REPORT OF AUDIT

TOWNSHIP OF WALPACK

COUNTY OF SUSSEX

DECEMBER 31, 2011

TOWNSHIP OF WALPACK
YEAR ENDED DECEMBER 31, 2011

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TOWNSHIP OF WALPACK

PART I

REPORT OF AUDIT ON FINANCIAL STATEMENTS

AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2011

Ferraioli, Wielkotz, Cerullo & Cuva, P.A.

Charles J. Ferraioli, Jr., MBA, CPA, RMA
Steven D. Wielkotz, CPA, RMA
James J. Cerullo, CPA, RMA
Paul J. Cuva, CPA, RMA
Thomas M. Ferry, CPA, RMA

Certified Public Accountants
401 Wanaque Avenue
Pompton Lakes, New Jersey 07442
973-835-7900
Fax 973-835-6631

Newton Office
100B Main Street
Newton, N.J. 07860
973-579-3212
Fax 973-579-7128

INDEPENDENT AUDITORS' REPORT

June 15, 2012

The Honorable Mayor and
Members of the Township Committee
Township of Walpack
Walpack Center, NJ 07881

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Township of Walpack in the County of Sussex, as of and for the years ended December 31, 2011 and 2010, and the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2011. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As described in Note 1, these financial statements were prepared in conformity with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with the modified accrual basis, with certain exceptions, and the budget laws of New Jersey, which practices differ from accounting principles generally accepted in the United States of America. The affect on the financial statements of the variances between the prescribed basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

FWCC

In our opinion, because of the Township of Walpack's policy to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township of Walpack, New Jersey as of December 31, 2011 and 2010 or the results of its operation for the years then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the financial position - regulatory basis of the various funds and account group of the Township of Walpack, New Jersey at December 31, 2011 and 2010, and the results of its operations and the changes in fund balance - regulatory basis of such funds for the years then ended and the statement of revenues - regulatory basis, and statement of expenditures - regulatory basis for the year ended December 31, 2011, on the basis of accounting described in Note 1.

In accordance with the Government Auditing Standards, we have also issued a report dated June 15, 2012 on our consideration of the Township of Walpack, New Jersey internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Township of Walpack, State of New Jersey, taken as a whole. The accompanying supplementary information, schedules and exhibits listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Township of Walpack, State of New Jersey. Such information has been subject to auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects, in relation to the financial statements taken as a whole, on the basis of accounting described in Note 1.

Thomas M. Ferry, C.P.A.
Registered Municipal Accountant
No. 497

Ferraioli, Wielkotz, Cerullo, & Cuva, P.A.

FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants

FWCC

Township of Walpack

Comparative Balance Sheet - Regulatory Basis

Current Fund

December 31, 2011 and 2010

	Ref.	2011	2010
Assets			
Current Fund:			
Cash	A-4	626,438.72	647,241.60
Receivables and Other Assets with Full Reserves:			
Interfund Receivables:			
Animal Control Trust Fund	A-9	0.75	472.99
		626,439.47	647,714.59
Federal and State Grant Fund:			
Due from Current Fund	A-19	665.38	509.39
		627,104.85	648,223.98

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Township of Walpack

Comparative Balance Sheet - Regulatory Basis

Current Fund

December 31, 2011 and 2010

	Ref.	2011	2010
Liabilities, Reserves and Fund Balance			
Current Fund:			
Appropriation Reserves	A-3;A-10	21,913.33	22,002.90
Due to State of N.J., Per Ch. 73, P.L. 1976	A-6	3,072.75	2,861.59
Interfunds Payable:			
Due to Federal and State Grants	A-9	665.38	509.39
Due to General Capital Fund	A-9		7,776.52
Due to Other Trust	A-9	17,745.96	10,482.74
Prepaid Taxes	A-11	72.57	78.81
Tax Overpayments	A-14	77.94	77.94
Due to State of New Jersey:			
Marriage Surcharge	A-15	50.00	50.00
Reserve for:			
Encumbrances	A-15	260.00	
Revision of Tax Map	A-15	4,188.00	4,188.00
		48,045.93	48,027.89
Reserve for Receivables	Contra	0.75	472.99
Fund Balance	A-1	578,392.79	599,213.71
		626,439.47	647,714.59
Federal and State Grant Fund:			
Appropriated Reserve for Grants	A-17	509.00	396.00
Unappropriated Reserve for Grants	A-18	156.38	113.39
		665.38	509.39
		627,104.85	648,223.98

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Township of Walpack

Comparative Statement of Operations and Changes in Fund Balance - Regulatory Basis

Current Fund

Year Ended December 31, 2011 and 2010

	Ref.	2011	2010
Revenues and Other Income:			
Fund Balance Utilized	A-2	98,539.00	96,303.00
Miscellaneous Revenue Anticipated	A-2	37,051.00	39,287.00
Receipts from Current Taxes	A-2	13,696.81	10,852.56
Non-Budget Revenue	A-2	42,806.33	43,626.39
Other Credits to Income:			
Statutory Excess in Animal Control Trust Fund	A-9	0.75	15.95
Unappropriated Reserves for Grants Cancelled			39.00
Interfunds Returned	A-9	472.99	
Unexpended Balance of Appropriation Reserve	A-10	11,226.16	11,426.66
Regional School Taxes Payable Cancelled			2,331.24
Various Reserves Cancelled			0.12
Total Revenues and Other Income		203,793.04	203,881.92
Expenditures:			
Budget and Emergency Appropriations:			
Operations - Within Caps:			
Salaries and Wages	A-3	34,450.00	34,450.00
Other Expenses	A-3	39,323.00	38,673.00
Deferred Charges and Statutory Expenditures - Municipal	A-3	29,028.40	26,546.54
Operations - Excluded From Caps:			
Other Expenses Excluded from "CAPS"	A-3	6,076.00	6,162.00
Capital Improvements	A-3	3,500.00	3,500.00
Prepaid Regional School Taxes Cancelled			15.95
Interfund Advances	A-9	0.75	40.65
County Taxes included Added Taxes	A-13	13,696.81	10,852.56
Total Expenditures		126,074.96	120,240.70
Statutory Excess to Fund Balance		77,718.08	83,641.22
Fund Balance, January 1,	A	599,213.71	611,875.49
		676,931.79	695,516.71
Decreased by:			
Fund Balance Utilized as Budget Revenue	A-2	98,539.00	96,303.00
Fund Balance, December 31,	A	578,392.79	599,213.71

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Township of Walpack

Statement of Revenues - Regulatory Basis

Current Fund

Year Ended December 31, 2011

	Ref.	Budget	Realized	Excess or (Deficit)
Fund Balance Anticipated	A-1	98,539.00	98,539.00	
Miscellaneous Revenues:				
Energy Receipts Taxes	A-8	36,938.00	36,938.00	
Public and Private Revenues:				
Recycling Tonnage	A-16	113.00	113.00	
Total Miscellaneous Revenues	A-1	37,051.00	37,051.00	
Subtotal General Revenues		135,590.00	135,590.00	
Budget Totals		135,590.00	135,590.00	
Non-Budget Revenue	A-2		42,806.33	42,806.33
		135,590.00	178,396.33	42,806.33

Analysis of Realized Revenues

	Ref.	
Revenue From Collections	A-1;A-7	13,696.81
Allocated to School and County Taxes	A-7	13,696.81

Analysis of Non-Budget Revenues

	Ref.		
Miscellaneous Revenues Not Anticipated:			
Interest on Investments		13,885.48	
Payment in Lieu of Taxes		25,940.30	
Miscellaneous		282.19	
Uniform Construction Code Fees		2,636.30	
Senior Citizens and Veterans Admin. Fees		21.20	
	A-4		42,765.47
Collector:			
Interest and Costs on Taxes	A-5		40.86
Total Non Budget Revenue	A-1;A-2		42,806.33

The accompanying "Notes to Financial Statement" are an integral part of these financial statements.

Township of Walpack

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2011

General Appropriations	Ref.	Budget	Budget After Modification	Paid or Charged	Reserved	Unexpended Balance Canceled
Operations						
Administrative and Executive						
Salaries and Wages						
Mayor and Council		10,100.00	10,100.00	10,100.00		
Clerk		6,600.00	6,600.00	6,600.00		
Other Expenses		1,500.00	1,500.00	1,441.33	58.67	
Financial Administration						
Salaries and Wages		9,500.00	9,500.00	9,500.00		
Other Expenses		1,000.00	1,000.00	119.59	880.41	
Audit		10,750.00	10,750.00		10,750.00	
Computer Services		1,200.00	1,200.00	1,200.00		
Assessment of Taxes						
Salaries and Wages		3,200.00	3,200.00	3,200.00		
Other Expenses		300.00	300.00	18.24	281.76	
Collection of Taxes						
Salaries and Wages		2,700.00	2,700.00	2,700.00		
Other Expenses		400.00	400.00		400.00	
Legal Services and Costs						
Other Expenses		6,000.00	6,000.00	4,920.00	1,080.00	
Public Buildings and Grounds						
Salaries and Wages		500.00	500.00	500.00		
Other Expenses		1,073.00	1,073.00	425.00	648.00	
Electricity		200.00	200.00	27.00	173.00	
Fuel Oil		3,000.00	3,000.00	1,282.46	1,717.54	
Telephone		900.00	900.00	862.37	37.63	
Insurance:						
Workers Compensation		1,500.00	1,500.00	1,329.00	171.00	
General Liability		4,500.00	4,500.00	3,590.00	910.00	
Surety Bond Premiums		500.00	500.00	500.00		

The accompanying "Notes to Financial Statement" are an integral part of these Financial Statements.

Township of Walpack

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2011

General Appropriations	Ref.	Budget	Budget After Modification	Paid or Charged	Reserved	Unexpended Balance Canceled
Public Safety						
Aid to Volunteer Fire Companies (1)		2,500.00	2,500.00	2,500.00		
Aid to Rescue Squad		3,000.00	3,000.00	3,000.00		
Emergency Management Coordinator:						
Salaries and Wages		400.00	400.00	100.00	300.00	
Other Expenses		200.00	200.00		200.00	
Animal Regulation						
Salaries and Wages		150.00	150.00		150.00	
Other Expenses		500.00	500.00	490.00	10.00	
Subtotal - Operations		72,173.00	72,173.00	54,404.99	17,768.01	
Uniform Construction Code - Appropriations						
Offset By Dedicated Revenues (N.J.A.C. 5:23-4.17)						
Construction Code Official						
Salaries and Wages		800.00	800.00	800.00		
Other Expenses		100.00	100.00		100.00	
Sub-Code Officials:						
Fire Protection Officials						
Salaries and Wages		500.00	500.00	500.00		
Plumbing Officials						
Other Expenses		200.00	200.00		200.00	
Total Uniform Construction Code Appropriations		1,600.00	1,600.00	1,300.00	300.00	
Total Operations Including Contingent - Within "CAPS"		73,773.00	73,773.00	55,704.99	18,068.01	
Detail:						
Salaries and Wages	A-1	34,450.00	34,450.00	34,000.00	450.00	
Other Expenses	A-1	39,323.00	39,323.00	21,704.99	17,618.01	

The accompanying "Notes to Financial Statement" are an integral part of these Financial Statements.

Township of Walpack

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2011

General Appropriations	Ref.	Budget	Budget After Modification	Paid or Charged	Reserved	Unexpended Balance Canceled
Deferred Charges and Statutory Expenditures						
Statutory Expenditures						
Transfer to Board of Education for Use of Local Schools (N.J.S. 40:48-17.1 & 17.3)		44,133.00	44,133.00	20,920.40		23,212.60
Contribution to:						
Public Employees' Retirement System		5,083.00	5,083.00	4,667.61	415.39	
Social Security System (O.A.S.I.)		3,000.00	3,000.00	1,501.57	1,498.43	
Unemployment Compensation Insurance		25.00	25.00	7.50	17.50	
Total Deferred Charges and Statutory Expenditures Municipal - Within "CAPS"	A-1	52,241.00	52,241.00	27,097.08	1,931.32	23,212.60
Excluded From "CAPS"						
Due to County for Taxes		1,523.00	1,523.00	111.00	1,412.00	
Interlocal Municipal Service Agreement						
Municipal Court						
Other Expenses		500.00	500.00		500.00	
911' Dispatching		3,940.00	3,940.00	3,938.00	2.00	
Total Operations Excludes From "CAPS"		5,963.00	5,963.00	4,049.00	1,914.00	
Public and Private Programs Offset by Revenues						
Recycling Tonnage		113.00	113.00	113.00		
Total Public and Private Program Offset by Revenues		113.00	113.00	113.00		
Total General Appropriations - Excluded From "CAPS"		6,076.00	6,076.00	4,162.00	1,914.00	
Detail:						
Other Expenses	A-1	6,076.00	6,076.00	4,162.00	1,914.00	
Capital Improvements- Excluded from "CAPS"						
Improvements to Municipal Building		3,500.00	3,500.00	3,500.00		
Total Capital Improvements	A-1	3,500.00	3,500.00	3,500.00		

The accompanying "Notes to Financial Statement" are an integral part of these Financial Statements.

Township of Walpack

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2011

General Appropriations	Ref.	Budget	Budget After Modification	Paid or Charged	Reserved	Unexpended Balance Canceled
Subtotal General Appropriations		135,590.00	135,590.00	90,464.07	21,913.33	23,212.60
Total General Appropriations		135,590.00	135,590.00	90,464.07	21,913.33	23,212.60
			A-2		A	

Cash Disbursed	A-4	66,170.67
Interfund - General Capital Fund	A-9	3,000.00
Local Regional School Tax Payable	A-12	20,920.40
Reserve for Encumbrances	A-15	260.00
Reserve for Federal and State Grants	A-17	113.00
		90,464.07

The accompanying "Notes to Financial Statement" are an integral part of these Financial Statements.

Township of Walpack

Comparative Balance Sheet - Regulatory Basis

Trust Funds

December 31, 2011 and 2010

	Ref.	2011	2010
Assets			
Animal Control Fund:			
Cash	B-1	48.75	588.79
Other Trust Funds:			
Cash	B-1	-	(3,647.39)
Interfund - Current Fund	B-4	17,745.96	10,482.74
		17,745.96	6,835.35
		17,794.71	7,424.14
Liabilities, Reserves & Fund Balance			
Animal Control Fund:			
Interfund - Current Fund	B-4	0.75	472.99
Reserve for Animal Control Fund Expenditures	B-2	48.00	63.00
Due to State Department of Health	B-3		52.80
		48.75	588.79
Other Trust Fund:			
Reserve for:			
Payroll Deductions Payable	B-5	17,745.96	6,835.35
		17,794.71	7,424.14

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Township of Walpack

Comparative Balance Sheet - Regulatory Basis

General Capital Fund

December 31, 2011 and 2010

	Ref.	2011	2010
Assets			
Cash	C-1	37,500.00	26,723.48
Interfund - Current Fund	C-3		7,776.52
		37,500.00	34,500.00
Liabilities, Reserves and Fund Balance			
Capital Improvement Fund	C-2	14,000.00	24,000.00
Reserve for Municipal Building	C-4	13,500.00	10,500.00
Improvement Authorizations Funded	C-5	10,000.00	
		37,500.00	34,500.00

Footnote: There were no Bonds and Notes Authorized But not Issued on December 31, 2011.

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Township of Walpack

Comparative Balance Sheet - Regulatory Basis

Public Assistance Fund

December 31, 2011 and 2010

	Ref.	2011	2010
Assets			
Cash	D-1	10,000.00	14,936.19
Liabilities			
Reserve for Public Assistance	D-3	10,000.00	14,936.19

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Township of Walpack

Comparative Statement of General Fixed Assets - Regulatory Basis

December 31, 2011 and 2010

	2011	2010
General Fixed Assets:		
Land	16,000.00	16,000.00
Buildings	211,098.00	211,098.00
Machinery and Equipment	43,085.00	43,085.00
	270,183.00	270,183.00
Investment in Fixed Assets	270,183.00	270,183.00

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB Codification establishes seven fund types and two account groups to be used by governmental units when reporting financial position and results of operations in accordance with accounting principles generally accepted in the United States of America (GAAP).

The financial statements of the Township of Walpack have been prepared in conformity with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") which is an other comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Township accounts for it financial transactions through the following separate funds which differ from the fund structure required by GAAP.

A. Reporting Entity

The Township of Walpack (the "Township") operates under a Township Committee form of government. The Township's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

GASB has issued Statement No. 14 which requires the financial reporting entity to include both the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will be by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

However, the municipalities in the State of New Jersey do not prepare financial statements in accordance with GAAP and thus do not comply with all of the GASB pronouncements. The financial statements contained herein include only those boards, bodies, officers or commissions as required by NJS 40A:5-5. Accordingly, the financial statements of the Township do not include the volunteer fire department which is considered a component unit under GAAP. Complete financial statements of the above components can be obtained by contacting the Treasurer of the respective entity.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The Township uses funds, as required by the Division, to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial administration by segregating transactions related to certain Township functions or activities. An account group, on the other hand, is designed to provide accountability for certain assets and liabilities that are not recorded in those Funds.

The Township has the following funds and account groups:

Current Fund - This fund accounts for resources and expenditures for governmental operations of a general nature, including Federal and State grants.

Trust Funds - Trust Funds are used to account for assets held by the government in a trustee capacity. Funds held by the Township as an agent for individual, private organizations, or other governments are recorded in the Trust Funds.

Other Trust Fund - This fund is established to account for the assets and resources which are also held by the Township as a trustee or agent for individuals, private organizations, other governments and/or other funds.

Animal Control Fund - This fund is used to account for fees collected from dog licenses and expenditures which are regulated by NJS 4:19-15.11.

General Capital Fund - This fund is used to account for the receipt and disbursement of funds used for acquisition or improvement of general capital facilities, other than those acquired in the Current Fund.

Public Assistance Fund - This fund is used to account for the receipt and disbursement of funds that provide assistance to certain residents of the Township pursuant to Title 44 of New Jersey Statutes. Effective January 1, 1998, the Township transferred administration of the general assistance program to the Sussex County Board of Social Services. The funds remaining in the Public Assistance Fund are used to assist certain residents who do not qualify for the General Assistance Program.

General Fixed Assets Account Group - To account for all fixed assets of the Township. The Township's infrastructure is not reported in the group.

A modified accrual basis of accounting is followed by the Township of Walpack. Under this method of accounting revenues, except State/Federal Aid, are recognized when received and expenditures are recorded, when incurred. The accounting principles and practices prescribed for municipalities by the Division differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local governmental units. The more significant differences are as follows:

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Property Tax Revenues - Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. The amounts of the first and second installments are determined as one quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of $1,500. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of June 30, of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the Township. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on November 11 in the current year, the collector in the municipality shall subject to the provisions of the New Jersey Statutes enforce the lien by placing the property on a tax sale. Annual in rem tax foreclosure proceedings are instituted to enforce the tax collection or acquisition of title to the property by the Township. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the taxes receivable and tax title liens that are uncollectible. GAAP requires tax revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

Miscellaneous Revenues - Miscellaneous revenues are recognized on a cash basis. Receivables for the miscellaneous items that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Township's Current Fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual.

Grant Revenues - Federal and State grants, entitlements or shared revenues received for purposes normally financed through the Current Fund are recognized when anticipated in the Township's budget. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual.

Budgets and Budgetary Accounting

An annual budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures. Budget amounts presented in the accompanying financial statements represent amounts adopted by the Township and approved by the State Division of Local Government Services per N.J.S.A. 40-A:4 et seq.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Budgets and Budgetary Accounting (Continued)

The Township is not required to adopt budgets for the following funds:

Animal Control Trust Fund	Public Assistance Fund
General Capital Fund	Trust Fund

The governing body shall introduce and approve the annual budget not later than February 10, of the fiscal year. The budget shall be adopted not later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. Emergency appropriations, those made after the adoption of the budget and determination of the tax rate, may be authorized by the governing body of the municipality. During the last two months of the fiscal year, the governing body may, by a 2/3 vote, amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the Governing Body. Expenditures may not legally exceed budgeted appropriations at the line item level.

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 an encumbrance accounting system. Outstanding encumbrances at December 31, are reported as a cash liability in the financial statements. Unexpended or uncommitted appropriations, at December 31, are reported as expenditures through the establishment of appropriations reserves unless canceled by the governing body. GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which should be recognized when due.

Encumbrances - Contractual orders outstanding at December 31, are reported as expenditures through the establishment of an encumbrance payable. Encumbrances do not constitute expenditures under GAAP.

Appropriation Reserves - Are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding year. Lapsed appropriation reserves are recorded as additions to income. Appropriation reserves do not exist under GAAP.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Compensated Absences - Expenditures relating to obligations for unused vested accumulated vacation and sick pay are not recorded until paid. GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining obligations be recorded as a long-term obligation.

Property Acquired for Taxes - Is recorded in the Current Fund at the assessed valuation when such property was acquired and fully reserved. GAAP requires such property to be recorded in the General Fixed Assets Account Group at market value on the date of acquisition.

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. GAAP does not require the establishment of an offsetting reserve.

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

Cash and Investments - Cash includes amounts in demand deposits as well as short-term investments with a maturity date within one year of the date acquired by the government. Investments are stated at fair value and are limited by NJSA 40A:5-5.1(a).

Deferred Charges to Future Taxation Funded and Unfunded - Upon the authorization of capital projects, the Township establishes deferred charges for the costs of the capital projects to be raised by future taxation. Funded deferred charges relate to permanent debt issued, whereas unfunded deferred charges relate to temporary or non-funding of the authorized cost of capital projects. According to N.J.S.A. 40A:2-4, the Township may levy taxes on all taxable property within the local unit to repay the debt. Annually, the Township raises the debt requirements for that particular year in the current budget. As the funds are raised by taxation, the deferred charges are reduced.

Fixed Assets - The Township of Walpack has developed a fixed asset accounting and reporting system, as promulgated by the Division of Local Government Services, which differs from generally accepted accounting principles.

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 road, bridges, curbs and gutters, streets, sidewalks and drainage systems are not capitalized.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost in not available.

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. GAAP requires that all fixed assets be capitalized at historical cost or estimated historical cost if actual historical cost is not available.

Comparative Data - Comparative data for the prior year has been presented in the accompanying balance sheets and statements of operations in order to provide an understanding of changes in the Township's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

Use of Estimates - The preparation of financial statements requires management of the Township to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

C. Basic Financial Statements

The GASB Codification also defines the financial statements of a governmental unit to be presented in the general purpose financial statements to be in accordance with GAAP. The Township presents the financial statements listed in the table of contents which are required by the Division and which differ from the financial statements required by GAAP. In addition, the Division requires the financial statements listed in the table of contents to be referenced to the supplementary schedules. This practice differs from GAAP.

NOTE 2: BUDGETARY INFORMATION

Under New Jersey State Statutes, the annual budget is required to be a balanced cash basis document. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2011 statutory budget was $98,539.00.

NOTE 2: BUDGETARY INFORMATION (CONTINUED)

Inter department budget transfers are not permitted prior to November 1. After November 1, budget transfers can be made in the form of a resolution and approved by the Township Committee.

N.J.S.A. 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 2011, there were no special items of revenue and appropriations.

The municipality may make emergency appropriations, after the adoption of the budget, for a purpose which was not foreseen at the time the budget was adopted or for which adequate provision was not made therein. This type of appropriation shall be made to meet a pressing need for public expenditure to protect or promote the public health, safety, morals or welfare or to provide temporary housing or public assistance prior to the next succeeding fiscal year. Emergency appropriations, except those classified as a special emergency, must be raised in the budgets of the succeeding year. Special emergency appropriations are permitted to be raised in the budgets of the succeeding three or five years. During 2011, there were no emergency authorizations.

NOTE 3: GENERAL FIXED ASSETS

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

	Balance as of 12-31-10	Balance as of 12-31-11
Land	$ 16,000.00	$ 16,000.00
Buildings	211,098.00	211,098.00
Equipment (Including Vehicles)	43,085.00	43,085.00
	$270,183.00	$270,183.00

NOTE 4: LONG TERM DEBT

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 statement net debt of 0.00%.

	Gross Debt	Deductions	Net Debt
Regional High School District Debt	$2,363.10	$2,363.10	$ -

Net Debt $-0- divided by equalized valuation basis per N.J.S. 40A:2-2 as amended, $2,443,618.00 = 0.00%.

BORROWING POWER UNDER N.J.S. 40A:2-6 AS AMENDED

3 1/2% of Equalized Valuation Basis (Municipal)	85,526.63
Net Debt	-
Remaining Borrowing Power	85,526.63

ANALYSIS OF AVERAGE EQUALIZED VALUATION

2011	2,443,618		
2010		2,443,618	
2009			2,443,618

The forgoing debt information is in agreement with the Annual Debt Statement filed by the Chief Financial Officer.

NOTE 5: DUE TO/FROM OTHER FUNDS

Balances due to/from other funds at December 31, 2011 consist of the following:

$ 0.75	Due to Current Fund from Animal Control Trust Fund for statutory excess.
665.38	Due to Federal and State Grant Fund from Current Fund for cash receipts and cash disbursements in the Current Fund.
17,745.96	Due to Other Trust Fund from Current Fund for receipts and disbursements made from Current Fund for payroll deductions payable and interest received.
$18,412.09	

It is anticipated that all interfunds, with the exception of Federal and State Grant Funds, will be liquidated during the calendar year.

NOTE 6: PENSION PLANS

Description of Systems:

Substantially all of the Township's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Police and Firemens' Retirement System (PFRS) or the Public Employees' Retirement System (PERS). These systems are sponsored and administered by the State of New Jersey. The Public Employees' Retirement System and the Police and Firemens' Retirement System (PFRS) are considered a cost sharing multiple-employer plans. According to the State of New Jersey Administrative Code, all obligations of the systems will be assumed by the State of New Jersey should the systems terminate.

Public Employees' Retirement System (PERS)

The Public Employees' Retirement System was established in January, 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to certain qualified members. 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. Vesting occurs after 8-10 years of service and 25 years for health care coverage. Members are eligible for retirement at age 60 with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years'

NOTE 6: PENSION PLANS (CONTINUED)

Description of System (continued)

Public Employees' Retirement System (PERS) (continued)

compensation for each year of membership during years of creditable service. Early retirement is available to those under age 60 with 25 or more years of credited service. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on contributions. In case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Chapter 103, P.L. 2007 amended the early retirement reduction formula for members hired on or after July 1, 2007 and retiring with 25 years of service to be reduced by 1% for every year between age 55 and 60, plus 3% for every year under age 55.

Chapter 89, P.L. 2008 increased the PERS eligibility age for unreduced benefits from age 60 to age 62 for members hired on or after November 1, 2008; increased the minimum annual compensation required for membership eligibility for new members. Also, it amended the early retirement reduction formula for members hired on or after November 1, 2008 and retiring with 25 years of service to be reduced by 1% for every year between age 55 and 62, plus 3% for every year under age 55.

Chapter 1, P.L. 2010, effective May 21, 2010, changed the membership eligibility criteria for new members of PERS from the amount of compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of PERS to 1/60 from 1/55, 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 make its full pension contribution, defined as 1/7th of the required amount, beginning in fiscal year 2012.

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

Chapter 78, P.L. 2011, provides that new members of 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 ¼ of 1% for each month that the member is under age 65. Tier 5 members will be eligible for a service retirement benefit at age 65.

NOTE 6. PENSION PLANS, (CONTINUED)

Contribution Requirements

The contribution policy is set by laws of the State of New Jersey and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The pension funds provide for employee contributions based on 5.5% for PERS. This amount will increase to 6.5% plus an additional 1% phased in over 7 years beginning 2012 and 8.5% for PFRS, which increased to 10% in October 2011, of the employee's annual compensation, as defined by law. Employers are required to contribute at an actuarially determined rate in all Funds except the SACT. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PERS and PFRS. In the PERS and PFRS, the employer contribution includes funding for post-retirement medical premiums.

The Township's contribution to the public employee's retirement system, equal to the required contributions for each year, were as follows:

Year Ended December 31,	Amount
2011	$4,667.61
2010	4,280.60
2009	4,168.47

Defined Contribution Retirement Program

The Defined Contribution Retirement Program (DCRP) was established on July 1, 2007 for certain public employees under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007. The program provides eligible members, with a minimum base salary of $1,500.00 or more, with a tax-sheltered, defined contribution retirement benefit, in addition to life insurance and disability coverage. The DCRP is jointly administered by the Division of Pensions and Benefits and Prudential Financial.

If the eligible elected or appointed official will earn less than $5,000.00 annually, the official may choose to waiver participation in the DCRP for that office or position. The waiver is irrevocable.

This retirement program is a new pension system where the value of the pension is based on the amount of the contribution made by the employee, employer and through investment earnings. It is similar to a Deferred Compensation Program where the employee has a portion of tax deferred salary placed into an account that the employee manages through investment option provided by the employer.

The law requires that three classes of employees enroll in the DCRP detailed as follows:

NOTE 6: PENSION PLANS (CONTINUED)

Defined Contribution Retirement Program (continued)

All elected officials taking office on or after July 1, 2007, except that a person who is reelected to an elected office held prior to that date without a break in service may retain in the PERS.

A Governor appointee with advice and consent of the Legislature or who serves at the pleasure of the Governor only during that Governor's term of office.

Other employees commencing service after July 1, 2007, pursuant to an appointment by an elected official or elected governing body which include the statutory untenured Chief Administrative Officer such as the Business Administrator, County Administrator, or Municipal or County Manager, Department Heads, Legal Counsel, Municipal or County Engineer, Municipal Prosecutor and the Municipal Court Judge.

Notwithstanding the foregoing requirements, other employees who hold a professional license or certificate or meet other exceptions are permitted to remain to join or remain in PERS.

Contributions made by employees for DCRP are currently at 5.5% of the base wages. Member contributions are matched by a 3.0% employer contribution.

NOTE 7: FUND BALANCES APPROPRIATED

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

Current Fund	$83,000.00

NOTE 8: REGIONAL AND REGIONAL HIGH SCHOOL DISTRICT SCHOOL TAXES

Regulations provide for the deferral of not more than 50% of the annual levy when school taxes are raised for a school year and have not been requisitioned by the School District. The Township of Walpack has not elected to defer school taxes.

NOTE 9: ACCRUED SICK AND VACATION BENEFITS

The Township of Walpack has a policy for employees to accrue unused vacation and sick pay, which may be taken as time off or paid at a later date at an agreed upon amount as determined by the Township Committee. At the time of the audit there was not any cost of such unpaid compensation. Such compensation would be included in the Townships budget operating expenditures in the year it is used.

NOTE 10: CASH, CASH EQUIVALENTS AND INVESTMENTS

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 Township's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. As of December 31, 2011, $-0- of the Township's bank balance of $696,940.41 was exposed to custodial credit risk.

Investments

Investment Rate Risk

The Township 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 allowance investments are Bonds of the United States of America, bonds or other obligations of the Townships or bonds or other obligations of the local unit or units within which the Township is located: 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 Township places no limit on the amount the Township may invest in any one issuer.

NOTE 11: RISK MANAGEMENT

The Township is exposed to various risks of loss related to general liability, automobile coverage, damage and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has obtained insurance coverage to guard against these events which will provide minimum exposure to the Township should they occur. During the 2011 calendar year, the Township did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

NOTE 12: PUBLIC ASSISTANCE

The Township of Walpack has elected to have the County of Sussex process all public assistance granted to the residents. Therefore, the Township of Walpack no longer has a public assistance director.

NOTE 13: HEALTH INSPECTIONS

The Township of Walpack has elected to have the County of Sussex, Department of Health perform all inspections. Therefore, the Township does not have a health inspector.

NOTE 14: TAXES COLLECTED IN ADVANCE

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

	Balance Dec 31, 2011	Balance Dec 31, 2010
Prepaid Taxes	$72.57	$78.81
Cash Liability for Taxes Collected in Advance	$72.57	$78.81

NOTE 15: CONTINGENT LIABILITIES

We are advised by Township Counsel, that the Township is not involved in any suits that would have a material impact on the Financial Statements.

SUPPLEMENTARY DATA

TOWNSHIP OF WALPACK, N.J.

OFFICIALS IN OFFICE AND SURETY BONDS

YEAR ENDED DECEMBER 31, 2011

The following officials were in office during the period under audit.

Name	Title	Amount of Bond	Name of Corporate Surety
Raymond J. Fuller	Mayor to March 2011		
Victor Maglio	Deputy Mayor to March 2011; Mayor from April 2011		
James Heigis	Committeeman to March 2011; Deputy Mayor from April 2011		
Russell Pagano	Committeeman from April 2011		
Betsy Cuneo	Municipal Clerk; Registrar; Secretary Board of Health	2,860.00	Selective Ins. Co.
Virginia Fuller	Deputy Clerk; Assessment Search Officer	2,860.00	Selective Ins. Co.
Michelle LaStarza	Chief Finance Officer; Treasurer	25,000.00	Selective Ins. Co.
Terry Beshada	Collector and Tax Search Officer	11,000.00	Selective Ins. Co.
Greg Chontow	Construction Official; Uniform Fire Code Official		
John Dyksen	Assessor to June 2011		
Maureen Kaman	Assessor from July 2011		
Michael S. Garofalo, Laddey, Clark & Ryan	Township Attorney		
William Flammer	Fire Inspection Officer		
Thomas M. Ferry, C.P.A., R.M.A.	Township Auditor		

All of the bonds were examined and were properly executed.
All employees are covered by a $3,000 Blanket Bond.

COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE

CURRENT FUND

	Year 2011		Year 2010	
	Amount	%	Amount	%
Revenue and Other Income Realized				
Fund Balance Utilized	98,539.00	48.35%	96,303.00	47.23%
Miscellaneous - From Other Than Local Property Tax Levies	37,051.00	18.18%	39,287.00	19.27%
Collection of Current Tax Levy	13,696.81	6.71%	10,852.56	5.31%
Other Credits to Income	54,506.23	26.76%	57,439.36	28.19%
Total Revenue and Other Income Realized	203,793.04	100.00%	203,881.92	100.00%
Expenditures				
Budget Expenditures:				
Municipal Purposes	112,377.40	89.14%	109,331.54	90.93%
County Taxes	13,696.81	10.86%	10,852.56	9.03%
Other Expenditures	0.75		56.60	0.04%
Total Expenditures	126,074.96	100.00%	120,240.70	100.00%
Excess (Deficit) in Revenue	77,718.08		83,641.22	
Statutory Excess to Fund Balance	77,718.08		83,641.22	
Fund Balance, January 1,	599,213.71		611,875.49	
	676,931.79		695,516.71	
Less:				
Utilized as Anticipated Revenue	98,539.00		96,303.00	
Fund Balance, December 31,	578,392.79		599,213.71	

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	2011	2010	2009
Tax Rate:	.569	.451	.552
Apportionment of Tax Rate:			
County	.569	.451	.398
Regional High School	-	-	.154

Net Valuation Taxable:

2011	2,406,786		
2010		2,397,527	
2009			2,391,997

COMPARISON OF TAX LEVIES AND COLLECTION CURRENTLY

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

Year	Tax Levy	Cash Collections	Percentage of Collection
2011	13,696.81	13,696.81	100.00%
2010	10,852.56	10,852.56	100.00%
2009	13,203.83	13,203.83	100.00%

Also, increases in future tax levies can also be warranted if revenue sources outside of those directly generated by the municipality, such as Federal or State Aid, should decline without corresponding decreases in budgeted expenditures.

DELINQUENT TAXES AND TAX TITLE LIENS

Dec. 31, Year	Amount of Tax Title Liens	Amount of Delinquent Taxes	Total Delinquent	Percentage of Tax Levy
2011	-0-	-0-	-0-	-0-
2010	-0-	-0-	-0-	-0-
2009	-0-	-0-	-0-	-0-

PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

The value of property acquired by liquidation of tax title liens on December 31, on the basis of the last assessed valuation of such properties, was as follows:

Year	Amount
2011	-0-
2010	-0-
2009	-0-

COMPARATIVE SCHEDULE OF FUND BALANCES

	Year	Balance December 31,	Utilized In Budget of Succeeding Year
Current Fund:	2011	578,392.79	83,000.00
	2010	599,213.71	98,539.00
	2009	611,875.49	96,303.00
	2008	616,662.99	94,115.00
	2007	631,086.52	92,483.00

Township of Walpack

Schedule of Cash - Treasurer

Current Fund

Year Ended December 31, 2011

	Ref.		Current Fund
Balance - December 31, 2010	A		647,241.60
Increased by Receipts:			
Miscellaneous Revenue Not Anticipated	A-2	42,765.47	
Collector	A-5	12,942.59	
Due From State - Senior Citizen and Veteran Deductions	A-6	1,000.00	
Revenue Accounts Receivable	A-8	36,938.00	
Interfunds	A-9	15,036.87	
Various Cash Liabilities and Reserves	A-15	150.00	
			108,832.93
			756,074.53
Decreased by Disbursements:			
Current Year Budget Appropriations	A-3	66,170.67	
Interfunds	A-9	17,921.19	
Appropriation Reserves	A-10	10,776.74	
Regional District School Taxes	A-12	20,920.40	
County Taxes Payable	A-13	13,696.81	
Various Cash Liabilities and Reserves	A-15	150.00	
			129,635.81
Balance - December 31, 2011	A		626,438.72

Township of Walpack

Schedule of Cash - Collector

Current Fund

Year Ended December 31, 2011

	Ref.		
Increased By:			
Interests and Costs	A-2	40.86	
2011 Taxes Receivable	A-7	12,829.16	
Prepaid Taxes	A-11	72.57	
			12,942.59
Decreased By:			
Paid to Treasurer	A-4		12,942.59

Township of Walpack

Schedule of Amount Due To State of New Jersey for Senior Citizens' and Veterans' Deductions - CH. 73 P.L. 1976

Current Fund

Year Ended December 31, 2011

	Ref.		
Balance - December 31, 2010	A		2,861.59
Increased by:			
Received in Cash from State of New Jersey	A-4		1,000.00
			3,861.59
Decreased by:			
Senior Citizen Deductions per Billings		250.00	
Veterans' Deduction per Billings		750.00	
		1,000.00	
Less:			
Veterans' Deductions Disallowed per Tax Collector		211.16	
	A-7		788.84
Balance - December 31, 2011	A		3,072.75

Township of Walpack

Schedule of Taxes Receivable and Analysis of Property Tax Levy

Current Fund

Year Ended December 31, 2011

Year	Balance, Dec. 31, 2010	Levy	Collected 2010	Collected 2011	Senior Citizen and Veteran Deductions	Balance, Dec. 31, 2011
2011		13,696.81	78.81	12,829.16	788.84	
		13,696.81	78.81	12,829.16	788.84	
			A-2;A-11	A-2;A-5	A-2;A-6	

Analysis of Tax Levy

	Ref.			
Tax yield:				
General Purpose Tax				13,696.81
County Tax	A-13	13,807.81		
Less: Chapter 63,Laws of 1991	A-13	111.00		
			13,696.81	
	A-2			13,696.81

Township of Walpack

Schedule of Revenue Accounts Receivable

Current Fund

Year Ended December 31, 2011

	Ref.	Accrued	Collected
Energy Receipts Taxes	A-2	36,938.00	36,938.00
			A-4

Township of Walpack

Schedule of Interfunds Receivables/(Payables)

Current Fund

Year Ended December 31, 2011

Fund	Ref.	Due From/(To) Balance Dec. 31, 2010	Increased	Decreased	Due From/(To) Balance Dec. 31, 2011
Federal and State Grants	A	(509.39)		155.99	(665.38)
Animal Control Trust Fund	A	472.99	0.75	472.99	0.75
Other Trust	A	(10,482.74)	7,144.67	14,407.89	(17,745.96)
Capital Fund	A	(7,776.52)	10,776.52	3,000.00	
		(18,295.66)	17,921.94	18,036.87	(18,410.59)
Analysis					
Due to Current Fund	A-1	472.99			0.75
Due from Current Fund		(18,768.65)			(18,411.34)
		(18,295.66)			(18,410.59)

	Ref.		
Statutory Excess	A-1	0.75	
Appropriations Payable	A-3		3,000.00
Cash Receipts	A-4		15,036.87
Cash Disbursements	A-4	17,921.19	
		17,921.94	18,036.87

Township of Walpack

Schedule of Appropriation Reserves

Current Fund

Year Ended December 31, 2011

	Balance, Dec. 31, 2010	Balance after Transfers	Paid or Charged	Balance Lapsed
Salaries and Wages:				
Public Buildings and Grounds	500.00	500.00		500.00
Animal Regulation	150.00	150.00		150.00
Total Salaries and Wages:	650.00	650.00		650.00
Other Expenses:				
Administrative and Executive	537.39	537.39	55.95	481.44
Financial Administration	507.52	507.52	167.49	340.03
Audit	10,550.00	10,550.00	10,550.00	
Assessment of Taxes	300.00	300.00		300.00
Collection of Taxes	400.00	400.00		400.00
Legal Services and Costs	2,000.00	2,000.00		2,000.00
Public Buildings and Grounds	1,073.00	1,073.00		1,073.00
Electricity	164.00	164.00	3.30	160.70
Fuel Oil	58.62	58.62		58.62
Telephone	2,197.77	2,197.77		2,197.77
Insurance:				
General Liability	461.00	461.00		461.00
Surety Bond Premiums	250.00	250.00		250.00
Workers Compensation	401.00	401.00		401.00
Public Safety:				
"911" Emergency Telephone Coordinator	154.00	154.00		154.00
Emergency Management Coordinator	200.00	200.00		200.00
Construction Official	100.00	100.00		100.00
Municipal Court	500.00	500.00		500.00
Total Other Expenses:	19,854.30	19,854.30	10,776.74	9,077.56
Deferred Charges and Statutory Expenditures				
Municipal				
Statutory Expenditures				
Contribution To:				
Public Employees' Retirement System	419.40	419.40		419.40
Unemployment Compensation Insurance	119.00	119.00		119.00
Social Security (O.A.S.I.)	960.20	960.20		960.20
Total Deferred Charges and Statutory Expenditures - Municipal	1,498.60	1,498.60		1,498.60
Total General Appropriation Reserves	22,002.90	22,002.90	10,776.74	11,226.16
	A		A-4	A-1

Township of Walpack

Schedule of Prepaid Taxes

Current Fund

Year Ended December 31, 2011

	Ref.	
Balance - December 31, 2010	A	78.81
Increased by:		
Cash Receipts	A-5	72.57
		151.38
Decreased by:		
Applied to 2011 Taxes	A-7	78.81
Balance - December 31, 2011	A	72.57

A-12

Township of Walpack

Schedule Local Regional District School Tax Payable

Current Fund

Year Ended December 31, 2011

	Ref.		
Increased by:			
Levy - Calender Year 2011	A-3	20,920.40	
Decreased by:			
Payments	A-4	20,920.40	

A-13

Schedule of County Taxes Payable

Current Fund

Year Ended December 31, 2011

	Ref.		
Increased by:			
Levy	A-7	13,807.81	
Less: Chapter 63, Laws of 1991	A-7	111.00	
	A-1		13,696.81
Decreased by:			
Cash Disbursements	A-4		13,696.81

Township of Walpack

Schedule of Tax Overpayments

Current Fund

Year Ended December 31, 2011

	Ref.	
Balance - December 31, 2010	A	77.94
Balance - December 31, 2011	A	77.94

Township of Walpack

Schedule of Various Cash Liabilities and Reserves

Current Fund

Year Ended December 31, 2011

Liabilities and Reserves	Ref.	Balance Dec. 31, 2010	Increased	Decreased	Balance Dec. 31, 2011
Liabilities					
Due State of NJ Marriage License Fees	A	50.00	150.00	150.00	50.00
Reserves for:					
Encumbrances	A		260.00		260.00
Revision of Tax Map	A	4,188.00			4,188.00
		4,238.00	410.00	150.00	4,498.00
		A			A
Appropriations		A-3	260.00		
Cash Receipts		A-4	150.00		
Cash Disbursements		A-4		150.00	
			410.00	150.00	

Township of Walpack

Schedule of Grants Receivable

Federal and State Grant Fund

Year Ended December 31, 2011

Grant	Budget Revenue	Transfer from Appropriated Reserves
Recycling Tonnage	113.00	113.00
	A-2	A-18

Township of Walpack

Schedule of Appropriated Reserves for Grants

Federal and State Grant Fund

Year Ended December 31, 2011

Grant	Balance Dec. 31, 2010	Transfer From 2011 Budget	Balance Dec. 31, 2011
Recycling Tonnage	396.00	113.00	509.00
	A	A-3	A

Township of Walpack

Schedule of Unappropriated Reserves for Grants

Federal and State Grant Fund

Year Ended December 31, 2011

Grant	Balance Dec. 31, 2010	Transfer to Appropriated Reserves	Received	Balance Dec. 31, 2011
Recycling Tonnage Grant	113.39	113.00	155.99	156.38
	A	A-16	A-19	A

Township of Walpack

Schedule of Interfunds Receivables/(Payables)

Federal and State Grant Fund

Year Ended December 31, 2011

Fund	Due From/(To) Balance Dec. 31, 2010	Increased	Due From/(To) Balance Dec. 31, 2011
Current Fund	509.39	155.99	665.38
	A	A-18	A

Township of Walpack

Schedule of Cash

Trust Funds

Year Ended December 31, 2011

	Ref.	Animal Control Fund	Other Trust Funds
Balance - December 31, 2010	B	588.79	(3,647.39)
Increase by Receipts:			
Fees Collected	B-2	24.00	
State Fees	B-3	12.60	
Other Trust Funds	B-5		3,647.39
Total Receipts		36.60	3,647.39
		625.39	
Decreased by Disbursements:			
Due to State Dept. of Health	B-3	65.40	
Interfund - Current Fund	B-4	472.99	
Reserve for Animal Control Trust Fund Expenditures	B-2	38.25	
Total Disbursements		576.64	
Balance - December 31, 2011	B	48.75	

B-2

Township of Walpack

Reserve for Animal Control Fund Expenditures

Trust Funds

Year Ended December 31, 2011

	Ref.		
Balance - December 31, 2010	B		63.00
Increased by:			
Municipal Fees Collected	B-1		24.00
			87.00
Decreased by:			
Expenditures - Dog Tags	B-1	38.25	
Due Current - Statutory Excess	B-4	0.75	
			39.00
Balance - December 31, 2011	B		48.00

License Fees Collected

Year	
2010	24.00
2009	24.00
	48.00

B-3

Schedule of Due to State Department of Health

Trust Funds

Year Ended December 31, 2011

	Ref.	
Balance - December 31, 2010	B	52.80
Increased by:		
State Fees Collected	B-1	12.60
		65.40
Decreased by:		
Cash Disbursed	B-1	65.40

Township of Walpack

Schedule of Interfund - Current Fund

Trust Funds

Year Ended December 31, 2011

	Due to/(from) Balance Dec. 31, 2010	Increased	Decreased	Due to/(from) Balance Dec. 31, 2011
Other Trust	(10,482.74)		7,263.22	(17,745.96)
Animal Control Trust	472.99	0.75	472.99	0.75
	(10,009.75)	0.75	7,736.21	(17,745.21)
	B			B

	Ref.		
Cash Disbursement - Animal Control Trust Fund	B-1		472.99
Statutory Excess	B-2	0.75	
Reserve for Payroll Deductions	B-5		7,263.22
		0.75	7,736.21

Township of Walpack

Schedule of Other Trust Funds

Trust Funds

Year Ended December 31, 2011

		Balance Dec. 31, 2010	Increased	Balance Dec. 31, 2011
Reserve for Payroll Deductions Payable		6,835.35	10,910.61	17,745.96
		B		B
Cash Receipts	B-1		3,647.39	
Interfund Current	B-4		7,263.22	
			10,910.61	

C-1

Township of Walpack

Schedule of Cash

General Capital Fund

Year Ended December 31, 2011

	Ref.	
Balance - December 31, 2010	C	26,723.48
Increased by Receipts:		
Interfund Current Fund	C-3	10,776.52
Balance - December 31, 2011	C	37,500.00

C-2

Schedule of Capital Improvement Fund

General Capital Fund

Year Ended December 31, 2011

	Ref.	
Balance - December 31, 2010	C	24,000.00
Decreased By:		
Improvement Authorizations	C-5	10,000.00
Balance - December 31, 2011	C	14,000.00

C-3

Township of Walpack

Schedule of Due To/(From) Current Fund

General Capital Fund

Year Ended December 31, 2011

	Ref.	
Balance - December 31, 2010	C	7,776.52
Increased by:		
Reserve for Municipal Building	C-4	3,000.00
		10,776.52
Decreased by:		
Cash Receipts	C-1	10,776.52

C-4

Schedule of Reserve for Municipal Building

General Capital Fund

Year Ended December 31, 2011

	Ref.	
Balance - December 31, 2010	C	10,500.00
Increased by:		
Interfund Current Fund	C-3	3,000.00
Balance - December 31, 2011	C	13,500.00

Township of Walpack
Schedule of Improvement Authorizations
General Capital Fund
Year Ended December 31, 2011

Improvement Description	Ordinance Date	Ordinance Amount	2011 Authorizations	Balance Dec. 31, 2011 Funded
Demolition of Municipal Garage	09/27/11	10,000.00	10,000.00	10,000.00
			C-2	C

Township of Walpack

Schedule of Cash-Treasurer

Public Assistance Fund

Year Ended December 31, 2011

	Ref.	
Balance - December 31, 2010	D	14,936.19
Decreased by Disbursements:		
Assistance	D-3	4,936.19
Balance - December 31, 2011	D	10,000.00

Township of Walpack

Schedule of Cash and Reconciliation per N.J.S.A. 40A:5-5

Public Assistance Fund

Year Ended December 31, 2011

	Ref.	
Balance - December 31, 2011	D	10,000.00
Balance - May 31, 2012		10,000.00

Reconciliation - May 31, 2012

Balance on Deposit per Statement of:	
Lakeland Bank	10,000.00
Balance - May 31, 2012	10,000.00

Township of Walpack

Schedule of Reserve for Public Assistance

Public Assistance Fund

Year Ended December 31, 2011

	Ref.	
Balance - December 31, 2010	D	14,936.19
Decreased by:		
Assistance	D-1	4,936.19
Balance - December 31, 2011	D	10,000.00

TOWNSHIP OF WALPACK

PART II

LETTER ON INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2011

Ferraioli, Wielkotz, Cerullo & Cuva, P.A.

Charles J. Ferraioli, Jr., MBA, CPA, RMA
Steven D. Wielkotz, CPA, RMA
James J. Cerullo, CPA, RMA
Paul J. Cuva, CPA, RMA
Thomas M. Ferry, CPA, RMA

Certified Public Accountants
401 Wanaque Avenue
Pompton Lakes, New Jersey 07442
973-835-7900
Fax 973-835-6631

Newton Office
100B Main Street
Newton, N.J. 07860
973-579-3212
Fax 973-579-7128

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

Honorable Mayor and
Members of the Township Committee
Township of Walpack
Walpack Center, N.J. 07881

We have audited the financial statements - regulatory basis of the Township of Walpack, in the County of Sussex, State of New Jersey as of and for the year ended December 31, 2011, and have issued our report thereon dated June 15, 2012. Our report disclosed that, as described in Note 1 to the financial statements - regulatory basis, the Township of Walpack prepares its financial statements on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with a modified accrual basis of accounting and the budget laws of the State of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, as described in the accompanying

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Schedule of Findings and Questioned Costs, we have identified certain deficiencies in internal control over financial reporting that we consider to be a significant deficiency.

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

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. We consider the deficiency described in the accompanying Schedule of Finding and Questioned Costs, as 11-01, to be a significant deficiency.

Compliance and Other Matters

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

We noted certain immaterial instances of noncompliance that we have reported to the management of the Township of Walpack in the accompanying comments and recommendations section of this report.

This report is intended solely for the information and use of management, The Division of Local Government Services, Department of Community Affairs, State of New Jersey, Federal Awarding Agencies and Pass Through Entities and is not intended to be and should not be used by anyone other than these specified parties.

Thomas M. Ferry, C.P.A.
Registered Municipal Accountant

Ferraioli, Wielkotz, Cerullo, & Cuva, P.A.

FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants

FWCC

TOWNSHIP OF WALPACK, N.J.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2011

Summary of Auditor's Results:

A qualified opinion was issued on the Township's financial statements prepared on an other comprehensive basis of accounting.

The audit did disclose a significant deficiency in the internal control of the Township.

The Township was not subject to the single audit provisions of Federal OMB Circular A-133 (the "Circular") and State Circular 04-04 OMB for 2011 as grant expenditures were less than the single audit thresholds identified in the Circulars.

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

The audit did disclose findings required to be reported under Generally Accepted Government Auditing Standards, as follows:

Finding 11-01:

Segregation of Duties

The Township does not maintain an adequate segregation of duties within the Treasury Department, Payroll Department and Tax Collection Office. Segregation of duties refers to separating those functions that place too much control over a transaction or class of transactions that would enable a person to misappropriate funds and prevent detection within a reasonable period of time. The Chief Financial Officer controls disbursements of funds, has control of checks, and reconciles bank statements. Inadequate segregation of duties was also found within the Tax Collection Office. Within the payroll department, preparation of payroll, signing of checks and bank reconciliation is also performed by one employee. These situations occur because of the limited number of employees qualified to perform other accounting functions. The Township was made aware of this lack on internal control and will consider strengthening Internal Control within reason of the costs and benefits derived. Therefore, no formal recommendation is deemed necessary at this time.

Findings and Questioned Costs for Federal Awards:

Not applicable

Findings and Questioned Costs for State Awards:

Not applicable

TOWNSHIP OF WALPACK, N.J.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2011

The Township's prior year audit finding, 10-01, regarding segregation of duties has not been corrected and is included in the audit for the year ended December 31, 2011.

COMMENTS AND RECOMMENDATIONS

GENERAL COMMENTS

Cash Balance

Cash balances in all funds were verified by independent certificates obtained from the depositories as of December 31, 2011, and June 15, 2012, in connection with the supplemental reconciliations made for all officials. Cash on hand was counted on that date.

Contracts and Agreements Required to be Advertised for N.J.S.A. 40A:11-4

N.J.S.A. 40A:11-3 states:

a. "When the cost or price of any contract awarded by the contracting agent in the aggregate does not exceed in a contract year the total sum of $17,500, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution, as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids, except that the governing body of any contracting unit may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to subsection b. of section 9 of P.L. 1971, c.198 (C.40A:11-9), the governing body of the contracting unit may establish that the bid threshold may be up to $25,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.

b. Any contracts made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to subparagraph (i) of paragraph (a) of subsection (1) of section 5 of P.L. 1971, c.198 (C.40A:11-5) may be awarded for a period not exceeding 12 consecutive months. The Division of Local Government Services shall adopt and promulgate rules and regulations concerning the methods of accounting for all contracts that do not coincide with the contracting unit's fiscal year.

c. The Governor, in consultation with the Department of the Treasury, shall, no later that March 1 of every fifth year beginning in the fifth year after the year in which P.L. 1999, c.440 takes effect, adjust the threshold amount and the higher threshold amount which the governing body is permitted to establish, as set forth in subsection a. of this section, or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in section 2 of P.L. 1971, c.198 (C.40A:11-2), and shall round the adjustment to the nearest $1,000. The Governor shall, no later than June 1 of every fifth year, notify each governing body of the adjustment. That adjustment shall become effective on July 1 of the year in which it is made."

N.J.S.A. 40A:11-4 states: "Every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. The governing body of a contracting unit may, by resolution approved by a majority of the governing body and subject to subsection b. and c. of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the governing body finds that it has had prior negative experience with the bidder."

Contracts and Agreements Required to be Advertised for N.J.S.A. 40A:11-4 (continued)

Effective January 1, 2011, the bid threshold in accordance with N.J.S. 40A:11-3 and 40A:11-4 (as amended) is $17,500.00 and with a qualified purchasing agent the threshold may be up to $36,000.00.

The Governing Body of the Township of Walpack have the responsibility of determining whether the expenditures in any category will exceed the bid threshold within the fiscal year and where question arises as to whether any contract or agreement might result in violation of the statute, the Township Attorney's opinion should be sought before a commitment is made.

The minutes indicated the bids were requested by public advertising per N.J.S.A. 40A:11-4. The minutes also indicated that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 40A:11-5.

Inasmuch as the system of records did not provide for the accumulation of payments for categories for the performance of any work or the furnishing or hiring of any material or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear cut violation existed. None were noted.

Our review of the Township's minutes indicated that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 40A:11-5.

Our examination of expenditures did not reveal any individual payments, contracts or agreements in excess of the statutory threshold "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.A. 40A:11-6.

COLLECTION OF INTEREST ON DELINQUENT TAXES AND ASSESSMENTS

The Statute R.S. 54:4-67 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 they would become delinquent.

The governing body on January 4, 2011 adopted the following resolution authorizing interest to be charged on delinquent taxes.

> BE IT RESOLVED by the Mayor and Committee of the Township of Walpack that the charge of interest on all delinquent taxes be 8% per annum up to $1,500 and 18% per annum over $1,500.

It was determined from a test of the Collector's record that interest was collected in accordance with the forgoing resolution.

DELINQUENT TAXES AND TAX TITLE LIENS

During 2011, there was no tax sale held.

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

Year	Number of Liens
2010	-0-
2009	-0-
2008	-0-

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.

The result of the test which was made as of December 31, 2011 is not yet known, but a separate report will be rendered if any irregularities are developed.

In addition, analytical review procedures were utilized to ascertain the validity of the receivables.

OTHER COMMENTS

Segregation of Duties

The Township does not maintain an adequate segregation of duties within the Treasury Department, Payroll Department and Tax Collection Office. Segregation of duties refers to separating those functions that place too much control over a transaction or class of transactions that would enable a person to misappropriate funds and prevent detection within a reasonable period of time. The Chief Financial Officer controls disbursements of funds, has control of checks, and reconciles bank statements. Inadequate segregation of duties was also found within the Tax Collection Office. Within the payroll department, preparation of payroll, signing of checks and bank reconciliation is also performed by one employee. These situations occur because of the limited number of employees qualified to perform other accounting functions. The Township was made aware of this lack on internal control and will consider strengthening Internal Control within reason of the costs and benefits derived. Therefore, no formal recommendation is deemed necessary at this time.

OTHER COMMENTS (continued)

Interfunds

Reference to various balance sheets show interfund balances remaining at year end. Transactions invariably occur in one fund which require a corresponding entry to be made in another fund, thus creating interfund balances. As a general rule, all interfund balances should be closed out as of the end of year.

Management Response:

It is the Township's policy to review and liquidate all interfund balances on a periodic basis.

RECOMMENDATIONS

1) That all interfunds be liquidated by the end of the year.

Status of Prior Year's Audit Findings/Recommendations

A review was performed on all prior year's recommendations and corrective action was taken on all with the exception of the following which is included in this year's recommendations:

1) That all interfunds be liquidated by the end of the year.

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

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

Thomas M. Ferry, C.P.A.
Registered Municipal Accountant
No. 497

Ferraioli, Wielkotz, Cerullo, & Cuva, P.A.

FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants