

TOWNSHIP OF MULLICA

ATLANTIC COUNTY

NEW JERSEY

AUDIT REPORT

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

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TOWNSHIP OF MULLICA

PART I

REPORT ON AUDIT OF FINANCIAL STATEMENTS

AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2011

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and
Members of Township Committee
Township of Mullica, New Jersey

We have audited the accompanying balance sheets - regulatory basis of the various funds and account groups of the Township of Mullica, New Jersey, as of December 31, 2011, the related statements 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 Township of Mullica's management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements for the year ended December 31, 2010 were audited by other auditors whose report dated April 29, 2011 expressed an adverse opinion under accounting principles generally accepted in the United States of America and an unqualified opinion under the regulatory basis of accounting.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township'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 Township of Mullica, 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, 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 the 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 Township's policy to prepare its financial statements on the basis of accounting discussed in the third 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 Township of Mullica as of December 31, 2011 and 2010 or the results of its operations for the years 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 Township of Mullica, New Jersey as of December 31, 2011 and 2010 and the results of operations and changes in fund balance - regulatory basis of such funds for the years then ended and the statements 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 March 23, 2012 on our consideration of the Township of Mullica's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 as a whole. The supplemental schedules listed in the table of contents are 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.

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

Kenneth W. Moore
Kenneth W. Moore, CPA
Registered Municipal Accountant
No. 231

March 23, 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>
<u>Assets</u>			
Regular Fund:			
Cash:			
Treasurer	A-4	\$ 2,297,298	\$ 2,486,953
Collector	A-5	275,121	263,926
Change Fund		350	300
Petty Cash Fund		100	100
		<u>2,572,869</u>	<u>2,751,279</u>
Other Receivables:			
Due from State of New Jersey - Senior Citizens and Veterans		5,599	6,053
		<u>5,599</u>	<u>6,053</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-7	510,448	440,191
Tax Title Liens Receivable	A-8	135,029	100,133
Property Acquired / Assessed Valuation		3,497,400	3,547,400
Revenue Accounts Receivable	A-9	8,784	11,110
Due from Other Trust Fund		-	3,002
Due from Grant Fund		-	70,049
	A	<u>4,151,661</u>	<u>4,171,885</u>
		<u>6,730,129</u>	<u>6,929,217</u>
Federal and State Grant Fund:			
Due from Current Fund	A	6,465	-
Grants Receivable	A-13	219,827	409,037
		<u>226,292</u>	<u>409,037</u>
		<u>\$ 6,956,421</u>	<u>\$ 7,338,254</u>

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

<u>Liabilities, Reserves and Fund Balance</u>	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
Regular Fund:			
Appropriation Reserves		\$ 163,575	\$ 105,699
Encumbrances Payable	A-3	92,872	153,778
Prepaid Taxes		161,877	148,548
Tax Overpayments		15,734	4,559
Local School Tax Payable	A-11	753,551	753,551
Regional High School Tax Payable	A-12	6,751	453,882
Payroll Taxes Payable		14,028	-
Due to Grant Fund		6,465	-
Due to Trust Fund	B	9	24
Due to the State:			
Marriage Licenses	A-4	100	175
DCA Inspection Fees	A-4	1,496	1,437
Reserve for JIF Safety Money		2,817	1,809
Reserve for Land Sale Deposits		600	2,250
Reserve for Garden State Preservation		41,440	41,440
		<u>1,261,315</u>	<u>1,667,152</u>
Reserves for Receivables	A	4,151,661	4,171,885
Fund Balance	A-1	<u>1,317,153</u>	<u>1,090,180</u>
		<u>6,730,129</u>	<u>6,929,217</u>
Federal and State Grant Fund:			
Due to Current Fund		-	70,049
Appropriated Reserves	A-14	214,008	338,988
Unappropriated Reserves	A-15	12,284	-
		<u>226,292</u>	<u>409,037</u>
		<u>\$ 6,956,421</u>	<u>\$ 7,338,254</u>

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

	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
<u>Revenue and Other Income Realized:</u>			
Fund Balance Utilized	A-2	\$ 850,000	\$ 1,000,000
Miscellaneous Revenues Anticipated	A-2	956,083	1,380,650
Receipts from Delinquent Taxes	A-2	430,814	427,071
Receipts from Current Taxes	A-2	11,081,695	11,091,840
Nonbudget Revenues	A-2	199,620	86,253
Other Credits to Income:			
Unexpended Balance of			
Appropriation Reserves	A-10	93,244	172,594
Interfunds Returned		73,051	89,115
		<u>\$ 13,684,507</u>	<u>\$ 14,247,523</u>
<u>Expenditures:</u>			
Budget and Emergency Appropriations:			
Appropriations Within "CAPS"			
Operations:			
Salaries and Wages	A-3	1,641,490	1,808,580
Other Expenses	A-3	1,711,979	1,795,999
Deferred Charges and			
Statutory Expenditures	A-3	399,502	333,001
Appropriations Excluded from "CAPS"			
Operations:			
Salaries and Wages	A-3	94,293	102,189
Other Expenses	A-3	423,896	654,827
Capital Improvements	A-3	15,000	194,100
Municipal Debt Service	A-3	302,206	269,774
Deferred Charges and			
Statutory Expenditures	A-3		
County Taxes	A-7	2,135,643	2,052,271
Due County for Added and Omitted Taxes	A-7	7,139	5,737
Local District School Tax	A-11	3,830,830	3,829,326
Regional High School District Tax	A-12	2,036,917	2,531,179
Canceled Grants	A-13/A-14	7,783	
Prior Year Revenue Returned		856	170
Interfund Created		-	73,051
		<u>\$ 12,607,534</u>	<u>\$ 13,650,204</u>

See Accompanying Notes to Financial Statements

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

	Ref.	2011	2010
Excess (Deficit) in Revenues		\$ 1,076,973	\$ 597,319
Adjustments to Income Before Fund Balance - Expenditures Included Above Which Are by Statute Deferred Charges to Budget of Succeeding Year			
Statutory Excess to Fund Balance		1,076,973	597,319
Fund Balance January 1	A	1,090,180	1,492,861
Total		2,167,153	2,090,180
Decreased by:			
Utilization as Anticipated Revenue	A-2	850,000	1,000,000
Fund Balance December 31	A	\$ 1,317,153	\$ 1,090,180

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Ref.	Anticipated Budget	Special N.J.S. 40A:4-87	Realized	Excess or (Deficit)
Fund Balance Anticipated	A-1	\$ 850,000	\$ -	\$ 850,000	\$ -
<u>Miscellaneous Revenues:</u>		<u>850,000</u>	<u>-</u>	<u>850,000</u>	<u>-</u>
Licenses:					
Alcoholic Beverages	A-9	4,000		4,000	-
Fines and Costs:					
Municipal Court	A-9	110,000		131,576	21,576
Interest and Costs on Taxes	A-9	65,000		63,255	(1,745)
Interest on Investments and Deposits	A-9	6,500		4,003	(2,497)
Trailer Pad Fees	A-9	40,000		41,952	1,952
Cell Tower Revenue	A-9	35,000		42,833	7,833
Consolidated Municipal Property Tax Relief Aid	A-9	62,594		62,594	-
Energy receipts Tax (P.L. 1997, Ch 162 & 167)	A-9	389,182		389,182	-
Garden State Trust Fund	A	41,440		41,440	-
Uniform Construction Code Fees	A-9	55,000		64,113	9,113
Additional Revenues Offset With Appropriations:					
Clean Communities Program	A-13		16,823	16,823	-
Municipal Alliance on Alcoholism and Drug Abuse	A-13	11,860		11,860	-
Safe and Secure Communities Program	A-13	25,741		25,741	-
FEMA	A-13		2,521	2,521	-
Over the Limit Crackdown	A-13		4,400	4,400	-
Drive Sober or Get Pulled Over	A-13		5,000	5,000	-
Recycling Tonnage	A-13	5,199		5,199	-

See Accompanying Notes to Financial Statements

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Ref.	Anticipated Budget	Special N.J.S. 40A:4-87	Realized	Excess or (Deficit)
Additional Revenues Offset With Appropriations:					
HOME Investment Partnership Program	A-13	\$ -	\$ 39,591	\$ 39,591	\$ -
		<u>851,516</u>	<u>68,335</u>	<u>956,083</u>	<u>36,232</u>
Receipts from Delinquent Taxes	A-2	400,000		430,814	30,814
Subtotal General Revenues		2,101,516	68,335	2,236,897	67,046
Amount to be Raised by Taxes for Support of Municipal Budget - Local Tax for Municipal Purposes	A-2	<u>3,201,656</u>		<u>3,454,054</u>	<u>252,398</u>
Budget Totals	A-2	5,303,172	68,335	5,690,951	319,444
Nonbudget Revenues		<u>\$ 5,303,172</u>	<u>\$ 68,335</u>	<u>199,620</u>	<u>199,620</u>
	Ref.	A-3	A-3	<u>\$ 5,890,571</u>	<u>\$ 519,064</u>

See Accompanying Notes to Financial Statements

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011**

<u>Analysis of Realized Revenue:</u>	<u>Ref.</u>	
<u>Allocation of Current Tax Collections:</u>		
Revenue from Collections	A-1:A-7	\$ 11,081,695
Allocated to:		
School and County Taxes		<u>8,410,529</u>
Balance for Support of Municipal Budget Revenues		2,671,166
Add:		
Appropriation: "Reserve for Uncollected Taxes"	A-3	<u>782,888</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u><u>\$ 3,454,054</u></u>
<u>Receipts from Delinquent Taxes:</u>		
Delinquent Tax Collections	A-7	\$ 422,221
Tax Title Lien Collections	A-8	<u>8,593</u>
	A-2	<u><u>\$ 430,814</u></u>

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Ref.</u>		
<u>Analysis of Realized Revenue: (Continued)</u>			
<u>Analysis of Non-Budget Revenue</u>			
Fees and Permits		\$ 24,116	
Licenses		10,456	
Administrative Operations		5,474	
Cable Franchise Fee		18,242	
FEMA Reimbursements		39,128	
Sale of Municipal Assets		8,757	
Sale of Foreclosed Property		93,447	

	A-1:A-9		\$ 199,620
Treasurer	A-4		199,620
			\$ 199,620

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	APPROPRIATIONS		EXPENDITURES				OVER EXPENDED	UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED			
OPERATIONS WITHIN "CAPS"								
GENERAL GOVERNMENT:								
Mayor and Committee	\$ 7,500	\$ 7,500	\$ 7,125	\$ -	\$ 375	\$ -	\$ -	
Salaries and Wages	2,200	2,200	2,150		50			
Other Expenses								
Municipal Clerk	101,200	102,700	102,458		242			
Salaries and Wages	40,000	40,000	35,547	2,760	1,693			
Other Expenses								
Financial Administration	52,600	53,100	53,092		8			
Salaries and Wages	9,150	9,150	7,828	769	553			
Other Expenses	23,000	23,000	23,000					
Audit Services								
Collection of Taxes	68,815	68,915	68,892		23			
Salaries and Wages	8,275	7,775	7,338	59	378			
Other Expenses:								
Assessment of Taxes	35,700	35,200	35,000		200			
Salaries and Wages	7,765	7,765	6,360	943	462			
Other Expenses								
Legal Services and Costs	55,000	60,000	52,258	7,500	242			
Other Expenses								
Engineering Services and Costs	55,000	40,000	29,287	2,925	7,788			
Other Expenses								
Municipal Land Use Law (NJSA 40:55D-1)								
Planning Board	4,225	4,225	4,218		7			
Salaries and Wages	9,000	9,000	5,905		3,095			
Other Expenses								
Uniform Construction Code Enforcement Functions	56,350	57,350	56,998	195	352			
Salaries and Wages	1,000	1,000			805			
Other Expenses								
Senior Citizen Advisory Commission	500	500	138		362			
Other Expenses								

See Accompanying Notes to Financial Statements

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011

	APPROPRIATIONS		EXPENDITURES			RESERVED	OVER EXPENDED	UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED				
OPERATIONS WITHIN "CAPS"								
GENERAL GOVERNMENT:								
Insurance								
General Liability	\$ 64,484	\$ 64,484	\$ 57,383	\$ 7,101	\$ -	\$ -	\$ -	
Workers' Compensation	155,865	155,865	149,370	6,495				
Employee Group Insurance	558,640	546,640	546,640					
Unemployment Insurance	6,500	7,500	7,240		260			
Department of Public Safety								
Police Department								
Salaries and Wages	985,750	960,750	918,843	3,344	41,907			
Other Expenses	75,000	75,000	71,478		178			
Office of Emergency Management								
Salaries and Wages	2,000	2,000	2,000					
Other Expenses	1,750	1,750	431	396	923			
Aid to Volunteer Fire Companies								
Municipal Prosecutor's Office	59,000	59,000	59,000					
Other Expenses	9,000	9,000	8,000		1,000			
STREETS AND ROADS								
Department of Public Works								
Salaries and Wages	197,900	195,400	193,705		1,695			
Other Expenses	44,000	44,000	29,839	2,150	12,011			
Solid Waste Collection								
Other Expenses	73,000	73,000	65,986	6,017	997			
Vehicle Maintenance (Including Police Vehicles)								
Other Expenses	65,000	65,000	36,094	3,265	25,641			
Public Buildings and Grounds:								
Salaries and Wages	-	6,000	3,833		2,167			
Other Expenses	25,000	22,000	15,546	6,447	7			

See Accompanying Notes to Financial Statements

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011

	APPROPRIATIONS		EXPENDITURES			RESERVED	OVER EXPENDED	UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED				
OPERATIONS WITHIN "CAPS"								
HEALTH AND HUMAN SERVICES								
Animal Control Service								
Other Expenses	7,700	7,700	7,173	-	527			\$ -
Environmental Commission: (NUSA 40:56A-1, et seq):								
Other Expenses	200	200			200			
PUBLIC PROPERTY AND RECREATION								
Recreation								
Other Expenses	5,000	5,000	5,000					
Maintenance of Parks								
Other Expenses	1,500	1,500	69	344	1,087			
Landfill / Solid Waste Disposal Costs								
Salaries and Wages	13,000	7,400	7,130		270			
Other Expenses	165,000	165,000	121,380	20,000	23,620			
Municipal Court								
Salaries and Wages	74,800	74,800	72,132		2,668			
Other Expenses	7,000	7,000	6,129	437	434			
Public Defender (P.L. 1197, c.256)								
Other Expenses	3,600	3,600	3,600					
UNIFORM CONSTRUCTION CODE								
Uniform Construction Code Enforcement Functions								
Salaries and Wages	51,150	51,150	51,140		10			
Other Expenses	3,850	3,850	2,518	165	1,167			
Unclassified:								
Utilities and Bulk Purchases								
Electricity and Natural Gas	73,000	73,000	56,191	9,431	7,378			
Telecommunication Charges	27,000	27,000	23,129	1,776	2,095			
Petroleum Products	87,500	94,500	84,511	9,989				
Accumulated Leave Compensation	5,000	15,000	5,000		10,000			
Total Operations Within "CAPS"	3,385,469	3,353,469	3,108,084	92,508	152,877			
Detail:								
Salaries and Wages	1,655,990	1,641,490	1,581,566	-	59,924			
Other Expenses	1,729,479	1,711,979	1,526,518	92,508	92,953			

See Accompanying Notes to Financial Statements

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	APPROPRIATIONS		EXPENDITURES			OVER EXPENDED	UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED		
OPERATIONS WITHIN "CAPS"							
DEFERRED CHARGES AND STATUTORY EXPENDITURES - MUNICIPAL WITHIN "CAPS":							
Statutory Expenditures:							
Contribution to:							
Public Employees Retirement System	\$ 76,744	\$ 76,744	\$ 76,744	\$ -	\$ -	\$ -	\$ -
Police and Fire Retirement System	184,758	184,758	184,758	-	-	-	-
Defined Contribution Retirement Program	3,000	3,000	1,025	-	1,975	-	-
Social Security System (O.A.S.I.)	135,000	135,000	126,850	-	8,150	-	-
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES - MUNICIPAL WITHIN "CAPS"	399,502	399,502	389,377	-	10,125	-	-
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	3,784,971	3,752,971	3,497,461	92,508	163,002	-	-
OPERATIONS EXCLUDED FROM "CAPS"							
NJPDES Stormwater Management (N.J.S.A. 40A:4-45.3)							
Other Expenses	10,000	10,000	9,880	-	120	-	-
Shared Services Agreements							
Police Dispatch - MidAtlantic Communications	224,000	256,000	255,547	-	453	-	-
Insurance N.J.S.A. 4-45.3							
Employee Group Insurance	91,360	91,360	91,360	-	-	-	-

See Accompanying Notes to Financial Statements

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011

	APPROPRIATIONS		EXPENDITURES			UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	
<u>OPERATIONS EXCLUDED FROM "CAPS"</u>						
State and Federal Programs						
Off-Set by Revenues:						
Clean Communities Program						
Salaries and Wages	\$ -	\$ 16,823	\$ 16,823	\$ -	\$ -	\$ -
Municipal Alliance on Alcoholism & Drug Abuse						
Local Share	11,860	11,860	11,860			
State Share	2,965	2,965	2,965			
Safe & Secure Communities Program -						
P.L. 1993, Chapter 220						
State Share	25,741	25,741	25,741			
Local Share	46,729	46,729	46,729			
CDBG - Home Investment Partnership Program						
Drive Sober or Get Pulled Over		39,591	39,591			
Over the Limit Crackdown		5,000	5,000			
Recycling Tonnage	5,199	5,199	5,199			
FEMA		2,521	2,521			
TOTAL OPERATIONS - EXCLUDED FROM "CAPS"	417,854	518,189	517,616	-	573	-
Detail:						
Salaries and Wages	72,470	94,293	94,293	-	-	-
Other Expenses	345,384	423,896	423,323	-	573	-
<u>CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"</u>						
Reserve for Communications/Electronic Improve.	15,000	15,000	14,636	364	-	-
TOTAL CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"	15,000	15,000	14,636	364	-	-

See Accompanying Notes to Financial Statements

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011

	APPROPRIATIONS		EXPENDITURES		PAID OR CHARGED	ENCUMBERED	RESERVED	OVER EXPENDED	UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION							
<u>MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"</u>									
Payment of Bond Principal	\$ 220,000	\$ 220,000	\$ -	\$ -	\$ 220,000	\$ -	\$ -	\$ -	\$ -
Payment of Bond Anticipation Notes and Capital Not	20,000	20,000			20,000				-
Interest on Bonds	40,125	40,125			40,125				-
Interest on Notes	15,000	15,000			14,747				253
Green Trust Loans	7,334	7,334			7,334				-
TOTAL MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"	302,459	302,459			302,206				253
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	735,313	835,648			834,458	364	573		253
SUBTOTAL GENERAL APPROPRIATIONS	4,520,284	4,588,619			4,331,919	92,872	163,575		253
RESERVE FOR UNCOLLECTED TAXES	782,888	782,888			782,888				
TOTAL GENERAL APPROPRIATIONS	\$ 5,303,172	\$ 5,371,507			\$ 5,114,807	\$ 92,872	\$ 163,575		\$ 253

Ref.

A-2

A-1

A

A-14

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>BUDGET AFTER MODIFICATION</u>	<u>PAID OR CHARGED</u>
N.J.S.A. 40A: 4-87 Budget	Ref. A-2 \$ 68,335 A-2 5,303,172 <u> </u> \$ 5,371,507	
Federal and State Grants Reserve for Uncollected Taxes Disbursed		A-14 \$ 160,829 A-2 782,888 A-4 4,171,090 <u> </u> \$ 5,114,807

See Accompanying Notes to Financial Statements

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EXHIBIT - B
TRUST FUNDS

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

<u>Assets</u>	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
Dog License Fund:			
Cash - Treasurer	B-1	<u>\$ 30</u>	<u>\$ 349</u>
		<u>30</u>	<u>349</u>
Other Funds:			
Cash - Treasurer	B-1	307,767	282,027
Cash - Collector	B-2	51,670	61,065
Investments		87,772	87,641
Due from Current Fund	A	9	-
Revolving Loans Receivable	B-3	<u>424,099</u>	<u>421,673</u>
		<u>871,317</u>	<u>852,406</u>
		<u>\$ 871,347</u>	<u>\$ 852,755</u>

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

<u>Liabilities, Reserves, and Fund Balance</u>	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
Dog License Fund:			
Reserve for Dog Fund	B-4	\$ 30	\$ 349
		<u>30</u>	<u>349</u>
Other Funds:			
Tax Title Lien Redemption	B-7	27,370	25,265
Premium in Tax Title Lien Redemption	B-2	24,300	35,800
Due to Current Fund			2,978
Reserves for:			
Accumulated Absences	B-6	10,288	7,105
Landfill Closure	B-9	87,772	87,641
Recycling Fees	B-10	27,024	19,825
Escrow Review Fees	B-11	31,465	19,373
Police Confiscatory Funds	B-12	6,121	5,165
Small Cities Revolving Fund	B-13	643,438	643,373
Special Events	B-14	13,539	5,881
		<u>871,317</u>	<u>852,406</u>
		<u>\$ 871,347</u>	<u>\$ 852,755</u>

EXHIBIT - C
GENERAL CAPITAL FUND

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

<u>Assets</u>	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
Cash - Treasurer	C-2	\$ 69,120	\$ 198,714
Deferred Charges to Future Taxation:			
Funded	C-5	900,000	1,127,223
Unfunded	C-6	831,000	851,000
		<u>\$ 1,800,120</u>	<u>\$ 2,176,937</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Encumbrances Payable	C-3	\$ -	\$ 5,950
Bond Anticipation Notes Payable	C-9	831,000	851,000
General Serial Bonds	C-10	900,000	1,120,000
Green Trust Loan Payable	C-11	-	7,223
Capital Improvement Fund	C-7	13,882	30,431
Improvement Authorizations:			
Funded	C-8	10,000	35,600
Unfunded	C-8	27,668	111,442
Fund Balance	C-1	17,570	15,291
		<u>\$ 1,800,120</u>	<u>\$ 2,176,937</u>

Note: There were Bonds and Notes Authorized But Not Issued at December 31, 2011 and 2010 of \$0 and \$0, respectively.

**GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS**

	<u>Ref.</u>		
Balance December 31, 2010	C		\$ 15,291
Increased by:			
Other Receipts		\$ 480	
Improvement Authorizations Cancelled		<u>1,799</u>	<u>2,279</u>
Balance December 31, 2011	C		<u>\$ 17,570</u>

EXHIBIT - G
GENERAL FIXED ASSETS

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**GENERAL FIXED ASSETS ACCOUNT GROUP
COMPARATIVE BALANCE SHEET
REGULATORY BASIS
AS OF DECEMBER 31,**

	<u>2011</u>	<u>2010</u>
General Fixed Assets:		
Buildings	\$ 2,288,876	\$ 2,337,476
Machinery and Equipment	<u>4,518,237</u>	<u>4,394,416</u>
Total General Fixed Assets	<u>\$ 6,807,113</u>	<u>\$ 6,731,892</u>
Investment in General Fixed Assets	<u>\$ 6,807,113</u>	<u>\$ 6,731,892</u>

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Except as noted below, the financial statements of the Township of Mullica include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Township of Mullica, as required by N.J.S. 40A:5-5.

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

B. Description of Funds

The accounting policies of the Township of Mullica conform to the accounting principles applicable to municipalities that 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 respect to public funds. Under this method of accounting, the Township of Mullica 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 Fund -- 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 capital 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.

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

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 that are due from other governmental units. Federal and State grants are realized as revenue when anticipated in the Township budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the Township's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due the Township which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received. This method of revenue recognition differs from accounting principles generally accepted in the United States of America which recognizes revenue in the accounting period in which it is earned net of allowances for doubtful accounts.

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 and constitute part of the Township's regulatory Appropriation Reserve balance. Appropriation reserves covering unencumbered appropriation balances are automatically created at December 31st of each year and recorded as liabilities, except for amounts that 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. This method differs from accounting principles generally accepted in the United States of America which requires that expenditures be recorded when services are rendered or goods are received. Under accounting principles generally accepted in the United States of America appropriation reserves do not exist and encumbrances do not constitute expenditures.

Foreclosed Property -- Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved. Under accounting principles generally accepted in the United States of America foreclosed property would be recorded at historical cost and no reserve would be provided.

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. Under accounting principles generally accepted in the United States of America interfunds are not reserved.

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

Inventories of Supplies -- The cost of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets. Under accounting principles generally accepted in the United States of America inventory would be recorded as an asset on the balance sheet.

General Fixed Assets -- The Township has developed a fixed assets accounting and reporting system, as promulgated by the Division of Local Government Services, which 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. The Township capitalizes fixed assets with an original cost in excess of \$5,000.

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.

	<u>Balance December 31, 2010</u>	<u>Additions/ Adjustments</u>	<u>Deletions</u>	<u>Balance December 31, 2011</u>
Buildings	\$ 2,337,476	5,000	(53,600)	2,288,876
Machinery and Equipment	4,394,416	213,493	(89,672)	4,518,237
Total	<u>\$ 6,731,892</u>	<u>218,493</u>	<u>(143,272)</u>	<u>6,807,113</u>

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

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.

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

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

Interest on Delinquent Taxes – It is the policy of the Township of Mullica to collect interest for the nonpayment of taxes or assessments on or before the date when they would become delinquent. The Tax Collector is authorized to charge eight percent (8%) per annum on the first \$1,500.00 of taxes becoming delinquent after due date and eighteen percent (18%) per annum on any amount of taxes in excess of \$1,500.00 becoming delinquent after due date and if a delinquency is in excess of \$10,000.00 and remains in arrears beyond December 31st, an additional penalty of six percent (6%) shall be charged against the delinquency. There is a ten day grace period.

Capitalization of Interest – It is the policy of the Township of Mullica to treat interest on projects as a current expense and the interest is included in the operating budget.

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 Township'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 the 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 taxes. The 2011 and 2010 regulatory budgets included a reserve for uncollected taxes in the amount of \$692,810 and \$782,888. 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 regulatory budgets was \$850,000 and \$1,000,000.

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

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 Township Committee. The following significant budget transfers were approved in the 2011 calendar year.

<u>Budget Category</u>	<u>Amount</u>
Engineer Other Expenses	\$ (15,000)
Police Salaries and Wages	(25,000)
Group Insurance	(12,000)
Petroleum	7,000
Accumulated Leave Compensation	10,000
Dispatch Services	32,000

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. The following significant budget insertions were approved during the 2011 calendar year:

<u>Budget Category</u>	<u>Amount</u>
FEMA Grant	\$ 2,521
Clean Communities	16,823
Over the Limit Under Arrest	4,400
Drive Sober or Get Pulled Over	5,000
CDBG 2011 Grant	39,591

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.

Note 3: INVESTMENTS

As of December 31, 2011, the municipality had investments totaling \$87,772 in Certificates of Deposits with an interest rate of 0.15% and a maturity date of January 8, 2012. These certificates of deposit were renewed upon maturity.

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.

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

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 Township may invest in any one issuer.

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 \$3,558,883 and \$3,480,920, respectively, was exposed to custodial credit risk.

Note 5: LONG TERM DEBT

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

	<u>Balance</u> <u>Beginning</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending</u> <u>Balance</u>	<u>Due in</u> <u>One Year</u>
General - Green Trust	\$ 7,223	\$ -	\$ 7,223	\$ -	\$ -
Capital - Bonds	1,120,000		220,000	900,000	225,000
Comp. Absences	259,740	182,360	153,002	289,098	
Total	<u>\$ 1,386,963</u>	<u>\$ 182,360</u>	<u>\$ 380,225</u>	<u>\$ 1,189,098</u>	<u>\$ 225,000</u>

\$100,000 Green Trust Loan Payable dated 3/1/96 payable in semi-annual installments through 9/1/11. Interest is paid semi-annually at a rate of 2% per annum. The balance remaining at December 31, 2011 was \$0.

\$1,720,000 General Improvement Bond dated 2/15/07 payable in annual installments through 2/15/2015. Interest is paid semiannually at a rate of 3.75% to 4.00% per annum. The balance remaining as of December 31, 2011 was \$900,000

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

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

The amortization schedule for the General Improvement Bonds is as follows:

<u>Calendar Year</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 225,000	\$ 36,000
2013	225,000	27,000
2014	225,000	18,000
2015	225,000	9,000
	<hr/>	<hr/>
Total	<u>\$ 900,000</u>	<u>\$ 90,000</u>

Summary of Municipal Debt

	<u>Year 2011</u>	<u>Year 2010</u>	<u>Year 2009</u>
Bonds & Notes Issued	\$ 1,731,000	\$ 1,978,223	\$ 1,696,306
Bonds & Notes Authorized But Not Issued		-	489,000
Net Bonds & Notes Issued and Authorized But Not Issued	<u>\$ 1,731,000</u>	<u>\$ 1,978,223</u>	<u>\$ 2,185,306</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 regulatory net debt of .29%

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 6,732,794	\$ 6,732,794	\$ -
General Debt	1,731,000		1,731,000
	<u>\$ 8,463,794</u>	<u>\$ 6,732,794</u>	<u>\$ 1,731,000</u>

Net Debt \$1,731,000 ÷ Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$598,175,894 = .29%

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

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

3 1/2 % of Equalized Valuation Basis (Municipal)	\$	20,936,156
Net Debt		<u>1,731,000</u>
Remaining Borrowing Power	\$	<u><u>19,205,156</u></u>

Note 6: NOTES PAYABLE

The Township had outstanding at December 31, 2011, bond anticipation notes in the amount of \$342,000 and \$489,000. The \$342,000 amount is payable to TD Bank. The interest rate on that note is 1.95% and will mature on September 28, 2012. The \$489,000 amount is payable to Oppenheimer & Co. The interest rate on that note is 2.90% and will mature on May 17, 2012.

Note 7: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2011 which were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2012 were as follows:

Current Fund \$850,000

The 2012 budget has not been adopted as of this date and therefore, this amount is subject to change.

Note 8: SCHOOL TAXES

Local District Taxes have been raised and liabilities deferred by statute, resulting in the school taxes payable set forth in the current fund liabilities as follows:

	Local District School Tax		Regional High School Tax	
	Balance	Balance	Balance	Balance
	12/31/11	12/31/10	12/31/11	12/31/10
Balance of Tax	\$ 1,914,660	\$ 1,914,660	\$ 1,218,459	\$ 1,265,590
Deferred	<u>1,161,109</u>	<u>1,161,109</u>	<u>1,211,708</u>	<u>811,708</u>
Tax Payable	<u><u>\$ 753,551</u></u>	<u><u>\$ 753,551</u></u>	<u><u>\$ 6,751</u></u>	<u><u>\$ 453,882</u></u>

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

Note 9: 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 Dec. 31, 2011	Balance Dec. 31, 2010
Prepaid Taxes-Cash Liability	<u>\$ 161,877</u>	<u>\$ 148,548</u>

Note 10: PENSIONS

Description of Plans

Substantially all of the City's employees are covered by the Public Employees' Retirement System (PERS) and Police and Fireman's Retirement System (PFRS), a 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 and Police and Fireman's 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 at 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.

Police and Fireman's Retirement System

The contribution policy for the PFRS is set by N.J.S.A. 43:16 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PFRS provides for employee contributions of 8.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate.

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

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 provide for employee contributions of 5.5% through September 30, 2011 and 6.5% thereafter of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in PERS and PFRS. The current PERS rate is 6.9% of covered payroll and for PFRS a rate of 8.5% of covered payroll. The Township's contributions to PERS for the years ending December 31, 2011, 2010 and 2009 were \$76,744, \$59,590 and \$47,631 respectively, equal to the required contributions for each year. The Township's contributions to PFRS for the years ending December 31, 2011, 2010 and 2009 were \$184,758, \$158,983 and \$128,892 respectively, equal to the required contributions for each year.

Note 11: POSTRETIREMENT BENEFITS

The New Jersey State Health Benefits Commission administers cost-sharing multiple-employer health care plans under the State Health Benefits Program and the School Employees' health 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 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/treasure/pensions/shbp.htm>.

The Township of Mullica is a member of the SHBP and provides that its retirees will be covered for medical care. During 2011, \$602,840 was paid by the Township for health care of employees and retirees. The amount paid for retirees was \$234,600. The amount paid during 2010 was \$373,657 for employees and \$149,664 for retirees.

Note 12: COMPENSATED ABSENCES

The Township has permitted employees to accrue unused vacation and sick pay, which may be taken as time off or paid at a later date at an agreed upon rate. The monetary value of these earned and unused employee benefits has not been accrued by either charges to operations or to budgets of prior years, although in some cases they might be material. At December 31, 2011 and 2010, we have estimated this liability to be approximately \$289,098 and \$259,740 respectively. The realization of this liability may be affected by conditions that could preclude an employee from receiving full payment of the accrual. Effective January 1, 2002, the State of New Jersey is allowing municipalities to accrue a compensated absence liability. As of December 31, 2011 and 2010, the Township has accrued \$10,288 and \$7,105, respectively, for this liability.

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

Note 13: ECONOMIC DEPENDENCY

The Township of Mullica is not economically dependent on any one business or industry within the Township.

Note 14: CONTINGENT LIABILITIES

The Township is involved in several claims and lawsuits incidental to its operations. In the opinion of the administration and legal counsel, the ultimate resolution of these matters will not have a material adverse effect on the financial position of the Township.

Note 15: INTERFUND BALANCES

As of December 31, 2011, the following interfunds were included on the balance sheets of the various funds of the Township of Mullica:

	From	To
Current Fund:		
Federal and State Grant Fund	\$ -	\$ 6,465
Trust Fund		9
Federal and State Grant Fund:		
Current Fund	6,465	
Trust Fund:		
Current Fund	9	
	\$ 6,474	\$ 6,474

The amount due to the Current Fund from the Grant Fund is due to the fact that there is only one bank account.

Note 16: RISK MANAGEMENT

The Township 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 Township maintains commercial insurance coverage for property, liability and surety bonds.

The Township of Mullica is a member of the Atlantic County Municipal Joint Insurance Fund and the Municipal Excess Liability Fund which also includes other municipalities throughout the region. The Township 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 Township has a liability limit of \$10,000,000 under MEL. There were no claims in excess of coverage and no reduction in coverage during the year 2011.

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

Note 17: SANITARY LANDFILL CLOSURE

The last landfill closure plan was updated in October, 1998. According to this plan, closure was to have taken place in 1998, post closure activities were from 1999 to 2028. Annual appropriations varied from \$18 - \$33,000. There have been no appropriations made since 2000. The balance in the Landfill Closure Trust Fund amounts to \$87,772. The Township is not in compliance with the plan.

Note 18: LABOR CONTRACTS

As of December 31, 2011, the Township's employees are organized in the following collective bargaining units. The following table shows their current status.

	Category	Expiration	Covers
AFL-CIO #71	Public Works	12/31/15	All employees public works employees. Supervisors are excluded.
PBA #77	Police	12/31/15	All uniformed police, detectives, and other special police units, excluding the chief.
United Workers Union	Clerical	12/31/15	All Clerical workers.

Note 19: SUBSEQUENT EVENTS

The Township has evaluated subsequent events through March 23, 2012, the date which the financial statements were available to be issued and no additional items were noted for disclosure.

SUPPLEMENTARY INFORMATION

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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 Township Committee
Township of Mullica, New Jersey

We have audited the financial statements - regulatory basis of the Township of Mullica, New Jersey as of and for the year ended December 31, 2011, and have issued our report thereon dated March 23, 2012. Our report disclosed that, as described in Note 1 to the financial statements – regulatory basis, the Township of Mullica, 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 and the budget laws of the State of New Jersey, which practices differ from accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the “Division”)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Mullica, 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 Township of Mullica's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township of Mullica'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 purposes described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 Township of Mullica, 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 Township of Mullica, New Jersey in a separate letter dated March 23, 2012.

This report is intended solely for the information and use of management, the Township 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.

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

Kenneth W. Moore

Kenneth Moore, CPA

Registered Municipal Accountant

No. 231

March 23, 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 #	Grant Period	Program or Award Amount	Balance at 1/1/11	Receipts or Revenue Recognized	Disbursements/Expenditures	Cancelled	Balance at 12/31/11	Total Cumulative State Expenditures
Federal:									
Passed through State of New Jersey Department of Community Affairs									
Small Cities Block Grant	14.228	1/1/07 - 12/31/07	\$ 22,744	\$ 22,744	\$ -	\$ -	\$ -	\$ 22,744	\$ -
Small Cities Block Grant	14.228	1/1/08 - 12/31/08	30,555	30,555	-	-	-	30,555	-
Small Cities Block Grant	14.228	1/1/09 - 12/31/09	30,500	30,500	-	-	-	30,500	-
Small Cities Block Grant	14.228	1/1/10 - 12/31/10	30,500	30,500	-	-	-	30,500	-
Small Cities Block Grant	14.228	1/1/11 - 12/31/11	39,591	-	39,591	-	-	39,591	-
Total Department of Community Affairs				114,299	39,591	-	-	153,890	-
Department of Homeland Security FEMA	97.XXX	1/1/11 - 12/31/11	2,521	-	2,521	2,521	-	-	-
Total Department of Homeland Security				-	2,521	2,521	-	-	-
Department of Justice Federal Vest Partnership	16.607	1/1/10 - 12/31/10	1,688	960	-	829	-	131	1,557
Total Department of Justice				960	-	829	-	131	1,557
Total Federal Funds				\$ 115,259	\$ 42,112	\$ 3,350	\$ -	\$ 154,021	
State:									
Department of Environmental Protection Clean Communities Recycling Tonnage	4900-765-178920 N/A	1/1/11 - 12/31/11 1/1/11 - 12/31/11	\$ 16,823 5,199	\$ - -	\$ 16,823 5,199	\$ 16,823 5,199	\$ - -	\$ - -	\$ 16,823 5,199
Total Department of Environmental Protection				-	22,022	22,022	-	-	
Department of Law and Public Safety Body Armor Grant Drive Sober or Get Pulled Over Over the Limit Crackdown Over the Limit Year End Crackdown Drunk Driving Enforcement Grant Drunk Driving Enforcement Grant Safe and Secure	1020-718-066--1020 N/A N/A N/A N/A N/A	1/1/10 - 12/31/10 1/1/11 - 12/31/11 1/1/11 - 12/31/11 1/1/10 - 12/31/10 1/1/10 - 12/31/10 1/1/09 - 12/31/09 1/1/11 - 12/31/11	2,446 5,000 4,400 5,000 3,683 9,238 72,470	1,771 -	5,000 4,400	829 1,400 3,700 4,265 697 4,412 72,470	700	942 3,600 - - 2,986 -	1,504 1,400 4,400 5,000 697 9,238 72,470
Total Department of Law and Public Safety				14,131	81,870	87,773	700	7,528	
Department of Transportation Fifth Avenue	6320-480-601381-61	1/1/10 - 12/31/10	150,000	150,000	-	150,000	-	-	150,000
Total Department of Transportation				150,000	-	150,000	-	-	
Total State Funds				164,131	103,892	259,795	700	7,528	
Total Federal and State Financial Assistance				\$ 279,390	\$ 146,004	\$ 263,145	\$ 700	\$ 161,549	

**CURRENT FUND
SCHEDULE OF CASH - TREASURER**

	<u>Ref.</u>	<u>Current Fund</u>	
Balance December 31, 2010	A		\$ 2,486,953
Increased by Receipts:			
Tax Collector	A-5	\$ 11,497,003	
Due from State - Senior Citizens & Vets		81,840	
Federal & State Grants Receivable	A-13:A-15	301,547	
Revenue Accounts Receivable	A-9	740,253	
Miscellaneous Revenue Not Anticipated	A-9:A-2	199,620	
Reserve for State Aid	A	41,440	
Interfund		6,875	
Payroll Taxes		14,028	
Marriage License Fees	A	656	
Refunds - Prior Year Appropriations		7,425	
Refunds - Appropriations		524	
Reserve for JIF Safety Program	A	1,500	
Land Sale Deposits		1,946	
Construction Fees		76,238	
DCA Inspection Fees	A	<u>5,270</u>	
			<u>12,976,165</u>
			15,463,118
Decreased by Disbursements:			
2010 Appropriation Reserves	A-10	\$ 166,233	
2011 Appropriations	A-3	4,171,090	
County Taxes		2,135,643	
Due County for Added and Omitted Taxes		7,139	
Local District School Tax	A-11	3,830,830	
Regional High School Tax	A-12	2,484,048	
Federal & State Grant Expenditures	A-14	282,510	
Marriage License Fees	A	731	
Construction Fees		77,933	
Land Sale Deposits		3,596	
Refund Prior Year Revenue		856	
DCA Inspection Fees	A	<u>5,211</u>	
			<u>13,165,820</u>
Balance December 31, 2011	A		<u><u>\$ 2,297,298</u></u>

See Accompanying Auditor's Report

**CURRENT FUND
SCHEDULE OF CASH - COLLECTOR**

	<u>Ref.</u>		
Balance December 31, 2010	A		\$ 263,926
Increased by:			
Taxes Receivable	A-7	\$ 11,273,528	
Tax Title Liens	A-8	8,593	
Prepaid Taxes	A	161,877	
Revenue Accounts Receivable	A-2, A-9	63,255	
Other Receipts		<u>945</u>	
			<u>11,508,198</u>
			11,772,124
Decreased by:			
Payment to Treasurer	A-4	<u>\$ 11,497,003</u>	
			<u>11,497,003</u>
Balance December 31, 2011	A		<u><u>\$ 275,121</u></u>

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

Year	Balance Dec. 31, 2010	2011 Levy	Added Taxes	Over- Payments Applied	Collections		Transferred to Arrears	(Remitted) or Canceled	Transferred To Tax Title Liens	Balance Dec. 31, 2011
					2010	2011				
Arrears 2010	\$ 1	\$ -	\$ -	\$ -	\$ -	\$ 422,221	\$ -	\$ -	\$ -	\$ 1
	440,190								15,783	2,186
2011	440,191	11,605,333	38,815	-	-	422,221	-	-	15,783	2,187
						10,933,147		28,586	25,606	508,261
	\$ 440,191	\$ 11,605,333	\$ 38,815	\$ -	\$ 148,548	\$ 11,355,368	\$ -	\$ 28,586	\$ 41,389	\$ 510,448

Ref. A A-7 A

Taxes Receivable	Ref. A-5	\$ 11,273,528
Senior Citizens and Veterans		81,840
		<u>\$ 11,355,368</u>

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

Analysis of 2011 Property Tax Levy	<u>Ref.</u>	
Tax Yield:		
General Property Tax		\$ 11,605,333
Added Taxes (54:4-63.1 et. seq.)		<u>38,815</u>
	A-7	<u><u>\$ 11,644,148</u></u>
 Tax Levy:		
Local School District Tax (Abstract)	A-11	3,830,830
Regional High School Tax (Abstract)	A-12	2,436,917
 County Taxes:		
County Tax (Abstract)		\$ 2,135,643
Due County for Added Taxes (54:4-63.1 et. seq.)		<u>7,139</u>
Total County Taxes		2,142,782
 Local Tax for Municipal Purposes	A-2	3,201,656
Add: Additional Tax Levied		<u>31,963</u>
	A-7	<u><u>3,233,619</u></u>
		<u><u>\$ 11,644,148</u></u>

See Accompanying Auditor's Report

**CURRENT FUND
SCHEDULE OF TAX TITLE LIENS**

	<u>Ref.</u>		
Balance December 31, 2010	A		\$ 100,133
Increased by:			
Transfers from Taxes			
Receivable	A-7	\$ 41,389	
Interest and Costs Accrued by			
Sale of April 6, 2011	Res.	<u>2,135</u>	
			<u>43,524</u>
			143,657
Decreased by:			
Cancellations		35	
Collections	A-2, 4	<u>\$ 8,593</u>	
			<u>8,628</u>
Balance December 31, 2011	A		<u><u>\$ 135,029</u></u>

**CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE**

	Ref.	Balance Dec. 31, 2010	Accrued In 2011	Collected	Balance Dec. 31, 2011
Miscellaneous Revenue Anticipated:					
Licenses:					
Alcoholic Beverages	A-2	\$	4,000	4,000	\$
Fines and Costs:					
Municipal Court	A-2	11,110	129,250	131,576	8,784
Interest on Taxes	A-2		63,255	63,255	
Interest on Investments	A-2		4,003	4,003	
Trailer Pad Fees	A-2		41,952	41,952	
Cell Tower Rent	A-2		42,833	42,833	
Consolidated Municipal Property Tax Relief Aid	A-2		62,594	62,594	
Energy Receipts Tax	A-2		389,182	389,182	
Garden State Trust	A-2		41,440	41,440	
Uniform Construction Code Fees	A-2		64,113	64,113	
Miscellaneous Revenue Not Anticipated	A-2		199,620	199,620	
		\$	1,042,242	\$	1,044,568
	A				A
		\$	11,110	\$	8,784
	A				A
			A-2:A-4	\$	939,873
			Prior Year Garden State Trust Reserves		41,440
			Current Fund - Collector	A-5	63,255
		\$		\$	1,044,568

See Accompanying Auditor's Report

**CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES**

	Balance Dec. 31, 2010	Balance After Transfers	Paid	Balance Lapsed	Over- expended
Operations Within "CAP":					
Municipal Clerk					
Other Expenses	\$ 3,336	\$ 3,336	\$ 2,859	\$ 477	\$
Financial Administration					
Other Expenses	1,119	1,119	866	253	
Assessment of Taxes					
Other Expenses	2,056	2,056	216	1,840	
Legal Services					
Other Expenses	37,323	37,323	36,923	400	
Engineering Services					
Other Expenses	14,852	14,852	14,132	720	
Planning Board					
Other Expenses	190	190	6	184	
Code Enforcement					
Other Expenses	1,105	1,105	900	205	
Insurance					
Worker's Compensation	11,160	11,160	11,160	-	
Group Insurance	12,521	12,521	6,284	6,237	
Unemployment Insurance	118	118	118	-	
Police Services					
Salaries and Wages	14,744	14,744	6,043	8,701	
Other Expenses	8,914	8,914	8,419	495	
Public Works Department					
Salaries and Wages	2,442	2,442	2,087	355	
Other Expenses	16,720	16,720	6,646	10,074	
Solid Waste Collection					
Other Expenses	5,923	5,923	5,916	7	
Buildings and Grounds					
Other Expenses	18,247	18,247	12,034	6,213	
Vehicle Maintenance					
Other Expenses	31,220	31,220	31,167	53	
Utilities					
Petroleum Products	13,130	13,130	4,249	8,881	
Electricity and Natural Gas	10,666	10,666	2,627	8,039	
Telecommunication Charges	5,629	5,629	1,715	3,914	
Landfill/Solid Waste Disposal					
Salaries and Wages	1,318	1,318	700	618	
Other Expenses	30,876	30,876	10,647	20,229	
Municipal Court					
Salaries and Wages	4,761	4,761	73	4,688	
Other Expenses	1,223	1,223	446	777	
Other Accounts - No Changes	9,884	9,884		9,884	
	<u>\$ 259,477</u>	<u>\$ 259,477</u>	<u>\$ 166,233</u>	<u>\$ 93,244</u>	<u>-</u>
			A-4	A-1	A

**CURRENT FUND
SCHEDULE OF LOCAL DISTRICT TAX**

	<u>Ref.</u>		
Balance December 31, 2010:			
School Tax Payable	A	\$ 753,551	
Deferred School Tax Payable		<u>1,161,109</u>	
			\$ 1,914,660
Increased by:			
Levy-School Year July 1, 2011 to June 30, 2012	A-7		<u>3,830,830</u>
			5,745,490
Decreased by:			
Payments	A-4		<u>3,830,830</u>
Balance December 31, 2011:			
School Tax Payable	A	753,551	
Deferred School Tax Payable		<u>\$ 1,161,109</u>	
			\$ <u><u>1,914,660</u></u>
 <u>2011 Liability for Local District Tax:</u>			
Tax Paid			\$ 3,830,830
Tax Payable December 31, 2011			<u>753,551</u>
			4,584,381
Less:			
Tax Payable December 31, 2010			<u>753,551</u>
Amount Charged to 2011 Operations	A-1		\$ <u><u>3,830,830</u></u>

**CURRENT FUND
SCHEDULE OF REGIONAL HIGH SCHOOL TAX**

	<u>Ref.</u>		
Balance December 31, 2010:			
Regional High School Tax Payable	A	\$ 453,882	
Deferred School Tax Payable		<u>811,708</u>	
			\$ 1,265,590
Increased by:			
Levy-School Year July 1, 2011 to June 30, 2012	A-7		<u>2,436,917</u>
			<u>3,702,507</u>
Decreased by:			
Payments	A-4		<u>2,484,048</u>
Balance December 31, 2011:			
Regional High School Tax Payable	A	6,751	
Deferred School Tax Payable		<u>\$ 1,211,708</u>	
			\$ <u><u>1,218,459</u></u>
<u>2011 Liability for Regional High School Tax:</u>			
Tax Paid			\$ 2,484,048
Tax Payable December 31, 2011			<u>6,751</u>
			2,490,799
Less:			
Tax Payable December 31, 2010			<u>453,882</u>
Amount Charged to 2011 Operations	A-1		\$ <u><u>2,036,917</u></u>

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

<u>Grant</u>	<u>Balance Dec. 31, 2010</u>	<u>Anticipated Revenue</u>	<u>Received</u>	<u>Canceled</u>	<u>Balance Dec. 31, 2011</u>
New Jersey Transportation Trust Fund Jackson Avenue	\$ 29,500	\$	29,500	\$	-
New Jersey Transportation Trust Fund Fifth Avenue	150,000		150,000		-
Municipal Alliance Grant 2011 Grant	11,860	11,860	9,781	2,079	11,860
2010 Grant			16,823		-
Clean Communities Program		16,823	5,199		-
Recycling Tonnage Grant		5,199	33,428		-
Safe and Secure Communities Program	7,687	25,741			-
Drive Sober or Get Pulled Over		5,000			5,000
Over the Limit Crackdown		4,400	4,400		-
Over the Limit Year End Crackdown	5,000		5,000		-
HOME Investment Partnership Program	123,302	39,591	30,111	9,003	153,890
County Open Space - Recreation	75,000		2,500		44,889
Recreation Grant - Concession	5,000		2,521		2,500
FEMA		2,521			-
Federal Vest Partnership	1,688				1,688
	<u>\$ 409,037</u>	<u>\$ 111,135</u>	<u>\$ 289,263</u>	<u>\$ 11,082</u>	<u>\$ 219,827</u>
<u>Ref.</u>	A	A-2:A-14		A-14	A
		A-4 Cash	\$ 289,263		
		A-15 Unappropriated	-		
		\$	<u>289,263</u>		

See Accompanying Auditor's Report

**FEDERAL AND STATE GRANT FUND
SCHEDULE OF FEDERAL AND STATE GRANTS - APPROPRIATEI**

<u>Grant</u>	<u>Balance Dec. 31, 2010</u>	<u>2011 Budget Appropriation</u>	<u>Expended</u>	<u>Prior Year Encumbered</u>	<u>Canceled</u>	<u>Balance Dec. 31, 2011</u>
Municipal Alliance Grant						
2011 Grant						
State Share	\$	11,860	9,080	\$		2,780
Local Share		2,965	2,965			-
2010 Grant						
State Share	2,599				2,599	-
Drunk Driving Enforcement Fund	8,095		5,109			2,986
Clean Communities Program		16,823	16,823			-
Body Armor Grant	1,771		829			942
Federal Vest Partnership	960		829			131
Safe and Secure Communities		72,470	72,470			-
Over the Limit Crackdown		4,400	3,700		700	-
Over the Limit Year End Crackdown			4,265			-
Recycling Tonnage	4,265		5,199			-
Drive Sober or Get Pulled Over		5,000	1,400			3,600
FEMA		2,521	2,521			-
HOME Investment Partnership Program	114,299	39,591				153,890
NJ DOT - Fifth Avenue	150,000		150,000			-
County Open Space - Recreation	51,959		7,070			44,889
Recreation Grant - Concession	5,040		250			4,790
	<u>\$ 338,988</u>	<u>\$ 160,829</u>	<u>\$ 282,510</u>	<u>\$ -</u>	<u>\$ 3,299</u>	<u>\$ 214,008</u>

Ref.

A

A-13

A

Encumbered	\$ -
Disbursed	282,510
Total	<u>282,510</u>

A-4

See Accompanying Auditor's Report

**FEDERAL AND STATE GRANT FUND
SCHEDULE OF FEDERAL AND STATE GRANTS - UNAPPROPRIATED**

<u>Grant</u>	<u>Balance Dec. 31, 2010</u>	<u>2011 Budget Appropriation</u>	<u>Received</u>	<u>Balance Dec. 31, 2011</u>
Recycling Tonnage Grant	\$	\$	5,525	\$ 5,525
DDEF Grant			1,522	1,522
Body Armor Grant			5,237	5,237
	<u>\$ -</u>	<u>\$ -</u>	<u>12,284</u>	<u>\$ 12,284</u>

Ref.

A

A-4

A

See Accompanying Auditor's Report

**TRUST FUND
SCHEDULE OF CASH - TREASURER**

	Ref.	Dog Licenses	Other
Balance December 31, 2010	B	\$ 349	\$ 282,027
Increased by Receipts:			
Dog License Fees - 2011	B-4	\$ 1,594	
Due to State of New Jersey	B-5	579	
Due from Current Fund		50	\$ 33
Small Cities Revolving Fund	B-3		5,703
Accumulated Absences	B-6		4,689
Recycling Fees	B-10		15,133
Escrow Review Receipts	B-11		31,589
Police Confiscatory Fund	B-12		1,637
Small Cities Grant Reserve	B-13		5,703
Special Events	B-14		10,557
		<u>2,223</u>	<u>75,044</u>
		2,572	357,071
Decreased by Disbursements			
Due to State of New Jersey:			
Dog Fund	B-5	579	
Statutory Expenditures	B-4	1,913	
Small Cities Revolving Fund	B-3		8,402
Accumulated Absences	B-6		1,506
Recycling Fees	B-10		7,934
Escrow Review Fees	B-11		19,497
Police Confiscatory Fund	B-12		681
Small Cities Grant Reserve	B-13		8,385
Special Events	B-14		2,899
Due Current Fund		<u>50</u>	
		2,542	<u>49,304</u>
Balance December 31, 2011	B	<u>\$ 30</u>	<u>\$ 307,767</u>

Analysis of Balance:	
Special Events	\$ 13,539
Escrow Review	31,456
Recycling	27,024
Confiscatory	6,121
Accumulated Absence	10,288
Small Cities	<u>219,339</u>
	<u>\$ 307,767</u>

**TRUST FUND
SCHEDULE OF CASH - COLLECTOR**

	<u>Ref.</u>	<u>Tax Title Lien Redemption</u>
Balance December 31, 2010	B	\$ 61,065
Increased by Receipts:		
Deposits for Redemption of Tax Sale Certificates	B-7	<u>318,402</u>
		379,467
Decreased by Disbursements:		
Refund of Premium Redeemed	B-8	11,500
Refund of Tax Sale Certificates Redeemed	B-7	<u>316,297</u>
		<u>327,797</u>
Balance December 31, 2011	B	<u><u>\$ 51,670</u></u>

See Accompanying Auditor's Report

**TRUST FUND
SCHEDULE OF REVOLVING LOAN RECEIVABLE**

Balance December 31, 2010	<u>Ref.</u> B		\$ 421,673
Increased by:			
Loans Granted	B-1		<u>8,402</u>
			430,075
Decreased by:			
Loans Forgiven		\$ 273	
Loans Repaid	B-1	<u>5,703</u>	
			<u>5,976</u>
Balance December 31, 2011	B		<u><u>\$ 424,099</u></u>

SCHEDULE OF RESERVE FOR DOG FUND EXPENDITURES

Balance December 31, 2010	<u>Ref.</u> B		\$ 349
Increased by:			
Dog License Fees Collected - 2011	B-1		<u>1,594</u>
			1,943
Decreased by:			
Dog License Expenses	B-1		<u>1,913</u>
Balance December 31, 2011	B		<u><u>\$ 30</u></u>

License Fees Collected:

<u>Year</u>	<u>Amount</u>
2009	\$ 1,805
2010	<u>1,565</u>
	<u><u>\$ 3,370</u></u>

TRUST FUND
SCHEDULE OF AMOUNT DUE TO STATE OF NEW JERSEY - DEPARTMENT OF HEALTH

Balance December 31, 2010	<u>Ref.</u> B	\$ -
Increased by:		
2011 State License Fees	B-1	<u>579</u>
		579
Decreased by:		
Disbursements to the State	B-1	<u>579</u>
Balance December 31, 2011	B	<u><u>\$ -</u></u>

TRUST FUND
SCHEDULE OF RESERVE FOR ACCUMULATED ABSENCES

Balance December 31, 2010	<u>Ref.</u> B	\$ 7,105
Increased by:		
2011 Budget	B-1	<u>\$ 4,689</u>
		<u>4,689</u>
		11,794
Decreased by:		
Expenditures	B-1	<u>1,506</u>
Balance December 31, 2011	B	<u><u>\$ 10,288</u></u>

**TRUST FUND
SCHEDULE OF DEPOSITS FOR REDEMPTION OF TAX SALE CERTIFICATES**

Balance December 31, 2010	<u>Ref.</u> B	\$ 25,265
Increased by:		
Deposits Received	B-2	<u>318,402</u>
		343,667
Decreased by:		
Refunds - Tax Sale Certificates	B-2	<u>316,297</u>
Balance December 31, 2011	B	<u><u>\$ 27,370</u></u>

SCHEDULE OF PREMIUMS RECEIVED AT TAX SALE

Balance December 31, 2010	<u>Ref.</u> B	\$ 35,800
Increased by:		
Premiums Received	B-2	<u>35,800</u>
		35,800
Decreased by:		
Refunds - Premiums	B-2	<u>11,500</u>
Balance December 31, 2011	B	<u><u>\$ 24,300</u></u>

**TRUST FUND
SCHEDULE OF RESERVE FOR LANDFILL CLOSURE**

Balance December 31, 2010	<u>Ref.</u> B	\$ 87,641
Increased by:		
Interest Earned on Investments		<u>131</u>
Balance December 31, 2011	B	<u><u>\$ 87,772</u></u>

SCHEDULE OF RESERVE FOR RECYCLING FEES

Balance December 31, 2010	<u>Ref.</u> B	\$ 19,825
Increased by:		
Recycling Fees	B-1	<u>15,133</u>
		34,958
Decreased by:		
Recycling Expenditures	B-1	<u>7,934</u>
Balance December 31, 2011	B	<u><u>\$ 27,024</u></u>

**TRUST FUND
SCHEDULE OF RESERVE FOR ESCROW REVIEW FEES**

Balance December 31, 2010	<u>Ref.</u> B		\$ 19,373
Increased by:			
Escrow Deposits Received	B-1	<u>\$ 31,589</u>	
			<u>31,589</u>
			50,962
Decreased by:			
Disbursements		<u>19,497</u>	
	B-1		<u>19,497</u>
Balance December 31, 2011	B		<u><u>\$ 31,465</u></u>

SCHEDULE OF RESERVE FOR POLICE CONFISCATORY FUNDS

Balance December 31, 2010	<u>Ref.</u> B		\$ 5,165
Increased by:			
County receipts		\$ 1,631	
Interest	B-1	<u>6</u>	
			<u>1,637</u>
			6,802
Decreased by:			
Police Department Expenses	B-1		<u>681</u>
Balance December 31, 2011	B		<u><u>\$ 6,121</u></u>

TRUST FUND
SCHEDULE OF RESERVE FOR SMALL CITIES REVOLVING LOAN FUND

Balance December 31, 2010	<u>Ref.</u> B		\$ 643,373
Increased by:			
Repayments	B-3	\$ 5,703	
Loans Granted	B-3	8,402	
Other Receipts	B-1	<u>321</u>	
			<u>14,426</u>
			657,799
Decreased by:			
Transfer from reserve for receivables	B-3	5,703	
Forgiven Receivables	B-3	273	
Revolving Fund Expenditures	B-1	<u>8,385</u>	
			<u>14,361</u>
Balance December 31, 2011	B		<u><u>\$ 643,438</u></u>

See Accompanying Auditor's Report

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

	<u>Ref.</u>		
Balance December 31, 2010	C		\$ 198,714
Increased by Receipts:			
Other Receipts	C-1	<u>\$ 480</u>	
			<u>480</u>
			199,194
Decreased by Disbursements:			
Improvement Authorizations	C-8	124,124	
Miscellaneous	C-8	<u>5,950</u>	
			<u>130,074</u>
Balance December 31, 2011	C		<u><u>\$ 69,120</u></u>

**GENERAL CAPITAL FUND
ANALYSIS OF CASH**

	----- Receipts -----		----- Disbursements -----		----- Transfers -----		Balance Dec. 31, 2011	
	Balance Dec. 31, 2010	BANS Issued	Miscellaneous	Improvement Authorizations	Miscellaneous	From		To
Capital Improvement Fund	\$ 30,431	\$ -	\$ -	\$ -	\$ -	\$ 17,000	\$ 451	\$ 13,882
Fund Balance	15,291	480					1,799	17,570
Encumbrance Payable	5,950				5,950			-
<u>Improvement Authorizations:</u>								
<u>Ordinance</u>								
<u>Number</u>								
11-08 Various Improvements	8,550			6,751		1,799		-
11-09 Various Improvements	102,892			75,224				27,668
9-10 Road Reconstruction	600			600				-
16-10 Purchase of Computer Equip	25,000			24,549		451		-
20-10 HVAC Replacement	10,000							10,000
1-11 Fifth Avenue/Road Repairs				17,000			17,000	-
	<u>\$ 198,714</u>	<u>\$ -</u>	<u>\$ 480</u>	<u>\$ 124,124</u>	<u>\$ 5,950</u>	<u>\$ 19,250</u>	<u>\$ 19,250</u>	<u>\$ 69,120</u>

C C-2:C-10 C-2 C-2:C-9 C-2 C

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

	<u>Ref.</u>		
Balance December 31, 2010	C		\$ 1,127,223
Decreased by:			
2011 Budget Appropriation to Pay:			
Serial Bonds	A-3:C-10	\$ 220,000	
Green Trust Loan	A-3:C-11	<u>7,223</u>	
			<u>227,223</u>
Balance December 31, 2011	C		<u><u>\$ 900,000</u></u>

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

Ordinance Number	Improvement Description	Analysis of Balance							Unexpended Improvement Authorization
		Balance Dec. 31, 2010	2011 Authorizations	Debt Issued	Budget Appropriations	Balance Dec. 31, 2011	Financed by Notes	Expended	
11-08	Various Improvements	\$ 362,000	\$ -	\$ -	\$ 20,000	\$ 342,000	\$ 342,000	\$ -	\$ -
11-09	Various Improvements	489,000				489,000	489,000		
		<u>\$ 851,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,000</u>	<u>\$ 831,000</u>	<u>\$ 831,000</u>	<u>\$ -</u>	<u>\$ -</u>
		C			C-8:C-12	C		C-9	C-2
							Improvement Authorizations Unfunded \$		27,668
							Less:		
							Unexpended Proceeds of Bond		
							Anticipation Notes Issued:		
							11-09		27,668
								\$	<u>-</u>

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

Balance, December 31, 2010	<u>Ref.</u> C	\$ 30,431				
Increased by:						
Cancellation of Improvement Authorization		<table border="0" style="margin-left: auto;"> <tr> <td style="text-align: right;">\$ 451</td> <td style="border-bottom: 1px solid black;"></td> </tr> <tr> <td></td> <td style="text-align: right; border-bottom: 1px solid black;">451</td> </tr> </table>	\$ 451			451
\$ 451						
	451					
Decreased by:						
Improvement Authorizations	C-8	<table border="0" style="margin-left: auto;"> <tr> <td style="text-align: right;">17,000</td> <td style="border-bottom: 1px solid black;"></td> </tr> </table>	17,000			
17,000						
Balance, December 31, 2011	C	<table border="0" style="margin-left: auto;"> <tr> <td style="text-align: right;">\$ 13,882</td> <td style="border-bottom: 3px double black;"></td> </tr> </table>	\$ 13,882			
\$ 13,882						

**GENERAL CAPITAL FUND
STATEMENT OF IMPROVEMENT AUTHORIZATIONS**

Ordinance Number	Improvement Description	Ordinance Date	Amount	Balance Dec. 31, 2010		2011 Authorizations		Paid or Charged	Canceled	Balance Dec. 31, 2011	
				Funded	Unfunded	Surplus/ Capital Improvement Fund	Deferred Charges to Future Taxation- Unfunded			Funded	Unfunded
11-08	Various Improvements	6/10/2008	\$381,000	\$ -	\$ 8,550	\$ -	\$ -	\$ 6,751	\$ 1,799	\$ -	\$ -
11-09	Various Improvements	10/21/2009	515,000		102,892			75,224			27,668
9-10	Road Reconstruction	5/11/2010	60,000	600				600			-
16-10	Purchase of Computer Equipment	11/23/2010	25,000	25,000				24,549	451		-
20-10	HVAC Replacement	12/28/2010	10,000	10,000						10,000	
1-11	Fifth Avenue/Road Repairs	1/25/2011	17,000					17,000			
				<u>\$ 35,600</u>	<u>\$ 111,442</u>	<u>\$ 17,000</u>	<u>\$ -</u>	<u>\$ 124,124</u>	<u>\$ 2,250</u>	<u>\$ 10,000</u>	<u>\$ 27,668</u>
				C	C	C-7	C-6		C-1:C-7	C	C
							Encumbered Disbursed	\$ -			
								124,124			
								<u>\$ 124,124</u>			

**GENERAL CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES**

Ordinance Number	Improvement Description	Date of Original Issue	Date of Issue	Maturity Date	Interest Rate	Balance Dec. 31, 2010	Increased	Decreased	Balance Dec. 31, 2011
11-08	Various Improvements	10/1/2008	10/2/2011	10/1/2012	1.64%	\$ 362,000	\$ -	\$ 20,000	\$ 342,000
11-09	Various Improvements	5/20/2010	5/20/2011	5/19/2012	1.81%	489,000	-	-	489,000
						<u>\$ 851,000</u>	<u>\$ -</u>	<u>\$ 20,000</u>	<u>\$ 831,000</u>
						C	C-2; C-12	C-6	C; C-6

GENERAL CAPITAL FUND
SCHEDULE OF GENERAL SERIAL BONDS

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding 2011		Interest Rate	Balance Dec. 31, 2010	Increased	Decreased	Balance Dec. 31, 2011
			Date	Amount					
General Improvements	2/21/07	1,720,000	2/15/2012	225,000	4.000%	\$ 1,120,000	\$ -	\$ 220,000	\$ 900,000
			2/15/2013	225,000	4.000%				
			2/15/2014	225,000	4.000%				
			2/15/2015	225,000	4.000%				
						<u>\$ 1,120,000</u>	<u>\$ -</u>	<u>\$ 220,000</u>	<u>\$ 900,000</u>
						C	C-2	C-5	C

**GENERAL CAPITAL FUND
SCHEDULE OF GREEN TRUST LOAN PAYABLE**

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding 2011		Interest Rate	Balance Dec. 31, 2010	Increased	Decreased	Balance Dec. 31, 2011
			Date	Amount					
Recreation Complex	9/1/95	100,000			2.00%	\$ 7,223	\$ -	\$ 7,223	\$ -
						C		C-5	C

See Accompanying Auditor's Report

TOWNSHIP OF MULLICA

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 or 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 is 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 \$36,000 except by contract or agreement."

The governing body of the Township has the responsibility of determining whether the expenditures in 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 Township Counsel's opinion should be sought before a commitment is made.

Our examination of expenditures did not reveal any payments in excess of \$36,000 "for the performance of any work or the furnishing or hiring of any materials or supplies" other than those where bids had been previously sought by public advertisement, awarded under state or county cooperative purchasing agreements, or where a resolution had been previously adopted under the provisions of N.J.S. 40A:11-6.

The minutes indicate that bids were requested by public advertising for the current year for the following:

- Grooming Mower
- Reconstruction of Fifth Avenue

Contracts and Agreements Requiring Solicitation of Quotations

N.J.S. 40A:11-6.1 states, "Prior to the award of any other purchase, contract or agreement, the contracting agent shall, except in the case of the performance of professional services, solicit quotations, whenever practical, on any such purchase, contract or agreement the estimated cost or price of which is \$5,400 or more."

Our examination of expenditures did not reveal any purchases made in excess of \$5,400 without obtaining quotes as required by statute.

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 would become delinquent.

The governing body, on January 1, 2011, adopted the following resolution authorizing interest to be charged on delinquent taxes:

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Township Council of the Township of Mullica, 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 \$1,500.00 of taxes becoming delinquent after due date and eighteen percent (18%) per annum on any amount of taxes in excess of \$1,500.00 becoming delinquent after due date and if a delinquency is in excess of \$10,000.00 and remains in arrears beyond December 31st, an additional penalty of six percent (6%) shall be charged against the delinquency.

There will be a ten (10) day grace period of quarterly tax payments made by cash, check or money order.

It appears from an examination of the collector's records that interest on delinquent taxes was collected in accordance with the foregoing resolution.

Delinquent Taxes and Tax Title Liens

The last tax sale was held on April 6, 2011 and was complete.

Inspection of tax sale certificates on file revealed that all tax sale certificates were available for audit.

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

<u>Year</u>	<u>Number of Liens</u>
2011	158
2010	101
2009	105

It is essential to good management that all means provided by statute be utilized to liquidate tax title liens in order to get such properties back on a taxpaying basis.

Verification of Delinquent Taxes and Other Charges

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

<u>Type:</u>	<u>Number</u> <u>Mailed</u>
Payments of 2012 and 2011 Taxes	5
Delinquent Taxes	3
Municipal Court	5
Total	<u>15</u>

As of the date of this audit report, all verifications have not been returned. No problems were noted with the verifications that have been returned related to property taxes or municipal court.

Deposit of Municipal Funds

N.J.S. 40A:5-15 states, "All municipal funds shall be deposited within 48 hours upon receipt."

Our examination has revealed that municipal funds were deposited within the mandated time.

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</u> <u>Collections</u>	<u>Percentage of</u> <u>Collections</u>
2011	\$ 11,644,148	\$ 11,081,695	95.17%
2010	11,590,406	11,091,841	95.70%
2009	11,255,928	10,821,437	96.14%
2008	10,784,237	10,285,684	95.38%
2007	10,421,035	10,001,772	95.98%

Comparative Schedule of Tax Rate Information

	2011	2010	2009	2008	2007
Tax Rate	3.969	3.947	3.838	3.694	3.616
Apportionment of Tax Rate:					
Municipal	1.094	1.075	1.057	1.037	0.982
County	0.732	0.700	0.681	0.607	0.613
School	2.143	2.172	2.100	2.050	2.021
Assessed Valuation	291,565,100	292,829,837	291,229,784	288,706,046	283,981,376

Delinquent Taxes and Tax Title Liens

This tabulation includes a comparison, expressed in percentage, of the total 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	135,029	510,448	645,477	5.54%
2010	100,133	440,191	540,324	6.00%
2009	187,192	430,265	617,457	5.93%
2008	167,950	507,470	675,420	6.48%
2007	264,012	394,780	658,792	6.54%

Uniform Construction Code

The Township of Mullica 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.

AUDIT FINDINGS AND RESPONSES

None

STATUS OF PRIOR 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 my assistance in implementing my recommendations, please do not hesitate to call me.

Very truly yours,

Ford, Scott & Associates, LLC

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

Kenneth W. Moore

**Kenneth W. Moore, CPA
Registered Municipal Accountant
No. 231**

March 23, 2012