

COUNTY OF WARREN  
OFFICE OF THE CLERK  
REPORT OF AUDIT  
2013

COUNTY OF WARREN  
OFFICE OF THE COUNTY CLERK  
INDEPENDENT AUDITORS' REPORT AND  
BALANCE SHEET AND SUPPLEMENTAL SCHEDULE  
YEARS ENDED DECEMBER 31, 2013 AND 2012  
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## Independent Auditors' Report

The Honorable Director and Members of  
the Board of Chosen Freeholders  
County of Warren  
Belvidere, New Jersey

### **Report on the Financial Statements**

We have audited the balance sheet *–regulatory basis–* of the Office of the County Clerk, a component unit of the County of Warren, as of and for the years December 31, 2013 and 2012, and the related notes to the balance sheet.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of this balance sheet in accordance with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") to demonstrate compliance with the Division's regulatory basis of accounting, and the budget laws of New Jersey. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of this balance sheet that is free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on this balance sheet based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and audit requirements prescribed by the Division. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the balance sheet is free from material misstatement.

An audit involves performing procedures to audit evidence about the amounts and disclosures in the balance sheet. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the balance sheet, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Office of the Clerk'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 Office of the Clerk's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

The Honorable Director and Members of  
 the Board of Chosen Freeholders  
 County of Warren  
 Belvidere, New Jersey  
 Page 2

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1, the balance sheet is prepared by the Office of the Clerk on the basis of accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the balance sheet of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the balance sheet referred to above do not present fairly in accordance with accounting principles generally accepted in the United States of America the financial position of the Office of the Clerk as of December 31, 2013 and 2012.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the balance sheet referred to above present fairly, in all material respects, the financial position of the Office of the Clerk as of December 31, 2013 and 2012, on the basis of the accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, as described in Note 1.

***Other Matters***

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the balance sheet of the Office of the Clerk. The supplemental schedule of expenditures listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplemental schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the balance sheet. Such information has been subjected to the auditing procedures applied in the audit of the balance sheet and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the balance sheet or to the balance sheet itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedule is fairly stated, in all material respects, in relation to the balance sheet as a whole.

Mount Arlington, New Jersey  
 May 13, 2014



NISIVOCIA LLP



David H. Evans  
 Registered Municipal Accountant #98  
 Certified Public Accountant

## FINANCIAL STATEMENT

COUNTY OF WARREN  
OFFICE OF THE CLERK  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	December 31,	
	2013	2012
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 290,735.26	\$ 299,467.75
Change Fund	130.00	130.00
Due from Passport Agencies	70.00	70.00
<b>TOTAL ASSETS</b>	<b>\$ 290,935.26</b>	<b>\$ 299,667.75</b>
<u>LIABILITIES AND RESERVES</u>		
Fines Due to Municipalities	\$ 120.00	\$ 120.00
Court Deposits	140.00	140.00
Recount Fees	187.00	187.00
Charge Accounts	52,914.04	45,018.48
Due to Warren County Treasurer	85,145.67	103,960.77
Due to Warren County Treasurer, Public Health Priority Funds	11,680.00	10,201.50
Due to Secretary of State	210.00	285.00
Due to State of New Jersey, Division of Taxation	107,218.55	97,045.00
Due to State of New Jersey, Preservation Fund	33,320.00	42,710.00
<b>TOTAL LIABILITIES AND RESERVES</b>	<b>\$ 290,935.26</b>	<b>\$ 299,667.75</b>

THE ACCOMPANYING NOTES TO THE BALANCE SHEET  
ARE AN INTEGRAL PART OF THIS STATEMENT

COUNTY OF WARREN  
OFFICE OF THE COUNTY CLERK  
NOTES TO BALANCE SHEET  
YEAR ENDED DECEMBER 31, 2013

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Office of the County Clerk, County of Warren conform to the accounting practices applicable to counties which have been prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds.

A. Reporting Entity

Governmental Accounting Standards Board ("GASB") publication *Codification of Governmental Accounting and Financial Reporting Standards*, Section 2100, "Defining the Financial Reporting Entity", establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency and a resulting financial benefit or burden relationship, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e., benefit of economic resources, access/entitlement to resources and significance) should be included in financial reporting entities. Accordingly, the Office of the Clerk is a component unit of the County of Warren under the provisions of Governmental Accounting Standards Board's Codification Section 2100.

B. Basis of Accounting

The accounting practices prescribed or permitted for counties by the Division differ in certain respects from accounting principles generally accepted in the United States of America applicable to local government units ("GAAP"). The more significant differences are as follows:

Receipts - receipts are recognized on a cash basis. GAAP requires such revenue to be recognized in the accounting period when they are measurable and available to fund current year's expenditures, reduced by an allowance for doubtful accounts.

Reserves/Disbursements - reserves are established to reflect amounts due to other governments, County offices, or other third parties. Disbursements are recognized when paid rather than when the obligation is incurred. GAAP requires such obligations to be recorded as liabilities and expenditures in the period in which the obligations were incurred, if measurable.

Investments - investments, which consist of certificates of deposit, are recorded at cost plus interest earned as reported by the respective financial institutions.

C. Function of the Office of the County Clerk

The Office of the County Clerk acts as an intermediary for the Department of Treasury, State of New Jersey, and the U.S. Department of Justice by collecting fees for naturalization, passports, enrollments, incorporations, and other miscellaneous charges, and remitting the proceeds to the respective agencies. Fees for registering mortgages, deeds, power of attorney, etc., and related charges are remitted to the County. Receipts are recorded at the time the cash is received.

COUNTY OF WARREN  
OFFICE OF THE COUNTY CLERK  
NOTES TO BALANCE SHEET  
YEAR ENDED DECEMBER 31, 2013  
 (Continued)

Note 2: Cash and Cash Equivalents:

Cash and cash equivalents include petty cash, change funds, amounts in deposits, money market accounts, and short-term investments with original maturities of three months or less.

Investments are stated at cost plus interest earned, which approximates market. The County classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB Statement No. 40, *Governmental Accounting Standards Deposit and Investments Risk Disclosures*, requires disclosure of the level of custodial credit risk assumed by the County in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

Interest Rate Risk – In accordance with its cash management plan, the County ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk – The County limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed below and on the following page.

Deposits:

New Jersey statutes permit the deposit of public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits as follows:

The market value of the collateral must equal 5% of the average daily balance of public funds on deposit and in addition if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

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.

Investments:

New Jersey statutes permit the purchase of the following types of securities:

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;



COUNTY OF WARREN  
OFFICE OF THE COUNTY CLERK  
NOTES TO BALANCE SHEET  
YEAR ENDED DECEMBER 31, 2013  
(Continued)

Note 2: Cash and Cash Equivalents (Cont'd)

Investments (Cont'd)

- (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 that such obligation bears a fixed rate of interest not dependent on any index or other external factor.
- (4) Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located;
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund; or
- (8) Agreements for the repurchase of fully collateralized securities if:
  - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
  - (b) the custody of collateral is transferred to a third party;
  - (c) the maturity of the agreement is not more than 30 days;
  - (d) the underlying securities are purchased through a public depository as defined in statute; and
  - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

The office of the County Clerk did not hold any investments during the year ending December 31, 2013. As of December 31, 2013, the carrying amount of the cash and cash equivalents of the Office of the County Clerk was \$290,865.26 and the bank balance was \$282,083.16.

SUPPLEMENTAL SCHEDULE

COUNTY OF WARREN  
OFFICE OF THE CLERK  
SCHEDULE OF CASH

	Balance at December 31, 2012	Receipts	Disbursements	Balance at December 31, 2013
Fines Due to Municipalities	\$ 120.00			\$ 120.00
Court Deposits	140.00			140.00
Recount Fees	187.00			187.00
Charge Accounts	45,018.48	\$ 121,448.39	\$ 113,552.83	52,914.04
Due to Warren County Treasurer	103,960.77	1,137,412.93	1,156,228.03	85,145.67
Due to Warren County Treasurer - Public Health Priority Funds	10,201.50	208,839.73	207,361.23	11,680.00
Due to Secretary of State	285.00	2,848.50	2,923.50	210.00
Due from Passport Agencies	(70.00)			(70.00)
Due to State of New Jersey, Division of Taxation	97,045.00	1,761,649.26	1,751,475.71	107,218.55
Due to State of New Jersey, Preservation Fund	42,710.00	461,560.00	470,950.00	33,320.00
	<u>\$ 299,597.75</u>	<u>\$ 3,693,758.81</u>	<u>\$ 3,702,491.30</u>	<u>\$ 290,865.26</u>

COUNTY OF WARREN  
OFFICE OF THE COUNTY CLERK  
AUDITORS' MANAGEMENT REPORT ON  
ADMINISTRATIVE FINDINGS - FINANCIAL,  
COMPLIANCE AND PERFORMANCE  
YEAR ENDED DECEMBER 31, 2013



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May 13, 2014

The Honorable Director and Members  
of the Board of Chosen Freeholders  
County of Warren  
Belvidere, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America, the balance sheet of the Office of the County Clerk, County of Warren for the year ended December 31, 2013, and have issued our report thereon dated May 13, 2014.

As part of our audit, we performed procedures required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and the findings and results, thereof are disclosed on the following page. This letter does not affect our report dated May 13, 2014, on the balance sheet of the Office of the County Clerk.

  
NISIVOCIA LLP



David H. Evans  
Registered Municipal Accountant #98  
Certified Public Accountant

COUNTY OF WARREN  
OFFICE OF COUNTY CLERK  
COMMENTS AND RECOMMENDATIONS

NONE

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COUNTY OF WARREN  
OFFICE OF THE COUNTY PROSECUTOR –  
STATE SEIZED AND FORFEITED ASSETS FUND  
REPORT OF AUDIT  
YEAR ENDED DECMEBER 31, 2013

*COUNTY OF WARREN*

*OFFICE OF THE COUNTY PROSECUTOR*  
*STATE SEIZED AND FORFEITED ASSETS FUND*

*REPORT OF AUDIT*

2013

*NISIVOCCIA LLP*  
*CERTIFIED PUBLIC ACCOUNTANTS*



COUNTY OF WARREN  
OFFICE OF THE COUNTY PROSECUTOR -  
STATE SEIZED AND FORFEITED ASSETS FUND  
INDEPENDENT AUDITORS' REPORT AND  
BALANCE SHEET AND SUPPLEMENTAL SCHEDULE  
YEAR ENDED DECEMBER 31, 2013  
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## Independent Auditors' Report

Office of the County Prosecutor  
County of Warren  
Belvidere, New Jersey

### **Report on the Financial Statements**

We have audited the accompanying financial statements –*regulatory basis* - of the Office of the County Prosecutor – Law Enforcement Trust Funds (the “Fund”), a component unit of the County of Warren, as of and for the year ended December 31, 2013, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices prescribed or permitted by the Attorney General's Office, Department of Law and Public Safety, State of New Jersey (the “AG”) and the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the “Division”) to demonstrate compliance with the Division's and AG's regulatory basis of accounting. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' 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 audit requirements prescribed by the AG, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund'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 Fund's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1, the financial statements are prepared by the Fund on the basis of accounting practices prescribed or permitted by the Division and the AG to demonstrate compliance with the Division's regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Office of the County Prosecutor  
County of Warren  
Belvidere, New Jersey

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly in accordance with accounting principles generally accepted in the United States of America the financial position of each of the various funds of the Fund as of December 31, 2013, or the changes in financial position or cash flows thereof for the year then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of December 31, 2013, and the results of its operations and changes in fund balance and cash flows of such funds for the year ended December 31, 2013 on the basis of accounting practices prescribed or permitted by the Division and AG to demonstrate compliance with the Division's and AG's regulatory basis of accounting, as described in Note 1.

***Other Matters***

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements of the various funds that collectively comprise the Fund's financial statements. The supplemental schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.


The supplemental schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the various fund financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the various fund financial statements or to the various fund 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 schedules are fairly stated, in all material respects, in relation to the financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2014 on our consideration of the Fund's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

Mount Arlington, New Jersey  
May 13, 2014

  
NISIVOCIA LLP

  
David H. Evans  
Registered Municipal Accountant #98  
Certified Public Accountant

## FINANCIAL STATEMENTS

COUNTY OF WARREN  
OFFICE OF THE PROSECUTOR  
LAW ENFORCEMENT TRUST FUNDS  
BALANCE SHEET - REGULATORY BASIS  
DECEMBER 31, 2013

	Seized Asset Trust Account	Law Enforcement Trust Account	Asset Maintenance Account	Seized Funds Held in Evidence Account	Confidential Account	Firearms Training System Account	Federal Equitable Sharing Account	Municipal Law Enforcement Trust Account	Total
<u>Assets</u>									
Cash and Cash Equivalents	\$ 41,783	\$ 257,044	\$ 4,821	\$ 15,428	\$ 2,941	\$ 374	\$ 25,613	\$ 13,699	\$ 361,703
Vehicles and Property	23,330								23,330
Total Assets	<u>\$ 65,113</u>	<u>\$ 257,044</u>	<u>\$ 4,821</u>	<u>\$ 15,428</u>	<u>\$ 2,941</u>	<u>\$ 374</u>	<u>\$ 25,613</u>	<u>\$ 13,699</u>	<u>\$ 385,033</u>
<u>Liabilities and Fund Balance</u>									
Reserve for Assets in Custodianship of the Prosecutor	\$ 23,330								\$ 23,330
Reserve for Confidential Funds					\$ 2,941				2,941
Reserve for Seized Funds				\$ 15,428					15,428
Fund Balance	41,783	\$ 257,044	\$ 4,821			\$ 374	\$ 25,613	\$ 13,699	343,334
Total Liabilities and Fund Balance	<u>\$ 65,113</u>	<u>\$ 257,044</u>	<u>\$ 4,821</u>	<u>\$ 15,428</u>	<u>\$ 2,941</u>	<u>\$ 374</u>	<u>\$ 25,613</u>	<u>\$ 13,699</u>	<u>\$ 385,033</u>

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS FINANCIAL STATEMENT

COUNTY OF WARREN  
OFFICE OF THE PROSECUTOR  
LAW ENFORCEMENT TRUST FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE- REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2013

	Seized Asset Trust Account	Law Enforcement Trust Account	Asset Maintenance Account	Firearms Training System Account	Federal Equitable Sharing Account	Municipal Law Enforcement Trust Account	Petty Cash	Total
<u>Revenue</u>								
Seized Funds	\$ 36,328	\$ 1,400						\$ 37,728
Proceeds from Auction	727							727
Interest On Investments	20	148	\$ 5		\$ 13	\$ 8		194
Transfer from Seized Asset Trust Account		28,700	202			2,752		31,654
Transfer from Seized Funds Held in Evidence		1,587						1,587
Transfer from Oxford Township	12,687							12,687
Change Order					25,600			25,600
Petty Cash Reimbursements							\$ 56,998	56,998
Total Revenue	49,762	31,835	207		25,613	2,760	56,998	167,175
<u>Expenditures and Other Charges</u>								
Refunds of Seized Funds	8,050							8,050
Municipal and Other Law Enforcement Agency Distribution	2,010							2,010
Asset Maintenance and Forfeiture Costs			5,783					5,783
Law Enforcement Expenditures		58,111				5,414		63,525
Due Law Enforcement Trust Account	28,700							28,700
Transfer to Asset Maintenance Account	202							202
Due Municipal Law Enforcement Trust Account	2,752							2,752
Cash Paid for Restitution of Counterfeit Currency	600							600
Petty Cash Expenditures	543						56,998	57,541
Total Expenditures and Other Changes	42,857	58,111	5,783			5,414	56,998	169,163
Excess/(Deficit) of Revenue Over Expenditures and Other Changes	6,905	(26,276)	(5,576)		25,613	(2,654)		(1,988)
Fund Balance January 1	34,878	283,320	10,397	\$ 374	-0-	16,353	-0-	345,322
Fund Balance December 31	\$ 41,783	\$ 257,044	\$ 4,821	\$ 374	\$ 25,613	\$ 13,699	\$ -0-	\$ 343,334

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS FINANCIAL STATEMENT

COUNTY OF WARREN  
OFFICE OF THE PROSECUTOR  
LAW ENFORCEMENT TRUST FUNDS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2013

	Seized Asset Trust Account	Law Enforcement Trust Account	Asset Maintenance Account	Seized Funds Held in Evidence Account	Confidential Account	Firearms Training System Account	Federal Equitable Sharing Account	Municipal Law Enforcement Trust Account	Petty Cash	Total
<b>Cash Flows From Operating Activities</b>										
Seized Funds	\$ 36,328	\$ 1,400			\$ 5,000					\$ 42,728
Proceeds from Auction	727									727
Interest On Investments	20	148	\$ 5				\$ 13	\$ 8		194
Distribution from Seized Asset Trust Account		28,700	202					2,752		31,654
Due from Seized Funds Held in Evidence	12,687	1,587								14,274
Change Order							25,600			25,600
Petty Cash Reimbursements									\$ 56,998	56,998
Cash Provided by Operating Activities	49,762	31,835	207	\$ -0-	5,000		25,613	2,760	56,998	172,175
 Cash Paid for Refunds of Seized Funds	8,050			3,499						11,549
Cash Paid to Other Agencies for Asset Share	2,010									2,010
Cash Paid for Asset Maintenance and Forfeiture Costs			5,783							5,783
Cash Paid for Law Enforcement Expenditures		58,111						5,414		63,525
Cash Paid for Confidential Fund Expenditures					5,000					5,000
Cash Paid to County Law Enforcement Trust Account	28,700			1,587						30,287
Cash Paid to Seized Asset Trust Account				13,000						13,000
Cash Paid to Municipal Law Enforcement Trust	2,752									2,752
Cash Paid to Asset Maintenance Account	202									202
Cash Paid for Restitution of Counterfeit Currency	600									600
Cash Paid for Petty Cash Expenditures	543								56,998	57,541
Cash Paid from Operating Activities	42,857	58,111	5,783	18,086	5,000			5,414	56,998	192,249
 Net Increase/(Decrease) in Cash	6,905	(26,276)	(5,576)	(18,086)			25,613	(2,654)		(20,074)
 Cash Balance January 1, 2013	34,878	283,320	10,397	33,514	2,941	\$ 374	-0-	16,353	-0-	381,777
 Cash Balance December 31, 2013	\$ 41,783	\$ 257,044	\$ 4,821	\$ 15,428	\$ 2,941	\$ 374	\$ 25,613	\$ 13,699	\$ -0-	\$ 361,703

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS FINANCIAL STATEMENT

COUNTY OF WARREN  
OFFICE OF THE COUNTY PROSECUTOR -  
STATE SEIZED AND FORFEITED ASSETS FUND  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2013

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Office of the County Prosecutor - State Seized and Forfeited Assets Fund, County of Warren, conform to regulations governing forfeiture and distribution of property and funds prescribed by the Attorney General's Office (the "AG"), Department of Law and Public Safety, State of New Jersey. Such regulations are designed primarily for determining compliance with legal provisions and as a means of reporting on the stewardship of public officials with respect to forfeited property.

A. Reporting Entity

Governmental Accounting Standards Board ("GASB") publication *Codification of Governmental Accounting and Financial Reporting Standards*, Section 2100, "Defining the Financial Reporting Entity", establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency and a resulting financial benefit or burden relationship, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e., benefit of economic resources, access/entitlement to resources and significance) should be included in financial reporting entities. Accordingly, the Office of the Prosecutor is a component unit of the County of Warren under the provisions of Governmental Accounting Standards Board's Codification Section 2100.

B. Basis of Accounting

The accounting practices prescribed or permitted for counties by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") and the AG's differ in certain respects from accounting principles generally accepted in the United States of America applicable to local government units ("GAAP"). The more significant differences are as follows:

Revenues - revenues are recognized on a cash basis or, in the case of property other than cash, at the estimated realizable value on the date seized or forfeited. GAAP requires such receipts to be recognized in the accounting period when they are measurable and available to fund current year's expenditures, reduced by an allowance for doubtful accounts.

Reserves/Expenditures - reserves are established to reflect amounts due to other governments, County offices, or other third parties. Expenditures are recognized when paid rather than when the obligation is incurred, except for certain amounts due to other governmental entities which are recognized when payable. GAAP requires such obligations to be recorded as liabilities and expenditures in the period in which the obligations were incurred, if measurable.

Investments - investments, which consist of certificates of deposit, are recorded at cost, plus interest earned as reported by the respective financial institutions.

C. Function of the Office of the County Prosecutor

The Office of the County Prosecutor administers the property and funds which a municipal law enforcement agency receives as a result of seizures and forfeitures brought under the authority of NJSA 2C:64-1 et seq. The Office of the County Prosecutor also participates in the Equitable Sharing of Federally Forfeited Property. The Office of the County Prosecutor maintains the following accounts:



COUNTY OF WARREN  
OFFICE OF THE COUNTY PROSECUTOR -  
STATE SEIZED AND FORFEITED ASSETS FUND  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2013  
 (Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

C. Function of the Office of the County Prosecutor (Cont'd)

County Prosecutor's Law Enforcement Trust Account (CLETA) – accounts for funds or proceeds from the sale of forfeited property received by the County Prosecutor's office. These funds are to be used to benefit the prosecutor's office.

Asset Maintenance Account – accounts for interest earned on seized assets. These funds are to be used for forfeiture related purposes such as costs directly related to the administration or operation of the forfeiture program and the seizure, acquisition, maintenance and preservation of seized property prior to a final judgment of forfeiture.

Seized Asset Trust Account (SATA) – accounts for the seized funds not yet forfeited.

Municipal Law Enforcement Trust Account (MEA) – accounts for individual municipalities' share of interest earned on seized assets and funds or proceeds from the sale of forfeited property received by the County Prosecutor's office. These funds are to be used to benefit the local law enforcement agency of a municipality.

Firearms Training System Account – accounts for funds designated for the purpose of firearms training of law enforcement agencies in the County.

Confidential Account – accounts for funds used to purchase items directly related to ongoing investigations.

Seized Funds Held in Evidence Account – accounts for funds seized during criminal investigations.

Note 2: Cash and Cash Equivalents

Cash and cash equivalents include petty cash, change funds, amounts in deposits, money market accounts, and short-term investments with original maturities of three months or less.

Investments are stated at cost plus interest earned, which approximates market. The County classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB Statement No. 40, *Governmental Accounting Standards Deposit and Investment Risk Disclosures*, requires disclosure of the level of custodial credit risk assumed by the County in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

Interest Rate Risk – In accordance with its cash management plan, the County ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

COUNTY OF WARREN  
OFFICE OF THE COUNTY PROSECUTOR -  
STATE SEIZED AND FORFEITED ASSETS FUND  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2013  
 (Continued)

Note 2: Cash and Cash Equivalents (Cont'd)

Credit Risk – The County limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed below and on the following page.

Deposits:

New Jersey statute permits the deposit of public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits as follows:

The market value of the collateral must equal 5% of the average daily balance of public funds on deposit and if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

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.

Investments:

New Jersey statutes permit the Office of the Prosecutor to purchase the following types of securities:

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (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 that such obligation bears a fixed rate of interest not dependent on any index or other external factor.
- (4) Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located;
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund; or

COUNTY OF WARREN  
OFFICE OF THE COUNTY PROSECUTOR -  
STATE SEIZED AND FORFEITED ASSETS FUND  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2013  
 (Continued)

Note 2: Cash and Cash Equivalents (Cont'd):

Investments: (Cont'd)

(8) Agreements for the repurchase of fully collateralized securities if:

- (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
- (b) the custody of collateral is transferred to a third party;
- (c) the maturity of the agreement is not more than 30 days;
- (d) the underlying securities are purchased through a public depository as defined in statute; and
- (e) a master repurchase agreement providing for the custody and security of collateral is executed.

The Office of the County Prosecutor did not hold any investments during the year ended December 31, 2013. As of December 31, 2013, cash at the Office of the County Prosecutor's office consisted of deposits in savings and checking accounts. The carrying amount of the Sheriff's cash at December 31, 2013 was \$361,703 and the bank balance was \$346,972.

Note 3: Seized and Forfeited Assets Held

Seized and forfeited assets are valued at estimated wholesale value. Vehicles are auctioned off when the County gains title, and proceeds from the auction are deposited into the forfeited assets account. As of December 31, 2013, the following seized and forfeited assets were held:

File #	Description			Serial #	Value	Location
	Year	Make	Model			
06-002	1999	Chevrolet	Blazer	1GNDDT13W2X2206893	\$ 5,270	Warren Co. Impound
05-018	1999	Chevrolet	Cavalier	1G1JC1249X7238909	2,075	Warren Co. Impound
12-007	2008	Hyundai	Santa Fe	5NMSH73E48H205219	11,000	Warren Co. Impound
13-002	1997	Chrysler	Cirrus	1CEJ56H2VN559027	525	Warren Co. Garage
13-008	2001	Ford	Taurus	1FAHP56S91A270169	1,200	Warren Co. Impound
13-022	2003	Chrysler	PT Cruiser	3C8FY58B53T503552	3,260	Warren Co. Impound
					<u>\$ 23,330</u>	

## SUPPLEMENTAL SCHEDULES

COUNTY OF WARREN  
OFFICE OF THE PROSECUTOR  
SCHEDULE OF DISTRIBUTION TO LAW ENFORCEMENT AGENCIES  
FOR THE YEAR ENDED DECEMBER 31, 2013

<u>Law Enforcement Agencies</u>	<u>Distribution</u>
Municipal Law Enforcement Trust Account:	
Township of Pohatcong	\$ 5,414
Total Law Enforcement Distribution	\$ 5,414

COUNTY OF WARREN  
OFFICE OF THE PROSECUTOR  
SCHEDULE OF LAW ENFORCEMENT TRUST FUND &  
ASSET MAINTENANCE ACCOUNT EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2013

Description	Asset Maintenance Account	Law Enforcement Trust Account
Subscription Services		\$ 718
Audit Expense		5,710
Conference / Registration Fees		9,725
Meetings		780
Vehicle Purchase		38,620
Motor Vehicle Title & Towing Fees	\$ 5,783	
New Jersey Lawyer's Fund		2,558
	<u>\$ 5,783</u>	<u>\$ 58,111</u>



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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*

Independent Auditors' Report

Office of the County Prosecutor  
County of Warren  
Belvidere, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed for seized and/or forfeited property issued by the Attorney General's Office, Department of Law and Public Safety, State of New Jersey (the "AG"), and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements – *regulatory basis* – of the various funds of the Warren County Prosecutor Law Enforcement Trust Funds (the "Fund") as of and for the year ended December 31, 2013, and the related notes to the financial statements, and have issued our report thereon dated May 13, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Fund's internal control over financial reporting (internal control) 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 Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

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

Office of the County Prosecutor  
County of Warren  
Belvidere, New Jersey  
Page 2

### **Compliance and Other Matters**

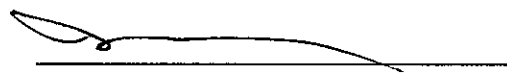
As part of obtaining reasonable assurance about whether the Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Fund'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 Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mount Arlington, New Jersey  
May 13, 2014

  
NISIVOCIA LLP

  
David H. Evans  
Registered Municipal Accountant #98  
Certified Public Accountant



COUNTY OF WARREN  
OFFICE OF THE COUNTY PROSECUTOR -  
STATE SEIZED AND FORFEITED ASSETS FUND  
AUDITORS' MANAGEMENT REPORT ON  
ADMINISTRATIVE FINDINGS - FINANCIAL,  
COMPLIANCE AND PERFORMANCE  
YEAR ENDED DECEMBER 31, 2013



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May 13, 2014

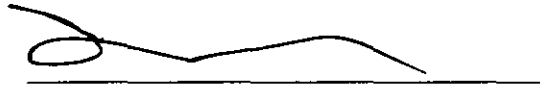
Office of the County Prosecutor  
County of Warren  
Belvidere, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed for seized and/or forfeited property issued by the Attorney General's Office, Department of Law and Public Safety, State of New Jersey and *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Office of the County Prosecutor - State Seized and Forfeited Assets Fund, County of Warren for the year ended December 31, 2013, and have issued our report thereon dated May 13, 2014 .

As part of our audit, we performed procedures required by the Attorney General's Office, Department of Law and Public Safety, State of New Jersey, and the results, thereof are disclosed on the following pages. This letter does not affect our report dated May 13, 2014, on the financial statements of the Office of the County Prosecutor - State Seized and Forfeited Assets Fund.

This report is intended for the information of the Warren County Prosecutor's Office's management and the Attorney General's Office, Department of Law and Public Safety, State of New Jersey. However, this report is a matter of public record and its distribution is not limited.

  
NISIVOCIA LLP

  
David H. Evans  
Registered Municipal Accountant #98  
Certified Public Accountant

COUNTY OF WARREN  
OFFICE OF THE COUNTY PROSECUTOR -  
STATE SEIZED AND FORFEITED ASSETS FUND  
COMMENTS AND RECOMMENDATIONS

None

\*\*\*\*\*

COUNTY OF WARREN  
OFFICE OF THE COUNTY PROSECUTOR -  
STATE SEIZED AND FORFEITED ASSETS FUND  
SUMMARY OF RECOMMENDATIONS

None

\*\*\*\*\*

COUNTY OF WARREN  
OFFICE OF THE SHERIFF  
REPORT OF AUDIT  
2013

COUNTY OF WARREN  
OFFICE OF THE SHERIFF  
INDEPENDENT AUDITORS' REPORT AND  
BALANCE SHEET AND SUPPLEMENTAL SCHEDULE  
YEAR ENDED DECEMBER 31, 2013  
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## Independent Auditors' Report

The Honorable Director and Members of  
the Board of Chosen Freeholders  
County of Warren  
Belvidere, New Jersey

### **Report on the Financial Statements**

We have audited the balance sheet – *regulatory basis* - of the Office of the Sheriff, a component unit of the County of Warren, as of and for the years ended December 31, 2013 and 2012, and the related notes to the balance sheet.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of this balance sheet in accordance with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") to demonstrate compliance with the Division's regulatory basis of accounting, and the budget laws of New Jersey. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of balance sheet that is free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on this balance sheet based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and audit requirements prescribed by the Division. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the balance sheet is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the balance sheet. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the balance sheet, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Office of the Sheriff'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 Office of the Sheriff's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

The Honorable Director and Members of  
 the Board of Chosen Freeholders  
 County of Warren  
 Belvidere, New Jersey  
 Page 2

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1, the balance sheet is prepared by the Office of the Sheriff on the basis of accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the balance sheet of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the balance sheet referred to above does not present fairly in accordance with accounting principles generally accepted in the United States of America the financial position of the Office of the Sheriff as of December 31, 2013, or the changes in financial position thereof for the year then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the balance sheet referred to above presents fairly, in all material respects, the financial position of the Office of the Sheriff as of December 31, 2013 and 2012, on the basis of accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, as described in Note 1.

***Other Matters***

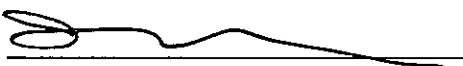
***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the Office of the Sheriff's balance sheet. The supplemental schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplemental schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the balance sheet. Such information has been subjected to the auditing procedures applied in the audit of the balance sheet and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the balance sheet or to the balance sheet itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedule is fairly stated, in all material respects, in relation to the balance sheet as a whole.

Mount Arlington, New Jersey  
 May 13, 2014

  
 NISIVOCIA LLP

  
 David H. Evans  
 Registered Municipal Accountant # 98  
 Certified Public Accountant



## FINANCIAL STATEMENT

COUNTY OF WARREN  
OFFICE OF THE SHERIFF  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	December 31,	
	2013	2012
<u>ASSETS</u>		
Cash and Cash Equivalents:		
Sales Account	\$ 127,915.72	\$ 95,786.75
General Account	5,870.87	6,584.15
TOTAL ASSETS	<u>\$ 133,786.59</u>	<u>\$ 102,370.90</u>
 <u>LIABILITIES AND RESERVES</u>		
Due to County Treasurer	\$ 4,658.77	\$ 7,133.44
Reserve for Wage Executions	5,493.52	5,861.76
Reserve for Foreclosures	123,634.30	89,375.70
TOTAL LIABILITIES AND RESERVES	<u>\$ 133,786.59</u>	<u>\$ 102,370.90</u>

THE ACCOMPANYING NOTES TO THE BALANCE SHEET  
 ARE AN INTEGRAL PART OF THIS STATEMENT

COUNTY OF WARREN  
OFFICE OF THE SHERIFF  
NOTES TO BALANCE SHEET  
YEAR ENDED DECEMBER 31, 2013

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Office of the Sheriff, County of Warren conform to the accounting practices applicable to counties, which have been prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds.

A. Reporting Entity

Governmental Accounting Standards Board ("GASB") publication *Codification of Governmental Accounting and Financial Reporting Standards*, Section 2100, "Defining the Financial Reporting Entity", establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency and a resulting financial benefit or burden relationship, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e., benefit of economic resources, access/entitlement to resources and significance) should be included in financial reporting entities. Accordingly, the Office of the Sheriff is a component unit of the County of Warren under the provisions of Governmental Accounting Standards Board's Codification Section 2100.

B. Basis of Accounting

The accounting practices prescribed for counties by the Division differ in certain respects from accounting principles generally accepted in the United States of America applicable to local government units ("GAAP"). The more significant differences are as follows:

Receipts - receipts are recognized on a cash basis. GAAP requires such receipts to be recognized in the accounting period when they are measurable and available to fund current year's expenditures, reduced by an allowance for doubtful accounts.

Reserves/Disbursements - reserves are established to reflect amounts due to other governments, County offices, or other third parties. Disbursements are recognized when paid rather than when the obligation is incurred. GAAP requires such obligations to be recorded as liabilities and expenditures in the period in which the obligations were incurred, if measurable.

Investments - investments, which consist of certificates of deposit, are recorded at cost, plus interest earned as reported by the respective financial institutions.

C. Function of the Office of the Sheriff

The Office of the Sheriff acts as an intermediary for the County Treasurer by collecting fees and receipts generated from foreclosure sales and executions. The Office of the Sheriff maintains the following reserves:

Wage Executions - Accounts for the receipts and fees from executions.

Foreclosures - Accounts for the receipts and fees from foreclosures of property.

COUNTY OF WARREN  
OFFICE OF THE SHERIFF  
NOTES TO BALANCE SHEET  
YEAR ENDED DECEMBER 31, 2013  
(Continued)

Note 2: Cash and Cash Equivalents

Cash and cash equivalents include petty cash, change funds, amounts in deposits, money market accounts, and short-term investments with original maturities of three months or less.

Investments are stated at cost plus interest earned, which approximates market. The County classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB Statement No. 40, *Governmental Accounting Standards Deposit and Investment Risk Disclosures*, requires disclosure of the level of custodial credit risk assumed by the County in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

Interest Rate Risk – In accordance with its cash management plan, the County ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk – The County limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed below and on the following page.

Deposits:

New Jersey statute permits the deposit of public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits as follows:

The market value of the collateral must equal 5% of the average daily balance of public funds on deposit and in addition if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

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.

Investments:

New Jersey statutes permit the Office of the Sheriff to purchase the following types of securities:

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;

COUNTY OF WARREN  
OFFICE OF THE SHERIFF  
NOTES TO BALANCE SHEET  
YEAR ENDED DECEMBER 31, 2013  
 (Continued)

Note 2: Cash and Cash Equivalents (Cont'd):

Investments: (Cont'd)

- (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 that such obligation bears a fixed rate of interest not dependent on any index or other external factor.
- (4) Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located;
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund; or
- (8) Agreements for the repurchase of fully collateralized securities if:
  - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
  - (b) the custody of collateral is transferred to a third party;
  - (c) the maturity of the agreement is not more than 30 days;
  - (d) the underlying securities are purchased through a public depository as defined in statute; and
  - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

The Office of the Sheriff did not hold any investments during the year ended December 31, 2013. As of December 31, 2013, cash of the Office of the Sheriff's office consisted of deposits in savings and checking accounts. The carrying amount of the Sheriff's cash at December 31, 2013 was \$133,786.59 and the bank balance was \$147,201.31.

SUPPLEMENTAL SCHEDULE

COUNTY OF WARREN  
OFFICE OF THE SHERIFF  
SCHEDULE OF CASH

	<u>Total</u>	<u>Due to County Treasurer</u>	<u>Wage Executions</u>	<u>Foreclosures</u>
Balance December 31, 2012	\$ 102,370.90	\$ 7,133.44	\$ 5,861.76	\$ 89,375.70
Increased by:				
Fees and Deposits	1,793,970.19	132,712.31	115,771.23	1,545,486.65
	<u>1,896,341.09</u>	<u>139,845.75</u>	<u>121,632.99</u>	<u>1,634,862.35</u>
Decreased by:				
Cash Disbursements	1,762,554.50	135,186.98	116,139.47	1,511,228.05
Balance December 31, 2013	<u>\$ 133,786.59</u>	<u>\$ 4,658.77</u>	<u>\$ 5,493.52</u>	<u>\$ 123,634.30</u>

COUNTY OF WARREN  
OFFICE OF THE SHERIFF  
AUDITORS' MANAGEMENT REPORT ON  
ADMINISTRATIVE FINDINGS - FINANCIAL,  
COMPLIANCE AND PERFORMANCE  
YEAR ENDED DECEMBER 31, 2013





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May 13, 2014

The Honorable Director and Members  
 of the Board of Chosen Freeholders  
 County of Warren  
 Belvidere, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America, the balance sheet of the Office of the Sheriff, County of Warren for the year ended December 31, 2013, and have issued our report thereon dated May 13, 2014.

As part of our audit, we performed procedures required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and the findings and results, if any, thereof are disclosed on the following page. This letter does not affect our report dated May 13, 2014, on the balance sheet of the Office of the Sheriff.

NISIVOCCIA LLP

David H. Evans  
 Registered Municipal Accountant #98  
 Certified Public Accountant

COUNTY OF WARREN  
OFFICE OF THE SHERIFF  
COMMENTS AND RECOMMENDATIONS

NONE

\*\*\*\*\*

COUNTY OF WARREN  
OFFICE OF THE SURROGATE  
REPORT OF AUDIT  
2013

COUNTY OF WARREN  
OFFICE OF THE SURROGATE  
INDEPENDENT AUDITORS' REPORT AND  
BALANCE SHEET AND SUPPLEMENTAL SCHEDULE  
YEAR ENDED DECEMBER 31, 2013  
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## Independent Auditors' Report

The Honorable Director and Members of  
the Board of Chosen Freeholders  
County of Warren  
Belvidere, New Jersey

### **Report on the Financial Statements**

We have audited the balance sheet – *regulatory basis* - of the Office of the Surrogate, a component unit of the County of Warren, as of and for the years December 31, 2013 and 2012, and the related notes to the balance sheet.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of this balance sheet in accordance with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") to demonstrate compliance with the Division's regulatory basis of accounting, and the budget laws of New Jersey. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of this balance sheet that is free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on this balance sheet based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and audit requirements prescribed by the Division. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether this balance sheet is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the balance Sheet. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the balance sheet, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Office of the Surrogate'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 Office of the Surrogate's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

The Honorable Director and Members of  
the Board of Chosen Freeholders  
County of Warren  
Page 2

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1, the balance sheet has been prepared by the Office of the Surrogate on the basis of accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the balance sheet of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the balance sheet referred to above, does not present fairly in conformity with accounting principles generally accepted in the United States of America the financial position of the Surrogate as of December 31, 2013 and 2012.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the balance sheet referred to above presents fairly, in all material respects, the financial position of the Office of the Surrogate as of December 31, 2013 and 2012, on the basis of the accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, as described in Note 1.



***Other Matters***

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the balance sheet of the Office of the Surrogate. The supplemental schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplemental schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the balance sheet. Such information has been subjected to the auditing procedures applied in the audit of the balance sheet and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the balance sheet or to the balance sheet itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedule is fairly stated, in all material respects, in relation to the balance sheet as a whole.

Mount Arlington, New Jersey  
May 16, 2014

  
NISTVOCCIA LLP  
  
David H. Evans  
Registered Municipal Accountant #98  
Certified Public Accountant

## FINANCIAL STATEMENT

COUNTY OF WARREN  
OFFICE OF THE SURROGATE  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	December 31,	
	2013	2012
<u>ASSETS</u>		
Cash and Cash Equivalents:		
Surrogate's Account	\$ 10,582.35	\$ 11,268.65
Client's Account	1,214.18	1,839.18
Guardianship Trust Fund	3,839,038.97	4,014,224.66
Guardianship Trust Fund - Investments	985,597.93	854,680.19
Petty Cash	50.00	50.00
TOTAL ASSETS	<u>\$ 4,836,483.43</u>	<u>\$ 4,882,062.68</u>
 <u>LIABILITIES AND RESERVES</u>		
Due to Warren County Treasurer	\$ 10,632.35	\$ 11,318.65
Reserve for Attorneys Deposits	1,214.18	1,839.18
Reserve for Guardianship Trust Funds	4,824,636.90	4,868,904.85
TOTAL LIABILITIES AND RESERVES	<u>\$ 4,836,483.43</u>	<u>\$ 4,882,062.68</u>

THE ACCOMPANYING NOTES TO THE BALANCE SHEET  
 ARE AN INTEGRAL PART OF THIS STATEMENT



COUNTY OF WARREN  
OFFICE OF THE SURROGATE  
NOTES TO BALANCE SHEET  
YEAR ENDED DECEMBER 31, 2013

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Office of the Surrogate, County of Warren conform to the accounting principles applicable to counties which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds.

A. Reporting Entity

Governmental Accounting Standards Board publication Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, "Defining the Financial Reporting Entity", establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e., benefit of economic resources, access/entitlement to resources, and significance) should be included in the financial reporting entities. Accordingly, the Office of the Surrogate is a component unit of the County of Warren under the provisions of Governmental Accounting Standards Board's Codification Section 2100.

B. Basis of Accounting

The accounting principles and practices prescribed for counties by the Division differ in certain respects from accounting principles generally accepted in the United States of America applicable to local government units ("GAAP"). The more significant differences are as follows:

Receipts - receipts are recognized on a cash basis. GAAP requires such receipts to be recognized in the accounting period when they are measurable and available to fund current year's expenditures, reduced by an allowance for doubtful accounts.

Reserves/Disbursements - reserves are established to reflect amounts due to other governments, County offices, or other third parties. Disbursements are recognized when paid rather than when the obligation is incurred. GAAP requires such obligations to be recorded as liabilities and expenditures in the period in which the obligations were incurred, if measurable.

Investments - investments, which consist of certificates of deposit, are recorded at cost plus interest earned as reported by the respective financial institutions.

C. Function of the Office of the Surrogate

The Office of the Surrogate acts as a guardian for the funds of certain residents, such as minors or incompetents. The Office of the Surrogate also acts as intermediary for the County Treasurer by collecting revenue generated in the form of probate fees and fees for copies of wills and similar items. The Office of the Surrogate maintains the following funds:

Surrogate's Account – Accounts for the receipt of fees for probating wills

COUNTY OF WARREN  
OFFICE OF THE SURROGATE  
NOTES TO BALANCE SHEET  
YEAR ENDED DECEMBER 31, 2013  
 (Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

C. Function of the Office of the Surrogate

Attorney's Deposits – Accounts for the receipts of deposits from attorneys.

Guardianship Fund - Accounts for the receipt of money held for minors and incompetents.

Note 2: Cash and Cash Equivalents

Cash and cash equivalents include petty cash, change funds, amounts in deposits, money market accounts, and short-term investments with original maturities of three months or less.

Investments are stated at cost plus interest earned, which approximates market. The County classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB Statement No. 40, *Governmental Accounting Standards Deposit and Investment Risk Disclosures*, requires disclosure of the level of custodial credit risk assumed by the County in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

Interest Rate Risk – In accordance with its cash management plan, the County ensures that any deposit or investment matures within the time period that approximated the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk – The County limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed on the following page.

Deposits:

New Jersey statutes permits the deposit of public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits as follows:

The market value of the collateral must equal 5% of the average daily balance of public funds on deposit and

If the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

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.

COUNTY OF WARREN  
OFFICE OF THE SURROGATE  
NOTES TO BALANCE SHEET  
YEAR ENDED DECEMBER 31, 2013  
(Continued)

Note 2: Cash and Cash Equivalents

Investments:

New Jersey statutes permit the Office of the Surrogate to purchase the following types of securities:

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (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 that such obligation bears a fixed rate of interest not dependent on any index or other external factor
- (4) Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located;
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund; or
- (8) Agreements for the repurchase of fully collateralized securities if:
  - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
  - (b) the custody of collateral is transferred to a third party;
  - (c) the maturity of the agreement is not more than 30 days;
  - (d) the underlying securities are purchased through a public depository as defined in statute; and
  - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

As of December 31, 2013, cash of the Office of the Surrogate consisted of savings, checking, and certificates of deposit. Cash and investments held on behalf of the guardians consisted of savings accounts and certificates of deposit.

The carrying amount of the Office of the Surrogate's cash and cash equivalents at December 31, 2013 was \$3,850,885.50, which consisted of \$3,839,038.97 in savings accounts, \$11,796.53 in checking accounts, and \$50.00 petty cash. Investments consisted of \$985,597.93 in certificates of deposit. The total of the corresponding bank balances was \$4,889,907.53.

SUPPLEMENTAL SCHEDULE

COUNTY OF WARREN  
OFFICE OF THE SURROGATE  
SCHEDULE OF CASH AND INVESTMENTS

	Balance at December 31, 2012	Receipts	Disbursements	Balance at December 31, 2013
Due to Warren County Treasurer	\$ 11,318.65	\$ 132,197.01	\$ 132,883.31	\$ 10,632.35
Reserve for Attorneys Deposits	1,839.18	800.00	1,425.00	1,214.18
Reserve for Guardianship Accounts	4,868,904.85	1,292,956.76	1,337,224.71	4,824,636.90
	<u>\$ 4,882,062.68</u>	<u>\$ 1,425,953.77</u>	<u>\$ 1,471,533.02</u>	<u>\$ 4,836,483.43</u>

COUNTY OF WARREN  
OFFICE OF THE SURROGATE  
AUDITORS' MANAGEMENT REPORT ON  
ADMINISTRATIVE FINDINGS - FINANCIAL,  
COMPLIANCE AND PERFORMANCE  
YEAR ENDED DECEMBER 31, 2013



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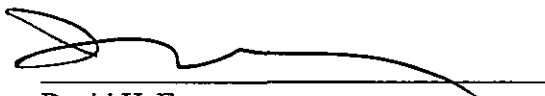
May 16, 2014

The Honorable Director and Members  
 of the Board of Chosen Freeholders  
 County of Warren  
 Belvidere, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America, the comparative balance sheet of the Office of the Surrogate, County of Warren for the year ended December 31, 2013, and have issued our report thereon dated May 16, 2014.

As part of our audit, we performed procedures required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and the findings and results thereof are disclosed on the following page. This letter does not affect our report dated May 16, 2014, on the balance sheet of the Office of the Surrogate.

  
 NISIVOCCIA LLP

  
 David H. Evans  
 Registered Municipal Accountant #98  
 Certified Public Accountant

COUNTY OF WARREN  
OFFICE OF THE SURROGATE  
COMMENTS AND RECOMMENDATIONS

None

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