

TOWNSHIP OF MULLICA

ATLANTIC COUNTY

NEW JERSEY

AUDIT REPORT

FOR THE YEAR ENDED
December 31, 2017

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TOWNSHIP OF MULLICA

PART I

REPORT ON AUDIT OF FINANCIAL STATEMENTS

AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2017



FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Township of Mullica, as of December 31, 2017, 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, 2017, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents. The financial statements of the Township of Mullica as of December 31, 2016 were audited by other auditors whose report dated June 21, 2017 expressed an adverse opinion on those statements in accordance with Generally Accepted Accounting Principles and an unmodified opinion on those statements in conformity with the Regulatory Basis of Accounting as described in Note 1.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Township of Mullica as of December 31, 2017 and 2016, or changes in financial position for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the regulatory basis balance sheets and account group as of December 31, 2017, the regulatory basis statements of operations for the years then ended and the regulatory basis statements of revenues and expenditures for the year ended December 31, 2017 in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2018 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township of Mullica's internal control over financial reporting and compliance.

Very truly yours,

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

Nancy Sbrolla
Nancy Sbrolla
Certified Public Accountant
Registered Municipal Accountant
No. 542

April 20, 2018

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EXHIBIT A - CURRENT FUND

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

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
Regular Fund:		
Cash:		
Cash Treasurer	\$ 2,720,120.94	1,872,517.52
Cash Collector		334,776.08
Cash - Change	350.00	350.00
Petty Cash Fund	100.00	100.00
Total Cash	2,720,570.94	2,207,743.60
Other Receivables:		
Due from State - Senior & Vet Deductions	4,642.33	5,401.29
Due from Prudential - DCRP	214.53	1,504.24
Total Other Receivables	4,856.86	6,905.53
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	472,378.80	383,458.82
Tax Title and Other Liens	318,035.04	249,645.27
Property Acquired for Taxes - at Assessed Valuation	3,571,100.00	3,592,400.00
Due from Grant Fund	40,189.72	-
Revenue Accounts Receivable	12,347.07	7,923.04
Total Receivables and Other Assets	4,414,050.63	4,233,427.13
Deferred Charges:		
Special Emergency Appropriation	278,000.00	42,000.00
Total Deferred Charges	278,000.00	42,000.00
Total Regular Fund	7,417,478.43	6,490,076.26
Federal and State Grant Fund:		
Cash	-	-
Due from Current Fund	-	134,242.29
Federal and State Grants Receivable	384,267.77	175,176.08
Total Federal and State Grant Fund	384,267.77	309,418.37
Total Current Fund	\$ 7,801,746.20	6,799,494.63

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

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>2017</u>	<u>2016</u>
Regular Fund:		
Liabilities:		
Appropriation Reserves	\$ 132,992.00	228,436.73
Reserve for Encumbrances	160,754.52	119,765.14
Prepaid Taxes	538,982.32	171,587.56
Overpaid Taxes	21,987.49	17,887.12
Local School Tax Payable	969,013.03	784,763.19
Regional High School Tax Payable	378,177.00	183,379.50
County Tax Payable	-	0.02
County Added Tax Payable	10,211.71	6,030.47
Payroll Taxes Payable	356.22	1,504.24
Due to State:		
DCA Fees	1,239.00	1,215.00
Marriage Licenses	250.00	150.00
Reserve for JIF Safety Money	3,442.94	2,011.94
Reserve for Tax Map Updates	9,800.00	11,200.00
Reserve for Revaluation	159,317.80	-
Interfund Payable:		
Grant Fund	-	134,242.29
	2,386,524.03	1,662,173.20
Reserve for Receivables and Other Assets	4,414,050.63	4,233,427.13
Fund Balance	616,903.77	594,475.93
Total Regular Fund	7,417,478.43	6,490,076.26
Federal and State Grant Fund:		
Unappropriated Reserves	983.07	-
Appropriated Reserves	340,594.98	115,443.37
Due to Current Fund	40,189.72	-
Encumbrances Payable	2,500.00	193,975.00
	384,267.77	309,418.37
Total Federal and State Grant Fund	384,267.77	309,418.37
Total Current Fund	\$ 7,801,746.20	6,799,494.63

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

	2017	2016
Revenue and Other Income Realized		
Fund Balance	\$ 500,000.00	660,500.00
Miscellaneous Revenue Anticipated	1,266,925.40	986,114.31
Receipts from Delinquent Taxes	401,544.91	363,342.70
Receipts from Current Taxes	13,188,764.71	12,447,328.55
Non Budget Revenue	140,775.01	116,140.29
Sale of Foreclosed Property	43,078.00	17,027.00
Sale of Municipal Assets	1,001.50	6,907.62
Other Credits to Income:		
Unexpended Balance of Appropriation Res.	249,495.45	190,456.99
Cancelled Appropriations		-
Total Income	15,791,584.98	14,787,817.46
Expenditures		
Budget and Emergency Appropriations:		
Appropriations Within "CAPS"		
Operations:		
Salaries and Wages	1,817,273.00	1,823,925.00
Other Expenses	1,964,069.00	2,043,238.00
Deferred Charges & Statutory Expenditures	465,757.79	455,873.00
Appropriations Excluded from "CAPS"		
Operations:		
Salaries and Wages	45,500.00	47,201.25
Other Expenses	518,500.74	335,974.08
Capital Improvements	40,000.00	70,000.00
Debt Service	287,875.14	213,936.21
Deferred Charges	14,000.00	14,000.00
Local District School Tax	4,260,244.00	3,891,744.00
Regional High School District Tax	3,105,736.00	2,836,141.00
County Tax	2,687,550.70	2,611,731.63
County Share of Added Tax	10,211.71	6,030.47
Refund of Prior Year Revenue	12,249.34	-
Interfund Created	40,189.72	-
Total Expenditures	15,269,157.14	14,349,794.64
Excess in Revenue	522,427.84	438,022.82

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

	2017	2016
Adjustments to Income before Fund Balance:		
Expenditures included above which are by Statute Deferred Charges to Budgets of Succeeding Year	-	-
Emergency Appropriation		
Total Adjustments	-	-
Statutory Excess to Fund Balance	522,427.84	438,022.82
Fund Balance January 1	594,475.93	816,953.11
	1,116,903.77	1,254,975.93
Decreased by:		
Utilization as Anticipated Revenue	500,000.00	660,500.00
Fund Balance December 31	\$ 616,903.77	594,475.93

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Anticipated		Realized	Excess or (Deficit)
	Budget	N.J.S. 40A:4-87		
Fund Balance Anticipated	\$ 500,000.00	-	500,000.00	-
Total Fund Balance Anticipated	500,000.00	-	500,000.00	-
Miscellaneous Revenues:				
Section A: Local Revenues				
Licenses:				
Alcoholic Beverages	5,000.00		4,500.00	(500.00)
Fines & Costs:				
Municipal Court	130,000.00		133,432.78	3,432.78
Interest and Costs on Taxes	63,000.00		72,734.92	9,734.92
Interest on Investments and Deposits	2,000.00		4,330.04	2,330.04
Trailer Pad Fees	40,000.00		38,649.00	(1,351.00)
Cell Tower Revenues	40,000.00		35,584.39	(4,415.61)
Total Section A: Local Revenues	280,000.00	-	289,231.13	9,231.13
Section B: State Aid Without Offsetting Appropriations				
Consolidated Municipal Property Tax Relief Act	17,432.00		17,432.00	-
Energy Receipts Tax	434,344.00		434,344.00	-
Garden State Trust	41,440.00		41,440.00	-
Total Section B: State Aid Without Offsetting Appropriations	493,216.00	-	493,216.00	-
Section C: Uniform Construction Code Fees				
Uniform Construction Code Fees	65,500.00		111,591.00	46,091.00
Total Section C: Uniform Construction Code Fees	65,500.00	-	111,591.00	46,091.00

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Anticipated		Realized	Excess or (Deficit)
	Budget	N.J.S. 40A:4-87		
Section D: Interlocal Municipal Service Agreements Offset with Appropriations	40,000.00		42,998.53	2,998.53
Interlocal Agreement - School Resource Officer				
Total Section D: Interlocal Municipal Service Agreements Offset with Appropriations	40,000.00	-	42,998.53	2,998.53
Section F: Special Items - Public and Private Programs				
Off-Set with Appropriations				
Recycling Tonnage Grant	3,920.16		3,920.16	-
Municipal Alliance on Alcoholism & Drug Abuse	12,415.00		12,415.00	-
Community Development Block Grant	68,962.77		68,962.77	-
Distracted Driver Grant	5,500.00		5,500.00	-
Click or Ticket		5,500.00	5,500.00	
CDBGT		21,481.34	21,481.34	
NJDOT		146,749.00	146,749.00	
Drive Sober or Get Pulled Over		11,000.00	11,000.00	
DDEF		12,815.98	12,815.98	
Body Armor Grant		1,544.49	1,544.49	
Total Section F: Special Items - Public and Private Programs Off-Set with Appropriations	90,797.93	199,090.81	289,888.74	-

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Anticipated		Realized	Excess or (Deficit)
	Budget	N.J.S. 40A:4-87		
Section G: Special Items of Revenue Anticipated with Prior Written Consent of Director Capital Fund Surplus	40,000.00	-	40,000.00	-
Total Section G: Special Items of Revenue Anticipated with Prior Written Consent of Director	40,000.00	-	40,000.00	-
Total Miscellaneous Revenues:	1,009,513.93	199,090.81	1,266,925.40	58,320.66
Receipts from Delinquent Taxes	383,000.00		401,544.91	18,544.91
Amount to be Raised by Taxes for Support of Municipal Budget Local Tax for Municipal Purposes	3,646,008.29		3,709,589.80	63,581.51
Total Amount to be Raised by Taxes for Support of Municipal Budget	3,646,008.29	-	3,709,589.80	63,581.51
Budget Totals	5,538,522.22	199,090.81	5,878,060.11	140,447.08
Non- Budget Revenues: Other Non- Budget Revenues:			140,775.01	140,775.01
	5,538,522.22	199,090.81	6,018,835.12	281,222.09

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Analysis of Realized Revenues

Allocation of Current Tax Collections:		
Revenue from Collections		\$ 13,188,764.71
Less: Reserve for Tax Appeals Pending		<u>-</u>
Net Revenue from Collections		13,188,764.71
Allocated to:		
School, County and Other Taxes		<u>10,063,742.41</u>
Balance for Support of Municipal Budget Appropriations		3,125,022.30
Increased by:		
Appropriation "Reserved for Uncollected Taxes"		<u>584,567.50</u>
Amount for Support of Municipal Budget Appropriations		<u><u>3,709,589.80</u></u>

Receipts from Delinquent Taxes:		
Delinquent Tax Collection	353,191.73	
Tax Title Lien Collections	<u>48,353.18</u>	
Total Receipts from Delinquent Taxes		<u><u>401,544.91</u></u>

Analysis of Non-Budget Revenue:		
Miscellaneous Revenue Not Anticipated:		
Miscellaneous	3,058.70	
Trailer Park	4,744.00	
Licenses	3,596.00	
Street Opening Permits	250.00	
Planning Board Fees	725.00	
Cable Television Fees	22,815.59	
Zoning Officer Fees	12,285.00	
Copies	458.98	
Recreation Fee	225.00	
Police Reports	1,028.15	
Administrative Operations	38,739.93	
Foreclosure Registration Fee	48,498.66	
Billboard Lease	1,000.00	
Towing Ordinance Fees	<u>3,350.00</u>	
Total Miscellaneous Revenue Not Anticipated:		<u><u>\$ 140,775.01</u></u>

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
OPERATIONS WITHIN "CAPS"						
GENERAL GOVERNMENT:						
Township Committee						
Salaries and Wages	7,500.00	7,500.00	7,414.45		85.55	-
Other Expenses	2,000.00	2,000.00	1,945.00		55.00	-
Municipal Clerk						
Salaries and Wages	119,000.00	120,783.00	120,027.49		755.51	-
Other Expenses	16,000.00	20,500.00	19,527.27	221.57	751.16	-
Financial Administration						
Salaries and Wages	62,600.00	62,600.00	62,567.96		32.04	-
Other Expenses	11,000.00	11,000.00	10,836.03	25.00	138.97	-
Audit Services						
Other Expenses	24,000.00	24,000.00	24,000.00		-	-
Collection of Taxes						
Salaries and Wages	77,965.00	77,965.00	77,963.08		1.92	-
Other Expenses	8,000.00	8,000.00	6,583.87		1,416.13	-
Tax Assessment Administration						
Salaries and Wages	37,520.00	37,520.00	37,514.90		5.10	-
Other Expenses	6,000.00	6,000.00	5,007.31	774.86	217.83	-
Legal Services						
Other Expenses	75,000.00	83,000.00	69,273.92	13,103.84	622.24	-
Engineering Services and Costs						
Other Expenses	50,000.00	40,000.00	5,362.50	29,385.00	5,252.50	-
Senior Citizen Advisory Commission						
Other Expenses	1,000.00	1,000.00	1,000.00		-	-
LAND USE ADMINISTRATION						
Planning Board						
Salaries and Wages	4,305.00	4,305.00	4,304.03		0.97	-
Other Expenses	4,000.00	10,000.00	5,395.50	4,056.00	548.50	-

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
INSURANCE						
General Liability	64,556.00	62,773.00	62,773.00	-	-	-
Worker's Compensation	120,444.00	120,444.00	120,444.00	-	-	-
Employee Group Insurance	890,000.00	870,000.00	860,345.55	9,654.45	-	-
Health Benefits Waiver	1.00	1.00	1.00	1.00	-	-
Unemployment Compensation Insurance	10,000.00	10,000.00	7,901.65	2,098.35	-	-
MUNICIPAL COURT						
Salaries and Wages	89,000.00	89,000.00	86,961.28	2,038.72	-	-
Other Expenses	7,000.00	7,000.00	4,967.55	2,032.45	-	-
Public Defender						
Other Expenses	6,400.00	6,400.00	4,800.00	1,600.00	-	-
PUBLIC SAFETY						
Police						
Salaries and Wages	1,097,000.00	1,097,000.00	1,095,632.01	1,367.99	-	-
Other Expenses	65,000.00	59,000.00	45,120.64	12,392.18	1,487.18	-
Office of Emergency Management						
Salaries and Wages	4,500.00	4,500.00	4,500.00	-	-	-
Other Expenses	500.00	500.00	500.00	500.00	-	-
Aid to Volunteer Fire Companies	59,000.00	59,000.00	59,000.00	-	-	-
Emergency Medical Services	1.00	1.00	1.00	1.00	-	-
Municipal Prosecutor						
Other Expenses	10,000.00	10,000.00	7,333.37	666.67	1,999.96	-
STREETS AND ROADS						
Streets and Road Maintenance						
Salaries and Wages	211,200.00	211,200.00	161,873.49	49,326.51	-	-
Other Expenses	50,000.00	50,000.00	20,945.24	11,689.92	-	-
Solid Waste Collection						
Other Expenses	78,500.00	78,500.00	71,704.07	6,534.25	261.68	-
Public Building and Grounds						
Other Expenses	45,000.00	50,000.00	40,895.29	8,864.88	239.83	-
Vehicle Maintenance	55,000.00	58,000.00	40,154.95	15,768.20	2,076.85	-
SANITATION						
Landfill & Solid Waste Disposal Costs						
Other Expenses	120,000.00	120,000.00	96,389.24	14,468.13	9,142.63	-
HEALTH AND WELFARE						
Animal Control Services						
Other Expenses	8,000.00	8,000.00	5,996.00	2,004.00	-	-
Environmental Commission						
Other Expenses	200.00	200.00	-	200.00	-	-

The accompanying Notes to Financial Statements are an integral part of this statement

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
RECREATION AND EDUCATION						
Recreation Services & Programs						
Other Expenses	5,000.00	5,000.00	5,000.00	-	-	-
Maintenance of Parks						
Other Expenses	18,000.00	18,000.00	10,662.52	6,069.85	1,267.63	-
UNIFORM CONSTRUCTION CODE						
Construction Official						
Salaries and Wages	89,100.00	89,100.00	89,100.00	-	-	-
Other Expenses	2,250.00	2,250.00	381.99	500.00	1,368.01	-
Other Code Enforcement Functions						
Salaries and Wages	15,300.00	15,300.00	15,267.15	-	32.85	-
Other Expenses	1,500.00	1,500.00	356.25	-	1,143.75	-
UNCLASSIFIED						
Utilities						
Electricity & Natural Gas	72,000.00	79,000.00	64,502.55	13,016.72	1,480.73	-
Telecommunications Costs	23,000.00	23,000.00	19,375.15	858.26	2,766.59	-
Petroleum Products	60,000.00	60,000.00	50,904.74	8,631.03	464.23	-
Accumulated Leave Compensation	500.00	500.00	500.00	-	-	-
TOTAL OPERATIONS WITHIN "CAPS"	3,783,842.00	3,781,342.00	3,512,510.99	152,701.28	116,129.73	-
Contingent						
TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"	3,783,842.00	3,781,342.00	3,512,510.99	152,701.28	116,129.73	-
Detail:						
Salaries and Wages	1,815,490.00	1,817,273.00	1,763,625.84	-	53,647.16	-
Other Expenses	1,968,352.00	1,964,069.00	1,748,885.15	152,701.28	62,482.57	-

The accompanying Notes to Financial Statements are an integral part of this statement

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
DEFERRED CHARGES AND STATUTORY EXPENDITURES:						
Statutory Expenditures:						
Contributions to:						
Public Employees' Retirement System	76,634.79	77,134.79	77,008.07		126.72	-
Social Security System (O.A.S.I.)	145,000.00	145,000.00	136,514.19		8,485.81	-
Police and Fireman's Pension Fund	239,123.00	241,123.00	240,962.01		160.99	-
Defined Contribution Retirement Program	2,500.00	2,500.00	388.48	53.24	2,058.28	-
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES:	463,257.79	465,757.79	454,872.75	53.24	10,831.80	-
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	4,247,099.79	4,247,099.79	3,967,383.74	152,754.52	126,961.53	-
OPERATIONS - EXCLUDED FROM "CAPS"						
(A) Operations - Excluded from "CAPS"						
NJPDES Stormwater Management Rules - NJSA 40A-4-45.3(cc)	12,000.00	12,000.00	500.00	8,000.00	3,500.00	-
Other Expenses						
Interlocal Municipal Service Agreements	210,000.00	210,000.00	208,639.04		1,360.96	-
Police Dispatch	40,000.00	40,000.00	38,830.49		1,169.51	-
School Resource Officer	9,008.00	9,008.00	9,008.00		-	-
IT Services						
TOTAL OPERATIONS - EXCLUDED FROM "CAPS"	271,008.00	271,008.00	256,977.53	8,000.00	6,030.47	-
(A) Public and Private Programs Off-Set by Revenues						
Community Development Block Grant	68,962.77	68,962.77	68,962.77		-	-
Municipal Alliance on Alcoholism and Drug Abuse						
State Match	12,415.00	12,415.00	12,415.00		-	-
Local Match	3,104.00	3,104.00	3,104.00		-	-
Recycling Tonnage Grant	3,920.16	3,920.16	3,920.16		-	-
Distracted Driver Grant	5,500.00	5,500.00	5,500.00		-	-
Click it or Ticket	5,500.00	5,500.00	5,500.00		-	-
CDBG	21,481.34	21,481.34	21,481.34		-	-
NJDOT	146,749.00	146,749.00	146,749.00		-	-
Drive Sober or Get Pulled Over	11,000.00	11,000.00	11,000.00		-	-
DDEF	12,815.98	12,815.98	12,815.98		-	-
Body Armor Grant	1,544.49	1,544.49	1,544.49		-	-
Total Public and Private Programs Off-Set by Revenues	93,901.93	292,992.74	292,992.74	-	-	-

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered Reserved	
Total Operations - Excluded from "CAPS"	364,909.93	564,000.74	549,970.27	8,000.00	6,030.47
Detail:					
Salaries and Wages	45,500.00	45,500.00	44,330.49	-	1,169.51
Other Expenses	319,409.93	518,500.74	505,639.78	8,000.00	4,860.96
(C) Capital Improvements					
Capital Improvement Fund	40,000.00	40,000.00	40,000.00	-	-
Total Capital Improvements	40,000.00	40,000.00	40,000.00	-	-
(D) Debt Service					
Payment of Bond Principal	140,000.00	140,000.00	140,000.00	-	-
Payment of Bond Anticipation Notes and Capital Notes	86,875.00	86,875.00	86,875.00	-	-
Interest on Bonds	51,870.00	51,870.00	51,865.28	0.00	4.72
Interest on Notes	9,200.00	9,200.00	9,134.86	(0.00)	65.14
Total Debt Service	287,945.00	287,945.00	287,875.14	-	69.86
(E) Deferred Charges					
Special Emergency Authorizations - 5 years	14,000.00	14,000.00	14,000.00	-	-
Total Deferred Charges	14,000.00	14,000.00	14,000.00	-	-

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered Reserved	
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	706,854.93	905,945.74	891,845.41	8,000.00	6,030.47
SUBTOTAL GENERAL APPROPRIATIONS	4,953,954.72	5,153,045.53	4,859,229.15	160,754.52	132,992.00
(M) Reserve for Uncollected Taxes	584,567.50	584,567.50	584,567.50		-
TOTAL GENERAL APPROPRIATIONS	\$ 5,538,522.22	5,737,613.03	5,443,796.65	160,754.52	132,992.00
Budget		5,538,522.22			69.86
Appropriations by 40A-4-87		199,090.81			-
Emergency Appropriations		-			69.86
		<u>5,737,613.03</u>			<u>69.86</u>
Reserve for Uncollected Taxes			584,567.50		
Capital Improvement Fund			292,992.74		
Federal and State Grants			14,000.00		
Deferred Charges			4,552,236.41		
Disbursements			<u>5,443,796.65</u>		
				Cancelled Overexpended	

EXHIBIT B - TRUST FUNDS

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

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
Dog License Fund:		
Cash	\$ 12.61	123.81
Due from State of New Jersey	-	-
	<u>12.61</u>	<u>123.81</u>
Other Funds:		
Cash - Treasurer	340,855.87	331,577.80
Cash - Collector	97,092.91	127,833.11
Cash - Landfill Closure	88,042.55	87,998.65
Revolving Loans Receivable	448,626.81	454,429.31
	<u>974,618.14</u>	<u>1,001,838.87</u>
	<u>974,630.75</u>	<u>1,001,962.68</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Dog License Fund:		
Due to State of New Jersey	-	1.20
Reserve for Dog Fund Expenditures	12.61	122.61
	<u>12.61</u>	<u>123.81</u>
Other Funds:		
Due to Current Fund	-	-
Miscellaneous Reserves	974,618.14	1,001,838.87
	<u>974,618.14</u>	<u>1,001,838.87</u>
	<u>\$ 974,630.75</u>	<u>1,001,962.68</u>

The accompanying Notes to Financial Statements are an integral part of this statement

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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>2017</u>	<u>2016</u>
Cash	\$ 467,160.15	584,872.01
Deferred Charges to Future Taxation -		
Funded	1,170,000.00	1,310,000.00
Unfunded	320,250.00	407,125.00
Interfunds and Receivables		
Due from Current Fund	-	
	<u>1,957,410.15</u>	<u>2,301,997.01</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
General Serial Bonds	1,170,000.00	1,310,000.00
Bond Anticipation Notes Payable	320,250.00	407,125.00
Contracts Payable	102,480.00	94,554.63
Improvement Authorizations:		
Funded	207,762.10	288,449.33
Unfunded	-	-
Capital Improvement Fund	64,195.60	69,195.60
Fund Balance	92,722.45	132,672.45
	<u>\$ 1,957,410.15</u>	<u>2,301,997.01</u>

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

2016	-
2017	-

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

	2017	2016
Beginning Balance January 1	\$ 132,672.45	42,438.35
Increased by:		
Premium on Sale of Bonds	-	111,751.42
Premium on Sale of Bond Anticipation Notes	50.00	77.00
Improvement Authorizations Canceled	-	3,405.68
	50.00	115,234.10
Decreased by:		
Improvement Authorizations	40,000.00	25,000.00
	40,000.00	25,000.00
Ending Balance December 31	\$ 92,722.45	132,672.45

EXHIBIT G - GENERAL FIXED ASSETS

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GENERAL FIXED ASSETS ACCOUNT GROUP
STATEMENT OF GENERAL FIXED ASSETS - REGULATORY BASIS
AS OF DECEMBER 31,

	<u>2017</u>	<u>2016</u>
General Fixed Assets:		
Land and Buildings	\$ 2,293,007.75	2,283,007.75
Machinery and Equipment	<u>4,990,087.34</u>	<u>5,166,220.35</u>
Total General Fixed Assets	<u><u>7,283,095.09</u></u>	<u><u>7,449,228.10</u></u>
Investment in General Fixed Assets	\$ <u><u>7,283,095.09</u></u>	<u><u>7,449,228.10</u></u>

The accompanying Notes to Financial Statements are an integral part of this statement

**TOWNSHIP OF MULLICA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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, office 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 Board of Education of the Township is a component unit. However, under the regulatory basis of accounting in New Jersey, the component unit is neither blended nor shown in a discrete presentation in the financial statements of the Township. The Board of Education does have an independent audit performed and a copy is available at the Board's offices.

B. Description of Funds

The accounting policies of the Township of Mullica 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 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 Funds -- receipts, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created.

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

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

**TOWNSHIP OF MULLICA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

C. Basis of Accounting

The accounting principles and practices prescribed for municipalities by the State of New Jersey differ in certain respects from generally accepted accounting principles 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 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 to the Township 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 unencumbered 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 treated on a pay as you go basis with no amount charged to operations in the year incurred.

Foreclosed Property -- Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved.

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

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

General Fixed Assets -- The 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.

**TOWNSHIP OF MULLICA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available except for land which is valued at estimated market value on the date of acquisition. Expenditures for long lived assets with an original cost in excess of \$5,000 are capitalized.

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.

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 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.

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 current operating budget.

Use of Estimates -- The preparation of financial statements in conformity with generally accepted accounting principles or the statutory 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.

**TOWNSHIP OF MULLICA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

D. Required Financial Statements

The State of New Jersey requires the following financial statements to be presented for each fund on the regulatory basis of accounting: Balance Sheet, Statement of Operations and Changes in Fund Balance, Statement of Revenue and Statement of Expenditures. These statements differ from those presented under Generally Accepted Accounting Principles, which requires a Statement of Net Position and Statement of Activities in addition to the fund financial statements.

E. Comparative Data

Comparative total data for the prior year has been presented in the accompanying Balance Sheets and Statement of Operations in order to provide an understanding of changes in the 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 Revenue-Regulatory Basis and Statement of Expenditures-Regulatory Basis since their inclusion would make the statements unduly complex and difficult to read.

F. Recent Accounting Pronouncements Not Yet Effective

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". This statement, which is effective for fiscal periods beginning after June 15, 2017, will not have any effect on the City's financial reporting.

In November 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 83, "Certain Asset Retirement Obligations". This statement is effective for fiscal periods beginning after June 15, 2018, will not have any effect on the City's financial reporting.

In January 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 84, "Fiduciary Activities". This statement is effective for fiscal periods beginning after December 15, 2018, will not have any effect on the City's financial reporting.

In March 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 85, "Omnibus 2017". This statement is effective for fiscal periods beginning after June 15, 2017, will not have any effect on the City's financial reporting.

In May 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 86, "Certain Debt Extinguishment Issues". This statement is effective for fiscal periods beginning after June 15, 2017, will not have any effect on the City's financial reporting.

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, "Leases". This statement is effective for fiscal periods beginning after December 15, 2019, will not have any effect on the City's financial reporting.

**TOWNSHIP OF MULLICA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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 2017 and 2016 statutory budgets included a reserve for uncollected taxes in the amount of \$584,567.50 and \$569,623.02. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2017 and 2016 statutory budgets was \$500,000 and \$660,500.

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 transfers were noted for 2017 and 2016:

<u>Budget Category</u>	<u>2017</u>	<u>2016</u>
Legal Services		
Other Expenses		35,000.00
Employee Group Health	(20,000.00)	(25,000.00)

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 2017 and 2016, the following significant budget insertions were approved:

<u>Budget Category</u>	<u>2017</u>	<u>2016</u>
Body Armor Replacement Grant	\$ 1,544.49	1,462.38
Clean Communities Program Grant	-	25,285.17
Click It or Ticket	5,500.00	5,000.00
Federal Bulletproof Vest Partnership	-	800.00
Drive Sober or Get Pulled Over	11,000.00	10,000.00
Community Development Block Grant	21,481.34	33,326.00
NJDOT	146,749.00	
DDEF	12,815.98	

The Township 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 budgets of the succeeding year. Special emergency appropriations are permitted to be raised in the budgets of the succeeding three or five years. The Township approved a special emergency appropriation in 2014 for \$70,000. The emergency was for preparation of tax map. The unfunded balance as of December 31, 2017 was \$28,000. The Township approved a special emergency appropriation in 2017 for \$250,000 for a property revaluation. The balance as of December 31, 2017 was \$250,000.

**TOWNSHIP OF MULLICA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

Note 3: INVESTMENTS

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 Township can 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. Under the act, all demand deposits are covered by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the municipality in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, bail funds or fund that may pass to the municipality relative to the happening of a future condition. As of December 31, 2017 and 2016, \$276,021.22 and \$609,656.15 of the municipality’s bank balance of \$3,518,470.50 and \$3,912,888.70, respectively, was exposed to custodial credit risk.

Note 5: FIXED ASSETS

The following schedules are a summarization of the changes in general fixed assets for the calendar years ended December 31, 2017 and 2016:

	Balance 12/31/2016	Additions	Retirements/ Adjustments	Balance 12/31/2017
Land & Buildings	\$ 2,283,007.75	10,000.00		2,293,007.75
Machinery & Equipment	5,166,220.35	30,636.49	206,769.50	4,990,087.34
	<u>\$ 7,449,228.10</u>	<u>40,636.49</u>	<u>206,769.50</u>	<u>7,283,095.09</u>

**TOWNSHIP OF MULLICA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	Balance 12/31/2015	Additions	Retirements	Balance 12/31/2016
Land & Buildings	\$ 2,291,677.75		(8,670.00)	2,283,007.75
Machinery & Equipment	5,175,830.68	232,252.45	(241,862.78)	5,166,220.35
	<u>\$ 7,467,508.43</u>	<u>232,252.45</u>	<u>(250,532.78)</u>	<u>7,449,228.10</u>

Note 6: SHORT-TERM OBLIGATIONS

	Balance 12/31/16	Issued	Retired	Balance 12/31/17
Bond Anticipation Notes payable:				
General	\$ 407,125.00		86,875.00	320,250.00
	<u>\$ 407,125.00</u>	<u>-</u>	<u>86,875.00</u>	<u>320,250.00</u>

	Balance 12/31/15	Issued	Retired	Balance 12/31/16
Bond Anticipation Notes payable:				
General	\$ 1,914,000.00	407,125.00	1,914,000.00	407,125.00
	<u>\$ 1,914,000.00</u>	<u>407,125.00</u>	<u>1,914,000.00</u>	<u>407,125.00</u>

The notes were issued on May 20, 2010 and May 15, 2013 and are both due and payable on May 11, 2018 with interest at 2.25%. As of December 31, 2017 the Township has authorized but not issued bonds in the amount of \$0 in the General Capital Fund.

Note 7: LONG-TERM OBLIGATIONS

Long-term debt as of December 31, 2017 and 2016 consisted of the following:

	Balance 12/31/16	Issued	Retired	Balance 12/31/17	Amounts Due Within One Year
Bonds payable:					
General	\$ 1,310,000.00		140,000.00	1,170,000.00	150,000.00
Total	1,310,000.00	-	140,000.00	1,170,000.00	150,000.00
Other liabilities:					
PERS Liability	2,534,066.00			2,534,066.00	
PFRS Liability	5,602,396.00			5,602,396.00	
Compensated Absences Payable	342,721.47	245,484.00	263,528.00	324,677.47	-
Total long-term liabilities	<u>\$ 9,789,183.47</u>	<u>245,484.00</u>	<u>403,528.00</u>	<u>9,631,139.47</u>	<u>150,000.00</u>

**TOWNSHIP OF MULLICA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	Balance 12/31/15	Issued	Retired	Balance 12/31/16	Amounts Due Within One Year
Bonds payable:					
General	\$ -	1,310,000.00		1,310,000.00	140,000.00
Total	-	1,310,000.00	-	1,310,000.00	140,000.00
Other liabilities:					
PERS Liability	1,928,232.00	605,834.00		2,534,066.00	
PFRS Liability	4,885,660.00	716,736.00		5,602,396.00	
Compensated Absences Payable	329,997.65	12,723.82		342,721.47	-
Total long-term liabilities	\$ 7,143,889.65	2,645,293.82	-	9,789,183.47	140,000.00

Outstanding bonds whose principal and interest are paid from the Current Fund Budget of the entity:

\$1,310,000.00 General Improvement Bond dated 10/26/16 payable in annual installments through 10/15/24. Interest is paid semiannually at rates varying from 2.00% to 5.00% per annum. The balance remaining as of December 31, 2017 was \$1,170,000.

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

Year	General Fund	
	Principal	Interest
2018	\$ 150,000.00	50,700.00
2019	155,000.00	46,200.00
2020	160,000.00	40,000.00
2021	165,000.00	33,600.00
2022	170,000.00	27,000.00
2023-2024	370,000.00	28,000.00
	<u>\$ 1,170,000.00</u>	<u>225,500.00</u>

As of December 31, 2017 the carrying value of the above bonds and notes approximates the fair value of the bonds. No interest was charged to capital projects during the year and the total interest charged to the current budget was \$51,865.28.

**TOWNSHIP OF MULLICA
NOTES TO FINANCIAL STATEMENTS
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<u>Summary of Municipal Debt</u>	<u>Year 2017</u>	<u>Year 2016</u>	<u>Year 2015</u>
<u>Issued:</u>			
General - Bonds and Notes	\$ 1,170,000.00	1,310,000.00	
General - Bond Anticipation Notes	320,250.00	407,125.00	1,914,000.00
Total Issued	<u>1,490,250.00</u>	<u>1,717,125.00</u>	<u>1,914,000.00</u>
<u>Authorized but not issued:</u>			
General - Bonds and Notes	-	-	-
Total Authorized But Not Issued	-	-	-
Total Bonds & Notes Issued and Authorized But Not Issued	<u>\$ 1,490,250.00</u>	<u>1,717,125.00</u>	<u>1,914,000.00</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 .310%

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 6,494,000.00	6,494,000.00	-
Regional School District Debt	4,187,734.30	4,187,734.30	-
General Debt	1,490,250.00	-	1,490,250.00
	<u>12,171,984.30</u>	<u>10,681,734.30</u>	<u>1,490,250.00</u>

Net Debt \$1,490,250 ÷ Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$481,413,082.33 = .417%.

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

3 1/2 % of Equalized Valuation Basis (Municipal)	\$ 481,413,082.33
Net Debt	1,490,250.00
Remaining Borrowing Power	<u>\$ 479,922,832.33</u>

The Township of Mullica School District, as a K-8 school district, is permitted to borrow up to 3% of the average equalized valuation for the past three years. State statutes allow a school district to exceed the districts limitation with voter approval. Any amount approved by the voters in excess of the limit is treated as an impairment of the municipal limit.

**TOWNSHIP OF MULLICA
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Note 8: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2017 and 2016, which were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2018 and 2017 were as follows:

		<u>2018</u>	<u>2017</u>
Current Fund	\$	520,000	500,000

Note 9: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2017, the following deferred charges are shown on the balance sheets of the various funds:

	Balance December 31, 2017	2018 Budget Appropriation	Balance to Succeeding
Current fund:			
Special Emergency Appropriation	<u>\$ 278,000.00</u>	<u>64,000.00</u>	<u>214,000.00</u>
	<u>\$ 278,000.00</u>	<u>64,000.00</u>	<u>214,000.00</u>

The appropriations in the 2018 Budget are not less than that required by statute.

Note 10: SCHOOL TAXES

Local District School Tax in the amounts of \$4,260,244.00 and \$3,891,744.00 have been raised for the 2017 and 2016 calendar years and remitted or due to the school district. The school tax levy is determined by taking 50% of the prior year and 50% of the current year requirements, plus the actual amount needed for debt service.

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:

	<u>12/31/2017</u>	<u>12/31/2016</u>
Balance of Tax	\$ 2,130,122.03	1,945,872.19
Deferred	1,161,109.00	1,161,109.00
Tax Payable	<u>\$ 969,013.03</u>	<u>784,763.19</u>

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Regional District School Tax in the amounts of \$3,105,736.00 and \$2,836,141.00 have been raised for the 2017 and 2016 calendar years and remitted or due to the school district. The school tax levy is determined by taking 50% of the prior year and 50% of the current year requirements, plus the actual amount needed for debt service.

Regional District School Taxes have been raised resulting in the school tax payable set forth in the Current Fund liabilities as follows:

	<u>12/31/2017</u>	<u>12/31/2016</u>
Balance of Tax	\$ 1,552,868.00	1,358,070.50
Deferred	1,174,691.00	1,174,691.00
Tax Payable	<u>\$ 378,177.00</u>	<u>183,379.50</u>

Note 11: 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:

	<u>Balance 12/31/17</u>	<u>Balance 12/31/16</u>
Prepaid Taxes	\$ 538,982.32	171,587.56
Cash Liability for Taxes Collected in Advance	<u>\$ 538,982.32</u>	<u>171,587.56</u>

Note 12: PENSION FUNDS

Description of Plans

Substantially all of the Township's employees participate in the Public Employees' Retirement System (PERS) cost sharing multiple-employer defined benefit pension plan which has been established by State Statute and are administered by the New Jersey Division of Pensions 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 systems. This report may be obtained by writing to the Division of Pension 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.shtml>.

**TOWNSHIP OF MULLICA
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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 PERS 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.

Police and Fireman's Retirement System

The contribution policy for the Police and Fireman's Retirement System (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 10.0% of employees' annual compensation, as defined. Employers are required to contribute to an actuarially determined rate.

Defined Contribution Retirement Program (DCRP)

The Defined Contribution Retirement Program (DCRP) was established as of July 1, 2008 under the provisions of Chapter 92, P.L. 2008 and Chapter 103, P.L. 2008 (NJSA43:15C-1 et seq). The DCRP is a cost sharing multiple-employer defined contribution pension fund. The DCRP provides eligible members, and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by NJSA 43:15C-1 et seq.

Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provided for employee contributions of 7.20% through June 30, 2017 and 7.34% thereafter of employee's annual compensation, as defined. Employers are required to contribute to an actuarially determined rate in PERS. The Township's contributions to PERS for the years ended December 31, 2017 and 2016 were \$76,635.00 and \$74,252.00, respectively.

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 10.0% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate. The Township's contributions to PFRS for the year ended December 31, 2017 and 2016 were \$239,123.00 and \$238,424.00, respectively.

The total payroll for the year ended December 31, 2017 was \$1,763,625.84. Payroll covered by PERS was \$593,853.00. Payroll covered by PFRS was \$846,155.00

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Significant Legislation

Chapter 78, P.L. 2011, effective June 28, 2011 made various changes to the manner in which the Public Employees' Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS) operate and to the benefit provisions of those systems.

Chapter 78's provisions impacting employee pension and health benefits include:

- New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of $\frac{1}{4}$ of 1% for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years.
- Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years; PFRS active member rate increase from 8.5% to 10%. For fiscal year 2013, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.
- New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary.
- In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

Chapter 1, P.L. 2010, effective May 21, 2010, made a number of changes to the State-administered retirement systems concerning eligibility, the retirement allowance formula, the definition of compensation, the positions eligible for service credit, the non-forfeitable right to a pension, the prosecutor's part of the PERS, special retirement under the PFRS, and employer contributions to the retirement systems.

Also, Chapter 1, P.L. 2010 changed the membership eligibility criteria for new members of PERS from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of PERS to $\frac{1}{60}$ th from $\frac{1}{55}$ th, and it provided that new members of PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. This law also closed the Prosecutors Part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time 5 years of pension service credit is attained. The law also requires the State to

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make its full pension contribution, defined a 1/7th of the required amount, beginning in fiscal years 2012.

Chapter 3, P.L. 2010, effective May 21, 2010, replaced the accidental and ordinary disability retirement for new members of the PERS with disability insurance coverage similar to that provided by the State to individuals enrolled in the State's Defined Contribution Retirement Program.

Chapter 92, P.L. 2007 implemented certain recommendations contained in the December 1, 2006 report of the Joint Legislative Committee on Public Employee Benefits Reform; established a DCRP for elected and certain appointed officials, effective July 1, 2007; the new pension loan interest rate became 4.69% per year, and an \$8.00 processing fee per loan was charged, effective January 1, 2008. The legislation also removed language from existing law that permits the State Treasurer to reduce employer pension contributions needed to fund the Funds and Systems when excess assets are available.

Note 13: PENSION LIABILITIES

In 2012, the Governmental Accounting Standards Board issued GASB statement 68. This statement is effective for fiscal years beginning after June 15, 2014. This statement changes the method of reporting the municipality's pension liabilities. However, due to the fact that the municipality reports on the regulatory basis of accounting, no financial statement impact will be recognized. GASB statement 68 requires that the June 30, 2017 actuarial valuation be used for this disclosure, but as of the date of this report the 2017 actuarial valuations are not yet available from the Division of Pensions. The Division of Local Government Services has confirmed that disclosing the 2016 valuation is in compliance with the Regulatory Basis of Accounting described in Note 1.

The following represents the municipality's pension liabilities as June 30, 2016:

Public Employees' Retirement System

The Municipality has a liability of \$2,534,066.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Municipality's proportion of the net pension liability was based on a projection of the Municipality's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the Municipality's proportion would be 0.00856%, which would be a decrease of .00003% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the municipality would have recognized pension expense of \$210,175.00. At December 31, 2016, the Municipality would report deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual experience	\$ 47,126.00	
Changes of assumptions	524,923.00	
Changes in proportion	-	114,333.00
Net difference between projected and actual earnings on pension plan investments	96,626.00	
Total	<u>\$ 668,675.00</u>	<u>114,333.00</u>

Amounts that would be reported as deferred outflows of resources and deferred inflows of resources related to pensions would be recognized in pension expense as follows:

Year ended June 30,		
2017	\$	125,451.05
2018		125,451.05
2019		143,416.32
2020		120,015.57
2021		40,008.01
Total	<u>\$</u>	<u>554,342.00</u>

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following assumptions, applied to all periods in the measurement:

Inflation rate	3.08%
Salary increases:	
Through 2026	1.65% - 4.15% (based on age)
Thereafter	2.65% - 5.15% (based on age)
Investment rate of return:	7.65%

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2014 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements

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and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more experience deviates, the larger the impact on future financial statements.

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflations. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt (Except US)	5.00%	-0.25%
REIT	5.25%	5.63%

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Discount Rate

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Municipality's proportionate share of the net pension liability to changes in the discount rate.

The following presents the Municipality's proportionate share of the net pension liability calculated using the discount rate of 3.98%, as well as what the Municipality's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.98%) or 1-percentage point higher (4.98%) than the current rate:

	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
Municipality's proportionate share of the net pension liability	\$ 3,105,202.00	2,534,066.00	2,062,543.00

Pension plan fiduciary net position.

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

Police and Firemen's Retirement System

The Municipality has a liability of \$5,602,396 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Municipality's proportion of the net pension liability was based on a projection of the Municipality's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the Municipality's proportion would be 0.02932%, which would be a decrease of 0.00001% from its proportion measured as of June 30, 2015.

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For the year ended December 31, 2016, the municipality would have recognized pension expense of \$720,470.00. At December 31, 2016, the Municipality would have reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected & actual experience		36,725
Changes of assumptions	775,978	
Changes in proportion	418,275	441
Net difference between projected and actual earnings on pension plan investments	392,549	
Total	<u><u>\$ 1,586,802</u></u>	<u><u>37,166</u></u>

Amounts that would be reported as deferred outflows of resources and deferred inflows of resources related to pensions would be recognized in pension expense as follows:

<u>Year ended June 30,</u>		
2017	\$	374,722
2018		374,722
2019		497,366
2020		291,368
2021		11,458
Total	<u><u>\$</u></u>	<u><u>1,549,636</u></u>

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following assumptions, applied to all periods in the measurement:

Inflation rate	3.08%
Salary increases:	
Through 2026	2.10% - 8.98% (based on age)
Thereafter	3.10% - 9.98% (based on age)
Investment rate of return:	7.65%

Pre-retirement mortality rates were based on the RP-2000 Pre-Retirement mortality tables projected thirteen years using Projection Scale BB and then projected on a generational basis

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using the plan actuary’s modified 2014 projection scales. Post-retirement mortality rates for male service retirements and beneficiaries are based on the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and two years using the plan actuary’s modified 2014 projection scales, which was further projected on a generational basis using the plan actuary’s modified 2014 projection scales. Post-retirement mortality rates for female service retirements and beneficiaries were based on the RP-2000 Combined Healthy Mortality Tables projected thirteen years using Projection Scale BB and then two years using the plan actuary’s modified 2014 projection scales, which was further projected on a generational basis using the plan actuary’s modified 2014 projection scales. Disability mortality rates were based on special mortality tables used for the period after disability retirement.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PFRS’s target asset allocation as of June 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt (Except US)	5.00%	-0.25%
REIT	5.25%	5.63%

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YEARS ENDED DECEMBER 31, 2017 AND 2016**

Discount Rate

The discount rate used to measure the total pension liability was 5.55% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the non-employer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2050. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2050, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Municipality's proportionate share of the net pension liability to changes in the discount rate.

The following presents the collective net pension liability of the participating employers as of June 30, 2016, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease (4.55%)	Current Discount Rate (5.55%)	1% Increase (6.55%)
District's proportionate share of the net pension liability	\$ 7,720,161	6,072,858	4,730,121

In addition to the PFRS liabilities listed above, a special funding situation exists for the Local employers of the Police and Fire Retirement System of New Jersey. The State of New Jersey, as a non-employer, is required to pay the additional costs incurred by Local employers under Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The June 30, 2016 State special funding situation net pension liability amount of \$1,604,141,087.00, is the accumulated differences between the annual actuarially determined State obligation under the special funding situation and the actual State contribution through the valuation date. The fiscal year ending June 30, 2016 State special funding situation pension expense of \$204,886,666.00 is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2016. The pension expense is deemed to be a State administrative expense due to the special funding situation.

**TOWNSHIP OF MULLICA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

The contribution policy for PFRS is set by N.J.S.A. 43:16A and required contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's contribution amount is based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. For fiscal year 2016, the State contributed an amount less than the actuarially determined amount.

Although the liabilities related to the special funding situation are the liabilities of the State of New Jersey, the proportionate share of the statewide liability allocated to the Municipality was 0.02932% for 2016. The net pension liability amount allocated to the Municipality was \$5,602,396. For the fiscal year ending June 30, 2016 State special funding situation pension expense of \$470,462 is allocated to the Municipality.

Pension plan fiduciary net position.

Detailed information about the pension plan's fiduciary net position is available in the separately issued PFRS financial report.

Note 14: POST-RETIREMENT BENEFITS

Plan Description The Township of Mullica contributes to the State Health Benefits Program (SHBP) a cost-sharing, multi-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. The SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq. to provide health benefits to State employees, retirees, and their dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at to <http://www.state.nj.us/treasury/pensions/shbp.htm>

Funding Policy Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Township of Mullica on a monthly basis. The rates charged by the system for the year ended December 31, 2017 vary according to the type of coverage selected by the retiree.

**TOWNSHIP OF MULLICA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

Note 15: ECONOMIC DEPENDENCY

The Township of Mullica is not economically dependent on any one business or industry as a major source of tax revenue for the Township.

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. During the year ended December 31, 2017 and 2016 the Township did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

The Township is a member of the Atlantic County Joint Insurance Fund (JIF) and the Municipal Excess Liability Fund (MEL) 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 general liability limit of \$100,000 under JIF, which increases to \$10,000,000 under MEL.

Note 17: DEFERRED COMPENSATION

Employees of the Township of Mullica 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 Township. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency.

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

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

Note 18: CONTINGENT LIABILITIES

From time to time, the Township is a defendant in legal proceedings relating to its operations as a municipality. In the best judgment of the Township's management, the outcome of any present legal proceedings will not have any adverse material effect on the accompanying financial statements.

**TOWNSHIP OF MULLICA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

Note 19: INTERFUND BALANCES

During the most current calendar year ended December 31, 2017, the following interfunds were included on the balance sheets of the various funds of the Township of Mullica:

	<u>Due From</u>	<u>Due To</u>
Current Fund: Grant Fund	\$ 40,189.72	
Grant Fund: Current Fund		40,189.72
	<u>\$ 40,189.72</u>	<u>40,189.72</u>

The interfunds occurred due to the fact that several of the grants received by Township are reimbursed after the funds have been expended.

Note 21: SUBSEQUENT EVENTS

The Township has evaluated subsequent events through April 20, 2018, the date which the financial statements were available to be issued and identified no events requiring disclosure.

SUPPLEMENTARY INFORMATION

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FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the regulatory basis financial statements of the various funds and account group as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated April 20, 2018 which was adverse due to being presented in accordance with the New Jersey regulatory basis of accounting.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Nancy Sbrolla
Nancy Sbrolla
Certified Public Accountant
Registered Municipal Accountant
No. 542

April 20, 2018

**CURRENT FUND
SCHEDULE OF CASH - TREASURER**

		Current Fund
Balance December 31, 2016	\$	2,207,293.60
Increased by Receipts:		
Taxes Receivable		12,951,399.29
Delinquent Taxes		401,524.87
Revenue Accounts Receivable		977,036.66
Miscellaneous Revenue		140,775.01
Prepaid Taxes		538,982.32
Due to Grants		79,770.63
Sale of Municipal Assets		1,001.50
Sale of Foreclosed Property		43,078.00
State of New Jersey		
Senior Citizens and Veterans		66,536.82
Marriage Licenses		850.00
DCA Fees		5,498.00
Tax Overpayments		21,987.49
		15,228,440.59
		17,435,734.19
Decreased by Disbursements:		
Current Year Appropriation		4,552,236.41
Prior Year Appropriations		98,706.42
County Taxes		2,687,550.72
County Added Taxes		6,030.47
Local District School Taxes		4,075,994.16
Regional High School Taxes		2,910,938.50
Due to Federal and State Grant Fund		257,306.64
Due to State of New Jersey		
Marriage Licenses		700.00
DCA Fees		5,474.00
Reserve for Revaluation		90,682.20
Reserve for Tax Map		200.00
Reserve for JIF Safety		939.60
Tax Overpayment Repayment		28,571.70
Refunds		282.43
		14,715,613.25
Balance December 31, 2017	\$	2,720,120.94

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

Year	Balance Dec. 31, 2016	Current Year Levy	Collections by Cash		Adjustments	Transferred To Tax Title Lien	Arrears	Balance Dec. 31, 2017
			2016	2017				
2015 \$	20.04			20.04				-
2016	383,438.78		12,039.43	353,171.69	1.16	26,065.02		16,240.34
	383,458.82	-	12,039.43	353,191.73	1.16	26,065.02		16,240.34
2017		13,700,772.01	51,818.96	13,017,177.15	20,547.73	87,140.07		456,138.46
\$	383,458.82	13,700,772.01	63,858.39	13,370,368.88	20,548.89	113,205.09		472,378.80

Cash Receipts
Senior Citizens and Veterans
13,304,591.02
65,777.86
13,370,368.88

Analysis of Current Year Tax Levy

Tax Yield:

General Property Tax 13,700,772.01
Added Taxes (54:4-63.1 et. Seq.) 51,818.96
13,752,590.97

Tax Levy:

General County Taxes 2,408,870.41
County Library Taxes 166,715.37
County Open Space Taxes 6,778.19
County Health Taxes 105,186.73
County Added and Omitted Taxes 10,211.71

Total County Taxes

2,697,762.41

Regional High School Tax

3,105,736.00

Local School District Tax

4,260,244.00

Local Tax for Municipal Purposes

3,646,008.29

Add: Additional Tax Levied

42,840.27

3,688,848.56

13,752,590.97

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

Balance December 31, 2016		\$ 249,645.27
Increased by:		
Transfers from Taxes Receivable	113,205.09	
Interest and Costs Accrued by Sale April 5, 2017	<u>3,537.86</u>	<u>116,742.95</u>
		366,388.22
Decreased by:		
Collections	<u>48,353.18</u>	<u>48,353.18</u>
Balance December 31, 2017		\$ <u><u>318,035.04</u></u>

**CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE**

	Balance Dec. 31, 2016	Accrued in 2017	Collected by Treasurer	Balance Dec. 31, 2017
Licenses:				
Alcoholic Beverages	\$ -	4,500.00	4,500.00	-
Fines and Costs:				
Municipal Court	7,923.04	137,856.81	133,432.78	12,347.07
Interest and Costs on Taxes	-	72,734.92	72,734.92	-
Interest on Investments and Deposits	-	4,330.04	4,330.04	-
Trailer Pad Fees	-	38,649.00	38,649.00	-
Cell Tower Revenues	-	35,584.39	35,584.39	-
Consolidated Municipal Property Tax Relief Act	-	17,432.00	17,432.00	-
Energy Receipts Tax	-	434,344.00	434,344.00	-
Garden State Trust	-	41,440.00	41,440.00	-
Uniform Construction Code - Fees & Permits	-	111,591.00	111,591.00	-
Interlocal Agreement - School Resource Officer	-	42,998.53	42,998.53	-
Capital Fund Surplus	-	40,000.00	40,000.00	-
Miscellaneous Revenue Not Anticipated	-	140,775.01	140,775.01	-
	\$ 7,923.04	1,122,235.70	1,117,811.67	12,347.07
		Reserves	1,117,811.67	
		Cash	1,117,811.67	

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

	Balance Dec. 31, 2016	Balance After Transfers	Paid or Charges	Balance Lapsed	Over- Expended
OPERATIONS WITHIN "CAPS"					
GENERAL GOVERNMENT:					
Municipal Clerk					
Other Expenses	\$ 2,472.71	2,472.71	412.25	2,060.46	-
Financial Administration					
Other Expenses	1,536.41	1,536.41	894.15	642.26	-
Revenue Administration (Tax Collector)					
Other Expenses	2,101.56	2,101.56	41.00	2,060.56	-
Tax Assessor					
Other Expenses	1,979.94	1,979.94	774.86	1,205.08	-
Legal Services and Costs					
Other Expenses	24,193.93	24,193.93	16,936.22	7,257.71	-
Engineering Services and Costs					
Other Expenses	28,188.65	28,188.65	17,470.00	10,718.65	-
MUNICIPAL COURT					
Other Expenses	1,652.79	1,652.79	510.70	1,142.09	-
LAND USE ADMINISTRATION					
Planning Board					
Other Expenses	2,239.96	2,239.96	458.20	1,781.76	-
Code Enforcement					
Other Expenses	809.44	809.44	52.06	757.38	-
Other Code Enforcement					
Other Expenses	968.25	968.25	617.50	350.75	-
INSURANCE					
Employee Group Insurance	9,373.20	9,373.20	1,784.14	7,589.06	-
Unemployment Insurance	2,220.33	2,220.33	319.30	1,901.03	-
PUBLIC SAFETY					
Police Department					
Salaries and Wages	10,616.33	10,616.33	2,213.08	8,403.25	-
Other Expenses	3,744.27	3,744.27	3,546.07	198.20	-
Emergency Management					
Salaries and Wages	407.17	407.17	173.08	234.09	-
Other Expenses	552.65	552.65	30.50	522.15	-
PUBLIC WORKS					
Public Works					
Salaries and Wages	54,968.79	54,968.79	6,009.10	48,959.69	-
Other Expenses	17,992.31	17,992.31	4,035.73	13,956.58	-
Solid Waste Collection					
Other Expenses	9,072.99	9,072.99	6,447.91	2,625.08	-
Building and Grounds					
Other Expenses	2,412.95	2,412.95	1,660.32	752.63	-
Vehicle Maintenance					
Other Expenses	14,791.74	14,791.74	10,754.01	4,037.73	-
Stormwater Management					
Other Expenses	11,500.00	11,500.00	720.00	10,780.00	-
Maintenance of Parks					
Other Expenses	2,438.36	2,438.36	205.00	2,233.36	-
UTILITY EXPENSES AND BULK PURCHASES					
Electricity and Natural Gas	9,708.78	9,708.78	3,268.95	6,439.83	-
Telecommunications	7,321.94	7,321.94	254.38	7,067.56	-
Petroleum Products	27,598.28	27,598.28	2,783.28	24,815.00	-
Landfill/Solid Waste Disposal					
Other Expenses	46,048.88	46,048.88	7,040.36	39,008.52	-
STATUTORY EXPENDITURES					
DCRP	68.41	68.41	38.28	30.13	-
CAPITAL IMPROVEMENTS					
Information Technology	11,813.17	11,813.17	9,255.99	2,557.18	-
Other Accounts with no Change	39,407.68	39,407.68		39,407.68	-
	<u>\$ 348,201.87</u>	<u>348,201.87</u>	<u>98,706.42</u>	<u>249,495.45</u>	<u>-</u>

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

Balance December 31, 2016			
School Tax Payable	\$	784,763.19	
School Tax Deferred		<u>1,161,109.00</u>	
	\$		1,945,872.19
Increased by:			
Levy - School Year July 1, 2016 to June 30, 2017			<u>4,260,244.00</u>
			6,206,116.19
Decreased by:			
Payments			<u>4,075,994.16</u>
Balance December 31, 2017			
School Tax Payable		969,013.03	
School Tax Deferred		<u>1,161,109.00</u>	
			<u><u>2,130,122.03</u></u>
Current Year Liability for Local School District School Tax:			
Tax Paid			4,075,994.16
Tax Payable Ending			<u>969,013.03</u>
			5,045,007.19
Less: Tax Payable Beginning			<u>784,763.19</u>
Amount charged to Current Year Operations	\$		<u><u>4,260,244.00</u></u>

CURRENT FUND
SCHEDULE OF REGIONAL HIGH SCHOOL DISTRICT SCHOOL TAX

Balance December 31, 2016			
School Tax Payable	\$	183,379.50	
School Tax Deferred		<u>1,174,691.00</u>	
			\$ 1,358,070.50
Increased by:			
Levy - School Year July 1, 2016 to June 30, 2017			<u>3,105,736.00</u>
			4,463,806.50
Decreased by:			
Payments			<u>2,910,938.50</u>
Balance December 31, 2017			
School Tax Payable		378,177.00	
School Tax Deferred		<u>1,174,691.00</u>	
			<u>1,552,868.00</u>
Current Year Liability for Regional High School District School Tax:			
Tax Paid			2,910,938.50
Tax Payable Ending			<u>378,177.00</u>
			3,289,115.50
Less: Tax Payable Beginning			<u>183,379.50</u>
Amount charged to Current Year Operations			<u>\$ 3,105,736.00</u>

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

Purpose	Balance Dec. 31, 2016	Transferred From 2017 Revenues	Received	Adjustments	Balance Dec. 31, 2017
FEDERAL GRANTS:					
CDBG - Home Investment Partnership	\$ 33,326.00	68,962.77			102,288.77
Drive Sober or Get Pulled Over	5,000.00	11,000.00	10,500.00		5,500.00
Federal Bullet Proof Vest Partnership	1,935.08		1,935.08		-
FEMA Hazard Mitigation Grant	75,000.00				75,000.00
Total Federal	115,261.08	79,962.77	12,435.08	-	182,788.77
STATE GRANTS:					
Municipal Alliance Grant	12,415.00	12,415.00	15,590.51	2,009.49	7,230.00
Recycling Tonnage		3,920.16	3,920.16		-
DDEF		12,815.98	12,815.98		-
Distracted Driving		5,500.00	5,500.00		-
Body Armor		1,544.49	1,544.49		-
Click it or Ticket		5,500.00	5,500.00		-
Clean Communities		21,481.34	21,481.34		-
NJ Transportation Trust Fund					-
Indian Cabin		146,749.00			146,749.00
Fifth Avenue - Phase II	47,500.00				47,500.00
Total State	59,915.00	209,925.97	66,352.48	2,009.49	201,479.00
\$	175,176.08	289,888.74	78,787.56	2,009.49	384,267.77

Cash	78,787.56
Unappropriated Reserves	-
	<u><u>78,787.56</u></u>

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

	Balance December 31, 2016		2017		Disbursed	Encumbrances	Canceled	Balance Dec. 31, 2017
	Appropriated	Reserve for Encumbrances	Appropriations	Appropriations				
FEDERAL GRANTS:								
CDBG - Home Investment Partnership	\$ 33,326.00		68,962.77					102,288.77
Drive Sober or Get Pulled Over	2,000.00		11,000.00		10,140.00			2,860.00
Federal Bullet Proof Vest Partnership	800.00	360.08			1,160.08			-
FEMA Hazard Mitigation Grant	66,250.00	2,500.00				2,500.00		66,250.00
Total Federal	102,376.00	2,860.08	79,962.77		11,300.08	2,500.00		171,398.77
STATE GRANTS:								
Drunk Driving Enforcement Fund	2,720.87		12,815.98		2,192.67			13,344.18
Body Armor Grant	1,625.40	1,114.92	1,544.49		2,221.17			2,063.64
Municipal Alliance Grant								
2016 Grant	6,581.20				4,571.71		2,009.49	-
State Share								
2017 Grant								
State Share			15,519.00		11,353.17			4,165.83
NJ Transportation Trust Fund								
Indian Cabin			146,749.00		190,000.00			146,749.00
Fifth Avenue - Phase II		190,000.00						-
Alcohol Rehabilitation Grant	849.90							849.90
Recreation Grant - Concession	1,290.00							1,290.00
Recycling Tonnage			3,920.16		3,186.50			733.66
Distracted Driving			5,500.00		5,500.00			-
Clean Communities			21,481.34		21,481.34			-
Click it or Ticket			5,500.00		5,500.00			-
Total State	13,067.37	191,114.92	213,029.97		246,006.56		2,009.49	169,196.21
	115,443.37	193,975.00	292,992.74		257,306.64	2,500.00	2,009.49	340,594.98

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

Purpose	Balance Dec. 31, 2016	Transferred To 2017 Appropriations	Received	Adjustments	Balance Dec. 31, 2017
STATE GRANTS:					
Recycling Tonnage Grant	\$ -		983.07		983.07
Total State	<u>\$ -</u>	<u>-</u>	<u>983.07</u>	<u>-</u>	<u>983.07</u>

**TRUST FUND
SCHEDULE OF CASH - TREASURER**

	<u>Dog Licenses</u>	<u>Other</u>
Balance December 31, 2016	\$ 123.81	331,577.80
Increased by Receipts:		
Dog License Fees 2017	1,235.00	
Due to State of New Jersey	450.00	
Other	-	
Miscellaneous Trust Reserves		179,198.26
Small Cities Revolving Fund		<u>5,802.50</u>
	<u>1,685.00</u>	<u>185,000.76</u>
	1,808.81	516,578.56
Decreased by Disbursements		
Statutory Expenditures	1,345.00	
Due to State of New Jersey	451.20	
Miscellaneous Trust Reserves		175,722.69
Due to Current	-	
	<u>1,796.20</u>	<u>175,722.69</u>
Balance December 31, 2017	\$ <u><u>12.61</u></u>	<u><u>340,855.87</u></u>

**TRUST FUND
SCHEDULE OF CASH - COLLECTOR**

Balance December 31, 2016	\$	127,833.11
Increased by Receipts:		
Redemption of Liens	161,549.95	
Premiums on Sales	-	
	<u> </u>	<u>161,549.95</u>
		289,383.06
Decreased by Disbursements		
Redemption of Liens	173,490.15	
Premiums on Sales	18,800.00	
	<u> </u>	<u>192,290.15</u>
Balance December 31, 2017	\$	<u><u>97,092.91</u></u>

**TRUST FUND
SCHEDULE OF RESERVE FOR DOG FUND EXPENDITURES**

Balance December 31, 2016		\$	122.61
Increased by:			
Dog License Fees Collected	1,235.00		
Other			
	<hr/>		<hr/>
			1,235.00
			<hr/>
			1,357.61
Decreased by:			
Statutory Excess	-		
Expenditures under N.J.S. 4:19-15:11	1,345.00		
	<hr/>		<hr/>
			1,345.00
Balance December 31, 2017		\$	<hr/> <hr/> 12.61

License Fees Collected:

<u>Year</u>		<u>Amount</u>
2016	\$	1,295.60
2015		1,288.20
		<hr/>
	\$	<hr/> <hr/> 2,583.80

TRUST FUND
SCHEDULE OF AMOUNT DUE TO CURRENT FUND - DOG LICENSE FUND

Balance December 31, 2016	\$	-
No Current Year Activity		
Balance December 31, 2017	\$	-

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

Balance December 31, 2016	\$	1.20
Increased by:		
2017 State License Fees	450.00	450.00
		451.20
Decreased by:		
Disbursements to the State		451.20
Balance December 31, 2017	\$	-

**TRUST - OTHER FUNDS
SCHEDULE OF DUE TO/(FROM) CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

<u>Reserve</u>	<u>Balance Dec 31, 2016</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance Dec 31, 2017</u>
No Current Year Activity	\$ -			-
	\$ -	-	-	-

**TRUST - OTHER FUNDS
SCHEDULE OF MISCELLANEOUS RESERVES
FOR THE YEAR ENDED DECEMBER 31, 2017**

<u>Reserve</u>	Balance	Receipts	Disbursements	Balance
	Dec 31, 2016			Dec 31, 2017
Accumulated Absences	\$ 22,289.79	500.00		22,789.79
Landfill Closure	87,998.65	43.90		88,042.55
Recycling Fees	22,526.50	14,743.60	10,656.28	26,613.82
Escrow Review Fees	55,441.86	140,603.86	145,606.70	50,439.02
Police Confiscatory Funds	17,002.85	8.30	1,973.99	15,037.16
Small Cities Revolving Fund	643,567.15	6,102.07	9,634.50	640,034.72
Trust Other	25,178.96	17,240.43	7,851.22	34,568.17
Tax Title Lien Redemptions	17,283.11	161,549.95	173,490.15	5,342.91
Premium in Tax Title Lien Redemption	110,550.00		18,800.00	91,750.00
	<u>\$ 1,001,838.87</u>	<u>340,792.11</u>	<u>368,012.84</u>	<u>974,618.14</u>

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

Balance December 31, 2016		\$ 584,872.01
Increased by:		
Premium on Bond Anticipation Notes	50.00	
	50.00	50.00
Decreased by:		
Improvement Authorizations	117,761.86	
	117,761.86	117,761.86
Balance December 31, 2017		\$ <u><u>467,160.15</u></u>

**GENERAL CAPITAL FUND
ANALYSIS OF CASH**

	Balance Dec. 31, 2016	Receipts		Debt Issued	Disbursements		Transfers		Balance Dec. 31, 2017
		Miscellaneous			Improvement Authorizations	Miscellaneous	From	To	
Fund Balance	\$ 132,672.45								92,722.45
Capital Improvement Fund	69,195.60	50.00							64,195.60
Due from Current Fund		40,000.00			40,000.00				
Contracts Payable	94,554.63							102,480.00	102,480.00
Improvement Authorizations:									
06-12 Various Capital Improvements	4,070.76				2,728.40				1,342.36
06-15 Various Capital Improvements	283,664.12				87,814.55			84,000.00	177,369.57
11-16 Computer Equipment & Software	714.45				11,167.64			10,554.63	101.44
5-17 Facilities Improvements					16,051.27			45,000.00	28,948.73
	\$ 584,872.01	40,050.00		-	117,761.86	40,000.00	242,034.63	242,034.63	467,160.15

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

Balance December 31, 2016		\$ 69,195.60
Increased by:		
Budget Appropriation	40,000.00	40,000.00
		109,195.60
Decreased by:		
Improvement Authorizations	45,000.00	45,000.00
Balance December 31, 2017		\$ 64,195.60

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

Balance December 31, 2016	\$ 1,310,000.00
Decreased by:	
Bond Payments	<u>140,000.00</u>
Balance December 31, 2017	<u><u>\$ 1,170,000.00</u></u>

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

Ord #	Improvement Description	Balance Dec. 31, 2016	2017 Authorizations	Raised in 2017 Budget	Debt Issued	Balance Dec. 31, 2017	Analysis of Balance		Unexpended Improvement Authorizations
							Bond Anticipation Notes	Expenditures	
11-09	Various Improvements	\$ 324,000.00		75,000.00		249,000.00	249,000.00		
06-13	Mold Remediation	83,125.00		11,875.00		71,250.00	71,250.00		
		<u>407,125.00</u>	<u>-</u>	<u>86,875.00</u>	<u>-</u>	<u>320,250.00</u>	<u>320,250.00</u>	<u>-</u>	<u>-</u>
Improvement Authorizations Unfunded Less: Unexpended Proceeds of Bond Anticipation Notes Issued: Ord. Number _____ - _____ - _____ \$ _____									

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

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding December 31, 2017		Interest Rate	Balance Dec. 31, 2016	Increased	Decreased	Balance Dec. 31, 2017
			Date	Amount					
General Improvement	10/26/2016	1,310,000	10/15/2018	150,000.00	3.00%	1,310,000.00		140,000.00	1,170,000.00
			10/15/2019	155,000.00	4.00%				
			10/15/2020	160,000.00	4.00%				
			10/15/2021	165,000.00	4.00%				
			10/15/2022	170,000.00	5.00%				
			10/15/2023	180,000.00	5.00%				
			10/15/2024	190,000.00	5.00%				
						\$ 1,310,000.00		140,000.00	1,170,000.00

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

Improvement Description	Ordinance Number	Date of Original Issue	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2016	Increased	Decreased	Balance Dec. 31, 2017
Various Capital Improvements	11-09	5/20/2010	5/12/2016	5/11/2018	2.25% \$	324,000.00		75,000.00	249,000.00
Mold Remediation	06-13	5/15/2013	5/12/2016	5/11/2018	2.25%	83,125.00		11,875.00	71,250.00
					\$	<u>407,125.00</u>	<u>-</u>	<u>86,875.00</u>	<u>320,250.00</u>

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

Ordinance Number	Improvement Description	Balance Dec. 31, 2016	2017 Authorizations	Debt Issued	Other	Balance Dec. 31, 2017
	No Current Year Activity	\$ -				-
		\$ -	-	-	-	-

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TOWNSHIP OF MULLICA

PART II

LETTER OF COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2017

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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 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." Due to the Township having a Qualified Purchasing Agent, pursuant to N.J.S.A. 40A:11-3(a), the maximum bid threshold is \$40,000.

The governing body of the Township of Mullica has the responsibility of determining whether the expenditures in any category will exceed \$40,000 within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the district counsel's opinion should be sought before a commitment is made.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or goods or services, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine if any clear-cut violations existed.

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

Drainage Pipe

Our examination of expenditures did not reveal any payments in excess of \$40,000 "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 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 would become delinquent.

The governing body, on January 2, 2017, adopted the following resolutions authorizing interest to be charged on delinquent taxes:

"BE IT RESOLVED by the Committee of the Township of Mullica, County of Atlantic, State of New Jersey that as authorized by N.J.S.A. 54:4-67 as amended by Chapter 435 P.L., 1978, the rate of interest to be charged for the nonpayment of taxes or assessments on or before the date that they would become delinquent is hereby fixed at eight percent (8%) per annum on the first \$1,500.00 of taxes becoming delinquent and eighteen percent (18%) per annum on any amount in excess of \$1,500.00, provided, however, that no interest shall be charged if payment is made within ten (10) days of the date upon which the tax or assessment becomes payable.

"IT IS FURTHER RESOLVED that nothing contained within this Resolution shall be construed to extend the time when taxes are due and payable nor the obligations to pay interest which shall commence on the due date if taxes are not paid within the ten (10) day grace period.

"BE IT RESOLVED by the Committee of the Township of Mullica, County of Atlantic, State of New Jersey that as authorized by N.J.S.A. 54:4-67 as amended by Chapter 75 P.L., 1991, the governing body of the Township of Mullica hereby establishes a penalty in the amount of six percent (6%) to be charged to a taxpayer with a delinquency in excess of Ten Thousand Dollars (\$10,000) who fails to pay that delinquency prior to the end of the calendar year.

Our examination of interest collected on delinquent taxes did not reveal any charges that were not in agreement with the above resolution.

Delinquent Taxes and Tax Title Liens

The tax sale was held on April 5, 2017 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 31st of the last three years:

<u>Year</u>	<u>Number</u>
2017	280
2016	255
2015	265

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 Mailed</u>
Payments of 2018 and 2017 Taxes	5
Delinquent Taxes	5
Municipal Court	5

As of the date of this audit report, all verifications have not been returned. However, no problems were noted with those that have been returned.

Comparison of Tax Levies and Collections Currently

A study of this tabulation could indicate a possible trend in future tax levies. A decrease in the percentage of current collection could be an indication of a probable increase in future tax levies.

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collections</u>
2017	\$ 13,752,590	13,188,765	95.90%
2016	12,931,083	12,447,329	96.26%
2015	12,310,171	11,870,249	96.43%
2014	12,201,050	11,652,833	95.51%
2013	12,003,990	11,490,282	95.72%

Comparative Schedule of Tax Rate Information

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Tax Rate	4.694	4.417	4.197	4.149	4.089
Apportionment of Tax Rate					
Municipal	1.249	1.219	1.193	1.169	1.134
County	0.922	0.895	0.811	0.798	0.853
Local & Regional School	2.523	2.303	2.193	2.182	2.102
Assessed Valuation	291,878,400	292,081,400	293,017,172	293,081,752	293,266,516

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>
2017	\$ 318,035	472,378	790,413	5.75%
2016	249,645	383,459	633,104	4.90%
2015	160,722	383,797	544,519	4.42%
2014	204,119	488,592	692,711	5.68%
2013	183,985	467,797	651,783	5.43%

FINDINGS AND RECOMMENDATIONS

None

STATUS OF PRIOR RECOMMENDATIONS

None

FINDINGS

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.

Very truly yours,

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

Nancy Sbrolla
Nancy Sbrolla
Certified Public Accountant
Registered Municipal Accountant
No. 542

April 20, 2018