

BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 2
TOWNSHIP OF WALL

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 AND 2010

WITH

INDEPENDENT AUDITOR'S REPORT

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-2
Management's discussion and analysis	3-5
Financial statements:	
Statement of Net Assets	6
Statement of Activities	7
Statement of Revenues, Expenditures and Changes in Fund Balance/Statement of Activities	8
Statement of Cash Flows	9
Notes to Financial Statements	10-15
Supplementary information:	
Budgetary Comparison Schedule	16
Statistical Information	17
Roster of Officials	18
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	19-20
Schedule of Findings and Responses	21

INDEPENDENT AUDITOR 'S REPORT

Board of Fire Commissioners
District No. 2
Township of Wall
Wall, New Jersey

I have audited the accompanying financial statements of the Board of Fire Commissioners, District No. 2, Township of Wall as of December 31, 2011 and 2010, as listed in the Table of Contents. These financial statements are the responsibility of the Board of Fire Commissioners' management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Board of Fire Commissioners, District No. 2, Township of Wall as of December 31, 2011 and 2010, and the results of its operations, and the changes in its fund balances and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Board of Fire Commissioners

In accordance with Government Auditing Standards, I have also issued a report dated August 22, 2012 on my consideration of the Board of Fire Commissioners, District No. 2, Township of Wall's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 5 and page 14, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was made for the purpose of forming an opinion on the basic financial statements of the Board of Fire Commissioners, District No. 2, Township of Wall, taken as a whole. The accompanying schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BARRY J. OSBORN, CPA

August 22, 2012

BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 2
TOWNSHIP OF WALL
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011**

My discussion and analysis of Board of Fire Commissioners, District No. 2, Township of Wall financial performance provides an overview of the district's financial activities for the year ended December 31, 2011. Please review it in conjunction with the district's basic financial statements which begin on page 6.

Financial Highlights

Total net assets decreased \$22,741 which represents a 1.5 percent decrease from 2010. \$112,788 was the excess of revenues over expenditures in the general fund, \$166,741 was the increase in net assets restricted for capital projects and \$76,694 was the decrease in net assets invested in capital assets.

The amount raised by taxation was \$1,015,903 or 99.2 percent of all revenues. Interest and other income amounted to \$8,211 or .8 percent of all revenues.

Total program expenses have increased \$63,694 or 6.4 percent. Depreciation for 2011 totaled \$291,538.

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on page 6 and 7) provide information about the activities of the district as a whole. Fund financial statements start on page 8. These statements tell how these services were financed. Fund financial statements also report the district's operations in more detail than the government-wide statements by providing information about the district's most significant funds.

Reporting the District as a Whole

The Statement of Net Assets and the Statement of Activities

My analysis of the district as a whole begins on page 6. 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

BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 2
TOWNSHIP OF WALL
MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)
FOR THE YEAR ENDED DECEMBER 31, 2011

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.

Reporting the District's Most Significant Funds

Fund Financial Statements

My analysis of the district's major funds begins on page 8. The fund financial statements provide detailed information about the most significant funds - not the district as a whole.

General Fund - Most of the district's basic services are reported in the general fund, which focuses on how money flows into and out of the funds and the balances left at year-end that are available for spending. The general fund statements provide a detailed short-term view of the district's general 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.

The District as a Whole

The district's total net assets decreased (\$22,741) to \$1,253,973 or 1.8 percent. Details of the changes are reflected on page 8.

(continued)
FOR THE YEAR ENDED DECEMBER 31, 2011

Original Versus Final Budget

As reflected on page 14. The variances between the original and final budgeted amounts were insignificant.

Final Budget Versus Actual Results

As reflected on page 14, the district operated within budgetary constraints. Actual expenses were under the final budget by \$29,776.

Capital Assets

At year end, the district had \$6,598,000 in total capital assets - an increase of \$50,182 from 2010. During 2011 the district continued construction of a firehouse.

Debt Administration

On May 30, 2007 the District issued \$3,800,000 in general obligation bonds to finance the construction of a new firehouse and to make necessary onsite improvements. Debt service for 2012 will be approximately \$283,675.

Economic Factors and Next Year 's Budget and Rates

The district's governing body considered many factors when setting the 2012 budget and tax rates including the economy, the rate of inflation and planned future capital projects. The tax rate will decrease \$.008 per \$100 of assessed valuation.

Contacting the City 's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the district's finances and to show the district's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board Clerk at PO Box 1405, Wall, NJ 07719.

STATEMENT OF NET ASSETS
DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents	\$ 515,174	\$ 398,345
Prepaid expenses	9,324	23,975
Capital assets, net	<u>4,148,540</u>	<u>4,389,896</u>
Total Assets	<u>\$ 4,673,038</u>	<u>\$ 4,812,216</u>
 LIABILITIES		
Accounts payable and accrued expenses	\$ 164,065	\$ 65,659
Capital lease obligation payable	0	74,843
General obligation bonds	<u>3,255,000</u>	<u>3,395,000</u>
Total Liabilities	<u>3,419,065</u>	<u>3,535,502</u>
 NET ASSETS		
Invested in capital assets, net of related debt	632,675	709,369
Restricted for capital projects	261,763	95,022
Unrestricted	<u>359,535</u>	<u>472,323</u>
Total Net Assets	<u>\$1,253,973</u>	<u>\$1,276,714</u>

The accompanying notes are an integral part
of these financial statements

BOARD OF FIRE COMMISSIONERS
DISTRICT NO.2
TOWNSHIP OF WALL
**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES**
YEAR ENDED DECEMBER 31, 2011

	General <u>Fund</u>	Other <u>Funds</u>	<u>Total</u>	Statement <u>Adjust-</u> <u>ments</u>	of <u>Activities</u>
Revenues					
Amount raised by taxation	\$849,162	\$166,741	\$1,015,903		\$1,015,903
Interest income	1,811	-	1,811		1,811
Other income	<u>6,400</u>	<u>-</u>	<u>6,400</u>	<u>6,400</u>	
Total revenues	<u>857,373</u>	<u>166,741</u>	<u>1,024,114</u>	<u>1,024,114</u>	
Expenditures					
Personal service	248,006	-	248,006		248,006
Materials and services	359,559	-	359,559		359,559
Capital outlays	-	-	-		-
Depreciation	-	-	-	291,538	291,538
Debt service					
Principal	214,844	-	214,844	(214,844)	-
Interest	<u>147,752</u>	<u>-</u>	<u>147,635</u>	<u>147,635</u>	
Total expenditures	<u>970,161</u>	<u>881,225</u>	<u>1,851,386</u>	<u>1,047,738</u>	
Excess of Revenue Over Expenditures	(112,788)	166,741	53,953	53,953	
Change in net assets				(22,741)	(22,741)
Fund Balance/net assets					
Beginning of year	<u>472,323</u>	<u>95,022</u>	<u>567,345</u>		<u>1,276,714</u>
End of year	<u>\$ 359,535</u>	<u>\$ 261,763</u>	<u>\$ 621,298</u>		<u>\$ 1,253,973</u>

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of these financial statements

BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 2
TOWNSHIP OF WALL
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED DECEMBER 31, 2011

Actual (Budgetary	Final Budget Positive	<u>Budgeted</u>			Variance with <u>Amounts</u>
		<u>Original</u>	<u>Final</u>	<u>Basis)</u>	<u>(Negative)</u>
Revenues					
Unrestricted fund balance utilized		142,564	142,564	142,564	-
Amount raised by taxation		1,015,903	1,015,903	1,015,903	-
Interest income		5,000	5,000	1,811	(3,189)
Other income		-	-	<u>6,400</u>	<u>6,400</u>
Total revenues		<u>1,163,467</u>	<u>1,163,467</u>	<u>1,166,678</u>	<u>3,211</u>
Expenditures					
Debt service		286,675	286,675	282,792	3,883
Capital lease		78,803	78,803	78,803	-
Salary - Commissioners		28,750	32,250	32,062	188
LOSAP		22,000	22,000	11,730	10,270
Materials and supplies		55,500	68,500	68,433	67
Insurance		55,000	67,000	66,245	755
Professional services		33,500	15,500	14,873	627
Advertising		750	750	352	398
Elections		500	1,000	809	191
Training and education		12,500	6,500	4,207	2,293
Administrative		15,000	8,500	8,028	472
Maintenance and repairs		122,500	128,500	127,697	803
Capital appropriations		166,741	166,741	166,741	-
Utilities		60,000	72,000	69,917	2,083
Salary - other		165,000	143,000	139,217	3,783
Fringe benefits		<u>60,248</u>	<u>65,748</u>	<u>64,996</u>	<u>752</u>
Total expenditures		<u>1,163,467</u>	<u>1,159,007</u>	<u>1,136,902</u>	<u>26,565</u>
Excess of Revenues Over Expenditures		-	-	<u>\$ 29,766</u>	<u>\$ 29,766</u>

The accompanying notes are an integral part
of these financial statements

BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 2
TOWNSHIP OF WALL
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Expenses		
Personal services	\$248,006	\$277,971
Material and services	359,559	272,796
Depreciation	291,538	283,389
Interest	<u>147,752</u>	<u>149,888</u>
Total program expenses	<u>1,046,855</u>	<u>984,044</u>
 General Revenues		
Amount raised by taxation	1,991,373	1,991,373
Interest income	1,811	2,662
Other income	6,400	636
Various grants	<u>-</u>	<u>-</u>
Total general revenues	<u>1,024,114</u>	<u>995,673</u>
 Increase (decrease) in net assets	 (22,741)	 11,629
 Net Assets - beginning of year	 <u>1,276,714</u>	 <u>1,288,343</u>
 Net Assets - end of year	 <u>\$1,253,973</u>	 <u>\$1,276,714</u>

The accompanying notes are an integral part
of these financial statements

STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Cash received from operations	\$ 1,015,903	\$ 992,375
Cash paid to suppliers	(671,592)	(687,071)
Interest income received	1,811	2,662
Other income	<u>6,400</u>	<u>636</u>
Net cash provided (used) by operating activities	<u>352,552</u>	<u>308,602</u>
Cash flows from investing activities:		
Capital expenditures	(20,849)	(92,406)
Debt reduction	<u>(214,844)</u>	<u>(239,083)</u>
Net cash provided (used) by investing activities	<u>(235,693)</u>	<u>(349,179)</u>
Net increase (decrease) in cash and cash equivalents	116,829	(40,577)
Cash and cash equivalents at the beginning of year <u>398,345</u>	<u>438,922</u>	
Cash and cash equivalents at end of year	<u>\$ 515,174</u>	<u>\$ 398,345</u>
Reconciliation of change in net assets to net cash provided (used) by operating activities:		
Change in net assets	\$ (22,741)	\$ 11,629
Adjustments to reconcile change in net assets to cash provided by operating activities		
Depreciation	291,538	283,389
Change in assets and liabilities:		
(Increase) decrease in:		
Prepaid expense	(14,651)	(132)
Increase (decrease) in:		
Accounts payable and accrued expenses	<u>98,406</u>	<u>13,716</u>
Total adjustments	<u>375,293</u>	<u>296,973</u>
Net cash provided (used) by operating activities	<u>\$ 352,552</u>	<u>\$ 308,602</u>

The accompanying notes are an integral part
of these financial statements

- 9 -

BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 2
TOWNSHIP OF WALL

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity - The Board of Fire Commissioners District No. 2 (the "District") is a corporate body created for the purpose of prevention and extinguishment of fires and regulation of fire hazards within the District. The District is governed by Commissioners ("Board") that acts as the governing body. The Board is comprised of five elected Commissioners.

The Board of Commissioners annually appoints the President of the Board from existing board members. The president's responsibilities are to preside at all meetings of the Board; be the chief officer of the District; perform all duties commonly incident to the position of presiding officer of a board, commission or business organization and exercise supervision over the business of the District, its officers and employees to the extent set forth in their bylaws.

The accompanying statements of the District have been prepared in conformity with accounting principles generally accepted in the United State of America (GAAP) as applicable to governmental units. The financial statements include all organization, activities and functions that comprise the District.

Fund Accounting - The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District only uses governmental funds.

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The District reports the following major governmental funds:

General Fund - The General Fund is used to account for all financial resources of the District except those required to be accounted for in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws and the bylaws of the District.

Other Funds - Other Funds is used to account for funds restricted for capital projects.

- 10 -

Basis of Accounting - The financial statements of the Board of Fire Commissioners, District No. 2, Township of Wall, have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Inventories of Supplies - Purchases of materials and supplies are recognized and recorded as expenditures when they are acquired, regardless of when used.

Reclassifications - Certain reclassifications have been made to the 2010 financial statements to conform to the 2011 presentation.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents - For purpose of reporting cash flows, cash and cash equivalents include cash on hand and investments with an initial maturity of three months or less.

Related Party Transactions - District No. 2 is comprised of one Fire Company as follows:

1. Glendola Fire Company No. 1

The Board of Fire Commissioners has entered into an agreement with the company to provide fire fighting services.

Reservations of Fund Balance - The District records reservations for portions of funds equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore, are not available for appropriations or expenditure in the general fund balance sheet. Unreserved fund balance indicates that portion of fund equity, which is available for appropriations, in future periods. Fund equity reserves have been established for capital projects.

Net Assets - Net assets present the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by District legislation or external restrictions by creditors, grantors, laws or regulations of other governments.

Capital Assets - General capital assets generally result from expenditures in the reserve for capital projects. These assets are reported on the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's life are not.

Accounts Payable and Accrued Expenses

	<u>2011</u>	<u>2010</u>
Accounts payable	\$20,261	\$12,390
Other payables	35,889	38,603
LOSAP	11,730	7,599
Accrued interest	6,185	7,067
Tax Appropriation Reserve	<u>90,000</u>	<u>0</u>
	<u>\$164,065</u>	<u>\$ 65,659</u>

Commitments

The Board entered into a lease with option to purchase agreement for a tower ladder fire truck. The lease dated as of December 5, 2001 in the amount of \$600,000 is payable in annual installments of \$78,803 and bears interest at a rate of 5.25%.

BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 2
TOWNSHIP OF WALL
NOTES TO FINANCIAL STATEMENTS
(continued)
YEARS ENDED DECEMBER 31, 2011 AND 2010

If insufficient funds are available in lessee's budget for the next budget year to make the rental payments for the next renewal term and the funds to make such rental payments are otherwise unavailable by any lawful means, then lessee shall have the option to non-Appropriate the funds to pay the rental payments for the next renewal term. If lessee chooses this option, then all obligations of the lessee under this agreement regarding rental payments for all remaining renewal term shall be terminated.

The following is a schedule of future lease payments under the lease together with the present value of the lease payments as of December 31, 2011 and 2010.

<u>Due Date</u>	<u>2011</u>	<u>2010</u>
December 5, 2011	\$ <u>78,803</u>	\$ <u>78,803</u>
Total lease payments	78,803	78,803
Less, amount representing interest	<u> 0</u>	<u> 3,960</u>
Present value of lease payments	\$ <u> 0</u>	\$ <u>74,843</u>

Pension Plan

District No. 2 participates in the Public Employee Retirement System and Police and Firemen's Retirement System of New Jersey which is a part of the Division of Pensions in the Department of the Treasury, State of New Jersey. The plan is funded annually based on the projected benefit method with aggregate level normal cost and frozen initial unfunded accrued liability. The plan, which covers public employees throughout the state, does not maintain separate records for each reporting unit and, accordingly, the actuarial data for the employees of the Authority who are members of the plan is not available. Pension expense was \$29,464 and \$32,252 in 2011 and 2010, respectively.

BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 2
TOWNSHIP OF WALL
NOTES TO FINANCIAL STATEMENTS
(continued)
YEARS ENDED DECEMBER 31, 2011 AND 2010

Capital Assets

Capital assets together with accumulated depreciation and estimated useful lives consist of the following:

	<u>2011</u>	<u>2010</u>		
Land	\$ 26,000	\$ 26,000		
Firehouses and improvements	4,479,119	4,428,937		30
Apparatus	1,626,593	1,626,593	10	
Vehicles and equipment	<u>466,470</u>	<u>466,470</u>		5
	6,598,182	6,548,000		
Less, accumulated depreciation	<u>2,449,642</u>	<u>2,158,104</u>		
	<u>\$4,148,540</u>	<u>\$ 4,389,896</u>		

Bonds Payable

The Board of Fire Commissioners District No. 2, Township of Wall, issued \$3,800,000 general obligation bonds to provide a portion of the funds necessary to undertake the construction of a new firehouse and to make the necessary onsite improvements. The bonds are dated March 30, 2007. Interest is payable semi-annually on June 15 and December 15, commencing June 15, 2008. The average coupon is 4.30%. Maturities of debt for each of the succeeding five years are as follows:

Year	Principal
2012	145,000
2013	155,000
2014	160,000
2015	165,000
2016	175,000
Thereafter	<u>2,455,000</u>
	<u>\$ 3,255,000</u>

TOWNSHIP OF WALL
NOTES TO FINANCIAL STATEMENTS
(continued)
YEARS ENDED DECEMBER 31, 2011 AND 2010

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that financial statements were available to be issued, which date is August 22, 2012.

Fair Value Measurements

The district uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosure.

FASB ASC topic 820, fair value measurements and disclosures establishes a fair value hierarchy that prioritizes the inputs to valuation methods used to measure fair value. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority unobservable inputs (level 3). The three levels of the fair value hierarchy under FASB ASC topic 820 are as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Significant other observable inputs.
- Level 3: Significant unobservable inputs.

The carrying amount of cash, accounts receivable, accounts payable and accrued expenses approximates fair value due to the short-term maturities of these instruments.

BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 2
TOWNSHIP OF WALL
STATISTICAL INFORMATION
DECEMBER 31, 2011

Property Tax Levies

Following is a tabulation of district assessed valuations, tax levies and property tax rates per \$100 of assessed valuations.

<u>Calendar Year</u> <u>Tax Rates</u>	<u>Assessed Valuations</u> <u>(Unaudited)</u>	<u>Total Tax Levy</u>	<u>Property</u>
12/31/2011	\$1,527,431,663	\$1,105,903	.073
12/31/2010	1,543,583,248	992,375	.065
12/31/2009	1,550,199,500	950,715	.062
12/31/2008	1,536,554,223	909,630	.060

Unreserved Fund Balance

Following is a tabulation of unreserved fund balance and subsequent budget action thereon for the current and preceding three years.

<u>Calendar Year Ended</u>	<u>End of Calendar Year</u>	<u>Utilization in Subsequent Budget</u>
December 31, 2011	\$359,534	
December 31, 2010	472,323	142,564
December 31, 2009	573,387	161,632
December 31, 2008	618,405	192,821

BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 2
TOWNSHIP OF WALL
ROSTER OF OFFICIALS

<u>Name</u>	<u>Amount of Surety Bond</u>
<u>Board of Commissioners</u>	
Eugene H. White, President	-
Daryl Bauter, Member	-
John A. Tennissen, Clerk	-
Robert S. Coman, Treasurer	\$100,000
Michael K. Textor, Member	-

Company Name

American Alternative Insurance Corporation

Board of Fire Commissioners
District No. 2
Township of Wall

**Report on Internal Control Over Financial Reporting
and on Compliance Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

I have audited the financial statements of Board of Fire Commissioners, District No. 2, Township of Wall, as of and for the year ended December 31, 2011, and have issued my report thereon dated August 22, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Board of Fire Commissioners, District No. 2, Township of Wall's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board of Fire Commissioners, District No. 2, Township of Wall's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Board of Fire Commissioners, District No. 2, Township of Wall's internal control over financial reporting.

A control 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 control deficiency, or combination of control deficiencies, that adversely affects the Board of Fire Commissioners, District No. 2, Township of Wall's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Board of Fire Commissioners, District No. 2, Township of Wall's financial statements that is more than inconsequential will not be prevented or detected by the Board of Fire Commissioners, District No. 2, Township of Wall's internal control.

- 19 -

Board of Fire Commissioners
District No. 2
Page 2

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Board of Fire Commissioners, District No. 2, Township of Wall's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Board of Fire Commissioners, District No. 2, Township of Wall's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests of compliance disclosed the following instance of noncompliance required to be reported under Government Auditing Standards. The Board of Fire Commissioners, District No. 2, Township of Wall has not had an audit completed and filed with the Authority within four months after the close of the fiscal year as required by N.J.S.A. 40A:5A-15. I considered this instance of noncompliance in forming my opinion on whether the Board of Fire Commissioners, District No. 2, Township of Wall's financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles, and this report does not affect my report dated August 22, 2012.

This report is intended for the information and use of the Board of Fire Commissioners, District No. 2, Township of Wall, and the Division of Local Government Services. However, this report is a matter of public record and its distribution is not limited.

BARRY J. OSBORN, CPA

August 22, 2012

- 20 -

BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 2
TOWNSHIP OF WALL
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2011

Significant Deficiencies

Finding: 2011 - 1

Criteria: Auditor drafting of client's financial statements

Condition: Bookkeeper does not have adequate technical training in the preparation of financial statements

Response: Management plans to review, approve and accept responsibility for the financial statements prior to their issuance.

SUPPLEMENTARY INFORMATION