

**WOODBIDGE TOWNSHIP  
FIRE DISTRICT NO. 8  
COUNTY OF MIDDLESEX, NEW JERSEY**

**REPORT OF AUDIT  
FOR THE YEAR ENDED  
DECEMBER 31, 2013**

***HODULIK & MORRISON, P.A.***  
CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS  
HIGHLAND PARK, N.J.

**TOWNSHIP OF WOODBRIDGE  
FIRE DISTRICT NO. 8  
MIDDLESEX COUNTY, NEW JERSEY**

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**HODULIK & MORRISON, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS  
PUBLIC SCHOOL ACCOUNTANTS  
1102 RARITAN AVENUE, P.O. BOX 1450  
HIGHLAND PARK, NJ 08904  
(732) 393-1000  
(732) 393-1196 (FAX)  
(E-MAIL) admin@hm-pa.net

ANDREW G. HODULIK, CPA, RMA, PSA  
ROBERT S. MORRISON, CPA, RMA, PSA

JO ANN BOOS, CPA, PSA

MEMBERS OF:  
AMERICAN INSTITUTE OF CPAs  
NEW JERSEY SOCIETY OF CPAs  
REGISTERED MUNICIPAL ACCOUNTANTS OF N.J.

INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members of the  
Township of Woodbridge Fire District No. 8  
Woodbridge, New Jersey

**Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Woodbridge Fire District No. 8, Woodbridge, New Jersey (the "District") as of December 31, 2013, and related notes to the financial statements, which collectively comprise the District'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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk 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 statement.

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

## **Opinions**

In our opinion, except for the adjustment, if any, as might have been determined to be necessary had we audited the financial activities of the Length of Service Award Program, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Woodbridge Fire District No.8, Woodbridge, New Jersey, as of December 31, 2013 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### **Required Supplementary Information**

Accounting principals generally accepted in the United States of America require that the management's discussion and analysis and budget comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Township of Woodbridge Fire District No. 8, Woodbridge, New Jersey, the basic financial statements. Supplemental data and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplemental data and schedules are the responsibility of management and were derived directly from and related 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 data section is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


The supplemental data section has not been subjected to the audit procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### Other Reporting Required by Government Auditing Standards

In Accordance with Government Auditing Standards, we have also issued our report dated July 1, 2014, on our consideration of the Township of Woodbridge Fire District No. 8's 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 the financial reporting or on compliance. That report is an integral part of an audit performed in accordance Government Auditing Standards in considering the Township of Woodbridge Fire District No.8's internal control over financial reporting and compliance.

*Hodulik & Morrison, P.A.*

HODULIK & MORRISON, P.A.  
Certified Public Accountants  
Registered Municipal Accountants  
Public School Accountants



Andrew G. Hodulik  
Registered Municipal Accountant  
No. 406

Highland Park, New Jersey  
July 1, 2014

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CERTIFIED PUBLIC ACCOUNTANTS  
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HIGHLAND PARK, NJ 08904  
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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 Chairman and Members of the  
Township of Woodbridge Fire District No.8  
Woodbridge, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the governmental activities of the Township of Woodbridge Fire District No. 8, Woodbridge, New Jersey, (the "District") as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise Township of Woodbridge Fire District No.8 basic financial statements, and have issued our report thereon dated July 1, 2014.

**Internal Control Over Financial Reporting**

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

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

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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of the 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying General Comments Section of this report.

We noted certain matters, including matters of control deficiencies, which we reported to the District in the General Comments section of this report.

## Purpose of this Report

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

This report is intended for the information and use of the members and management of the Township of Woodbridge Fire District No. 8 and the Division of Local Government Services and is not intended to be, and should not be, used by anyone other than these specified parties.

*Hodulik & Morrison, P.A.*

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Certified Public Accountants  
Registered Municipal Accountants  
Public School Accountants

Highland Park, New Jersey  
July 1, 2014

**REQUIRED SUPPLEMENTARY INFORMATION – PART I**

**WOODBRIIDGE TOWNSHIP FIRE DISTRICT #8**  
**MIDDLESEX COUNTY, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(UNAUDITED)**  
**December 31, 2013**

Our discussion and analysis of the Woodbridge Township Fire District No. 8's financial performance provides an overview of the District's financial activities for the year ended December 31, 2013.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provides information about the activities of the District as a whole and present a longer-term view of the District's finances. For governmental activities, these statements tell how district services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing financial information about the District's most significant funds. The remaining statements provide financial information about activities for which the District acts solely as a Board for the benefit of those outside of the government.

**Reporting the District as a Whole**

**The Statement of Net Position and the Statement of Activities**

One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. You can think of the District's net assets – the difference between assets and liabilities – as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the District's property tax base and the condition of the District's equipment to assess the overall health of the District.

In the Statement of Net Position and the Statement of Activities, we divide the District into two kinds of activities:

- General Fund activities – Most of the District's basic services are reported here. Property Tax Levies finance most of these activities.
- Capital Fund activities – The District's equipment acquisitions are financed by prior levies and approved by the taxpayers. The District's acquisitions are reported here.

## **Reporting the District's Most Significant Funds**

### **Fund Financial Statements**

The fund financial statements provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by State law and by bond covenants.

#### Governmental Funds

- General funds – Most of the District's basic services are reported in general funds, which focus on how money flows into and out of those funds and the balance left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The general fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. General fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between general fund activities (reported in the Statement of Net Assets and the Statement of Activities) and capital funds in reconciliation at the bottom of the fund financial statements.
- Capital projects funds – accounts for all financial resources to be used for acquisition or construction of major capital facilities.
- Debt service funds – accounts for payment of debt instruments pursuant to terms and maturity requirements.

#### Fiduciary Funds

- Trust funds – accounts for assets held in a trustee capacity or others.

### **The District as a Board**

#### **Reporting the District's Fiduciary Responsibilities**

The District is a board of commissioners for the safety and protection of the residents within its boundaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## THE DISTRICT AS A WHOLE

For the year ended December 31, 2013, net position changed as follows:

|  | <b>2013 GAAP Basis</b>     |                                     | <b>Total</b>       | <b>\$ Increase<br/>(Decrease)</b> | <b>%Increase<br/>(Decrease)</b> |
|--|----------------------------|-------------------------------------|--------------------|-----------------------------------|---------------------------------|
|  | <b>Fund<br/>Activities</b> | <b>District-wide<br/>Activities</b> |                    |                                   |                                 |
| Assets   |                            |                                     |                    |                                   |                                 |
| Current and other assets                                       | \$643,979                  |                                     | \$643,979          | \$4,029                           | 0.6%                            |
| Capital assets   |                            | <u>1,147,737</u>                    | <u>1,147,737</u>   | <u>(75,941)</u>                   | <u>(6.2)%</u>                   |
| Total Assets   | <u>643,979</u>             | <u>1,147,737</u>                    | <u>1,791,716</u>   | <u>(71,512)</u>                   | <u>(3.8)%</u>                   |
| Total liabilities  | <u>20,698</u>              | <u>729,027</u>                      | <u>749,725</u>     | <u>592,124</u>                    | <u>471.4%</u>                   |
| Net Position   |                            |                                     |                    |                                   |                                 |
| Invested in capital assets,<br>Net of accumulated depreciation |                            |                                     | 1,147,737          | 23,424                            | 2.0%                            |
| Restricted for capital acquisitions                            |                            |                                     | 395,602            | (14,621)                          | (3.5)%                          |
| Unrestricted   |                            |                                     | <u>(501,348)</u>   | <u>(672,837)</u>                  | <u>(392.3)%</u>                 |
| Total Net position   |                            |                                     | <u>\$1,041,991</u> | <u>\$(664,034)</u>                | <u>(38.9)%</u>                  |

### Governmental Activities

The General Fund is mainly to provide fire protection to its residents, educate the public as to fire prevention and precaution, and to train qualified personnel. All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose.

Capital Fund Activities are mainly to provide for the acquisition of major fire equipment for fire extinguishment.

### THE DISTRICT'S FUNDS

The following schedule presents a summary of general, capital fund revenues and expenditures for the fiscal year ended December 31, 2013, and the amount and percentage of increases and decreases in relation to the prior year.

|                     | <b>2013</b>      | <b>2012</b>      | <b>% Increase<br/>(Decrease)</b> |
|---------------------|------------------|------------------|----------------------------------|
| Revenues            | \$727,951        | \$690,352        | 5.4%                             |
| Expenditures        | <u>(690,981)</u> | <u>(879,418)</u> | (21.4)%                          |
| Excess<br>(Deficit) | <u>36,969</u>    | <u>(189,066)</u> | 119.5%                           |

## GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Board revised the General Fund budget one time. This budget amendment was a transfer within appropriations as a result of over-expenditure a line item.

### CAPITAL ASSETS

For the year ended December 31, 2013, capital assets charged are as follow:

|                          | 2012<br>GAAP<br><u>Basis</u> | <u>Additions</u> | <u>Disposals</u> | 2013<br>GAAP<br><u>Basis</u> |
|--------------------------|------------------------------|------------------|------------------|------------------------------|
| Capital Assets           |                              |                  |                  |                              |
| Fire equipment           | \$62,904                     |                  |                  | \$62,904                     |
| Buildings & improvements | 468,645                      |                  |                  | 468,645                      |
| Trucks and vehicles      | <u>1,595,574</u>             |                  |                  | <u>1,595,574</u>             |
|                          | 2,127,122                    |                  |                  | 2,127,122                    |
| Accumulated depreciation | <u>903,444</u>               | <u>75,941</u>    |                  | <u>979,385</u>               |
| Capital assets, net      | <u>\$1,223,678</u>           | <u>\$75,941</u>  | <u>\$</u>        | <u>\$1,147,737</u>           |

### DEBT

The District had outstanding debt as at December 31, 2013 in the total amount of \$726,914.00 representing a ten-year capital lease program executed November 25, 2013.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Next year's general fund budget was determined based on a slight increase in the district tax rate. Some of the significant capital asset items approved in this year's budget will be deferred to subsequent years.

### CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide Woodbridge Township residents and taxpayers, and the District's customers, investors and creditors, with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, please contact the District Clerk's office, Woodbridge Township Fire District #8, 127 Loretta Street, Hopelawn, New Jersey, 08861.

**BASIC FINANCIAL STATEMENTS**

**GOVERNMENTAL FUNDS/ DISTRICT-WIDE**



**WOODBIDGE TOWNSHIP FIRE DISTRICT NO. 8  
MIDDLESEX COUNTY, NEW JERSEY**

**STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

|   | GENERAL<br>FUND      | CAPITAL<br>PROJECTS<br>FUND | DEBT<br>SERVICE<br>FUND | TOTAL                | ADJUSTMENTS<br>NOTE 1(R) | STATEMENT OF<br>ACTIVITIES |
|---|----------------------|-----------------------------|-------------------------|----------------------|--------------------------|----------------------------|
| Expenditures/Expenses:  |                      |                             |                         |                      |                          |                            |
| Fire Protection - Operations  | \$ 571,855.16        | \$                          | \$ 104,621.70           | \$ 676,476.86        | \$ (99,364.33)           | \$ 577,112.53              |
| Capital Outlay - Capital Lease Purchase   |                      |                             |                         |                      | 726,914.00               | 726,914.00                 |
| Accrued Interest on Long Term Lease   |                      |                             |                         |                      | (2,486.22)               | (2,486.22)                 |
| Length of Service (LOSAP)   | 14,504.29            |                             |                         | 14,504.29            |                          | 14,504.29                  |
| Depreciation  |                      |                             |                         |                      | 75,941.21                | 75,941.21                  |
| <b>Total Expenditures/Expenses</b>  | <b>586,359.45</b>    |                             | <b>104,621.70</b>       | <b>690,981.15</b>    | <b>701,004.66</b>        | <b>1,391,985.81</b>        |
| General Revenues:   |                      |                             |                         |                      |                          |                            |
| District Taxes  | 525,974.30           | 45,379.00                   | 104,621.70              | 675,975.00           |                          | 675,975.00                 |
| Interest and Dividends  | 1,155.43             |                             |                         | 1,155.43             |                          | 1,155.43                   |
| Uniform Fire Safety - Fines & Fees  | 4,301.78             |                             |                         | 4,301.78             |                          | 4,301.78                   |
| Uniform Fire Safety - LEA Rebates   | 29,563.95            |                             |                         | 29,563.95            |                          | 29,563.95                  |
| Miscellaneous Fees, Fines, Etc.   | 16,954.34            |                             |                         | 16,954.34            |                          | 16,954.34                  |
| <b>Total General Revenues</b>   | <b>577,949.80</b>    | <b>45,379.00</b>            | <b>104,621.70</b>       | <b>727,950.50</b>    |                          | <b>727,950.50</b>          |
| Excess of Revenues<br>Over Expenditures   | (8,409.65)           | 45,379.00                   |                         | 36,969.35            | (701,004.66)             | (664,035.31)               |
| Other Financing Sources (Uses):   |                      |                             |                         |                      |                          |                            |
| Transfers   | 45,379.00            | (45,379.00)                 |                         |                      |                          |                            |
| <b>Total Other Financing Sources and Uses</b>   | <b>45,379.00</b>     | <b>(45,379.00)</b>          |                         |                      |                          |                            |
| Excess of Revenues and Other Financing<br>Sources Over Expenditures and Other<br>Financing Uses | 36,969.35            |                             |                         | 36,969.35            | (36,969.35)              |                            |
| Change In Net Position  |                      |                             |                         |                      | (664,035.31)             | (664,035.31)               |
| Fund Balances/Net Position:   |                      |                             |                         |                      |                          |                            |
| Beginning of Year   | 586,311.76           |                             |                         | 586,311.76           |                          | 1,706,025.92               |
| <b>End of Year</b>  | <b>\$ 623,281.11</b> | <b>\$</b>                   | <b>\$</b>               | <b>\$ 623,281.11</b> | <b>\$</b>                | <b>\$ 1,041,990.62</b>     |

**Note: See Notes to Financial Statements.**

**FIDUCIARY FUNDS**

**WOODBIDGE TOWNSHIP FIRE DISTRICT NO. 8**  
**MIDDLESEX COUNTY, NEW JERSEY**

**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**

**DECEMBER 31, 2013**

|   | <u>LOSAP<br/>PLAN</u>              |
|---|------------------------------------|
| ASSETS                                  |                                    |
| Cash and Investments With Fiscal Agents | \$ <u>164,611.90</u>               |
| <b>Total Assets</b>                     | <b>\$ <u><u>164,611.90</u></u></b> |
| <br>NET POSITION                        |                                    |
| Held In Trust For:                      |                                    |
| Deferred Compensation                   | \$ <u>164,611.90</u>               |
| <b>Total Net Position</b>               | <b>\$ <u><u>164,611.90</u></u></b> |

**See Accompanying Notes to Financial Statements.**

**WOODBIDGE TOWNSHIP FIRE DISTRICT NO. 8  
MIDDLESEX COUNTY, NEW JERSEY**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS**

**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013**

|  | <u>LOSAP<br/>PLAN</u>              |
|--|------------------------------------|
| ADDITIONS:   |                                    |
| Contributions:   |                                    |
| District Contributions (Net of Forfeitures)                    | \$ <u>14,079.29</u>                |
| Total Contributions  | <u>14,079.29</u>                   |
| Investment Earnings:   |                                    |
| Interest on Investments  | <u>5,534.46</u>                    |
| Net Investment Earnings  | <u>5,534.46</u>                    |
| Total Additions  | 19,613.75                          |
| DEDUCTIONS:  |                                    |
| Benefits Paid to Participants and or Beneficiaries/Forfeitures | <u>16,000.00</u>                   |
| Changes in Net Position  | 3,613.75                           |
| Net Position - Beginning of Year                               | <u>160,998.15</u>                  |
| <b>Net Position - End of Year</b>                              | <b>\$ <u><u>164,611.90</u></u></b> |

See Accompanying Notes to Financial Statements.

**WOODBRIIDGE TOWNSHIP FIRE DISTRICT NO. 8**  
**MIDDLESEX COUNTY, NEW JERSEY**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Woodbridge Township Fire District No. 8 (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB has issued codification of governmental accounting and financial reporting standards dated June 30, 2000. This codification and subsequent GASB pronouncements are recognized as U.S. generally accepted accounting principles for state and local governments. This financial report has been prepared in conformity with GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, issued in June 1999.

The more significant of the District's accounting policies are described below.

**A. Reporting Entity:**

The District was organized under the laws of the State of New Jersey relating to Fire Districts and established pursuant to N.J.S.A. 40A: 14-70, et seq. The District receives funding from local and state government sources and must comply with the concomitant requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB pronouncement, since fire commissioners are elected by the public and have decision-making capabilities within the District to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. In addition, there are no component units, as defined in Governmental Accounting Standards Board Statement 14, which are included in the District's reporting entity.

The primary criterion for including activities within the District's reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is whether:

- the organization is legally separate (can sue or be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's District
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is a fiscal dependency by the organization on the District

Based on the aforementioned criteria, the District has no component units.

**Basic Financial Statement Presentation**

The District-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. The Fiduciary Funds are only reported in the Statements of Fiduciary Net position at the Fund Financial Statement level.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Basic Financial Statement Presentation (cont'd)**

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational; or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Pursuant to single-program government reporting, the District has elected to combine the following: 1. statement of net position and balance sheet for governmental funds; 2. statement of activities and revenues, expenditures, and changes in fund balance for governmental funds.

The District applies restricted resources first when an expense is incurred for purpose for which both restricted and unrestricted net assets are available. Depreciation expense can be specifically identified by function and is included in the direct expenses of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. The effect of interfund activity has been removed from these statements. Separate Fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The fiduciary funds are presented in the fiduciary fund financial statements by type (agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the District, these funds are not incorporated into the District-wide statements.

**B. Fund Accounting:**

The accounts of the District are maintained in accordance with the principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds in accordance with activities or objectives specified for the resources. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report.

**GOVERNMENTAL FUNDS**

**General Fund** - The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. The District budgets for capital appropriations, which includes reserves for future capital outlays. The amount raised in the budget for these items are included as reserves of fund balance within the General Fund.

## NOTES TO BASIC FINANCIAL STATEMENTS

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### B. Fund Accounting (Cont'd):

##### **GOVERNMENTAL FUNDS (Cont'd)**

**Capital Projects Fund** - The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities. The financial resources are derived from the issuance of debt or by reservation of fund balance that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

**Debt Service Fund** - The Debt Service Fund is used to account for the payment of any debt instruments that have required payment terms and generally span over a multiple-year timeframe.

##### **FIDUCIARY FUNDS**

**Trust Funds** - Trust Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments and /or other funds.

#### C. Basis of Accounting and Measurement Focus:

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner:

**Revenue Recognition** - Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual (earned) in the current fiscal period. Other revenue is considered available if collected within one year.

**Recording of Expenditures** - Expenditures are generally recorded when a liability is incurred. The exception to this general rule is that interest and principal expenditures in the Debt Service Fund are recognized on their due dates.

In its accounting and financial reporting, the District follows the pronouncements of the Governmental Accounting Standards Board (GASB) and the pronouncements of the Financial Accounting Standards Board (FASB) and its predecessor organizations issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****D. Budgets/Budgetary Control:**

The District is required by state law to adopt an annual budget for the General Fund. Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

**E. Reserve for Encumbrances:**

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds are reported as reservations of fund balances at year-end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services. The encumbered appropriation the District carries over into the next year. For budgetary purposes, an entry will be made at the beginning of the next year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current year-end.

**F. Cash, Cash Equivalents and Investments:**

Cash and cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey fire districts are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statute 40A:5-15.1 provides a list of permissible investments that may be purchased by New Jersey fire districts.

Additionally, the District utilizes a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-41 et. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

**H. Inventories and Prepaid Expenses:**

Inventories and prepaid expenses, which benefit future periods, are recorded as expenditures during the year of purchase.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**I. Short-Term Interfund Receivables/Payables:**

Short-term interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the District and that are due within one year.

**J. Capital Assets:**

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$5,000 individual cost or more for capitalizing capital assets. The system for accumulation of fixed assets cost data does not provide the means for determining the percentage of assets valued at actual and those valued at estimated cost.

Capital assets are recorded in the District-wide financial statement, but are not reported in the Fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purpose. Useful lives vary from 20 to 40 years for building and building improvements and buildings, and 5 to 25 years for vehicles and equipment.

**K. Compensated Absences:**

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the District and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the District and its employees, are accounted for in the period in which such services are rendered or in which such events take place. The District reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences."

The entire compensated absences liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is in the amount expected to be paid using expendable available resources. The noncurrent portion of the liability is reported.

**L. Long-term Obligations:**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**M. Fund Equity:**

Contributed capital represents the amount of fund capital contributed to the proprietary funds from other funds. Reserves represent those portions of fund equity not available for appropriation for expenditure or legally segregated for a specific future use. Designated fund balances represent plans for future use of financial resources.

**N. Net Position:**

Net position represents the difference between the assets and liabilities in the District-wide financial statements. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by outstanding balance of any long-term used to build or acquire the capital assets. Net position reported as restricted in the District-wide financial statement when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

**O. Restricted Assets**

Restricted assets are cash and cash equivalents whose use is limited by legal requirements such as capital reserve requirements and proceeds from the issuing of the bonds and leases related to the capital project.

**P. Estimates:**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Q. Comparative Data/Reclassifications:**

Comparative total data for the prior period have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the District's financial position and operations. Certain reclassifications have been made to the CY 2012 financial statements to conform with the classifications used in CY 2013.

NOTES TO BASIC FINANCIAL STATEMENTS

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**R. Reconciliation of Adjustments**

The following adjustments/reclassifications were required for the combining of the government-wide and fund financial statements in accordance with GASB:

**Statement of Net Assets and Governmental Fund Balance Sheet:**

|  | <u>From</u> | <u>Adjustment</u> | <u>To</u>    |
|--|-------------|-------------------|--------------|
| <u>ASSETS</u>                          |             |                   |              |
| Capital Assets, net of<br>Accum. depr. | -0-         | 1,147,736.61      | 1,147,736.61 |
| <u>LIABILITIES</u>                     |             |                   |              |
| Accrued Interest Payable               | -0-         | 2,113.10          | 2,113.10     |
| Noncurrent Liabilities:                |             |                   |              |
| Due Within One Year                    | -0-         | 63,438.28         | 63,438.28    |
| Due Beyond One Year                    | -0-         | 663,475.72        | 663,475.72   |
| <u>FUND BALANCES</u>                   |             |                   |              |
| Restricted                             |             |                   |              |
| Future Capital Outlay                  | 395,602.00  | (395,602.00)      | 0.00         |
| Assigned, Designated                   | 130,000.00  | (130,000.00)      | 0.00         |
| Unassigned                             | 97,679.11   | (97,679.11)       | 0.00         |
| <u>NET POSITION</u>                    |             |                   |              |
| Invested in<br>Capital Assets,         |             |                   |              |
| net of Related Debt                    | 0.00        | 1,147,736.61      | 1,147,736.61 |
| Restricted for Future Capital Outlay   | 0.00        | 395,602.00        | 395,602.00   |
| Unrestricted                           | 0.00        | (501,347.99)      | (501,347.99) |

**Statement of Activities and Governmental Revenues, Expenditures, and Changes in Fund Balance:**

|  | <u>From</u>  | <u>Adjustment</u> | <u>To</u>    |
|--|--------------|-------------------|--------------|
| Operating Appropriation  | \$676,476.86 | \$(99,364.33)     | \$577,112.53 |
| Capital Outlay – Capital Lease   | 0.00         | 726,914.00        | 726,914.00   |
| Accrued Int.   | 0.00         | (2,486.22)        | (2,486.22)   |
| Depreciation   | 0.00         | 75,941.21         | 75,941.21    |
| Excess of Revenues and Other<br>Financing Sources Over<br>Expenditures and Other<br>Financing Uses | 36,969.35    | (36,969.35)       | 0.00         |
| Change in Net Position   | 0.00         | (664,035.31)      | (664,035.31) |

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**S. Fire District Taxes:**

Upon the proper certification to the tax assessor of the municipality in which the fire district is located, the assessor shall assess the amount of taxes to be raised in support of the Fire District's budget in the same manner as all other municipal taxes. The collector or treasurer of the municipality shall pay over to the treasurer or custodian of funds of the fire district the taxes assessed in accordance with the following schedule: on or before April 1, an amount equaling 21.25% of all moneys assessed; on or before July 1, an amount equaling 22.5% of all moneys assessed; on or before October 1, an amount equaling 25% of all moneys assessed; and on or before December 31, an amount equaling the difference between the total of all moneys so assessed and the total amount of moneys previously paid over.

**NOTE 2. DEPOSITS AND INVESTMENTS**

State statutes set forth deposit requirements and investments that may be purchased by local units and the District deposits and invests its funds pursuant to its policies and an adopted cash management plan.

Deposits

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey, which are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agencies of the United States that insures deposits, or the State of New Jersey Cash Management Fund. New Jersey statutes require public depositories to maintain collateral for deposit of public funds that exceed insurance limits to protect deposits from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-41 et. Seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five (5) percent of the average daily balance of collected public funds; or if the public funds deposited exceed 75 percent of the capital funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent, to secure the deposits of governmental units.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

*As of December 31, 2013 and cash and cash equivalents and investments of the District on deposit and on-hand consisted of the following:*

**NOTE 2. DEPOSITS AND INVESTMENTS (CONT'D)**

Based upon GASB criteria, the District considers change funds; cash in banks, investments in certificates of deposit and State of New Jersey Cash Management Fund as cash and cash equivalents. At year-end, the carrying amount of the District's deposits was \$643,978.63 and the bank balance was \$665,987.08. Of the bank balance, \$250,000.00 was covered by federal depository insurance, \$415,987.08 was covered under the provisions of NJGUDPA and \$164,611.90 was held by the Trustee for the LOSAP Program.

At December 31, 2013, the District has implemented the disclosure requirements of Governmental Accounting Standards Board Statement No. 40 "Deposits and Investment Risk Disclosures" (GASB 40) and accordingly the District has assessed the Custodial Risk, the Concentration of Credit Risk and Interest Risk of its cash and investments.

- (a) Custodial Credit Risk – The District's deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are: uncollateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name. The deposit risk is that, in the event of the failure of a depository financial institution, the District will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The District's investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the District and are held by either: the counterparty or the counterparty's trust department or agent but not in the District's name. The investment risk is that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of the investment or collateral securities that are in possession of an outside party.
- (b) Concentration of Credit Risk – This is the risk associated with the amount of investments that the District has with any one issuer that exceeds 5 percent or more of its total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement.
- (c) Credit Risk – GASB 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government. This is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. In general, the District does not have an investment policy regarding Credit Risk except to the extent outlined under the District's investment policy.
- (d) Interest Rate Risk – This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from interest rate fluctuations.

The District does not have a deposit policy for custodial credit risk.

## NOTES TO FINANCIAL STATEMENTS

### **NOTE 2. DEPOSITS AND INVESTMENTS (CONT'D)**

#### Investments

New Jersey statutes establish the following securities as eligible for the investment of District funds:

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States;
2. Government money market mutual funds;
3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided such obligation bear a fixed rate of interest not dependent on any index or other external factor;
4. Bonds or other obligations of the District or bonds or other obligations of school districts of which the District is a part and within which the school district is located;
5. Bonds or other obligations having a maturity date of not more than 397 days from the date of purchase that are approved by the Division of Investment of the Department of Treasury for investment by local units;
6. Local government investment pools;
7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1997, c. 281 (C.52:18A-90.4); or
8. Agreements for the repurchase of fully collateralized securities, if:
  - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3);
  - b. the custody of collateral is transferred to a third party;
  - c. the maturity of the agreement is more than 30 days; and
  - d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.19:9-41) and for which a master repurchase agreement providing for the custody and security of the collateral is executed.

New Jersey Cash Management Fund – All investments in the Fund are governed by the regulations of the Investment Council, which prescribe specific standards designed to insure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment's existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the "Other Than State" participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis.

NOTES TO BASIC FINANCIAL STATEMENTS

**NOTE 3. LONG TERM DEBT**

Long-term debt liability activity for the year ended December 31, 2013 was as follows:

**Bonds, Notes and Capital Leases Issued and Outstanding**

The Local Finance Board, Department of Community Affairs, State of New Jersey approved the District's application for a proposed \$750,000 Project Financing on November 13, 2013. Subsequently, the District executed a 10 year Master Lease – Purchase Agreement, dated November 25, 2013, for the acquisition of a fire truck and additional equipment. The lease payment schedule is as follows:

| <b><u>DUE DATE</u></b> | <b><u>TOTAL</u></b> | <b><u>PRINCIPAL</u></b> | <b><u>INTEREST</u></b> |
|------------------------|---------------------|-------------------------|------------------------|
| NOVEMBER 25, 2014      | \$85,173.01         | \$63,438.28             | \$21,734.73            |
| NOVEMBER 25, 2015      | 85,173.01           | 65,335.09               | 19,837.92              |
| NOVEMBER 25, 2016      | 85,173.01           | 67,288.61               | 17,884.40              |
| NOVEMBER 25, 2017      | 85,173.01           | 69,300.53               | 15,872.48              |
| NOVEMBER 25, 2018      | 85,173.01           | 71,372.62               | 13,800.39              |
| NOVEMBER 25, 2019      | 85,173.01           | 73,506.66               | 11,666.35              |
| NOVEMBER 25, 2020      | 85,173.01           | 75,704.51               | 9,468.50               |
| NOVEMBER 25, 2021      | 85,173.01           | 77,968.08               | 7,204.93               |
| NOVEMBER 25, 2022      | 85,173.01           | 80,299.32               | 4,873.69               |
| NOVEMBER 25, 2023      | 85,173.01           | 82,700.30               | 2,472.71               |
| <b>TOTAL</b>           | <b>\$851,730.10</b> | <b>\$726,914.00</b>     | <b>\$124,816.10</b>    |

**Bonds, Notes and Capital Leases Authorized But Not Issued**

There were no bonds, notes or capital lease agreements authorized but not issued as at December 31, 2013.

NOTES TO BASIC FINANCIAL STATEMENTS

**NOTE 4. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2013 was as follows:

|   | <u>Beginning<br/>Balance</u> | <u>Additions</u>   | <u>Retirements</u> | <u>Transfers</u> | <u>Ending<br/>Balance</u> |
|---|------------------------------|--------------------|--------------------|------------------|---------------------------|
| <b>Governmental Activities:</b>   |                              |                    |                    |                  |                           |
| Buildings and Building Improvements   | 468,644.69                   |                    |                    |                  | 468,644.69                |
| Vehicles  | 1,595,573.60                 |                    |                    |                  | 1,595,573.60              |
| Equipment   | 62,904.00                    |                    |                    |                  | 62,904.00                 |
| Totals at Historical Cost   | 2,127,122.29                 | -0-                | -0-                | -0-              | 2,127,122.29              |
| Less Accumulated Depreciation For:  |                              |                    |                    |                  |                           |
| Buildings and Building Improvements   | (182,460.91)                 | (15,491.35)        |                    |                  | (197,952.25)              |
| Vehicles  | (698,870.55)                 | (57,304.66)        |                    |                  | (756,175.21)              |
| Equipment   | (22,113.02)                  | (3,145.20)         |                    |                  | (25,258.22)               |
| Total Accumulated Depreciation  | (903,444.48)                 | (75,941.21)        | -0-                |                  | (979,385.68)              |
| Total Capital Assets Being Depreciated<br>(Net of Accumulated Depreciation) | 1,223,677.81                 | (75,941.21)        | -0-                | -0-              | 1,147,736.61              |
| <b>Government Activities Capital<br/>Assets, Net</b>                        | <b>\$ 1,223,677.81</b>       | <b>(75,941.21)</b> | <b>-0-</b>         | <b>-0-</b>       | <b>1,147,736.61</b>       |

Depreciation expense was charged to functions of the District as follows:  
 Cost of Operations and Maintenance \$75,941.21

**NOTE 5. PENSION PLANS**

Employees of the Woodbridge Township Fire District are enrolled in one of two cost sharing multiple-employer public employee retirement systems: the Public Employees Retirement System (PERS) or the Police and Firemen's Retirement System (PFRS). The Division of Pensions in the Department of Treasury, State of New Jersey, administers the PERS and PFRS plans. The plans are funded annually based on the projected benefit method with aggregate level normal cost and frozen initial unfunded accrued liability. The plans, which cover public employees throughout the state, do not maintain separate records for each reporting unit and, accordingly, the actuarial data for the employees of the District who are members of the plan are not available. For CY 2012, the District contributed amounts of \$4,027.00 for PERS.

*The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits issues publicly available financial reports that include the financial statements and required supplementary information for PERS and PFRS. These financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295.*

## NOTES TO BASIC FINANCIAL STATEMENTS

### **NOTE 6. POST-RETIREMENT HEALTH CARE BENEFITS**

The District does not provide postretirement health benefits.

### **NOTE 7. COMPENSATED ABSENCES**

The District does not provide for compensated absences.

### **NOTE 8. LENGTH OF SERVICE AWARD PROGRAM (LOSAP)**

The Fire District offers an authorized Length of Service Awards Program (LOSAP) program that has been established in accordance with New Jersey Statute, which can be found beginning at N.J.A.C. 5:30-14.1 and the Internal Revenue Code Section 457, which has been approved by the Director of the Division of Local Government Services. The LOSAP program shall provide for an annual contribution to a tax deferred income account for each eligible volunteer member that satisfies the criteria as adopted by the District and certified accordingly. Points can be earned by attending training courses, drills, meetings and work details, holding elected or appointed positions, participating in department responses and any other miscellaneous activities approved by the chief. For each of the above categories, maximums are established that require the volunteer to participate in multiple events in order to obtain the required points for attainment of the year of service credit

All amounts awarded under the LOSAP program remain the asset of the District and the obligation of the District to participating volunteers shall be contractual only. All money shall be subject to the claims of the District's general creditors until distributed to any or all participants. Emergency volunteers are not able to receive a distribution of funds until the completion of a five-year vesting period. If a volunteer fails to vest or terminates association with the District prior to the completion of the five-year vesting period, the funds placed in the LOSAP account on behalf of the volunteer shall revert to the District, not the volunteer.

The District has Selected Lincoln Benefit Life Company as the plan provider and VFIS as plan administrator. The contractor shall post a bond of not less than 100 percent of the amount of funds managed by the contractor and will provide evidence of appropriate liability insurance and errors and omissions insurance. The District shall have a review of the contractor administered LOSAP program as part of the annual audit. The review of the plan shall be made in accordance with the Statement of Standards for Accounting and Review Services issue by the American Institute of Certified Public Accountants.

As of December 31, 2013 the District's LOSAP Program had assets of \$164,611.90.

### **NOTE 9. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of; damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Property and Liability Insurance – The District maintains commercial insurance coverage for property, liability, workers compensation, and surety bond coverage. Insurance coverage was maintained in amounts consistent with prior years.

## NOTES TO BASIC FINANCIAL STATEMENTS

### **NOTE 10. FUND BALANCE APPROPRIATED**

**General Fund** - Of the \$623,281.11 total General Fund balance at December 31, 2013, \$130,000.00 has been appropriated and included as anticipated revenue for the year ending December 31, 2014, \$395,602.00 has been restricted for Future Capital Outlays, and the remaining \$97,679.11 is reported as Unassigned.

### **NOTE 11. COMMITMENTS AND CONTINGENCIES**

#### Federal and State Assistance Programs

The District participates in several federal and state financial assistance grant programs. Entitlement to the funds is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditures of funds for eligible purposes. These programs are also subject to compliance and financial audits by the grantors or their representatives. As of December 31, 2013, the District does not believe that any material liabilities will result from such audits.

#### Contingencies – Economic Dependency

The District receives a substantial amount of its support from local and state governments (pass-through). In the event of significant reductions in the levels of this support, the District's ability to provide services at current levels may adversely be effected.

#### Contingencies – Pending Litigation

As of the date of this report management states there is no litigation pending which, if decided adversely to the District would have a material financial impact on the District.

**REQUIRED SUPPLEMENTARY INFORMATION – PART II**

WOODBIDGE TOWNSHIP FIRE DISTRICT NO. 8  
MIDDLESEX COUNTY, NEW JERSEY

SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET  
(BUDGETARY BASIS - GENERAL FUND)  
FOR THE YEAR ENDED DECEMBER 31, 2013

|   | 2013<br>BUDGET    | FINAL<br>BUDGET   | 2013<br>ACTUAL    | VARIANCE<br>FAVORABLE<br>(UNFAVORABLE) |
|---|-------------------|-------------------|-------------------|--|
| <b>Revenues:</b>  |                   |                   |                   |  |
| Unrestricted Fund Balance   | \$ 60,694.00      | \$ 60,694.00      | \$ 60,694.00      | \$                                     |
| Uniform Fire Safety Act:  |                   |                   |                   |  |
| Reserves Utilized   | 8,200.00          | 8,200.00          | 8,200.00          |  |
| Fines, Rebates & Fees   | 22,000.00         | 22,000.00         | 33,865.73         | 11,865.73                              |
| Interest on Investments and Deposits  | 2,000.00          | 2,000.00          | 1,155.43          | (844.57)                               |
| Miscellaneous   |                   |                   | 16,954.34         | 16,954.34                              |
| <b>Total Miscellaneous Anticipated Revenues</b>                                   | <b>92,894.00</b>  | <b>92,894.00</b>  | <b>120,869.50</b> | <b>27,975.50</b>                       |
| Operating Grant   |                   |                   |                   |  |
| Supplemental Fire Services Act (P.L. 1985, Ch. 295)                               | 491.00            | 491.00            |                   | (491.00)                               |
| <b>Total Operating Grant Revenue</b>  | <b>491.00</b>     | <b>491.00</b>     |                   | <b>(491.00)</b>                        |
| Amount to be Raised by Taxation:  |                   |                   |                   |  |
| District Taxes  | 675,975.00        | 675,975.00        | 675,975.00        |  |
| <b>Total Amount to be Raised by Taxation</b>                                      | <b>675,975.00</b> | <b>675,975.00</b> | <b>675,975.00</b> |  |
| <b>Total Revenues</b>   | <b>769,360.00</b> | <b>769,360.00</b> | <b>796,844.50</b> | <b>27,484.50</b>                       |
| <b>Expenditures:</b>  |                   |                   |                   |  |
| Operating Appropriations:   |                   |                   |                   |  |
| Administration  |                   |                   |                   |  |
| Salaries and Wages  |                   |                   |                   |  |
| Commissioners   | 54,750.00         | 54,750.00         | 54,750.00         |  |
| Custodian   | 4,000.00          | 4,160.00          | 4,159.96          | 0.04                                   |
| <b>Total Administration Salaries and Wages</b>                                    | <b>58,750.00</b>  | <b>58,910.00</b>  | <b>58,909.96</b>  | <b>0.04</b>                            |
| Administration  |                   |                   |                   |  |
| Professional Services   | 26,000.00         | 26,857.00         | 23,857.00         | 3,000.00                               |
| Office Expenses   | 7,000.00          | 12,000.00         | 11,988.67         | 11.33                                  |
| Election  | 1,250.00          | 1,250.00          | 714.62            | 535.38                                 |
| Contracted Services   | 5,100.00          | 2,100.00          | 1,050.00          | 1,050.00                               |
| Contingent  | 2,100.00          | 100.00            | 52.94             | 47.06                                  |
| <b>Total Administration Other Expenses</b>  | <b>41,450.00</b>  | <b>42,307.00</b>  | <b>37,663.23</b>  | <b>4,643.77</b>                        |
| Administration  |                   |                   |                   |  |
| Fringe Benefits   | 16,200.00         | 13,542.00         | 11,839.37         | 1,702.63                               |
| <b>Total Administration</b>   | <b>116,400.00</b> | <b>114,759.00</b> | <b>108,412.56</b> | <b>6,346.44</b>                        |
| Operating Appropriations - Offset by Revenues                                     |                   |                   |                   |  |
| Salaries and Wages  |                   |                   |                   |  |
| Fire Official   | 15,000.00         | 15,000.00         | 15,000.00         |  |
| Fire Inspector  | 6,000.00          | 4,000.00          | 4,000.00          |  |
| Overtime  | 3,000.00          | 4,000.00          | 3,900.00          | 100.00                                 |
| <b>Total Operating Appropriations - Offset with Revenues - Salaries and Wages</b> | <b>24,000.00</b>  | <b>23,000.00</b>  | <b>22,900.00</b>  | <b>100.00</b>                          |
| Operating Appropriations - Offset by Revenues                                     |                   |                   |                   |  |
| Other Expenses  |                   |                   |                   |  |
| Fire Prevention Bureau  | 9,350.00          | 7,350.00          | 6,900.23          | 449.77                                 |
| <b>Total Operating Appropriations - Offset with Revenues - Other Expenses</b>     | <b>9,350.00</b>   | <b>7,350.00</b>   | <b>6,900.23</b>   | <b>449.77</b>                          |

WOODBIDGE TOWNSHIP FIRE DISTRICT NO. 8  
MIDDLESEX COUNTY, NEW JERSEY

SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET  
(BUDGETARY BASIS- GENERAL FUND)  
FOR THE YEAR ENDED DECEMBER 31, 2013

|   | 2013<br>BUDGET              | FINAL<br>BUDGET             | 2013<br>ACTUAL              | VARIANCE<br>FAVORABLE<br>(UNFAVORABLE) |
|---|-----------------------------|-----------------------------|-----------------------------|--|
| Costs of Operations and Maintenance                         |                             |                             |                             |  |
| Other Expenses  |                             |                             |                             |  |
| Insurance   | 55,180.00                   | 50,180.00                   | 48,446.79                   | 1,733.21                               |
| Fire Hydrant Services                                       | 68,000.00                   | 61,000.00                   | 60,679.56                   | 320.44                                 |
| Mutual Service Agreements                                   | 48,000.00                   | 41,000.00                   | 40,704.00                   | 296.00                                 |
| Maintenance & Repairs                                       | 58,500.00                   | 70,140.00                   | 70,124.93                   | 15.07                                  |
| Utilities   | 24,600.00                   | 21,600.00                   | 19,829.00                   | 1,771.00                               |
| Fire Service Protection Agreement                           | 113,000.00                  | 124,500.00                  | 124,045.61                  | 454.39                                 |
| Firematic Equipment   | 18,000.00                   | 17,000.00                   | 16,709.11                   | 290.89                                 |
| Training  | 10,000.00                   | 10,000.00                   | 9,375.01                    | 624.99                                 |
| Miscellaneous   | 40,330.00                   | 44,830.00                   | 43,728.36                   | 1,101.64                               |
| Total Costs of Operations and Maintenance                   |                             |                             |                             |  |
| Other Expenses  | <u>435,610.00</u>           | <u>440,250.00</u>           | <u>433,642.37</u>           | <u>6,607.63</u>                        |
| Total Operating Appropriations                              | <u>585,360.00</u>           | <u>585,359.00</u>           | <u>571,855.16</u>           | <u>13,503.84</u>                       |
| Length of Service Award Program (LOSAP)                     | <u>34,000.00</u>            | <u>34,000.00</u>            | <u>14,504.29</u>            | <u>19,495.71</u>                       |
| Capital/ Debt Service Appropriations:                       |                             |                             |                             |  |
| Capital Lease Obligation - Principal                        | 99,365.00                   | 99,365.00                   | 99,365.00                   |  |
| Capital Lease Obligation - Interest                         | 5,256.00                    | 5,257.00                    | 5,256.70                    | 0.30                                   |
| Reserve for Future Capital Outlays                          | <u>45,379.00</u>            | <u>45,379.00</u>            | <u>45,379.00</u>            |  |
| Total Capital/Debt Service Appropriations                   | <u>150,000.00</u>           | <u>150,001.00</u>           | <u>150,000.70</u>           | <u>0.30</u>                            |
| <b>Total Expenditures</b>                                   | <b>\$ <u>769,360.00</u></b> | <b>\$ <u>769,360.00</u></b> | <b>\$ <u>736,360.15</u></b> | <b>\$ <u>32,999.85</u></b>             |
| <b>Budgetary Revenues Over Expenses</b>                     |                             |                             | <b>\$ <u>60,484.35</u></b>  | <b><u>60,484.35</u></b>                |
| Reconciliation of Budgetary Basis to GAAP Reporting Basis:  |                             |                             |                             |  |
| <b>Budgetary Revenues Over Expenses</b>                     |                             |                             | <b>\$ <u>60,484.35</u></b>  |  |
| Adjustments to Budgetary Basis:                             |                             |                             |                             |  |
| Reserve for Future Capital Projects Appropriated            |                             |                             | 45,379.00                   |  |
| Fund Balance Appropriated - Reserves                        |                             |                             | (8,200.00)                  |  |
| Fund Balance Appropriated                                   |                             |                             | <u>(60,694.00)</u>          |  |
| Total Adjustments   |                             |                             | <u>(23,515.00)</u>          |  |
| <b>Excess of Revenues Over Expenditures (Exhibit - A-2)</b> |                             |                             | <b>\$ <u>36,969.35</u></b>  |  |

**OTHER SUPPLEMENTARY INFORMATION**

**WOODBIDGE TOWNSHIP FIRE DISTRICT NO. 8**  
**MIDDLESEX COUNTY, NEW JERSEY**

**SUPPLEMENTAL SCHEDULE OF STATISTICAL INFORMATION**

Property Tax Levies

The following is a tabulation of District Assessed Valuations, Tax Levies and Property Tax Rates Per \$100 of Assessed Valuations for current and the preceding two years:

| <u>Year Ended</u> | <u>Assessed Valuations</u> | <u>Total Tax Levy</u> | <u>Property Tax Rate Per \$100 Assessment</u> |
|-------------------|----------------------------|-----------------------|---|
| December 31, 2013 | \$92,614,700.00            | \$675,975.00          | \$0.727                                       |
| December 31, 2012 | \$91,928,600.00            | \$655,460.00          | \$0.711                                       |
| December 31, 2011 | \$92,849,700.00            | \$641,214.00          | \$0.691                                       |

Unreserved Fund Balance

The following is a tabulation of District Unassigned and Assigned Fund Balance at year end and the amount included as anticipated revenue in the subsequent year budget for the current and preceding two years:

| <u>Year Ended</u> | <u>Unassigned General Fund Balance</u> | <u>Assigned - Subsequent Budget</u> |
|-------------------|--|-------------------------------------|
| December 31, 2013 | \$97,679.11                            | \$130,000.00                        |
| December 31, 2012 | \$115,394.76                           | \$60,694.00                         |
| December 31, 2011 | \$127,325.09                           | \$283,209.00                        |

**WOODBRIIDGE TOWNSHIP FIRE DISTRICT NO. 8**  
**MIDDLESEX COUNTY, NEW JERSEY**

**OFFICIALS IN OFFICE**  
**AS AT DECEMBER 31, 2013**

The following officials were in office as at December 31, 2013:

**Board of Fire Commissioners:**

**Title**

|                  |                                   |
|------------------|-----------------------------------|
| Michael Solovey  | Commissioner, President           |
| Robert Gillespie | Commissioner, Vice-President      |
| Dennis Petrick   | Commissioner, Treasurer           |
| Thomas Mayoros   | Commissioner, Secretary           |
| Kevin Petz       | Commissioner, Financial Secretary |

**Other Officials:**

|                                 |                      |
|---------------------------------|----------------------|
| Richard M. Braslow, Esq.        | District Attorney    |
| Casazza & Ur Public Accountants | District Accountants |

**WOODBRIIDGE TOWNSHIP FIRE DISTRICT NO. 8**  
**MIDDLESEX COUNTY, NEW JERSEY**

**GENERAL COMMENTS AND RECOMMENDATIONS**  
**YEAR ENDED DECEMBER 31, 2013**

**GENERAL COMMENTS**

An audit of the financial accounts and transactions of the Woodbridge Township Fire District No. 8, Middlesex County, New Jersey, for the year ended December 31, 2013 has been completed. The General Comments are herewith set forth:

**Scope of Audit**

The audit covered the financial transactions of the Woodbridge Township Fire District No. 8, Middlesex County, New Jersey.

The audit did not and could not determine the character of services rendered for which payment has been made or for which reserves had been set up, nor could it determine the character, proper price or quantity of materials supplied for which claims had been passed. These details were necessarily covered by the internal review and control before approval of such claims by the Governing Body. Cash and investment balances were reconciled with independent certifications obtained directly from the depositories. Revenues and receipts were established and verified as to source and amount insofar as the records permitted.

**INTERNAL CONTROL MATTERS**

In planning and performing our audit of the financial statements of Woodbridge Township Fire District No. 8, County of Middlesex, New Jersey as of and for the fiscal year ended December 31, 2013 in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A deficiency 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 misstatements on a timely basis.

A significant deficiency is a deficiency, or 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.

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.

## GENERAL COMMENTS

### INTERNAL CONTROL MATTERS (Cont'd)

With respect to the reporting of internal control matters, Statement on Auditing Standards No. 115 requires that only significant deficiencies and material weaknesses need be reported in writing to management and those charged with governance.

### OTHER MATTERS

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

N.J.S.A. 40A:11-4 states "Every contract or agreement for the performance of any work or the furnishing or hiring of any materials or supplies, the cost of the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate of \$17,500.00 except by contract or agreement."

The Commissioners of the Woodbridge Township Fire District No. 8 have the responsibility of determining whether the expenditures in any category will exceed \$17,500.00 during the year. Where question arises as to whether any contract or agreement might result in violation of this statute, the District Counsel's opinion should be sought before a commitment is made.

Purchases were also made through state approved vendors for various items available, which were permitted under the status.

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

The minutes indicated that resolutions were adopted and advertised authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 40A:11-5.

Any interpretation as to possible violation of N.J.S.A. 40A:11 and N.J.A.C. 5:30-14 would be in the province of the General Counsel.

#### Insurance Coverage

Insurance policies in force are on file at the Fire District office. No attempt was made to determine the adequacy of coverage as part of this report. Adequacy of coverage is the responsibility of the District.

#### Compliance with New Jersey Administrative Code

The Local Finance Board, State of New Jersey, adopted the following requirements, previously identified as "technical accounting directives", as codified in the New Jersey Administrative Code, as follows:

## GENERAL COMMENTS

### OTHER MATTERS (CONT'D)

#### Compliance with New Jersey Administrative Code (CONT'D)

N.J.A.C. 5:30 – 5.2 - Encumbrance Accounting: This directive requires the development and implementation of accounting systems, which can reflect the commitment of funds at the point of commitment.

We suggest that the District implement and utilize an encumbrance accounting system as part of its budgetary accounting system to enhance budgetary controls.

#### Payment of Claims

Claims were examined on a test basis for the year under review and exceptions were noted with respect to signatures for officers' certification, claimant, and receiving and lack of invoice or backup. The voucher document does not provide for availability of funds certification

We suggest that the District continue to review the voucher package and process in order to determine full compliance.

#### Internal Control Documentation

The District should commence the process of documenting its internal controls. This course of action will serve the purpose of meeting certain requirements as set forth by the Statement on Auditing Standards 115. We suggest the District commence this process and also consider utilizing the framework established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) for its documentation, which includes the five components of internal controls, as follows: Control Environment; Risk Assessment; Control Activities; Information and Communication; and Monitoring. In addition, we suggest the documentation should also include the internal controls that exist over grant compliance.

**RECOMMENDATION(S)**

NONE


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**ACKNOWLEDGMENT**

During the course of our engagement we received the complete cooperation of the various officials and employees of the District, and the courtesies extended to us were greatly appreciated.

Very truly yours,

HODULIK & MORRISON, P.A.



Andrew G. Hodulik, CPA, RMA  
No. 406

***Hodulik & Morrison, P.A.***  
*Certified Public Accountants*  
*Registered Municipal Accountants*  
*Highland Park, N.J.*