
Due to State of New Jersey	B-6	959	305
Due to Current-Construction Code	A; B-6	5,950	1,461
Reserve for Receivables Small Cities Loans		126,826	126,826
Reserve for Payroll Tax Withholdings	B-8	37	0
Reserve for Unemployment	B-4	14,313	13,577
Reserve for Developer's Escrow	B-5	9,907	19,005
Reserve for TTL Redemptions	B-7	2,900	9,400
Reserve for Small Cities Revolving Fund	B-9	77,270	77,130
Reserve for Community Events	B-11	8,807	11,692
		<u>246,969</u>	<u>259,396</u>
		<u>\$305,751</u>	<u>314,898</u>

**EXHIBIT C - CAPITAL FUND**

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

	Ref.	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>			
Cash	C-2	\$104,282	119,954
Deferred Charges to Future Taxation -			
Funded	C-3	361,417	377,309
Unfunded	C-4	<u>0</u>	<u>15,000</u>
		<u>465,699</u>	<u>512,263</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
Serial Bonds Payable	C-7	361,417	377,309
Improvement Authorizations			
Funded	C-6	2,328	3,706
Capital Improvement Fund	C-5	19,474	26,933
Fund Balance	C-1	<u>82,480</u>	<u>104,315</u>
		<u>\$465,699</u>	<u>512,263</u>

There were bonds and notes authorized but not issued of \$0 at December 31, 2011 and \$15,000 at December 31, 2010. (C-8)

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

	<u>Ref.</u>	
Balance December 31, 2010	C	\$104,315
Increased by:		
Funded Improvement Authorizations		
Cancelled		3,165
Decreased by:		
Appropriated to Fund Improvement		
Authorizations	C-6	<u>25,000</u>
Balance December 31, 2011	C	<u><u>\$82,480</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>2011</u>	<u>2010</u>
General Fixed Assets:		
Land	\$213,600	213,600
Buildings and Improvements	685,545	685,545
Furniture, Fixtures, and Equipment	226,838	211,696
Vehicles	479,228	887,213
	<u>1,605,211</u>	<u>1,998,054</u>
 Investment in General Fixed Assets	 <u>\$1,605,211</u>	 <u>1,998,054</u>

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**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 AND 2010**

**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.

## **NOTES TO FINANCIAL STATEMENTS**

### **YEARS ENDED DECEMBER 31, 2011 AND 2010**

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

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

#### **C. Basis of Accounting**

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

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

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

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

Foreclosed Property -- Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved. Ordinarily, it is the intention of the Borough to resell foreclosed property in order to recover all or a portion of the delinquent taxes or assessments and to return the property to a taxpaying basis. For this reason the value of the foreclosed property has not been included in the General Fixed Assets Account Group. If such property is converted to a municipal use, it will be recorded in the General Fixed Assets Account Group.

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2011 AND 2010**

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

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

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

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

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

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

No depreciation has been provided for in the financial statements.

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

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

The following schedule is a summarization of the changes in general fixed assets for the calendar year ended December 31, 2011.

	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, 2011 AND 2010**

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.

**Note 2: BUDGETARY INFORMATION**

Under New Jersey State Statutes, the annual budget is required to be a balanced cash basis document. To accomplish this, the municipality is required to establish a reserve for uncollected

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2011 AND 2010**

taxes. The 2011 and 2010 statutory budgets included a reserve for uncollected taxes in the amount of \$188,248, and \$180,346. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2011 and 2010 statutory budgets was \$75,000 of \$76,047 available fund balance and \$258,000 of \$332,857 available fund balance.

The Chief Financial Officer has the discretion of approving intra department budgetary transfers throughout the year. Inter department transfers are not permitted prior to November 1. After November 1 these transfers can be made in the form of a resolution and approved by Borough Council. The following significant budget transfers were approved in the 2011 and 2010 calendar years.

	<u>2011</u>	<u>2010</u>
Municipal Clerk – S&W	(6,500)	10,000
Municipal Clerk - OE		(5,000)
Legal Services & Costs – OE	19,000	23,000
Engineering Services – OE	(2,200)	(7,000)
Planning Board - OE	(3,000)	
Employee Health Insurance	(6,500)	(7,800)
Solid Waste Disposal OE		(6,000)
Parks & Recreation – OE		(4,000)
Electricity & Natural Gas	(2,000)	6,000
Telecommunications	(1,500)	(4,000)
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 2011 calendar year, Borough Council approved a budget insertion for Clean Communities in the amount of \$4,949. During the 2010 calendar year, Borough Council approved a budget insertion for Clean Communities in the amount of \$5,133.

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 2011 or 2010.

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 AND 2010**

**Note 3: INVESTMENTS**

As of December 31, 2011 and 2010, the municipality had no investments other than in the Length of Service Award Program (LOSAP)

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

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

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

**Unaudited Investments**

As more fully described in Note 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, 2011 and 2010 amounted to \$57,532 and \$54,235. 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, 2011 and 2010, \$0 of the municipality's bank balance of \$896,692 and \$858,331 was exposed to custodial credit risk.



**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 AND 2010**

**Note 5: LONG TERM DEBT**

Summary of Municipal Debt

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

	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, 2011 and 2010 of \$361,417 and \$377,309. This loan is payable in semi-annual installments of \$17,281 beginning on July 18, 1997 and continuing through July 18, 2026. Interest is calculated at 5% and is included in the semi-annual installments. This method of calculating interest, as well as semi-annual principal payments, is not in conformance with New Jersey Statutes. The Borough has received approval from the Local Finance Board to use this method of interest calculation for this issue.

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

Year Ending December 31,	Principal	Interest	Total
2012	16,698	17,864	34,562
2013	17,543	17,019	34,562
2014	18,431	16,131	34,562
2015	19,363	15,199	34,562
2016	20,344	14,218	34,562
2017-2021	118,253	54,557	172,810
2022-2026	150,785	21,438	172,810
Total	<u>\$ 361,417</u>	<u>156,426</u>	<u>517,843</u>

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**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 AND 2010**

As of December 31, 2011, the carrying value of the above bonds approximates the fair value of the bonds.

<u>Summary of Municipal Debt</u>	<u>Year 2011</u>	<u>Year 2010</u>	<u>Year 2009</u>
Bonds & Notes Issued	\$361,417	\$377,309	392,436
Bonds & Notes Authorized But Not Issued	<u>0</u>	<u>15,000</u>	<u>30,000</u>
Net Bonds & Notes Issued and Authorized But Not Issued	<u>\$361,417</u>	<u>\$392,309</u>	<u>422,436</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 .19%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
School Debt	\$2,326,000	2,326,000	0
General Debt	<u>361,416</u>	<u>0</u>	<u>361,416</u>
	<u>\$2,687,416</u>	<u>2,326,000</u>	<u>361,416</u>

Net Debt \$361,416 ÷ Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$194,447,345 = .19%.

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

3 ½ % of Equalized Valuation Basis (Municipal)	\$6,805,657
Net Debt	<u>361,416</u>
Remaining Borrowing Power	<u>\$6,444,241</u>

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

**Note 6: BOND ANTICIPATION NOTES**

The Borough of Folsom had no outstanding notes at December 31, 2011. A bond ordinance was approved in 2001 for various general improvements which authorized debt of \$90,000. The Borough has not borrowed against this authorization and has, instead, been reducing the balance each year through a budget appropriation. During 2010 and 2011 the budget appropriation was \$15,000 and \$15,000, respectively, and the remaining authorized debt at December 31, 2011 was \$0.

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 AND 2010**

**Note 7: LEASE OBLIGATIONS**

At December 31, 2011, 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 \$2,820 and future minimum payments are as follows:

<u>Year Ending Dec. 31,</u>	<u>Amount</u>
2012	\$ 2,820
2013	0
2014	0
2015	0
2016	0
Total	\$ <u>2,820</u>

During the calendar year 2011 and 2010 rental payments were \$2,820 and \$2,820.

**Note 8: FUND BALANCES APPROPRIATED**

Fund balances at December 31, 2011 and 2010 which were appropriated and included as anticipated revenue in the current operating budget for the year ending December, 31, 2012 and 2011 were as follows:

	<u>2012</u>	<u>2011</u>
Current Fund	\$ 160,600	75,000

Municipalities are permitted to appropriate the full amount of fund balance, net of any amounts due from the State of New Jersey for Senior Citizens and Veterans Deductions, deferred charges, and cash deficit. The total amount of fund balance available to the Borough to appropriate in the 2012 budget is \$526,753 and \$76,047 in 2011.

**Note 9: SCHOOL TAXES**

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

	Local District Balance <u>12/31/11</u>	School Tax Balance <u>12/31/10</u>
Balance of Tax	\$871,162	854,319
Deferred	871,162	500,000
Tax Payable	<u>\$ 0</u>	<u>354,319</u>

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 AND 2010**

**Note 10: TAXES COLLECTED IN ADVANCE**

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

	Balance <u>12/31/11</u>	Balance <u>12/31/10</u>
Prepaid Taxes	\$33,100	24,995
Cash Liability for Taxes Collected in Advance	<u>\$33,100</u>	<u>24,995</u>

**Note 11: PENSION FUNDS**

*Description of Plans*

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

[http://www.state.nj.us/treasury/pensions/annrpts\\_archive.htm](http://www.state.nj.us/treasury/pensions/annrpts_archive.htm).

*Public Employees' Retirement System*

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

*Funding Policy*

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provided for employee contributions of 5.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in PERS. The current PERS rate is 6.9% of covered payroll. The Borough's contributions to PERS for the years ended December 31, 2011, 2010 and 2009 were \$34,495, \$29,033, and \$24,458.

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 AND 2010**

**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/shbp.htm>.

The Borough of Folsom is a member of the SHBP. The Borough will consider each employee on an individual basis for benefits upon retirement. During 2011, \$72,443 was paid by the Borough for health care of employees. The amount paid during 2010 was \$73,955 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

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 AND 2010**

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

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

**Note 14: ACCRUED SICK AND VACATION BENEFITS**

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

It is estimated that the current cost of such unpaid compensation would approximate \$3,290 in 2011 and \$3,202 in 2010. 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, 2011; 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

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 AND 2010**

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 2011 or 2010. The Joint Insurance Fund issues its own financial report which may be obtained from the Atlantic County Joint Insurance Fund, PO Box 488, Marlton, NJ 08053

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

<u>Calendar Year</u>	<u>Borough Contributions</u>	<u>Employee Contributions</u>	<u>Interest Earned</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2011	None	711	25	0	14,313
2010	None	806	26	0	13,577
2009	None	771	39	0	12,745

**Note 18: INTERFUND BALANCES**

As of December 31, 2011 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	43,785	
Grant Fund:		
Current Fund		43,785
	<u>\$ 73,785</u>	<u>43,785</u>

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

**Note 19: LENGTH OF SERVICE AWARDS PROGRAM (UNAUDITED)**

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

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2011 AND 2010**

the LOSAP Document. Contributions by the Borough for qualified participants were \$3,000 and \$3,500 for 2011 and 2010 respectively.

**Note 20: SANITARY LANDFILL**

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

**Note 21: SUBSEQUENT EVENTS**

The Borough has evaluated subsequent events through April 18, 2012, the date which the financial statements were available to be issued. It was noted that effective 2012 the Borough disbanded the volunteer fire company. As a result the assets related to the fire company are being sold. The fire truck was sold to the Plumsted Fire District #1 in the amount of \$115,000.



## **SUPPLEMENTARY DATA**

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

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

We have audited the financial statements - regulatory basis of the Borough of Folsom, New Jersey as of and for the year ended December 31, 2011, and have issued our report thereon dated April 18, 2012. Our report disclosed that, as described in Note 1 to the financial statements – regulatory basis, the Borough of Folsom, New Jersey prepares its financial statements on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with a modified accrual basis of accounting, with certain exceptions, and the budget laws of the State of New Jersey, which practices differ from accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the “Division”).

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

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

We noted certain matters that we reported to management of the Borough of Folsom, New Jersey in a separate letter dated April 18, 2012.

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

*Robert E. Swartz, CPA*

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

*Ford-Scott & Associates, LLC*

Ford-Scott & Associates, LLC  
Certified Public Accountants

April 18, 2012

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

Federal or State Grantor/Pass - Through Grantor/Program Title	Pass-Through Grantor's # or CFDA #	Grant Period	Program or Award Amount	Balance Dec. 31, 2010	Receipts or Revenue Recognized	Disbursements/ Expenditures	Adjusted	Balance Dec. 31, 2011	Total Cumulative State Expenditures
<b>State of New Jersey</b>									
NJ Transportation Trust Fund Authority Act	6320-480-078-6320-Z50-TCAP-6010	1/1/10-12/31/10	190,000	25,320			544	25,864	164,680
Department of Environmental Protection									
Recycling Tonnage Grant		1/1/10-12/31/10	2,590	695			695	0	1,895
Clean Communities Act	4900-765-042-4900-004-VCMC-6020	1/1/11-12/31/11	4,949		5,346		4,949	5,346	5,132
Total State Assistance				26,015	10,295	0	1,239	36,159	171,707
<b>Federal Assistance</b>									
Environmental Protection									
Stormwater Grant	RP05-014	1/1/05-12/31/05	6,822	830		830		0	
Department of Human Services									
Start Talking Before They Start Drinking	93.959	1/1/06-12/31/06	500	324				324	
Small Cities Community Development Block Grant									
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	
Total Federal Assistance				46,154	15,000	830	0	60,324	
Total State and Federal Assistance				\$72,169	25,295	830	1,239	96,483	

**Notes to Schedule of Expenditures of Federal and State Awards  
December 31, 2011**

**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	10,295	0
Federal	15,000	830
Municipal Alliance Program	9,725	4,990
Amount in Basic Financials	\$ <u>35,020</u>	<u>5,820</u>

**NOTE 3: USDA RURAL DEVELOPMENT LOAN**

Although the Federal government continues to be at risk for the \$361,417 loan, there are no specific covenants or compliance requirements beyond the loan repayment. Therefore, this loan is not included in the determination of the threshold for single audit requirements.

***AUDIT FINDINGS AND RESPONSES***

NONE

***STATUS OF PRIOR RECOMMENDATIONS***

NONE

**CURRENT FUND  
SCHEDULE OF CASH - TREASURER**

	<u>Ref.</u>	<u>Current Fund</u>
Balance December 31, 2010		\$588,685
Increased by Receipts:		
Tax Collections	A-5	2,978,919
Revenue Accounts Receivable	A-8	302,532
State of New Jersey -		
Senior Citizens and Veterans		25,500
Marriage License Fees		250
Miscellaneous Revenue	A-2	40,150
Appropriation Refunds	A-3	16,853
Due From Capital Fund		2,669
Due From Escrow		200
JIF Safety Money		1,200
Due From Grant Fund	A-11	<u>137,123</u>
		<u>3,505,396</u>
		4,094,081
Decreased by Disbursements:		
2011 Appropriations	A-3	874,134
2010 Appropriation Reserves	A-9	56,925
Reserve for Encumbrances		0
Accounts Payable		30,000
Tax Refunds		6,662
State of New Jersey Marriage License Fees		200
Due To Grant Funds - Reserves	A-13	50,090
Due to General Capital		2,669
Due to Escrow		200
JIF Safety Money		1,142
County Taxes		682,426
Local District School Tax	A-10	<u>1,725,480</u>
		<u>3,429,928</u>
Balance December 31, 2011	A	<u><u>\$664,153</u></u>



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

	<u>Ref.</u>		
Increased by Receipts:			
Prepaid Taxes - 2012		\$ 33,100	
Taxes Receivable	A-6	2,928,762	
Tax Title Liens	A-7	1,355	
Interest and Costs on Taxes	A-8	15,392	
Miscellaneous Revenue	A-2	<u>310</u>	
			<u><u>2,978,919</u></u>
 Payment to Treasurer	 A-4		 <u><u>\$ 2,978,919</u></u>

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

<u>YEAR</u>	Balance Dec. 31, 2010	2011 Levy	Added Taxes	Overpayments Created	Overpayments 2010	Collections by Cash 2011	Overpayments Applied	Cancellations	Transferred to Foreclosed Property	Transferred to Tax Title Liens	Balance Dec. 31, 2011
2010	\$ 112,309					111,396				906	7
	112,309	0	0	0	0	111,396	0	0	0	906	7
2011		3,014,379		955	24,995	2,843,116		4,904		17,839	124,480
	\$ 112,309	3,014,379	0	955	24,995	2,954,512	0	4,904	0	18,745	124,487

Ref. A

Cash Collected	A-5	\$2,928,762
Senior Citizen & Veteran Allowances		<u>25,750</u>
		<u>\$2,954,512</u>

A-7 A

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

Analysis of 2011 Property Tax Levy

Tax Yield

General Property Tax	\$3,013,441	
Added Taxes (54:4-63.1,63.12 et.seq.)	<u>938</u>	
		<u><u>3,014,379</u></u>

Tax Levy

	<u>Ref.</u>		
Local District School Tax (Abstract)	A-10	1,742,324	
County Tax (Abstract)	A-1	682,213	
Due County for Added and Omitted Taxes (54:4-63.1, 63.12 et. seq.)	A-1	<u>213</u>	
			2,424,750

Local Tax for Municipal Purposes	A-2	588,017	
Add: Additional Tax Levied		<u>1,612</u>	
Local Tax for Municipal Purposes Levied			<u>589,629</u>
			<u><u>\$3,014,379</u></u>

**CURRENT FUND  
SCHEDULE OF TAX TITLE LIENS**

	<u>Ref.</u>		
Balance December 31, 2010	A		\$203,015
Increased by:			
Transfers from Taxes Receivable	A-6	18,745	
Interest and Costs on Tax Sale held on April 4, 2011	Res.	<u>215</u>	
			<u>18,960</u>
Decreased by:			
Collections	A-2	1,355	
Transfer to Foreclosed Property		<u>1,256</u>	
			<u>2,611</u>
Balance December 31, 2011	A		<u><u>\$219,364</u></u>

**CURRENT FUND  
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE**

Ref.	BALANCE DEC. 31, 2010	ACCRUED IN 2011	TAX COLLECTOR	TREASURER	BALANCE DEC. 31, 2011
Code Enforcement:					
Building Permits	1,461	43,270		38,781	5,950
Municipal Court:					
Fines and Costs	7,020	74,475		76,737	4,758
Interest and Costs on Taxes		15,392	15,392		
Energy Receipts Tax		165,091		165,091	
Consolidated Municipal Property Tax Relief		20,991		20,991	
Investment Interest		932		932	
	<u>\$8,481</u>	<u>320,151</u>	<u>15,392</u>	<u>302,532</u>	<u>10,708</u>
Ref.	A	Res.	A-5	A-4	A

**CURRENT FUND  
SCHEDULE OF APPROPRIATION RESERVES - 2010**

	BALANCE DEC. 31, 2010	BALANCE AFTER TRANSFERS	PAID OR CHARGED	BALANCE LAPSED	OVER- EXPENDED
Municipal Clerk					
Other Expenses	3,910	3,910	1,819	2,091	
Financial Administration					
Other Expenses	466	466	270	196	
Assessment of Taxes					
Other Expenses	1,267	1,267	316	951	
Legal					
Other Expenses	10,519	10,519	9,797	722	
Engineering Services					
Other Expenses	6,600	6,600	1,450	5,150	
Planning Board					
Other Expenses	7,124	7,124	2,255	4,869	
Employee Health Insurance	1,117	6,717	6,606	111	
LOSAP Contributions	4,500	4,500	3,000	1,500	
Social Security	513	513	115	398	
Fire					
Other Expenses	1,332	1,332	1,332	0	
Streets and Roads					
Salary and Wages	2,864	1,664	1,618	46	
Other Expenses	4,677	4,677	2,225	2,452	
Solid Waste					
Other Expenses	13,805	12,405	7,878	4,527	
Public Buildings and Grounds					
Other Expenses	1,120	1,120	450	670	
Vehicle Maintenance					
Other Expenses	2,357	2,357	1,738	619	
Utilities					
Electricity and Natural Gas	5,465	5,465	3,738	1,727	
Telecommunications	1,595	1,595	997	598	
Petroleum Products	2,535	2,535	2,298	237	
Solid Waste Disposal Cost					
Other Expenses	13,753	10,753	8,277	2,476	
Municipal Court					
Other Expenses	1,056	1,056	746	310	
Other Accounts - No Changes	9,351	9,351		9,351	
	<u>\$95,926</u>	<u>95,926</u>	<u>56,925</u>	<u>39,001</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, 2010			
School Tax Payable	A	354,319	
School Tax Deferred		<u>500,000</u>	
			854,319
Increased By:			
Levy - School Year July 1, 2011 to June 30, 2012	A-1:A-6		<u>1,742,324</u>
			2,596,643
Decreased By:			
Payments	A-4		<u>1,725,480</u>
Balance December 31, 2011			
School Tax Payable	A	0	
School Tax Deferred	A	<u>871,162</u>	
			<u>871,162</u>
2011 Liability for Local School Tax:			
Tax Paid		1,725,480	
Tax Payable 12/31/2011		<u>0</u>	
			1,725,480
Less: Tax Payable 12/31/2010		<u>354,319</u>	
Amount Charged to 2011 Operations	A-1		<u><u>\$1,371,161</u></u>

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

<u>Purpose</u>	Balance Dec. 31, 2010	Transferred from 2011 Budget Revenues	Received	Cancelled	Balance Dec. 31, 2011
<b>Federal:</b>					
Community Development Block Grant					
Home Investment Grant - 2006	3,001				3,001
Home Investment Grant - 2007	15,000				15,000
Home Investment Grant - 2008	15,000				15,000
Home Investment Grant - 2009	11,999	15,000			26,999
2009 Business Stimulus Grant	7,000		7,000		0
<b>State of New Jersey:</b>					
NJ Transportation Trust Fund Authority Act of 1984 Reconstruction of Memory Lane	190,000		106,875		83,125
Clean Communities		4,949	4,949		0
Recycling Tonnage Grant		5,346	5,346		
<b>County / Local:</b>					
Municipal Alliance Program	7,780	7,780	7,051	729	7,780
	<u>\$249,780</u>	<u>33,075</u>	<u>131,221</u>	<u>729</u>	<u>150,905</u>
Ref.	A	A-2	A-4	A-1	A

SEE ACCOMPANYING AUDITOR'S REPORT



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

<u>Grant</u>	<u>Balance Dec. 31, 2010</u>	<u>Transferred from 2011 Budget Appropriations</u>	<u>Expended</u>	<u>Encumbered</u>	<u>Cancelled</u>	<u>Balance Dec. 31, 2011</u>
<b>Federal:</b>						
Small Cities Community Development Block Grant						
Home Investment 2006 Partnership Program	3,001					3,001
Home Investment 2007 Partnership Program	15,000					15,000
Home Investment 2008 Partnership Program	15,000					15,000
Home Investment 2009 Partnership Program	11,999	15,000				26,999
NJDEP Stormwater Management Grant	830		830			0
Department of Human Services-Passed through New Jersey Prevention Network; Atlantic Prevention Resources Start Talking Before They Start Drinking	324					324
2009 Business Stimulus						
<b>State of New Jersey:</b>						
NJ Transportation Trust Fund Authority Act of 1984	25,320				544	25,864
Reconstruction of Memory Lane		4,949				4,949
Clean Communities Act		5,346			695	5,346
Recycling Tonnage Grant						
<b>County / Local:</b>						
Municipal Alliance Program	911	9,725	4,990	401	911	4,334
County Share						
	<u>\$73,080</u>	<u>35,020</u>	<u>5,820</u>	<u>401</u>	<u>2,150</u>	<u>100,817</u>
Ref.	A	A-3	A-4	A	A-1	A

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

<u>Grant</u>	<u>Balance Dec. 31, 2010</u>	Transferred to	<u>2011 Budget Appropriations</u>	<u>Received</u>	<u>Balance Dec. 31, 2011</u>
Recycling Tonnage Grant - 2009	0			5,902	5,902
	<u>\$0</u>		<u>0</u>	<u>5,902</u>	<u>5,902</u>
Ref. A		A-12		A-4	A

SEE ACCOMPANYING AUDITOR'S REPORT

**TRUST FUND  
SCHEDULE OF CASH - TREASURER**

	Ref.	Animal Control	Other
Balance December 31, 2010	B	\$1,267	132,570
Increased By:			
Dog License Fees	B-2	1,379	
Cat License Fees	B-2	307	
State License Fees	B-3	208	41,635
Due to Current Fund	B-4		711
Interest Earned	B 4-11		186
Escrow Deposits	B-5		18,183
Construction Code Fees	B-6		3,698
Tax Title Lien Redemption	B-7		50,598
Payroll and Deductions	B-8		328,105
Small Cities Loan Repayments	B-9		0
		<u>1,894</u>	<u>443,116</u>
		3,161	575,686
Decreased By:			
Expenditures under NJS 4:19-15.22	B-2	1,694	
State of New Jersey	B-3;6	217	3,043
Escrow Payments	B-5		27,281
Current Fund	B-6		37,147
Tax Title Lien Redemption	B-7		57,098
Payroll and Deductions	B-8		328,068
Community Event Payments	B-11		2,906
		<u>1,911</u>	<u>455,543</u>
Balance December 31, 2011	B	<u>\$1,250</u>	<u>120,143</u>
<b>Analysis of Other Cash</b>			
Construction Code			6,909
Payroll Deductions			37
Unemployment Trust			14,313
Developer's Escrow			9,907
Tax Title Lien Redemption			2,900
Small Cities Revolving Trust			77,270
Community Events			8,807
			<u>\$120,143</u>

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

	<u>Ref.</u>		
Balance December 31, 2010	B		\$1,258
Increased by:			
Dog License Fees Collected	B-1	1,379	
Cat License Fees Collected	B-1	<u>307</u>	
			<u>1,686</u>
			2,944
Decreased by:			
Expenditures under NJS 4:19-15.22	B-1	<u>1,694</u>	
			<u>1,694</u>
Balance December 31, 2011	B		<u><u>\$1,250</u></u>

License Fees Collected	<u>Year</u>	<u>Amount</u>
	2010	1,163
	2009	<u>1,900</u>
		<u><u>\$3,063</u></u>

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

	<u>Ref.</u>	
Balance December 31, 2010	B	\$9
Increased by:		
Collected in 2011		
State License Fees		136
Pilot Clinic Fee		27
Animal Population Control Fee		45
		208
	B-1	217
Decreased By:		
Payments	B-1	217
Balance December 31, 2011	B	\$0

B-4

**TRUST FUND  
SCHEDULE OF UNEMPLOYMENT COMPENSATION FUND**

	<u>Ref.</u>	
Balance December 31, 2010	B	\$13,577
Increased by:		
Interest on Investments	B-1	25
Received from Current Fund	B-1	<u>711</u>
		<u>736</u>
Balance December 31, 2011	B	<u><u>\$14,313</u></u>

B-5

**TRUST FUND  
SCHEDULE OF DEVELOPERS ESCROW FUND**

	<u>Ref.</u>	
Balance December 31, 2010	B	\$19,005
Increased By:		
Escrow Deposits	B-1	<u>18,183</u>
		37,188
Decreased by:		
Escrow Payments	B-1	<u>27,281</u>
Balance December 31, 2011	B	<u><u>\$9,907</u></u>

**TRUST FUND  
SCHEDULE OF CONSTRUCTION CODE OFFICIAL**

Balance December 31, 2010	<u>Ref.</u> B		\$1,766
Increased by:			
State Fees		41,635	
Building Permits		<u>3,698</u>	
	B-1		<u>45,333</u>
			47,099
Decreased by:			
Payments to Borough Treasurer	B-1	37,147	
Payments to State of New Jersey	B-1	<u>3,043</u>	
			<u>40,190</u>
Balance December 31, 2011			<u><u>\$6,909</u></u>
<u>Analysis of Balance:</u>			
Due to State of New Jersey	B		959
Due to Borough Treasurer	B		<u>5,950</u>
			<u><u>\$6,909</u></u>

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

Balance December 31, 2010	<u>Ref.</u> B		\$9,400
Increased by:			
Deposits for redemptions	B-1		<u>50,598</u>
			59,998
Decreased by:			
Refund of redemptions	B-1		<u>57,098</u>
Balance December 31, 2011	B		<u><u>\$2,900</u></u>

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

Balance December 31, 2010	<u>Ref.</u> B		\$0
Increased by:			
Payroll and Deductions	B-1	<u>328,105</u>	<u>328,105</u>
			328,105
Decreased by:			
Payment of Payroll and Deductions	B-1		<u>328,068</u>
Balance December 31, 2011	B		<u><u>\$37</u></u>

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

Balance December 31, 2010	<u>Ref.</u> B		\$77,130
Increased by:			
Small Cities Loan Repayments	B-1		
Interest earned	B-1	<u>140</u>	<u>140</u>
			77,270
Decreased by:			
Housing Rehabilitations	B-1		<u>          </u>
Balance December 31, 2011	B		<u><u>\$77,270</u></u>



B-10

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

Balance December 31, 2010	<u>Ref.</u> B		\$54,235
Increased by:			
Contributions	A-9	3,000	
Increase in value		<u>597</u>	
			<u>3,597</u>
			57,832
Decreased by:			
Fees		<u>300</u>	
			<u>300</u>
Balance December 31, 2011	B		<u><u>\$57,532</u></u>

B-11

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

Balance December 31, 2010	<u>Ref.</u> B		\$11,692
Increased by			
Interest Earned			21
Decreased by			
Events Expenditures			2,906
			<u>2,906</u>
Balance December 31, 2011	B		<u><u>\$8,807</u></u>

SEE ACCOMPANYING AUDITOR'S REPORT

GENERAL CAPITAL FUND  
ANALYSIS OF CASH

	BALANCE Dec. 31, 2010	RECEIPTS	DISBURSEMENTS		TRANSFERS		BALANCE Dec. 31, 2011
			AUTHORIZATIONS	MISC.	FROM	TO	
Fund Balance	104,315				25,000	3,165	82,480
Capital Improvement Fund	26,933				8,000	541	19,474
Improvement Authorizations							
#285 Various General Improvements	(15,000)	15,000					0
#05-2006 Purchase of Equipment	541				541		0
#08-2007 Various Capital Purchases	3,165				3,165		0
#04-2011 Emergency Roadway Inlet Repairs on E. Collings Drive				8,000		8,000	0
#08-2011 Various Road Improvements & Capital Purchases				22,672		25,000	2,328
	\$119,954	15,000	30,672	0	36,706	36,706	104,282

Ref. C A-4 A-4 C-6 C-6 C-1 C-1 C

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

	<u>Ref.</u>	
Balance December 31, 2010	C	\$377,309
Decreased by:		
2011 Budget Appropriation to Pay Bonds:		
Municipal Bonds	C-7	<u>15,892</u>
Balance December 31, 2011	C	<u><u>\$361,417</u></u>

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

ORDINANCE #	IMPROVEMENT DESCRIPTION	ANALYSIS OF BALANCE - DECEMBER 31, 2011				UNEXPENDED IMPROVEMENT AUTHORIZATIONS
		BALANCE Dec. 31, 2010	FUNDED BY BUDGET APPROPRIATION	BALANCE Dec. 31, 2011	FINANCED BY BOND ANTICIPATION NOTES	
285	Various General Improvements	15,000	15,000	0		0
		<u>\$15,000</u>	<u>15,000</u>	<u>0</u>	<u>0</u>	<u>0</u>

Ref. C C-2: C-8 C C-6

SEE ACCOMPANYING AUDITOR'S REPORT

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

Balance December 31, 2010	<u>Ref.</u> C	\$26,933
Increased by:		
Improvement Authorizations Cancelled		541
Decreased by:		
Appropriated to Fund Improvement Authorizations	C-6	<u>8,000</u>
Balance December 31, 2011	C	<u><u>\$19,474</u></u>

**GENERAL CAPITAL FUND  
STATEMENT OF IMPROVEMENT AUTHORIZATIONS**

Ord. #	IMPROVEMENT DESCRIPTION	ORD. DATE	AMOUNT	Dec. 31, 2010		CAPITAL IMPROVEMENT FUND		PAID OR CHARGED	REVERSE		Dec. 31, 2011	
				FUNDED	UNFUNDED	FUND	SURPLUS		PRIOR YEAR ENCUMBRANCE	CANCELLED	FUNDED	UNFUNDED
05-2006	Purchase of Equipment	4/12/06	58,500	541					541		0	
08-2007	Various Capital Purchases	4/11/07	80,000	3,165					3,165		0	
04-2011	Emergency Roadway Inlet Repairs on E. Collings Drive	6/8/11	8,000		8,000		8,000				0	
8-2011	Various Road Improvements & Capital Purchases	9/14/11	25,000				25,000	22,672			2,328	
				\$3,706	0	8,000	25,000	30,672	0	3,706	2,328	0

Ref.

C C C C C C C C C C C C

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

PURPOSE	DATE OF ISSUE	AMOUNT OF ORIGINAL ISSUE	MATURITIES OF BONDS OUTSTANDING DECEMBER 31, 2011	INT. RATE	BALANCE Dec. 31, 2010	INCREASED DECREASED	BALANCE Dec. 31, 2011
Acquisition of Land, Renovations, and Addition to Borough Hall	7/18/96	534,000	16,698				361,417
			17,543				
			18,431				
			19,463				
			20,344				
			21,174				
			22,456				
			23,593				
			24,788				
			26,072				
			27,460				
			28,745				
			30,201				
		31,729					
		32,752					
				5%	377,309	15,892	361,417
					<u>\$377,309</u>	<u>0</u>	<u>361,417</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 Dec. 31, 2010	AUTHORIZATIONS CANCELLED	PAID THROUGH BUDGET	BALANCE Dec. 31, 2011
285-2001	Various General Improvements	15,000		15,000	0
		<u>\$15,000</u>	<u>0</u>	<u>15,000</u>	<u>0</u>
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, 2011**

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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 no new contracts were bid in 2011.

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 5, 2011 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 4, 2011 and was complete. There were no properties in bankruptcy as of December 31, 2011.

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>
2011	121
2010	111
2009	124

### **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 2011 and 2012 Taxes	10
Delinquent Taxes	10
Municipal Court	10

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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>Currently</u>		
	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percent of Collections</u>
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%
2007	2,654,351	2,534,431	95.48%

**Comparative Schedule of Tax Rate Information**

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Tax Rate	2.851	2.779	2.672	2.602	2.55
Apportionment of Tax Rate:					
Municipal	.654	.538	.519	.490	.45
County	.549	.632	.580	.525	.51
Local School	1.648	1.609	1.573	1.587	1.59
Assessed Valuation	105,697,672	106,207,502	105,427,312	104,025,045	103,743,473

**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>
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%
2007	192,355	107,585	299,940	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

NONE

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

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

Very truly yours,

*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 18, 2012