

BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 2
TOWNSHIP OF WALL

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

WITH

INDEPENDENT AUDITOR'S REPORT

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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, 2012 and 2011, 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, 2012 and 2011, 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.

In accordance with Government Auditing Standards, I have also issued a report dated October 23, 2013 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

October 23, 2013

BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 2
TOWNSHIP OF WALL
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

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, 2012. Please review it in conjunction with the district's basic financial statements which begin on page 6.

Financial Highlights

Total net assets increased \$67,734 which represents a 5.4 percent increase from 2011. \$164,493 was the excess of revenues over expenditures in the general fund, \$41,990 was the excess of expenditures over revenues in restricted for capital projects and \$54,769 was the decrease in net assets invested in capital assets, net of related debt.

The amount raised by taxation was \$980,619 or 87.8 percent of all revenues. Interest and other income amounted to \$136,253 or 12.2 percent of all revenues.

Total program expenses have increased \$63,694 or 6.4 percent. Depreciation for 2012 totaled \$241,758.

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

TOWNSHIP OF WALL
MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)
FOR THE YEAR ENDED DECEMBER 31, 2012

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 increased \$67,734 to \$1,321,708 or 15.4 percent. Details of the changes are reflected on page 8.

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 \$31,240.

Capital Assets

At year end, the district had \$7,283,172 in total capital assets - an increase of \$684,990 from 2011. During 2012 the district continued construction of a firehouse in the amount of \$24,605, and leased a new Fire Pumper in the amount of \$660,385.

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 2013 will be approximately \$286,244.

Economic Factors and Next Year 's Budget and Rates

The district's governing body considered many factors when setting the 2013 budget and tax rates including the economy, the rate of inflation and planned future capital projects. The tax rate will increase \$.003 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.

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and cash equivalents	\$ 583,987	\$ 515,174
Prepaid expenses		9,352
Capital assets, net	<u>4,591,772</u>	<u>4,148,540</u>
Total Assets	<u>\$ 5,185,111</u>	<u>\$ 4,673,038</u>
 LIABILITIES		
Accounts payable and accrued expenses	\$ 110,404	\$ 164,065
Capital lease obligation payable	643,000	0
General obligation bonds	<u>3,110,000</u>	<u>3,255,000</u>
Total Liabilities	<u>3,863,404</u>	<u>3,419,065</u>
 NET ASSETS		
Invested in capital assets, net of related debt	577,906	632,675
Restricted for capital projects	219,773	261,763
Unrestricted	<u>524,028</u>	<u>359,535</u>
Total Net Assets	<u>\$1,321,707</u>	<u>\$1,253,973</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, 2012

Restricted	Invested	Statement			Adjust- ments	of Activities
		General Fund	For Capital Projects	In Capital Assets		
Revenues						
	Amount raised by taxation	\$980,619			980,619	980,619
	Investment income	1,028			1,028	1,028
	Miscellaneous income	<u>135,225</u>			<u>135,225</u>	<u>135,225</u>
	Total revenues	1,116,872			1,116,872	1,116,872
Expenditures						
	Personal service	262,856			262,856	262,856
	Materials and services	322,451			322,451	322,451
	Depreciation	-		241,758	241,758	241,758
	Capital Outlays	42,735	41,990		84,725	84,725
	Debt service:					
	Principal	145,000		(145,000)		
	Interest	<u>137,348</u>	<u>0</u>	<u>0</u>	<u>137,348</u>	<u>137,348</u>
	Total expenditures	<u>910,390</u>	<u>41,990</u>	<u>96,758</u>	<u>1,049,138</u>	<u>1,049,138</u>
	Over Expenditures	206,482	(41,990)	(96,758)	67,734	Excess of Revenue (67,734) -
	Change in net assets					67,734 67,734
Fund Balance/net assets						
	Beginning of year	359,535	261,763	632,675	1,253,973	- 1,253,973
	Interfund Transfer	<u>(41,989)</u>	-	<u>41,989</u>	-	-
	End of year	<u>\$ 524,028</u>	<u>\$ 219,773</u>	<u>\$ 577,906</u>	<u>\$ 1,321,707</u>	- <u>\$ 1,321,707</u>

The accompanying notes are an integral part
of these financial statements

BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 2
TOWNSHIP OF WALL
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED DECEMBER 31, 2012

<u>Budgeted Amounts</u> Actual Budgetary	Positive	Final Budget			Variance with
		<u>Original</u>	<u>Final</u>	<u>Basis</u>	<u>(Negative)</u>
Income					
Interest Income		3,000	3,000	1,028	(1,972)
Miscellaneous Income		-	-	135,225	135,225
Raised by Taxation		<u>980,619</u>	<u>980,619</u>	<u>980,619</u>	<u>0</u>
Total Income		<u>983,619</u>	<u>983,619</u>	<u>1,116,872</u>	<u>133,253</u>
Gross Profit					
Expenses					
Administration		7,500	7,500	5,091	2,409
Repairs & Maintenance	105,000	151,000	150,845	155	
Salary		185,000	153,000	151,382	1,618
Training		12,500	17,500	17,368	132
Utilities		70,000	61,000	60,554	446
Advertising		750	750	445	305
Commissioner Compensation		33,750	33,950	33,885	65
Elections		750	750	571	179
Fire Equipment		85,000	91,000	88,725	2275
Fringe Benefits		83,750	78,550	77,589	961
Insurance		70,000	58,000	42,260	15,740
LOSAP		22,000	22,000	15,810	6,190
Professional Fees		25,000	26,000	25,506	494
Debt Service		<u>282,619</u>	<u>282,619</u>	<u>282,348</u>	<u>271</u>
Total Expenses		<u>983,619</u>	<u>983,619</u>	<u>952,379</u>	<u>31,240</u>
Excess Revenues					
Over Expenditures		-	-	<u>\$ 164,493</u>	<u>\$ 164,493</u>

The accompanying notes are an integral part
of these financial statements

DISTRICT NO. 2
TOWNSHIP OF WALL
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Expenses		
Personal services	\$262,856	\$248,006
Material and services	364,441	359,559
Depreciation	241,758	291,538
Interest	137,348	147,752
New Equipment	<u>42,735</u>	<u>0</u>
Total program expenses	<u>1,049,138</u>	<u>1,046,855</u>
 General Revenues		
Amount raised by taxation	980,659	980,659
Interest income	1,028	1,811
Other income	<u>135,225</u>	<u>6,400</u>
Total general revenues	<u>1,116,872</u>	<u>1,024,114</u>
 Increase (decrease) in net assets	 67,734	 (22,741)
 Net Assets - beginning of year	 <u>1,253,973</u>	 <u>1,276,714</u>
 Net Assets - end of year	 <u>\$1,321,707</u>	 <u>\$1,253,973</u>

The accompanying notes are an integral part
of these financial statements

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Cash received from operations	\$ 980,619	\$ 1,015,903
Cash paid to suppliers	(861,069)	(671,592)
Interest income received	1,028	1,811
Other income	<u>135,225</u>	<u>6,400</u>
Net cash provided (used) by operating activities	<u>255,803</u>	<u>352,552</u>
Cash flows from investing activities:		
Capital expenditures	(684,990)	(20,849)
Debt reduction	(145,000)	(214,844)
Capital Lease	<u>643,000</u>	<u>0</u>
Net cash provided (used) by investing activities	<u>(186,990)</u>	<u>(235,693)</u>
Net increase (decrease) in cash and cash equivalents	68,813	116,829
Cash and cash equivalents at the beginning of year <u>515,174</u>	<u>398,345</u>	
Cash and cash equivalents at end of year	<u>\$ 583,987</u>	<u>\$ 515,174</u>
Reconciliation of change in net assets to net cash provided (used) by operating activities:		
Change in net assets	<u>\$ 67,734</u>	<u>\$ (22,741)</u>
Adjustments to reconcile change in net assets to cash provided by operating activities		
Depreciation	241,758	291,538
Change in assets and liabilities:		
(Increase) decrease in:		
Prepaid expense	(28)	(14,651)
Increase (decrease) in:		
Accounts payable and accrued expenses	<u>(53,662)</u>	<u>98,406</u>
Total adjustments	<u>188,068</u>	<u>375,293</u>
Net cash provided (used) by operating activities	<u>\$ 255,802</u>	<u>\$ 352,552</u>

The accompanying notes are an integral part
of these financial statements

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BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 2
TOWNSHIP OF WALL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011

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.

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BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 2
TOWNSHIP OF WALL
NOTES TO FINANCIAL STATEMENTS
(continued)
YEARS ENDED DECEMBER 31, 2012 AND 2011

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 2011 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.

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BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 2
TOWNSHIP OF WALL
NOTES TO FINANCIAL STATEMENTS
(continued)
YEARS ENDED DECEMBER 31, 2012 AND 2011

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>2012</u>	<u>2011</u>
Accounts payable	\$52,260	\$20,261
Other payables	36,420	35,889
LOSAP	15,810	11,730
Accrued interest	5,914	6,185
Tax Appropriation Reserve	-	<u>90,000</u>
	<u>\$110,404</u>	<u>\$ 164,065</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%. This lease final payment was made in 2012.

The Board entered into a lease with option to purchase agreement for a Pumper truck. The lease dated as of November 1, 2012 in the amount of \$643,000 is payable in annual installments of \$70,836 and bears interest at a rate of 1.8%.

BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 2
TOWNSHIP OF WALL
NOTES TO FINANCIAL STATEMENTS
(continued)
YEARS ENDED DECEMBER 31, 2012 AND 2011

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, 2012.

<u>Due Date</u>	<u>2012</u>
November 1, 2013	\$ 70,836
November 1, 2014	70,836
November 1, 2015	70,836
November 1, 2016	70,836
November 1, 2017	70,836
November 1, 2018	70,836
November 1, 2019	70,836
November 1, 2020	70,836
November 1, 2021	70,836
November 1, 2022	<u>70,836</u>
Total lease payments	708,359
Less, amount representing interest	<u>65,359</u>
Present value of lease payments	<u>\$ 643,000</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 \$29,895 and \$29,464 in 2012 and 2011, respectively.

DISTRICT NO. 2
TOWNSHIP OF WALL
NOTES TO FINANCIAL STATEMENTS
(continued)
YEARS ENDED DECEMBER 31, 2012 AND 2011

Capital Assets

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

	<u>2012</u>	<u>2011</u>	
Land	\$ 26,000	\$ 26,000	
Firehouses and improvements	4,503,724	4,479,119	30
Apparatus	2,286,978	1,626,593	10
Vehicles and equipment	<u>466,470</u>	<u>466,470</u>	5
	7,283,172	6,598,182	
Less, accumulated depreciation	<u>2,691,400</u>	<u>2,449,642</u>	
	<u>\$4,591,772</u>	<u>\$ 4,148,540</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
2013	155,000
2014	160,000
2015	165,000
2016	175,000
2017	180,000
Thereafter	<u>2,275,000</u>
	<u>\$ 3,110,000</u>

NOTES TO FINANCIAL STATEMENTS
(continued)
YEARS ENDED DECEMBER 31, 2012 AND 2011

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 October 23, 2013.

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, 2012

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>	Assessed Valuations (Unaudited)	Total Tax Levy	Property
12/31/2012	\$1,516,752,598	\$ 980,619	.057
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

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>	End of <u>Calendar Year</u>	Utilization in Subsequent <u>Budget</u>
December 31, 2012	\$508,144	
December 31, 2011	359,534	
December 31, 2010	472,323	142,564
December 31, 2009	573,387	161,632

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, 2012, and have issued my report thereon dated October 23, 2013. 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.

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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 October 23, 2013.

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

October 23, 2013

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BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 2
TOWNSHIP OF WALL
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2012

Significant Deficiencies

Finding: 2012 - 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