REPORT OF AUDIT

TOWNSHIP OF WALPACK

COUNTY OF SUSSEX

DECEMBER 31, 2014

TOWNSHIP OF WALPACK
YEAR ENDED DECEMBER 31, 2014

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TOWNSHIP OF WALPACK

PART I

REPORT OF AUDIT ON FINANCIAL STATEMENTS

AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2014

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INDEPENDENT AUDITORS' REPORT

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

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 Walpack in the County of Sussex, as of December 31, 2014 and 2013, the related statement of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

FWCC

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 Walpack 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 Walpack as of December 31, 2014 and 2013, or changes in financial position for the years then ended.

Basis for Qualified Opinion on Regulatory Basis Accounting Principles

We are unable to obtain sufficient evidence to support the cost of fixed assets. As more fully describe in Note 1, due to the length of time over which these fixed assets were acquired, it is not practical to determine their actual costs. We are, therefore, unable to express an opinion as to the general fixed assets account group at at December 31, 2014, and 2013, stated as $271,487.77 and $270,183.00, respectively.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of the matter described in "Basis for Qualified Opinion on Regulatory Basis Accounting Principles" paragraph, the financial statements referred to above present fairly, in all material respects, the regulatory basis balances sheets as of December 31, 2014 and 2013, 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, 2014 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 Walpack's basic financial statements. The supplementary information listed in the table of contents and the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

FWCC

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2015 on our consideration of the Township of Walpack'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 Walpack's internal control over financial reporting and compliance.

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

Ferraioli, Wielkotz, Cerullo & Cuva, PA
FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants

Newton, New Jersey

June 19, 2015

FWCC

Township of Walpack, N.J.

Comparative Balance Sheet - Regulatory Basis

Current Fund

December 31,

	Ref.	2014	2013
Assets			
Current Fund:			
Cash	A-4	507,790.91	570,448.02
Receivables and Other Assets with Full Reserves:			
Delinquent Taxes Receivable	A-7	1,143.80	2,359.32
Deferred Charges:			
Over-expenditure of Appropriation Reserves	A-11	18,007.00	
		526,941.71	572,807.34
Federal and State Grant Fund:			
Due from Current Fund	A-22	257.69	411.41
		527,199.40	573,218.75

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

Township of Walpack, N.J.

Comparative Balance Sheet - Regulatory Basis

Current Fund

December 31,

	Ref.	2014	2013
Liabilities, Reserves and Fund Balance			
Current Fund:			
Appropriation Reserves			
Unencumbered	A-3;A-10	16,759.76	18,171.75
Encumbered	A-3;A-10	120.00	77.00
Due to State of N.J., Per Ch. 73, P.L. 1976	A-6	3,274.15	3,274.15
Interfunds Payable:			
Due to Federal and State Grants	A-9	257.69	411.41
Due Animal Control Trust Fund	A-9		12.00
Prepaid Taxes	A-12	251.10	379.39
Tax Overpayments	A-17	177.40	127.40
Due to State of New Jersey:			
Marriage Surcharge	A-18	25.00	
Reserve for:			
Revision of Tax Map	A-18	4,188.00	4,188.00
		25,053.10	26,641.10
Reserve for Receivables	Contra	1,143.80	2,359.32
Fund Balance	A-1	500,744.81	543,806.92
		526,941.71	572,807.34
Federal and State Grant Fund:			
Appropriated Reserve for Grants	A-20	161.00	301.00
Unappropriated Reserve for Grants	A-21	96.69	110.41
		257.69	411.41
		527,199.40	573,218.75

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

Township of Walpack, N.J.

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

Current Fund

Years Ended December 31,

	Ref.	2014	2013
Revenues and Other Income:			
Fund Balance Utilized	A-2	83,830.00	84,546.00
Miscellaneous Revenue Anticipated	A-2	37,048.00	37,074.00
Receipts from Current Taxes	A-2	16,903.91	15,520.47
Non-Budget Revenue	A-2	52,742.39	44,538.25
Other Credits to Income:			
Statutory Excess in Animal Control Trust Fund	A-9	6.00	21.00
Unappropriated Reserves for Grants Cancelled	A-9	0.41	0.21
Unexpended Balance of Appropriation Reserve	A-10	6,940.85	6,464.78
Various Reserves Cancelled			79.78
Total Revenues and Other Income		197,471.56	188,244.49
Expenditures:			
Budget and Emergency Appropriations:			
Operations - Within Caps:			
Salaries and Wages	A-3	35,950.00	35,800.00
Other Expenses	A-3	40,439.00	39,597.00
Deferred Charges and Statutory Expenditures - Municipal	A-3	36,500.00	28,583.00
Operations - Excluded From Caps:			
Other Expenses Excluded from "CAPS"	A-3	4,489.00	4,433.00
Capital Improvements	A-3	3,500.00	3,500.00
Prior Year Tax Overpayment	A-17	50.00	
Prior Year Payroll Deduction Payable	A-13	17,745.96	
County Taxes included Added Taxes	A-16	18,029.71	17,871.43
Total Expenditures		156,703.67	129,784.43
Statutory Excess to Fund Balance		40,767.89	58,460.06
Fund Balance, January 1,	A	543,806.92	569,892.86
		584,574.81	628,352.92
Decreased by:			
Fund Balance Utilized as Budget Revenue	A-2	83,830.00	84,546.00
Fund Balance, December 31,	A	500,744.81	543,806.92

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

Township of Walpack, N.J.

Statement of Revenues - Regulatory Basis

Current Fund

Year Ended December 31, 2014

	Ref.	Budget	Realized	Excess or (Deficit)
Fund Balance Anticipated	A-1	83,830.00	83,830.00	
Miscellaneous Revenues:				
Energy Receipts Taxes	A-8	36,938.00	36,938.00	
Public and Private Revenues:				
Recycling Tonnage	A-19	110.00	110.00	
Total Miscellaneous Revenues	A-1	37,048.00	37,048.00	
Subtotal General Revenues		120,878.00	120,878.00	
Amount to be Raised by Taxes for Support of Municipal Budget - Local Tax for Municipal Purposes Including Reserve for Uncollected Taxes	A-2		(1,143.80)	(1,143.80)
Budget Totals		120,878.00	119,734.20	(1,143.80)
Non-Budget Revenue	A-2		52,742.39	52,742.39
		120,878.00	172,476.59	51,598.59
		A-3		

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

Township of Walpack, N.J.

Statement of Revenues - Regulatory Basis

Current Fund

Year Ended December 31, 2014

Analysis of Realized Revenues

	Ref.	
Revenue From Collections	A-1;A-7	16,903.91
Allocated to School and County Taxes	A-7	18,047.71
Amount for Support of Municipal Budget Appropriations	A-2	(1,143.80)

Analysis of Non-Budget Revenues

	Ref.		
Miscellaneous Revenues Not Anticipated:			
Interest on Investments		18,715.05	
Payment in Lieu of Taxes		27,776.15	
LEA Rebates		490.75	
Miscellaneous		47.00	
ABC Licenses		200.00	
Uniform Construction Code Fees		796.00	
Marriage Licenses and Certified Copies		109.00	
Cable TV Franchise		1,990.00	
Senior Citizens and Veterans Admin. Fees		20.00	
	A-4		50,143.95
Collector:			
Interest and Costs on Taxes	A-5	246.95	
2013 Taxes Receivable	A-5	2,351.49	
			2,598.44
Total Non Budget Revenue	A-1;A-2		52,742.39

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

Township of Walpack, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2014

General Appropriations	Ref.	Budget	Budget After Modification	Paid or Charged	Reserved	Over-Expended
Operations						
Administrative and Executive						
Salaries and Wages						
Mayor and Council		10,100.00	10,100.00	10,100.00		
Clerk		7,100.00	7,100.00	7,100.00		
Other Expenses		1,500.00	1,500.00	1,414.38	85.62	
Financial Administration						
Salaries and Wages		10,500.00	10,500.00	10,500.00		
Other Expenses		1,000.00	1,000.00	631.86	368.14	
Audit		11,405.00	11,405.00		11,405.00	
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	104.00	196.00	
Collection of Taxes						
Salaries and Wages		2,700.00	2,700.00	2,700.00		
Other Expenses		400.00	400.00	63.90	336.10	
Legal Services and Costs						
Other Expenses		6,000.00	6,000.00	6,000.00		
Public Buildings and Grounds						
Salaries and Wages		500.00	500.00		500.00	
Other Expenses		1,000.00	1,000.00	632.24	367.76	
Electricity		360.00	360.00	161.07	198.93	
Fuel Oil		3,000.00	3,000.00	2,240.91	759.09	
Telephone		900.00	900.00	755.11	144.89	

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

Township of Walpack, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2014

General Appropriations	Ref.	Budget	Budget After Modification	Paid or Charged	Reserved	Over-Expended
Insurance:						
Workers Compensation		1,542.00	1,542.00	1,360.00	182.00	
General Liability		3,982.00	3,982.00	3,513.29	468.71	
Surety Bond Premiums		500.00	500.00	500.00		
Public Safety						
Aid to Volunteer Fire Companies (1)		2,500.00	2,500.00	2,500.00		
Aid to Rescue Squad		4,000.00	4,000.00	4,000.00		
Emergency Management Coordinator:						
Salaries and Wages		400.00	400.00		400.00	
Other Expenses		200.00	200.00		200.00	
Animal Regulation						
Salaries and Wages		150.00	150.00		150.00	
Other Expenses		350.00	350.00		350.00	
Subtotal - Operations		74,789.00	74,789.00	58,676.76	16,112.24	
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	

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

Township of Walpack, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2014

General Appropriations	Ref.	Budget	Budget After Modification	Paid or Charged	Reserved	Over-Expended
Total Operations Including Contingent - Within "CAPS"		76,389.00	76,389.00	59,976.76	16,412.24	
Detail:						
Salaries and Wages	A-1	35,950.00	35,950.00	34,900.00	1,050.00	
Other Expenses	A-1	40,439.00	40,439.00	25,076.76	15,362.24	
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)		30,000.00	30,000.00	48,007.00		18,007.00
Contribution to:						
Public Employees' Retirement System		3,885.00	3,885.00	3,551.78	333.22	
Social Security System (O.A.S.I.)		2,590.00	2,590.00	2,585.70	4.30	
Unemployment Compensation Insurance		25.00	25.00	15.00	10.00	
Total Deferred Charges and Statutory Expenditures						
Municipal - Within "CAPS"	A-1	36,500.00	36,500.00	54,159.48	347.52	18,007.00
Excluded From "CAPS"						
Due to County for Taxes		200.00	200.00	200.00		
Interlocal Municipal Service Agreement						
911' Dispatching		4,179.00	4,179.00	4,179.00		
Total Operations Excludes From "CAPS"		4,379.00	4,379.00	4,379.00		
Public and Private Programs Offset by Revenues						
Recycling Tonnage		110.00	110.00	110.00		
Total Public and Private Program Offset by Revenues		110.00	110.00	110.00		
Total General Appropriations -						
Excluded From "CAPS"		4,489.00	4,489.00	4,489.00		

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

Township of Walpack, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2014

General Appropriations	Ref.	Budget	Budget After Modification	Paid or Charged	Reserved	Over-Expended
Detail:						
Other Expenses	A-1	4,489.00	4,489.00	4,489.00		
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		
Total General Appropriations for Municipal Purposes Excluded from "CAPS"		7,989.00	7,989.00	7,989.00		
Total General Appropriations		120,878.00	120,878.00	122,125.24	16,759.76	18,007.00
			A-2		A	A-11
Cash Disbursed	A-4			70,388.24		
Interfund - General Capital Fund	A-9			3,500.00		
Local Regional School Tax Payable	A-14			25,343.00		
Regional High School Payable	A-15			22,664.00		
Reserve for Encumbrances	A			120.00		
Reserve for Federal and State Grants	A-20			110.00		
				122,125.24		

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

Township of Walpack, N.J.

Comparative Balance Sheet - Regulatory Basis

Trust Funds

December 31,

	Ref.	2014	2013
Assets			
Animal Control Fund:			
Cash	B-1	36.00	27.00
Interfund - Current Fund	B-4		12.00
		36.00	39.00
Other Trust Funds:			
Cash	B-1	212.92	2,025.42
		248.92	2,064.42
Liabilities, Reserves & Fund Balance			
Animal Control Fund:			
Reserve for Animal Control			
Fund Expenditures	B-2	36.00	39.00
Other Trust Fund:			
Reserve for:			
Payroll Deductions Payable	B-5	212.92	2,025.42
		248.92	2,064.42

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

C

Township of Walpack, N.J.

Comparative Balance Sheet - Regulatory Basis

General Capital Fund

December 31,

	Ref.	2014	2013
Assets			
Cash	C-1	47,327.47	44,500.00
Liabilities, Reserves and Fund Balance			
Capital Improvement Fund	C-2	14,000.00	14,000.00
Reserve for Municipal Building	C-4	23,327.47	20,500.00
Improvement Authorizations			
Funded	C-5	10,000.00	10,000.00
		47,327.47	44,500.00

Footnote: There were no Bonds and Notes Authorized But not Issued on December 31, 2014 and 2013.

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

Township of Walpack, N.J.

Comparative Balance Sheet - Regulatory Basis

Public Assistance Fund

December 31,

	Ref.	2014	2013
Assets			
Cash	D-1	10,000.00	10,000.00
Liabilities			
Reserve for Public Assistance	D-3	10,000.00	10,000.00

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

E

Township of Walpack, N.J.

Comparative Statement of General Fixed Assets - Regulatory Basis

December 31,

(Unaudited)

	2014	2013
General Fixed Assets:		
Land	16,000.00	16,000.00
Buildings	212,402.77	211,098.00
Machinery and Equipment	43,085.00	43,085.00
	271,487.77	270,183.00
Investment in Fixed Assets	271,487.77	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. During 2014, the Governing Body did not increase the original Current Fund budget, however, several budget transfers were approved by the Governing Body.

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.

Recent Accounting Pronouncements

In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27. This statement, which is effective for fiscal periods beginning after June 15, 2014, will not have any effect on the entity's financial reporting. However, the provisions of this statement will require significant modifications to the disclosure requirements related to the entity's proportionate share of the cost-sharing defined benefit plans reported at the State of New Jersey level.

In January 2013, the Government Accounting Standards Board issued GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term "government combinations" includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This Statement, which is effective for financial statements beginning after December 15, 2013, will not have any effect on the entity's financial reporting.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Recent Accounting Pronouncements (continued)

In April of 2013, the Government Accounting Standards Board issued GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This Statement is effective for reporting periods beginning after June 15, 2013 and will not have any impact on the entity's financial statement disclosures.

In November 2013, the Government Accounting Standards Board issued GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* – an amendment of GASB Statement No. 68. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68 which is effective for periods beginning after June 15, 2014. The provisions of this Statement will require significant modifications to the disclosure requirements related to the entity's proportionate share of the cost-sharing defined benefit plans reported at the State of New Jersey level.

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 2014 statutory budget was $83,830.00.

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 2014, 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 2014, there were no emergency authorizations.

NOTE 3: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2014, the following deferred charges are shown on the balance sheets of the various funds:

	Balance Dec. 31, 2014	2015 Budget Appropriation	Balance to Succeeding Budget
Current Fund	$18,007.00	$18,007.00	$ -

NOTE 4: GENERAL FIXED ASSETS

The following schedule is a summarization of the changes in general fixed assets for the calendar year ended December 31, 2014.

	Balance as of Dec. 31, 2013	Increases	Balance as of Dec. 31, 2014
Land	$ 16,000.00	$ -	$ 16,000.00
Buildings	211,098.00	1,304.77	212,402.77
Equipment (Including Vehicles)	43,085.00	-	43,085.00
	$270,183.00	$1,304.77	$271,487.77

NOTE 5: 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	$2,233.51	$2,233.51	$ -

Net Debt $-0- divided by equalized valuation basis per N.J.S. 40A:2-2 as amended, 2,756,681.67 = 0.00%.

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

3 1/2% of Equalized Valuation Basis (Municipal)	96,483.86
Net Debt	-
Remaining Borrowing Power	96,483.86

NOTE 5: LONG TERM DEBT (CONTINUED)

ANALYSIS OF AVERAGE EQUALIZED VALUATION

2014	2,756,682		
2013		2,601,016	
2012			2,445,350

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

NOTE 6: DUE TO/FROM OTHER FUNDS

Balances due to/from other funds at December 31, 2014 consist of the following:

$257.69	Due to Federal and State Grant Fund from Current Fund for cash receipts and cash disbursements in the Current Fund.

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

NOTE 7: 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.

NOTE 7: PENSION PLANS (CONTINUED)

Description of System (continued)

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' 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.

NOTE 7: PENSION PLANS (CONTINUED)

Description of System (continued)

Public Employees' Retirement System (PERS) (continued)

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.

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
2014	$3,551.78
2013	3,974.01
2012	4,520.20

NOTE 7. PENSION PLANS, (CONTINUED)

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:

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 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.

There were no employees eligible to be enrolled in the DCRP as of December 31, 2014, and 2013.

NOTE 8: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2014 and 2013 which were appropriated and included as anticipated revenue in their own respective funds for the years ending December 31, 2015 and 2014 were as follows:

	2015	2014
Current Fund	$147,057.00	$83,830.00

NOTE 9: 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 10: 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 11: 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, 2014, $-0- of the Township's bank balance of $607,553.91 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.

NOTE 11: CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

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 12: 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 2014 calendar year, the Township did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

NOTE 13: 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 14: 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 15: 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, 2014	Balance Dec 31, 2013
Prepaid Taxes	$251.10	$379.39
Cash Liability for Taxes Collected in Advance	$251.10	$379.39

NOTE 16: 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.

NOTE 17: SUBSEQUENT EVENT

The Township has evaluated subsequent events through June 19, 2015, the date which the financial statements were available to be issued and no other items were noted for disclosure.

SUPPLEMENTARY DATA

TOWNSHIP OF WALPACK, N.J.

OFFICIALS IN OFFICE AND SURETY BONDS

YEAR ENDED DECEMBER 31, 2014

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

Name	Title	Amount of Bond	Name of Corporate Surety
Victor Maglio	Mayor		
James Heigis	Deputy Mayor		
Janina Wycalek	Committeeperson		
Betsy Cuneo	Municipal Clerk; Secretary Board of Health	2,860.00	Selective Ins. Co.
Maria Maglio	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.
Amy Lobban	Registrar		
Greg Chontow	Construction Official; Uniform Fire Code Official		
Maureen Kaman	Assessor		
Michael S. Garofalo, Laddey, Clark & Ryan	Township Attorney to 3/27/14		
Glenn Kienz	Township Attorney from 4/1/14		
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 2014		Year 2013	
	Amount	%	Amount	%
Revenue and Other Income Realized				
Fund Balance Utilized	83,830.00	42.45%	84,546.00	44.91%
Miscellaneous - From Other Than Local Property Tax Levies	37,048.00	18.76%	37,074.00	19.69%
Collection of Current Tax Levy	16,903.91	8.55%	15,520.47	8.23%
Other Credits to Income	59,689.65	27.17%	51,104.02	27.17%
Total Revenue and Other Income Realized	197,471.56	100.00%	188,244.49	100.00%
Expenditures				
Budget Expenditures:				
Municipal Purposes	138,673.96	88.49%	111,913.00	86.23%
County Taxes	18,029.71	11.51%	17,871.43	13.77%
Total Expenditures	156,703.67	100.00%	129,784.43	100.00%
Statutory Excess to Fund Balance	40,767.89		58,460.06	
Fund Balance, January 1,	543,806.92		569,892.86	
	584,574.81		628,352.92	
Less:				
Utilized as Anticipated Revenue	83,830.00		84,546.00	
Fund Balance, December 31,	500,744.81		543,806.92	

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	2014	2013	2012
Tax Rate:	.602	.596	.580
Apportionment of Tax Rate:			
County	.602	.596	.580
Regional High School	-	-	-

Net Valuation Taxable:

2014	2,922,550		
2013		2,420,203	
2012			2,407,167

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
2014	18,047.71	16,903.91	93.66%
2013	17,879.79	15,520.47	86.80%
2012	17,287.58	13,142.31	76.02%

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	Tax Title Liens	Amount of Delinquent Taxes	Amount of Total Delinquent	Percentage of Tax Levy
2014	-0-	1,143.80	1,143.80	6.34%
2013	-0-	2,359.32	2,359.32	13.19%
2012	-0-	4,145.11	4,145.11	23.98%

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
2014	-0-
2013	-0-
2012	-0-

COMPARATIVE SCHEDULE OF FUND BALANCES

	Year	Balance December 31,	Utilized In Budget of Succeeding Year
Current Fund:	2014	500,794.81	147,057.00
	2013	543,806.92	83,830.00
	2012	569,892.86	84,546.00
	2011	578,392.79	83,000.00
	2010	599,213.71	98,539.00

Township of Walpack, N.J.

Schedule of Cash - Treasurer

Current Fund

Year Ended December 31, 2014

	Ref.		Current Fund
Balance - December 31, 2013	A		570,448.02
Increased by Receipts:			
Miscellaneous Revenue Not Anticipated	A-2	50,143.95	
Collector	A-5	18,374.06	
Due From State - Senior Citizen and Veteran Deductions	A-6	1,000.00	
Revenue Accounts Receivable	A-8	36,938.00	
Interfunds	A-9	79,089.35	
Various Cash Liabilities and Reserves	A-18	25.00	
			185,570.36
			756,018.38
Decreased by Disbursements:			
Current Year Budget Appropriations	A-3	70,388.24	
Interfunds	A-9	82,748.66	
Appropriation Reserves	A-10	11,307.90	
Regional District School Taxes	A-14	25,343.00	
Prior Year Payroll Deduction	A-13	17,745.96	
Regional High School Taxes	A-15	22,664.00	
County Taxes Payable	A-16	18,029.71	
			248,227.47
Balance - December 31, 2014	A		507,790.91

Township of Walpack, N.J.

Schedule of Cash - Collector

Current Fund

Year Ended December 31, 2014

	Ref.		
Increased By:			
Interests and Costs	A-2	246.95	
2013 Taxes Receivable	A-2	2,351.49	
2014 Taxes Receivable	A-7	15,524.52	
Prepaid Taxes	A-12	251.10	
			18,374.06
Decreased By:			
Paid to Treasurer	A-4		18,374.06

Township of Walpack, N.J.

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, 2014

	Ref.		
Balance - December 31, 2013	A		3,274.15
Increased by:			
Received in Cash from			
State of New Jersey	A-4		1,000.00
			4,274.15
Decreased by:			
Senior Citizen Deductions			
per Billings		500.00	
Veterans' Deduction per Billings		500.00	
	A-7		1,000.00
Balance - December 31, 2014	A		3,274.15

Township of Walpack, N.J.

Schedule of Taxes Receivable and Analysis of Property Tax Levy

Current Fund

Year Ended December 31, 2014

Year	Balance, Dec. 31, 2013	Levy	Collected 2013	Collected 2014	Senior Citizen and Veteran Deductions	Cancelled	Balance, Dec. 31, 2014
2013	2,359.32			2,351.49		7.83	
2014		18,047.71	379.39	15,524.52	1,000.00		1,143.80
	2,359.32	18,047.71	379.39	17,876.01	1,000.00	7.83	1,143.80
	A		A-2; A-12	A-2; A-5	A-2; A-6		A

Analysis of Tax Levy

	Ref.			
Tax yield:				
General Purpose Tax				18,047.71
County Tax	A-16	18,229.71		
Less: Chapter 63,Laws of 1991	A-16	200.00		
			18,029.71	
	A-2			18,029.71
Additional Taxes				18.00
				18,047.71

Township of Walpack, N.J.

Schedule of Revenue Accounts Receivable

Current Fund

Year Ended December 31, 2014

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

Township of Walpack, N.J.

Schedule of Interfunds Receivables/(Payables)

Current Fund

Year Ended December 31, 2014

Fund	Ref.	Due From/(To) Balance Dec. 31, 2013	Increased	Decreased	Due From/(To) Balance Dec. 31, 2014
Federal and State Grants	A	(411.41)	360.41	206.69	(257.69)
Animal Control Trust Fund	A	(12.00)	22.20	10.20	
Other Trust			39,544.99	39,544.99	
Capital Fund			42,827.47	42,827.47	
		(423.41)	82,755.07	82,589.35	(257.69)
Analysis					
Due from Current Fund		(423.41)			(257.69)
	Ref.				
Grants Cancelled	A-1		0.41		
Statutory Excess	A-1		6.00		
Appropriations Payable	A-3			3,500.00	
Cash Receipts	A-4			79,089.35	
Cash Disbursements	A-4		82,748.66		
			82,755.07	82,589.35	

Township of Walpack, N.J.

Schedule of Appropriation Reserves

Current Fund

Year Ended December 31, 2014

	Balance, Dec. 31, 2013	Balance after Transfers	Paid or Charged	Balance Lapsed
Salaries and Wages:				
Mayor and Council	750.00	750.00		750.00
Public Buildings and Grounds	500.00	500.00		500.00
Emergency Management Coordinator	400.00	400.00		400.00
Total Salaries and Wages:	1,650.00	1,650.00		1,650.00
Other Expenses:				
Clerk	537.52	537.52	13.20	524.32
Financial Administration	610.60	610.60	192.00	418.60
Audit	11,180.00	11,180.00	11,180.00	
Assessment of Taxes	292.18	292.18		292.18
Collection of Taxes	394.00	394.00		394.00
Public Buildings and Grounds	1,030.23	1,030.23		1,030.23
Electricity	27.73	27.73	6.04	21.69
Fuel Oil	1,271.03	1,271.03		1,271.03
Telephone	157.30	157.30	62.79	94.51
Public Safety:				
"911" Emergency Telephone Coordinator	1.00	1.00		1.00
Emergency Management Coordinator	200.00	200.00		200.00
Animal Regulation	240.00	240.00		240.00
Construction Official	100.00	100.00		100.00
Plumbing Official	200.00	200.00		200.00
Total Other Expenses:	16,241.59	16,241.59	11,454.03	4,787.56
Deferred Charges and Statutory Expenditures				
Municipal				
Statutory Expenditures				
Contribution To:				
Public Employees' Retirement System	340.99	340.99	(146.13)	487.12
Unemployment Compensation Insurance	14.50	14.50		14.50
Social Security (O.A.S.I.)	1.67	1.67		1.67
Total Deferred Charges and Statutory Expenditures - Municipal	357.16	357.16	(146.13)	503.29
Total General Appropriation Reserves	18,248.75	18,248.75	11,307.90	6,940.85
			A-4	A-1

	Ref	
Unencumbered	A	18,171.75
Encumbered	A	77.00
		18,248.75

Township of Walpack, N.J.

Schedule of Deferred Charges

Current Fund

Year Ended December 31, 2014

Purpose	Added 2014	Balance, Dec. 31, 2014
Over-expenditure of Appropriation	18,007.00	18,007.00
	A-3	A

Township of Walpack, N.J.

Schedule of Prepaid Taxes

Current Fund

Year Ended December 31, 2014

	Ref.	
Balance - December 31, 2013	A	379.39
Increased by:		
Cash Receipts	A-5	251.10
		630.49
Decreased by:		
Applied to 2014 Taxes	A-7	379.39
Balance - December 31, 2014	A	251.10

Township of Walpack, N.J.

Schedule of Payroll Deductions Payable

Current Fund

Year Ended December 31, 2014

	Ref.		
Increased by:			
Payroll Deductions			19,558.46
Decreased by:			
Cash Disbursements		1,812.50	
Prior Years Payroll Deduction	A-1	17,745.96	
			19,558.46

A-14

Township of Walpack, N.J.

Schedule of Local Regional District School Tax Payable

Current Fund

Year Ended December 31, 2014

	Ref.	
Increased by:		
Levy - Calender Year 2014	A-3	25,343.00
Decreased by:		
Payments	A-4	25,343.00

A-15

Schedule of Local Regional High School Tax Payable

Current Fund

Year Ended December 31, 2014

	Ref.	
Increased by:		
2014 School Levy	A-3	22,664.00
Decreased by:		
Payments	A-4	22,664.00

Township of Walpack, N.J.

Schedule of County Taxes Payable

Current Fund

Year Ended December 31, 2014

	Ref.		
Increased by:			
Levy	A-7	18,229.71	
Less: Chapter 63, Laws of 1991	A-7	200.00	
	A-1		18,029.71
Decreased by:			
Cash Disbursements	A-4		18,029.71

Township of Walpack, N.J.

Schedule of Tax Overpayments

Current Fund

Year Ended December 31, 2014

	Ref.	
Balance - December 31, 2013	A	127.40
Increased by:		
Prior Year Tax Overpayment	A-1	50.00
Balance - December 31, 2014	A	177.40

Township of Walpack, N.J.

Schedule of Various Cash Liabilities and Reserves

Current Fund

Year Ended December 31, 2014

Liabilities and Reserves	Ref	Balance Dec. 31, 2013	Increased	Decreased	Balance Dec. 31, 2014
Liabilities					
Due State of NJ Marriage License Fees	A		25.00		25.00
Reserves for:					
Revision of Tax Map	A	4,188.00			4,188.00
		4,188.00	25.00		4,213.00
	Cash Receipts	A-4	25.00		

Township of Walpack, N.J.

Schedule of Grants Receivable

Federal and State Grant Fund

Year Ended December 31, 2014

Grant	Budget Revenue	Transfer from Unappropriated Reserves
Recycling Tonnage	110.00	110.00
	A-2	A-21

Township of Walpack, N.J.

Schedule of Appropriated Reserves for Grants

Federal and State Grant Fund

Year Ended December 31, 2014

Grant	Balance Dec. 31, 2013	Transfer From 2014 Budget	Expended	Balance Dec. 31, 2014
Recycling Tonnage	301.00	110.00	250.00	161.00
	A	A-3	A-22	A

Township of Walpack, N.J.

Schedule of Unappropriated Reserves for Grants

Federal and State Grant Fund

Year Ended December 31, 2014

Grant	Balance Dec. 31, 2013	Transfer to Appropriated Reserves	Received	Cancelled	Balance Dec. 31, 2014
Recycling Tonnage Grant	110.41	110.00	96.69	0.41	96.69
	A	A-19	A-22	A-22	A

Township of Walpack, N.J.

Schedule of Interfunds Receivables/(Payables)

Federal and State Grant Fund

Year Ended December 31, 2014

Fund	Due From/(To) Balance Dec. 31, 2013	Increased	Decreased	Due From/(To) Balance Dec. 31, 2014
Current Fund	411.41	206.69	360.41	257.69
	A			A
	Ref.			
Grants Receivable	A-19	110.00		
Appropriated Grants	A-20		110.00	
Expended	A-20		250.00	
Grants Cancelled	A-21		0.41	
Unappropriated Grants	A-21	96.69		
		206.69	360.41	

Township of Walpack, N.J.

Schedule of Cash

Trust Funds

Year Ended December 31, 2014

	Ref.	Animal Control Fund	Other Trust Funds
Balance - December 31, 2013	B	27.00	2,025.42
Increase by Receipts:			
Interfund - Current Fund	B-4	15.00	2.02
State Fees	B-3	1.20	
Total Receipts		16.20	2.02
		43.20	2,027.44
Decreased by Disbursements:			
Due to State Dept. of Health	B-3	1.20	
Interfund - Current Fund	B-4	6.00	1,814.52
Total Disbursements	B-4	7.20	1,814.52
Balance - December 31, 2014	B	36.00	212.92

Township of Walpack, N.J.

Reserve for Animal Control Fund Expenditures

Trust Funds

Year Ended December 31, 2014

	Ref.	
Balance - December 31, 2013	B	39.00
Increased by:		
Municipal Fees Collected	B-4	3.00
		42.00
Decreased by:		
Due Current - Statutory Excess	B-4	6.00
Balance - December 31, 2014	B	36.00

License Fees Collected

Year	
2013	21.00
2012	15.00
	36.00

Schedule of Due to State Department of Health

Trust Funds

Year Ended December 31, 2014

	Ref.	
Increased by:		
State Fees Collected	B-1	1.20
Decreased by:		
Cash Disbursed	B-1	1.20

Township of Walpack, N.J.

Schedule of Interfund - Current Fund

Trust Funds

Year Ended December 31, 2014

	Due to/(from) Balance Dec. 31, 2013	Increased	Decreased
Other Trust		39,542.97	39,542.97
Animal Control Trust	12.00	10.20	22.20
	12.00	39,553.17	39,565.17
	B		

	Ref.		
Interfund - Current Fund	B-1		15.00
Cash Receipts - Animal Control Trust Fund	B-1	7.20	
Cash Disbursement - Animal Control Trust Fund	B-1		1.20
Statutory Excess	B-2		6.00
Reserve for Animal Control	B-2	3.00	
Reserve for Payroll Deductions	B-5	39,542.97	39,542.97
		39,553.17	39,565.17

Township of Walpack, N.J.

Schedule of Other Trust Funds

Trust Funds

Year Ended December 31, 2014

	Balance Dec. 31, 2013	Increased	Decreased	Balance Dec. 31, 2014
Reserve for Payroll Deductions Payable	2,025.42	37,730.47	39,542.97	212.92
	B			B

C-1

Township of Walpack, N.J.

Schedule of Cash

General Capital Fund

Year Ended December 31, 2014

	Ref.	
Balance - December 31, 2013	C	44,500.00
Increased by Receipts:		
Interfund Current Fund	C-3	42,827.47
		87,327.47
Decreased by Disbursements:		
Interfund Current Fund	C-3	40,000.00
Balance - December 31, 2014	C	47,327.47

C-2

Schedule of Capital Improvement Fund

General Capital Fund

Year Ended December 31, 2014

	Ref.	
Balance - December 31, 2013	C	14,000.00
Balance - December 31, 2014	C	14,000.00

C-3

Township of Walpack, N.J.

Schedule of Due To/(From) Current Fund

General Capital Fund

Year Ended December 31, 2014

	Ref.		
Increased by:			
Cash Disbursements	C-1	40,000.00	
Reserve for Municipal Building	C-4	2,827.47	
			42,827.47
Decreased by:			
Cash Receipts	C-1		42,827.47

C-4

Schedule of Reserve for Municipal Building

General Capital Fund

Year Ended December 31, 2014

	Ref.	
Balance - December 31, 2013	C	20,500.00
Increased by:		
Interfund Current Fund	C-3	2,827.47
Balance - December 31, 2014	C	23,327.47

Township of Walpack, N.J.

Schedule of Improvement Authorizations

General Capital Fund

Year Ended December 31, 2014

Improvement Description	Ordinance Date	Ordinance Amount	Balance Dec. 31, 2013 Funded	Balance Dec. 31, 2014 Funded
Demolition of Municipal Garage	09/27/11	10,000.00	10,000.00	10,000.00
			C	C

Township of Walpack, N.J.

Schedule of Cash-Treasurer

Public Assistance Fund

Year Ended December 31, 2014

	Ref.		
Balance - December 31, 2013	D		10,000.00
Increased by Receipts:			
Interest Earned	D-3	6.13	
Received from Current	D-3	5,000.00	
			5,006.13
			15,006.13
Decreased by Disbursements:			
Paid to Current	D-3		5,006.13
Balance - December 31, 2014	D		10,000.00

Township of Walpack, N.J.

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

Public Assistance Fund

Year Ended December 31, 2014

	Ref.	
Balance - December 31, 2014	D	10,000.00
Balance - May 31, 2015		10,000.00

Reconciliation - May 31, 2015

Balance on Deposit per Statement of:	
Lakeland Bank	10,000.00
Balance - May 31, 2015	10,000.00

Township of Walpack, N.J.

Schedule of Reserve for Public Assistance

Public Assistance Fund

Year Ended December 31, 2014

	Ref.		
Balance - December 31, 2013	D		10,000.00
Increased by:			
Interest Earned	D-1	6.13	
Received from Current	D-1	5,000.00	
			5,006.13
			15,006.13
Decreased by:			
Paid to Current	D-1		5,006.13
Balance - December 31, 2014	D		10,000.00

TOWNSHIP OF WALPACK

PART II

LETTER ON INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2014

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

Charles J. Ferraioli, Jr., MBA, CPA, RMA
Steven D. Wielkotz, CPA, RMA
James J. Cerullo, CPA, RMA
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INDEPENDENT AUDITOR'S 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, 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, the financial statements-regulatory basis of the Township of Walpack in the County of Warren as of and for the year ended December 31, 2014 and the related notes to the financial statements, and have issued our report thereon dated June 19, 2015, which was adverse due to being presented in accordance with New Jersey regulatory basis of accounting. The regulatory basis opinion was qualified for the Fixed Asset account group not being audited.

Internal Control Over Financial Reporting

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

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

We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as 2014-01, that we consider 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.*

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 Township of Walpack internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township of Walpack internal controls and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Ferraioli, Wielkotz, Cerullo & Cuva, PA
FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants

Newton, New Jersey
June 19, 2015

FWCC

TOWNSHIP OF WALPACK, N.J.

SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2014

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 2014 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 2014-01:

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.

Recommendation:

That adequate segregation of duties within the Treasury Department, Payroll Department and Tax Collection Department be maintained.

Management Response:

The Township will consider strengthening internal control within reason of costs, benefits derived and budget constraints.

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, 2014

The Township's prior year audit finding, 2013-01, regarding segregation of duties has not been corrected and is included in the audit for the year ended December 31, 2014.

Finding 2013-01:

Condition:

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.

Current Status:

Corrective action has not been taken. The Township was made aware of this lack of internal control and will consider strengthening internal control within reason of the costs and benefits derived.

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, 2014, and [date], 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 than 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 7, 2014 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 2014, 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
2014	-0-
2013	-0-
2012	-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, 2014 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.

RECOMMENDATIONS

1. That adequate segregation of duties within the Treasury Department, Payroll Department and Tax Collection Department be maintained.

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.

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

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