

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

**REPORT OF AUDIT  
FOR THE YEAR ENDED  
DECEMBER 31, 2012**

***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**

**TABLE OF CONTENTS**

	<b><u>PAGE(S)</u></b>
Independent Auditor's Report	1 - 3
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 <i>Government Auditing Standards</i>	4 - 5
<b><u>REQUIRED SUPPLEMENTARY INFORMATION – PART I</u></b>	6
Management's Discussion and Analysis	7 - 10
<b><u>BASIC FINANCIAL STATEMENTS</u></b>	11
<b><u>GOVERNMENTAL FUNDS/DISTRICT-WIDE</u></b>	12
Exh. A    Governmental Funds Balance Sheet/Statement of Net Position - December 31, 2012	13
Exh. B    Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balances/Statement of Activities for the Year Ended December 31, 2012	14
<b><u>FIDUCIARY FUNDS</u></b>	15
Exh. C    Statement of Fiduciary Net Position (Unaudited) - Fiduciary Funds	16
Exh. D    Statement of Changes in Fiduciary Net Position (Unaudited)	17
Notes to Basic Financial Statements	18 - 30
<b><u>REQUIRED SUPPLEMENTARY INFORMATION – PART II</u></b>	31
Sch. 1 -    Supplemental Schedule of Revenues and Expenses Compared to Budget - Budgetary Basis - for the Year Ended December 31, 2012	32 - 33
<b><u>OTHER SUPPLEMENTARY INFORMATION</u></b>	34
Sch. 2 -    Supplemental Schedule of Statistical Information	35
Sch. 3 -    Officials in Office	36

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

**TABLE OF CONTENTS**

	<b><u>PAGE(S)</u></b>
<b><u>LENGTH OF SERVICE AWARD PROGRAM (LOSAP) – (UNAUDITED)</u></b>	37
Independent Accountant’s Review Report	38
Exh. A     Statement of Assets, Liabilities and Net Position – Length of Service Awards Program (LOSAP) – (Unaudited) as at December 31, 2012	39
Exh. B     Statement of Revenues, Expenses and Other Changes in Net Position – Length of Service Award Program (LOSAP) – for the Year Ended December 31, 2012	40
Notes to Financial Statements – Length of Service Award Program (LOSAP)	41 - 42
General Comments	43 - 45
Recommendations	46
Acknowledgment	46

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## 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, 2012, 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.

## **Length of Service Award Program (LOSAP)**

The financial statements referred to in the first paragraph include the assets, liabilities and net position of the District's Length of Service Award Program (LOSAP), which represent 100% of the District's fiduciary fund. Pursuant to N.J. State regulation, LOSAP is subject to an independent accountant's review only and we were not engaged to audit the LOSAP financial statements as part of our audit of the District's financial statements. Accordingly, the financial statements of the District's LOSAP are unaudited and we do not express an opinion on the accompanying LOSAP financial statements included within the fiduciary fund.

## **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, 2012 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 15, 2013, 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

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Andrew G. Hodulik  
Registered Municipal Account  
No. 406

Highland Park, New Jersey  
July 15, 2013

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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, 2012, 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 15, 2013.

**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

Highland Park, New Jersey  
July 15, 2013



**REQUIRED SUPPLEMENTARY INFORMATION – PART I**

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)  
December 31, 2012**

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, 2012.

**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 position – 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 position 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 these 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 Position 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, 2012, net position changed as follows:

	<u>2012 GAAP Basis</u>		<u>Total</u>	<u>\$ Increase (Decrease)</u>	<u>%Increase (Decrease)</u>
	<u>Fund Activities</u>	<u>District-wide Activities</u>			
Assets					
Current and other assets	\$639,950		\$639,550	\$(162,371)	(20.2)%
Capital assets		<u>1,223,678</u>	<u>1,223,678</u>	<u>162,552</u>	<u>15.3%</u>
Total Assets	639,950	1,223,678	1,863,228	181	0.0%
Total Liabilities	53,638	103,963.65	157,601	(71,599)	(31.2)%
Net Position					
Invested in capital assets, Net of accumulated depreciation			1,124,313	256,925	29.6%
Restricted for capital acquisitions			410,223	45,379	12.4%
Unrestricted			<u>171,489</u>	<u>(230,125)</u>	<u>(57.3)%</u>
Total Net position			<u>\$1,706,026</u>	<u>\$72,179</u>	v <u>4.4%</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, 2012, and the amount and percentage of increases and decreases in relation to the prior year.

	<u>2012</u>	<u>2011</u>	<u>% Increase (Decrease)</u>
Revenues	\$690,352	\$678,269	1.7%
Expenditures	<u>(879,418)</u>	<u>(630,773)</u>	38.4%
Change in Net Position	<u>(189,066)</u>	<u>47,496</u>	-

## 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, 2012, capital assets charged are as follow:

	2011 GAAP <u>Basis</u>	<u>Additions</u>	<u>Disposals</u>	2012 GAAP <u>Basis</u>
Capital Assets				
Fire equipment	\$62,904			\$62,904
Buildings & improvements	296,219	172,425		468,645
Trucks and vehicles	<u>1,541,265</u>	<u>54,309</u>		<u>1,595,574</u>
	1,900,388	226,734		2,127,122
Accumulated depreciation	<u>839,262</u>	<u>64,182</u>		<u>903,444</u>
Capital assets, net	<u>\$1,061,126</u>	<u>\$162,551</u>	<u>\$</u>	<u>\$1,223,678</u>

### DEBT

The District had outstanding debt as at December 31, 2012 in the total amount of \$99,365 representing the final year of a five year capital lease program.

### 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.

**GOVERNMENTAL FUNDS/ DISTRICT-WIDE**

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

**GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET POSITION  
DECEMBER 31, 2012**

<u>ASSETS</u>	<u>GENERAL FUND</u>	<u>ADJUSTMENTS NOTE 1R.</u>	<u>STATEMENT OF NET POSITION</u>
Cash and Cash Equivalents	\$ 639,949.51	\$	\$ 639,949.51
Capital Assets, net of accumulated depreciation	<u>                    </u>	<u>1,223,677.81</u>	<u>1,223,677.81</u>
<b>Total Assets</b>	<b><u>\$ 639,949.51</u></b>	<b><u>\$ 1,223,677.81</u></b>	<b><u>1,863,627.32</u></b>
 <u>LIABILITIES, FUND BALANCE AND NET POSITION</u>			
Liabilities:			
Accounts Payable	\$ 53,637.75	\$	53,637.75
Accrued Interest Payable	<u>                    </u>	<u>4,599.32</u>	<u>4,599.32</u>
Noncurrent Liabilities Due Within One Year	<u>                    </u>	<u>99,364.33</u>	<u>99,364.33</u>
<b>Total Liabilities</b>	<b><u>53,637.75</u></b>	<b><u>103,963.65</u></b>	<b><u>157,601.40</u></b>
Fund Balances/Net Position:			
Fund Balances:			
Restricted	<u>                    </u>	<u>                    </u>	<u>                    </u>
For Future Capital Outlay	410,223.00	(410,223.00)	
Assigned	<u>                    </u>	<u>                    </u>	<u>                    </u>
Designated for Subsequent Year's Expenditures	60,694.00	(60,694.00)	
Unassigned	<u>115,394.76</u>	<u>(115,394.76)</u>	<u>                    </u>
<b>Total Fund Balances</b>	<b><u>586,311.76</u></b>	<b><u>(586,311.76)</u></b>	<u>                    </u>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 639,949.51</u></b>	<b>\$</b>	
Net Position			
Invested in Capital Assets, net of Related Debt	<u>                    </u>	<u>1,124,313.48</u>	<u>1,124,313.48</u>
Restricted for Future Capital Outlay	<u>                    </u>	<u>410,223.00</u>	<u>410,223.00</u>
Unrestricted	<u>                    </u>	<u>171,489.44</u>	<u>171,489.44</u>
<b>Total Net Position</b>		<b><u>\$ 1,706,025.92</u></b>	<b><u>\$ 1,706,025.92</u></b>
<b>Total Liabilities and Net Position</b>			<b><u>\$ 1,863,627.32</u></b>

Note: See Notes to Financial Statements.

**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, 2012**

	<u>GENERAL FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>DEBT SERVICE FUND</u>	<u>TOTAL</u>	<u>ADJUSTMENTS NOTE 1(R)</u>	<u>STATEMENT OF ACTIVITIES</u>
<b>Expenditures/Expenses:</b>						
Fire Protection - Operations	\$ 753,479.46	\$	\$ 104,620.70	\$ 858,100.16	\$ (330,027.56)	\$ 528,072.60
Accrued Interest on Long Term Lease					4,599.32	4,599.32
Length of Service (LOSAP)	21,317.88			21,317.88		21,317.88
Depreciation					64,182.49	64,182.49
<b>Total Expenditures/Expenses</b>	<b>774,797.34</b>		<b>104,620.70</b>	<b>879,418.04</b>	<b>(261,245.75)</b>	<b>618,172.29</b>
<b>General Revenues:</b>						
District Taxes	505,460.30	45,379.00	104,620.70	655,460.00		655,460.00
Interest and Dividends	1,696.34			1,696.34		1,696.34
Uniform Fire Safety - Fines & Fees	11,482.50			11,482.50		11,482.50
Uniform Fire Safety - LEA Rebates	15,137.52			15,137.52		15,137.52
Miscellaneous Fees, Fines, Etc.	6,575.35			6,575.35		6,575.35
<b>Total General Revenues</b>	<b>540,352.01</b>	<b>45,379.00</b>	<b>104,620.70</b>	<b>690,351.71</b>		<b>690,351.71</b>
<b>Excess of Revenues Over Expenditures</b>	<b>(234,445.33)</b>	<b>45,379.00</b>		<b>(189,066.33)</b>	<b>261,245.75</b>	<b>72,179.42</b>
<b>Other Financing Sources (Uses):</b>						
Net Gain (Loss) on Sale of Investments						
Long Term Debt						
Equipment Purchase						
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>				
<b>Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<b>(189,066.33)</b>			<b>(189,066.33)</b>	<b>189,066.33</b>	
<b>Change In Net Position</b>					<b>72,179.42</b>	<b>72,179.42</b>
<b>Fund Balances/Net Position:</b>						
Beginning of Year	775,378.09			775,378.09		1,633,846.50
<b>End of Year</b>	<b>\$ 586,311.76</b>	<b>\$</b>	<b>\$</b>	<b>\$ 586,311.76</b>	<b>\$</b>	<b>\$ 1,706,025.92</b>

Note: See Notes to Financial Statements.



**FIDUCIARY FUNDS**

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

**STATEMENT OF FIDUCIARY NET POSITION (UNAUDITED)  
FIDUCIARY FUNDS**

**DECEMBER 31, 2012**

	<u>LOSAP (Unaudited)</u>
<b>ASSETS</b>	
Cash and Investments With Fiscal Agents	\$ <u>160,998.15</u>
Total Assets	\$ <u><u>160,998.15</u></u>
<b>NET POSITION</b>	
Held In Trust For:	
Deferred Compensation	\$ <u>160,998.15</u>
Total Net Position	\$ <u><u>160,998.15</u></u>

**See Accompanying Notes to UNAUDITED LOSAP Financial Statements.**

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

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION (UNAUDITED)  
FIDUCIARY FUNDS**

**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012**

	<u>LOSAP (Unaudited)</u>
<b>ADDITIONS:</b>	
Contributions:	
District Contributions (Net of Forfeitures)	\$ <u>20,767.88</u>
Total Contributions	<u>20,767.88</u>
Investment Earnings:	
Interest on Investments	<u>5,335.11</u>
Net Investment Earnings	<u>5,335.11</u>
Total Additions	26,102.99
<b>DEDUCTIONS:</b>	
Benefits Paid to Participants and or Beneficiaries/Forfeitures	<u>15,191.14</u>
Changes in Net Position	10,911.85
Net Position - Beginning of Year	<u>150,086.30</u>
Net Position - End of Year	\$ <u><u>160,998.15</u></u>

**See Accompanying Notes to UNAUDITED LOSAP Financial Statements.**

**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 assets 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.

## NOTES TO BASIC FINANCIAL STATEMENTS

### **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 an expenditure during the year of purchase.

## NOTES TO BASIC FINANCIAL STATEMENTS

### **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.

NOTES TO BASIC FINANCIAL STATEMENTS

**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 position investments 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 assets are 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 2011 financial statements to conform with the classifications used in CY 2012.



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 Position and Governmental Fund Balance Sheet:**

	<u>From</u>	<u>Adjustment</u>	<u>To</u>
<b><u>ASSETS</u></b>			
Capital Assets, net of Accum. depr.	-0-	1,223,677.81	1,223,677.81
<b><u>LIABILITIES</u></b>			
Accrued Interest Payable	-0-	4,599.32	4,599.32
Noncurrent Liabilities			
Due Within One Year	-0-	99,365.00	99,365.00
Due Beyond One Year	-0-		-0-
<b><u>FUND BALANCES</u></b>			
Restricted			
Future Capital Outlay	410,223.00	(410,223.00)	0.00
Assigned, Designated	60,694.00	(60,694.00)	0.00
Unassigned	115,394.76	(115,394.76)	0.00
<b><u>NET POSITION</u></b>			
Invested in Capital Assets, net of Related Debt	0.00	1,124,313.48	1,124,313.48
Restricted for Future Capital Outlay	0.00	410,223.00	410,223.00
Unrestricted	0.00	171,489.44	171,489.44

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

	<u>From</u>	<u>Adjustment</u>	<u>To</u>
Operating Appropriation	\$ 858,100.16	\$(330,027.56)	\$528,072.60
Accrued Interest	0.00	4,599.32	4,599.32
Depreciation	0.00	64,182.49	64,182.49
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(189,066.33)	189,066.33	0.00
Change in Net Position	0.00	72,179.42	72,179.42

NOTES TO BASIC FINANCIAL STATEMENTS

**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, 2012 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 \$639,949.51 and the bank balance was \$708,133.59. Of the bank balance, \$250,000.00 was covered by federal depository insurance, \$458,133.59 was covered under the provisions of NJGUDPA and \$160,998.15 was held by the Trustee for the LOSAP Program (Unaudited).

At December 31, 2012, 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, 2011 was as follows:

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

<u>DATE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2/16/2013	99,364.33	5,256.37	104,620.70

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

As at December 31, 2012 there were no bonds, notes or leases authorized but not issued.

**NOTE 4. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>					
Buildings and Building Improvements	296,219.31	172,425.38			468,644.69
Vehicles	1,541,265.09	54,308.51			1,595,573.60
Equipment	62,904.00				62,904.00
		-0-			
Totals at Historical Cost	1,900,388.40	226,733.89	-0-	-0-	2,127,122.29
<b>Less Accumulated Depreciation For:</b>					
Buildings and Building Improvements	(173,866.58)	(8,594.33)			(182,460.91)
Vehicles	(646,427.59)	(52,442.96)			(698,870.55)
Equipment	(18,967.82)	(3,145.20)			(22,113.02)
Total Accumulated Depreciation	(839,261.99)	(64,182.49)	-0-		(903,444.48)
Total Capital Assets Being Depreciated (Net of Accumulated Depreciation)	1,061,126.41	(64,182.49)	-0-	-0-	1,223,677.81
<b>Government Activities Capital Assets, Net</b>	<b>\$ 1,061,126.41</b>	<b>162,551.40</b>	<b>-0-</b>	<b>-0-</b>	<b>1,223,677.81</b>

Depreciation expense was charged to functions of the District as follows:  
Cost of Operations and Maintenance \$64,182.49

## NOTES TO BASIC FINANCIAL STATEMENTS

### **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.*

### **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) UNAUDITED**

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.

## NOTES TO BASIC FINANCIAL STATEMENTS

### **NOTE 8. LENGTH OF SERVICE AWARD PROGRAM (LOSAP) UNAUDITED (CONT'D)**

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, 2012 the District's LOSAP Program had assets of \$160,998.15.

### **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.

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

General Fund - Of the \$586,311.76 total General Fund balance at December 31, 2012, \$60,694.00 has been appropriated and included as anticipated revenue for the year ending December 31, 2012, \$410,223.00 has been restricted for Future Capital Outlays, and the remaining \$115,394.76 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, 2012, 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**



WOODBRIIDGE 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, 2012

	2012 BUDGET	TRANSFERS	FINAL BUDGET	2012 ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>Revenues:</b>					
Unrestricted Fund Balance	\$ 283,209.00	\$	\$ 283,209.00	\$ 283,209.00	\$
Uniform Fire Safety Act					
Reserves Utilized	8,200.00		8,200.00	8,200.00	
Fines, Rebates & Fees	22,000.00		22,000.00	26,620.02	4,620.02
Interest on Investments and Deposits	2,000.00		2,000.00	1,696.34	(303.66)
Other Miscellaneous Fees, Fines, Etc.				6,575.35	6,575.35
<b>Total Miscellaneous Anticipated Revenues</b>	<b>315,409.00</b>		<b>315,409.00</b>	<b>326,300.71</b>	<b>10,891.71</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	655,459.00		655,459.00	655,459.00	
<b>Total Amount to be Raised by Taxation</b>	<b>655,459.00</b>		<b>655,459.00</b>	<b>655,459.00</b>	
<b>Total Revenues</b>	<b>971,359.00</b>		<b>971,359.00</b>	<b>981,759.71</b>	<b>10,400.71</b>
<b>Expenditures:</b>					
<b>Operating Appropriations:</b>					
<b>Administration</b>					
<b>Salaries and Wages</b>					
Commissioners	35,250.00		35,250.00	35,250.00	
Custodian	9,000.00		9,000.00	7,200.00	1,800.00
<b>Total Administration Salaries and Wages</b>	<b>44,250.00</b>		<b>44,250.00</b>	<b>42,450.00</b>	<b>1,800.00</b>
<b>Administration</b>					
Professional Services	27,000.00	(3,645.00)	23,355.00	20,703.50	2,651.50
Office Expenses	7,000.00	575.00	7,575.00	7,571.21	3.79
Election	1,250.00		1,250.00	1,162.91	87.09
Contracted Services	25,950.00	1,000.00	26,950.00	22,628.34	4,321.66
Contingent	2,100.00	(2,000.00)	100.00		100.00
<b>Total Administration Other Expenses</b>	<b>63,300.00</b>	<b>(4,070.00)</b>	<b>59,230.00</b>	<b>52,065.96</b>	<b>7,164.04</b>
<b>Administration</b>					
Fringe Benefits	4,180.00	(3,000.00)	1,180.00		1,180.00
<b>Total Administration</b>	<b>111,730.00</b>	<b>(7,070.00)</b>	<b>104,660.00</b>	<b>94,515.96</b>	<b>10,144.04</b>
<b>Operating Appropriations - Offset by Revenues</b>					
<b>Salaries and Wages</b>					
Fire Official	15,000.00		15,000.00	15,000.00	
Fire Inspector	6,000.00		6,000.00	6,000.00	
Overtime	3,000.00	1,020.00	4,020.00	4,020.00	
<b>Total Operating Appropriations - Offset with Revenues - Salaries and Wages</b>	<b>24,000.00</b>	<b>1,020.00</b>	<b>25,020.00</b>	<b>25,020.00</b>	
<b>Operating Appropriations - Offset by Revenues</b>					
<b>Other Expenses</b>					
Fire Prevention Bureau	9,350.00		9,350.00	4,823.27	4,526.73
<b>Total Operating Appropriations - Offset with Revenues - Other Expenses</b>	<b>9,350.00</b>		<b>9,350.00</b>	<b>4,823.27</b>	<b>4,526.73</b>
<b>Fringe Benefits</b>	<b>12,020.00</b>	<b>(1,000.00)</b>	<b>11,020.00</b>	<b>10,985.03</b>	<b>34.97</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, 2012

	2012 BUDGET	TRANSFERS	FINAL BUDGET	2012 ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Costs of Operations and Maintenance					
Other Expenses					
Insurance	65,180.00	(15,000.00)	50,180.00	49,944.78	235.22
Fire Hydrant Services	66,000.00	(5,900.00)	60,100.00	60,023.36	76.64
Mutual Service Agreements	48,000.00	(900.00)	47,100.00	46,896.92	203.08
Maintenance & Repairs	257,098.00	(5,550.00)	251,548.00	245,962.02	5,585.98
Utilities	24,600.00	(5,075.00)	19,525.00	19,511.30	13.70
Fire Service Protection Agreement	33,000.00	39,000.00	72,000.00	71,917.74	82.26
Firematic Equipment	18,000.00	4,300.00	22,300.00	22,286.54	13.46
Equipment and Training	56,280.00	(1,725.00)	54,555.00	47,283.03	7,271.97
New Vehicle	60,000.00		60,000.00	54,308.51	
Miscellaneous	2,100.00	(2,100.00)			
Total Costs of Operations and Maintenance	630,258.00	7,050.00	637,308.00	618,134.20	13,482.31
Other Expenses					
Total Operating Appropriations	787,358.00		787,358.00	753,478.46	28,188.05
Length of Service Award Program (LOSAP)	34,000.00		34,000.00	21,317.88	12,682.12
Capital/ Debt Service Appropriations:					
Capital Lease Obligation - Principal	94,373.00		94,373.00	94,372.04	0.96
Capital Lease Obligation - Interest	10,249.00		10,249.00	10,248.66	0.34
Reserve for Future Capital Outlays	45,379.00		45,379.00	45,379.00	
Total Capital Appropriations	150,001.00		150,001.00	149,999.70	1.30
Total Expenditures	\$ 971,359.00	\$	\$ 971,359.00	\$ 924,796.04	\$ 40,871.47
Budgetary Revenues Over Expenses				\$ 56,963.67	51,272.18
Reconciliation of Budgetary Basis to GAAP Reporting Basis:					
Budgetary Revenues Over Expenses				\$ 56,963.67	
Adjustments to Budgetary Basis:					
Reserve for Future Capital Projects Appropriated				45,379.00	
Fund Balance Appropriated - Reserves				(8,200.00)	
Fund Balance Appropriated				(283,209.00)	
Total Adjustments				(246,030.00)	
Excess of Revenues Over Expenditures (Exhibit - A-2)				\$ (189,066.33)	

**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, 2012	\$91,928,600.00	\$655,460.00	\$0.711
December 31, 2011	\$92,849,700.00	\$641,214.00	\$0.691
December 31, 2010	\$92,953,200.00	\$627,434.10	\$0.675

**Unreserved Fund Balance**

The following is a tabulation of District Unreserved 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>Unrestricted General Fund Balance</u>	<u>Assigned Subsequent Budget</u>
December 31, 2012	\$115,394.76	\$60,694.00
December 31, 2011	\$127,325.09	\$283,209.00
December 31, 2010	\$348,417.48	\$29,233.00

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

**OFFICIALS IN OFFICE**  
**AS AT DECEMBER 31, 2012**

The following officials were in office as at December 31, 2012:

**Board of Fire Commissioners:**

**Title**

Michael Solovey	Commissioner, President
Dennis Petrick	Commissioner, Treasurer
Thomas Mayoros	Commissioner, Secretary
Kevin Petz	Commissioner
Robert Gillespie	Commissioner

**Other Officials:**

Richard M. Braslow, Esq.	Attorney
John Ur	Accountant

**LENGTH OF SERVICE AWARD PROGRAM (LOSAP) – (UNAUDITED)**

**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)

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

JO ANN BOOS, CPA, PSA

MEMBERS OF:  
AMERICAN INSTITUTE OF CPA'S  
NEW JERSEY SOCIETY OF CPA'S  
REGISTERED MUNICIPAL ACCOUNTANTS OF:

**INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

Board of Fire Commissioners of the  
Township of Woodbridge Fire District No. 8  
Woodbridge, New Jersey

We have reviewed the accompanying statement of assets, liabilities and net assets of the Township of Woodbridge Fire District No. 8 Length of Service Award Program (LOSAP) as of December 31, 2012, and the related statement of revenues, expenses and other changes in net assets for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the administration of the District. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

The management of Woodbridge Fire District No. 8 is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles and practices prescribed by the Division of Local Government Service, Department of Community Affairs, State of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the accounting principles generally accepted in the United States of America.

*Hodulik & Morrison, P.A.*

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

Highland Park, New Jersey  
July 15, 2013

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

**LENGTH OF SERVICE AWARDS PROGRAM (LOSAP)  
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS**

**AS AT DECEMBER 31, 2012**

<b>ASSETS</b>	
Cash and Investments, at fair value	\$ <u>160,998.15</u>
Total Assets	\$ <u><u>160,998.15</u></u>
<b>NET ASSETS</b>	
Restricted	\$ <u>160,998.15</u>
Total Net Assets	\$ <u><u>160,998.15</u></u>

**See Accompanying Notes to Financial Statements.**



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

**LENGTH OF SERVICE AWARDS PROGRAM (LOSAP)**  
**STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

Restricted Net Assets	
Contributions (Net of Forfeitures)	\$ 20,767.88
Interest Earnings	5,335.11
Withdrawals/Forfeitures	<u>(15,191.14)</u>
Increase in Net Assets	\$ 10,911.85
Net Assets - Beginning of Year	\$ <u>150,086.30</u>
Net Assets - Beginning of Year	\$ <u><u>160,998.15</u></u>

**See Accompanying Notes to Financial Statements.**

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

**LENGTH OF SERVICE AWARDS PROGRAM**

**NOTES TO FINANCIAL STATEMENTS - STATUTORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

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

**A. Nature of Activities**

The Woodbridge Township Fire District No. 8 Length of Service Awards Program (LOSAP) is a qualified plan under Internal Revenue Code Section 457(e) and pursuant to P.L. 1997, c.388. The LOSAP program provides for fixed annual contributions to a deferred income account for volunteer members who meet specified service criteria. The LOSAP shall provide for annual contributions to each eligible member that meets the criteria as provided in the LOSAP Point System. The Woodbridge Township Fire District No. 8 sponsors the LOSAP through an annual award appropriated through the district budget.

**B. Basis of Presentation**

The accounting policies of the Woodbridge Township Fire District No. 8 (the "District"), Length of Service Awards Program (LOSAP) (the "Program") conform to the accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

**C. Description of Program**

The program was created in accordance with the Internal Revenue Code Section 457. The program is offered to all volunteer members that meet the criteria set by the District, and provides for fixed annual contributions for all eligible members. The deferred compensation is not available to volunteer members until termination, retirement, death, or unforeseeable emergency. Earnings of the program and contributions by the District are subject to vesting provisions of the plan and are exempt from income taxes until distribution to the participating volunteers.

The Program is offered by the District through the Lincoln Benefit Life Company. The District has selected Volunteer Fireman's Insurance Services (VFIS) to administer its LOSAP program.

All amounts of compensation deferred under the Program, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights, are (until paid or made available to the volunteer or other beneficiary) solely the property and rights of the District (without being restricted to the provisions of benefits under the Program), subject only to the claims of the District's general creditors. Participant's rights under the Program are equal to those of general creditors of the District in an amount equal to the fair market value of the deferred account for each participant.

In accordance with standards established by the Governmental Accounting Standards Board, the Program balances are displayed in the Fiduciary (Trust) Fund of the District. The program is tax exempt in Internal Revenue Code Section 457.

NOTES TO FINANCIAL STATEMENTS

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

D. Investments and Investment Income

VFIS reports the Program's pro rata share of the investment income, consisting of gains and losses on transactions, appreciation or depreciation of the market value of the account investments, and interest and dividends, recorded by the separate investment accounts maintained by the Program administrators.

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

**GENERAL COMMENTS AND RECOMMENDATIONS  
YEAR ENDED DECEMBER 31, 2012**

**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, 2012 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, 2012 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 \$21,000.00 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 \$21,000.00 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

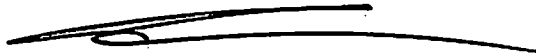
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ACKNOWLEDGMENT

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.***