

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

**REPORT OF AUDIT
FOR THE YEAR ENDED
DECEMBER 31, 2011**

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

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities and each major fund and the aggregate remaining fund information of the Township of Woodbridge Fire District No. 8, Middlesex County, New Jersey, (the "District"), as of and for the year ended December 31, 2011, which collectively comprise the Township of Woodbridge Fire District No. 8's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Fire District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements referred to in the first paragraph include the assets, liabilities and net assets 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Township of Woodbridge Fire District No. 8, Middlesex County, New Jersey, as of December 31, 2011, and the results of operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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**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**

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

We have audited the financial statements of the governmental activities of the Township of Woodbridge Fire District No. 8 (the "District") as of and for the year ended December 31, 2011, and have issued our report thereon dated August 17, 2012. The financial statements of the Length of Service Award Program (LOSAP) have not been audited, and we were not required by the Division of Local Government Services to audit nor were we engaged to audit LOSAP financial statements as part of our audit of the District's financial statement. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Woodbridge Fire District No. 8's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township of Woodbridge Fire District No. 8's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township of Woodbridge Fire District No. 8'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 combination of deficiencies, in internal control such that there is reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

REQUIRED SUPPLEMENTARY INFORMATION – PART I

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
December 31, 2011**

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, 2011.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets 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 Assets 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 Assets 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 assets 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 Assets 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, 2011, net assets changed as follows:

	<u>2011 GAAP Basis</u>		<u>Total</u>	<u>\$ Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
	<u>General Fund Activities</u>	<u>Capital Fund Activities</u>			
Assets					
Current and other assets	\$801,921		\$801,921	\$51,778	6.9%
Capital assets		1,061,126	1,061,126	(70,183)	(6.2)%
Total Assets	801,921	1,061,126	1,863,047	(18,405)	(2.91)%
Total liabilities	229,201		229,201	(89,304)	(28.0)%
Net Assets					
Invested in capital assets, Net of accumulated depreciation			867,388	19,206	2.3%
Restricted for capital acquisitions			364,844	12,337	3.5%
Unrestricted			401,614	39,355	(0.9)%
Total Net Assets			<u>\$1,633,846</u>	<u>\$70,898</u>	4.5%

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, 2011, and the amount and percentage of increases and decreases in relation to the prior year.

	<u>2011</u>	<u>2010</u>	<u>% Increase (Decrease)</u>
Revenues	\$678,269	\$672,027	0.9%
Expenditures	(630,773)	(756,619)	(16.6)%
Change in Net Assets	<u>47,496</u>	<u>(84,591)</u>	156.3%

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, 2011, capital assets charged are as follow:

	2010 GAAP Basis	Additions	Disposals	2011 GAAP Basis	%Increase (Decrease)
Capital Assets					
Fire equipment	\$167,525			\$167,525	0.0%
Buildings & improvements	296,219			296,219	0.0%
Trucks and vehicles	<u>1,541,265</u>			<u>1,541,265</u>	0.0%
	1,900,388			1,900,388	0.0%
Accumulated depreciation	<u>769,079</u>	<u>70,183</u>		<u>839,262</u>	0.9%
Capital assets, net	<u>\$1,131,309</u>	<u>\$ 70,183</u>	<u>\$ _____</u>	<u>\$1,061,126</u>	0.6%

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 ASSETS
DECEMBER 31, 2011**

<u>ASSETS</u>	<u>GENERAL FUND</u>	<u>ADJUSTMENTS NOTE 1R.</u>	<u>STATEMENT OF NET ASSETS</u>
Cash and Cash Equivalents	\$ 801,625.00	\$	\$ 801,625.00
Accounts Receivable	295.97		295.97
Capital Assets, net of accumulated depreciation		1,061,126.41	1,061,126.41
Total Assets	\$ 801,920.97	\$ 1,061,126.41	1,863,047.38
 <u>LIABILITIES AND NET ASSETS</u>			
Liabilities:			
Accounts Payable	\$ 26,227.95	\$	26,227.95
Payroll Liabilities Payable	314.93		314.93
Accrued Interest Payable		8,920.00	8,920.00
Noncurrent Liabilities			
Due Within One Year		94,373.00	94,373.00
Due Beyond One Year		99,365.00	99,365.00
Total Liabilities	26,542.88	202,658.00	229,200.88
Fund Balances/Net Assets:			
Fund Balances:			
Restricted			
For Future Capital Outlay	364,844.00	(364,844.00)	
Assigned			
Designated for Subsequent Year's Expenditures	283,209.00	(283,209.00)	
Unassigned	127,325.09	(127,325.09)	
Total Fund Balances	775,378.09	(775,378.09)	
Total Liabilities and Fund Balances	\$ 801,920.97	\$	
Net Assets			
Invested in Capital Assets, net of Related Debt		867,388.41	867,388.41
Restricted for Future Capital Outlay		364,844.00	364,844.00
Unrestricted		401,614.09	401,614.09
Total Net Assets		\$ 1,633,846.50	\$ 1,633,846.50
Total Liabilities and Net Assets			\$ 1,863,047.38

**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, 2011**

	<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>
Expenditures/Expenses:						
Fire Protection - Operations	\$ 502,529.14		\$ 104,620.70	\$ 607,149.84	\$ (102,505.73)	\$ 504,644.11
Accrued Interest on Long Term Lease					8,920.00	8,920.00
Length of Service (LOSAP)	23,622.72			23,622.72		23,622.72
Depreciation					70,182.79	70,182.79
Total Expenditures/Expenses	<u>526,151.86</u>		<u>104,620.70</u>	<u>630,772.56</u>	<u>(23,402.94)</u>	<u>607,369.62</u>
General Revenues:						
District Taxes	491,214.30	45,379.00	104,620.70	641,214.00		641,214.00
Interest and Dividends	2,618.69			2,618.69		2,618.69
Supplemental Fire Services Act Grant	617.00			617.00		617.00
Uniform Fire Safety - Fines & Fees	6,899.00			6,899.00		6,899.00
Uniform Fire Safety - LEA Rebates	22,143.87			22,143.87		22,143.87
Miscellaneous Fees, Fines, Etc.	4,775.94			4,775.94		4,775.94
Total General Revenues	<u>528,268.80</u>	<u>45,379.00</u>	<u>104,620.70</u>	<u>678,268.50</u>		<u>678,268.50</u>
Excess of Revenues Over Expenditures	2,116.94	45,379.00		47,495.94	23,402.94	70,898.88
Other Financing Sources (Uses):						
Net Gain (Loss) on Sale of Investments						
Long Term Debt						
Equipment Purchase						
Transfers	45,379.00	(45,379.00)				
Total Other Financing Sources and Uses	<u>45,379.00</u>	<u>(45,379.00)</u>				
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	47,495.94			47,495.94	(47,495.94)	
Change In Net Assets					70,898.88	70,898.88
Fund Balances/Net Assets:						
Beginning of Year	727,882.15			727,882.15		1,562,947.62
End of Year	<u>\$ 775,378.09</u>			<u>\$ 775,378.09</u>		<u>\$ 1,633,846.50</u>

Note: See Notes to Financial Statements.

FIDUCIARY FUNDS

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

STATEMENT OF FIDUCIARY NET ASSETS (UNAUDITED)
FIDUCIARY FUNDS

DECEMBER 31, 2011

	<u>LOSAP</u> <u>(Unaudited)</u>
ASSETS	
Cash and Investments With Fiscal Agents	\$ <u>150,086.30</u>
Total Assets	\$ <u><u>150,086.30</u></u>
 NET ASSETS	
Held In Trust For:	
Deferred Compensation	\$ <u>150,086.30</u>
Total Net Assets	\$ <u><u>150,086.30</u></u>

See Accompanying Notes to UNAUDITED LOSAP Financial Statements.

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

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

	<u>LOSAP (Unaudited)</u>
ADDITIONS:	
Contributions:	
District Contributions (Net of Forfeitures)	\$ <u>23,047.72</u>
Total Contributions	<u>23,047.72</u>
Investment Earnings:	
Interest on Investments	<u>5,402.00</u>
Net Investment Earnings	<u>5,402.00</u>
Total Additions	28,449.72
DEDUCTIONS:	
Benefits Paid to Participants and or Beneficiaries/Forfeitures	<u>24,467.07</u>
Changes in Net Assets	3,982.65
Net Assets - Beginning of Year	<u>146,103.65</u>
Net Assets - End of Year	\$ <u><u>150,086.30</u></u>

See Accompanying Notes to UNAUDITED LOSAP Financial Statements.

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

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

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 Assets 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 Assets at the Fund Financial Statement level.

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)

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)

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 Accum. depr.	-0-	1,061,126.41	1,061,126.41
<u>LIABILITIES</u>			
Accrued Interest Payable	-0-	8,920.00	8,920.00
Noncurrent Liabilities			
Due Within One Year	-0-	94,373.00	94,373.00
Due Beyond One Year	-0-	99,365.00	99,365.00
<u>FUND BALANCES</u>			
Restricted			
Future Capital Outlay	364,844.00	(364,844.00)	0.00
Assigned, Designated	283,209.00	(283,209.00)	0.00
Unassigned	127,325.09	(127,325.09)	0.00
<u>NET ASSETS</u>			
Invested in Capital Assets, net of Related Debt	0.00	867,388.41	867,388.41
Restricted for Future Capital Outlay	0.00	364,844.00	364,844.00
Unrestricted	0.00	401,614.09	401,614.09

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

	<u>From</u>	<u>Adjustment</u>	<u>To</u>
Operating Appropriation	\$ 630,772.56	\$(102,505.73)	\$504,644.11
Accrued Interest	0.00	8,920.00	8,920.00
Depreciation	0.00	70,182.79	70,182.79
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	47,495.94	(47,495.94)	0.00
Change in Net Assets	0.00	70,898.88	70,898.88

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 \$801,625.00 and the bank balance was \$817,434.91. Of the bank balance, \$250,000.00 was covered by federal depository insurance, \$567,434.91 was covered under the provisions of NJGUDPA and \$150,086.30 was held by the Trustee for the LOSAP Program (Unaudited).

At December 31, 2011, 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 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>
2/16/2012	94,372.04	10,248.66	104,620.70
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, 2011 there were no bonds, notes or leases authorized but not issued.

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental Activities:					
Buildings and Building Improvements	296,219.31				296,219.31
Vehicles	1,541,265.09				1,541,265.09
Equipment	167,524.70				167,524.70
Totals at Historical Cost	1,900,388.40	-0-	-0-	-0-	1,900,388.40
Less Accumulated Depreciation For:					
Buildings and Building Improvements	(165,271.95)	(8,594.63)			(173,86.58)
Vehicles	(587,984.63)	(58,442.96)			(646,427.59)
Equipment	(15,822.62)	(3,145.20)			(18,967.82)
Total Accumulated Depreciation	(769,079.20)	(70,182.79)	-0-		(839,261.99)
Total Capital Assets Being Depreciated (Net of Accumulated Depreciation)	1,131,309.20	(70,182.79)	-0-	-0-	1,061,126.41
Government Activities Capital Assets, Net	\$ 1,131,309.20	(70,182.79)	-0-	-0-	1,061,126.41

Depreciation expense was charged to functions of the District as follows:

Cost of Operations and Maintenance \$70,182.79

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, 2011 the District's LOSAP Program had assets of \$150,086.30.

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 \$775,378.09 total General Fund balance at December 31, 2011, \$283,209.00 has been appropriated and included as anticipated revenue for the year ending December 31, 2012, \$364,844.00 has been restricted for Future Capital Outlays, and the remaining \$127,325.09 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, 2010, 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, 2011

	2011 BUDGET	TRANSFERS	FINAL BUDGET	2011 ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues:					
Unrestricted Fund Balance	\$ 29,233.00	\$	\$ 29,233.00	\$ 29,233.00	\$
Uniform Fire Safety Act					
Reserves Utilized	8,200.00		8,200.00	8,200.00	
Fines, Rebates & Fees	22,000.00		22,000.00	29,042.87	7,042.87
Interest on Investments and Deposits	2,000.00		2,000.00	2,618.69	618.69
Other Miscellaneous Fees, Fines, Etc.				4,775.94	4,775.94
Total Miscellaneous Anticipated Revenues	61,433.00		61,433.00	73,870.50	12,437.50
Operating Grant					
Supplemental Fire Services Act (P.L. 1985, Ch. 295)	491.00		491.00	617.00	126.00
Total Operating Grant Revenue	491.00		491.00	617.00	126.00
Amount to be Raised by Taxation:					
District Taxes	641,214.00		641,214.00	641,214.00	
Total Amount to be Raised by Taxation	641,214.00		641,214.00	641,214.00	
Total Revenues	703,138.00		703,138.00	715,701.50	12,563.50
Expenditures:					
Operating Appropriations:					
Administration					
Salaries and Wages					
Commissioners	34,250.00		34,250.00	34,250.00	
Custodian	9,000.00		9,000.00	7,560.00	1,440.00
Total Administration Salaries and Wages	43,250.00		43,250.00	41,810.00	1,440.00
Administration					
Professional Services	26,000.00	(7,410.00)	18,590.00	18,121.00	469.00
Office Expenses	7,000.00	(2,000.00)	5,000.00	4,221.07	778.93
Election	1,250.00	(153.00)	1,097.00	545.62	551.38
Contracted Services	24,950.00	1,500.00	26,450.00	22,200.00	4,250.00
Contingent	2,100.00		2,100.00	1,209.79	890.21
Total Administration Other Expenses	61,300.00	(8,063.00)	53,237.00	46,297.48	6,939.52
Administration					
Fringe Benefits	11,989.00	(2,724.00)	9,265.00	8,836.92	428.08
Total Administration	116,539.00	(10,787.00)	105,752.00	96,944.40	8,807.60
Operating Appropriations - Offset by Revenues					
Salaries and Wages					
Fire Official	14,000.00		14,000.00	14,000.00	
Fire Inspector	6,000.00	(2,000.00)	4,000.00	4,000.00	
Overtime	3,000.00	1,940.00	4,940.00	4,940.00	
Total Operating Appropriations - Offset with Revenues - Salaries and Wages	23,000.00	(60.00)	22,940.00	22,940.00	
Operating Appropriations - Offset by Revenues					
Other Expenses					
Fire Prevention Bureau	9,350.00		9,350.00	7,220.43	2,129.57
Total Operating Appropriations - Offset with Revenues - Other Expenses	9,350.00		9,350.00	7,220.43	2,129.57
Fringe Benefits	4,180.00	(2,000.00)	2,180.00	2,180.00	

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, 2011

	2011 BUDGET	TRANSFERS	FINAL BUDGET	2011 ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Costs of Operations and Maintenance					
Other Expenses					
Insurance	65,180.00	(24,000.00)	41,180.00	41,137.29	42.71
Fire Hydrant Services	66,000.00	(6,000.00)	60,000.00	59,480.88	519.12
Mutual Service Agreements	48,000.00	(2,000.00)	46,000.00	45,704.00	296.00
Maintenance & Repairs	55,708.00	46,793.00	102,501.00	99,471.05	3,029.95
Utilities	24,600.00	50.00	24,650.00	24,647.73	2.27
Fire Service Protection Agreement	31,500.00	1,482.00	32,982.00	32,982.00	
Firematic Equipment	18,000.00	4,500.00	22,500.00	22,437.57	62.43
Equipment and Training	55,250.00	(8,247.00)	47,003.00	46,293.79	709.21
Miscellaneous	2,100.00		2,100.00	1,090.00	1,010.00
Total Costs of Operations and Maintenance					
Other Expenses	366,338.00	12,578.00	378,916.00	373,244.31	5,671.69
Total Operating Appropriations	519,407.00	(269.00)	519,138.00	502,529.14	16,608.86
Length of Service Award Program (LOSAP)	34,000.00		34,000.00	23,622.72	10,377.28
Capital/ Debt Service Appropriations:					
Capital Lease Obligation - Principal	89,361.00	269.00	89,630.00	89,630.00	
Capital Lease Obligation - Interest	14,991.00		14,991.00	14,990.70	0.30
Reserve for Future Capital Outlays	45,379.00		45,379.00	45,379.00	
Total Capital Appropriations	149,731.00	269.00	150,000.00	149,999.70	0.30
Total Expenditures	\$ 703,138.00	\$	\$ 703,138.00	\$ 676,151.56	\$ 26,986.44
Budgetary Revenues Over Expenses				\$ 39,549.94	39,549.94
Reconciliation of Budgetary Basis to GAAP Reporting Basis:					
Budgetary Revenues Over Expenses				\$ 39,549.94	
Adjustments to Budgetary Basis:					
Reserve for Future Capital Projects Appropriated				45,379.00	
Fund Balance Appropriated - Reserves				(8,200.00)	
Fund Balance Appropriated				(29,233.00)	
Total Adjustments				7,946.00	
Excess of Revenues Over Expenditures (Exhibit - A-2)				\$ 47,495.94	

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, 2011	\$92,849,700.00	\$641,214.00	\$0.691
December 31, 2010	\$92,953,200.00	\$627,434.10	\$0.675
December 31, 2009	\$94,233,000.00	\$591,783.24	\$0.628

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>Unreserved General Fund Balance</u>	<u>Utilized Subsequent Budget</u>
December 31, 2011	\$127,325.09	\$283,209.00
December 31, 2010	\$348,417.48	\$29,233.00
December 31, 2009	\$261,702.54	\$186,114.00

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

OFFICIALS IN OFFICE
AS AT DECEMBER 31, 2011

The following officials were in office as at December 31, 2011:

<u>Board of Fire Commissioners:</u>	<u>Title</u>
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 N.J.

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Fire Commissioners of the
Township of Woodbridge Fire District No. 8
Middlesex County, 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, 2011, 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
August 17, 2012

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, 2011

ASSETS

Cash and Investments, at fair value	\$ <u>150,086.30</u>
Total Assets	\$ <u><u>150,086.30</u></u>

NET ASSETS

Restricted	\$ <u>150,086.30</u>
Total Net Assets	\$ <u><u>150,086.30</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, 2011

Restricted Net Assets	
Contributions (Net of Forfeitures)	23,047.72
Interest Earnings	5,402.00
Withdrawals/Forfeitures	\$ <u>(24,467.07)</u>
Increase in Net Assets	\$ 3,982.65
Net Assets - Beginning of Year	\$ <u>146,103.65</u>
Net Assets - Beginning of Year	\$ <u><u>150,086.30</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, 2011

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.

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

GENERAL COMMENTS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2011

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, 2011 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 #8, County of Middlesex, New Jersey as of and for the fiscal year ended December 31, 2010 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

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 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

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

