

BOARD OF FIRE COMMISSIONERS  
DISTRICT NO. 1  
TOWNSHIP OF WALL

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

BOARD OF FIRE COMMISSIONERS  
DISTRICT NO 1  
TOWNSHIP OF WALL

INDEX

	<u>Page</u>
Independent Auditors' Report.....	1-2
Management's Discussion and Analysis.....	3-7
Statement of Net Assets and Governmental Funds.....	8
Statement of Revenues, Expenses and Changes in Fund Balance/Statement of Activities.....	9
Statement of Cash Flows.....	10-11
Notes to the Financial Statements.....	12-19
Budgetary Comparison Schedule.....	20
Statistical Information.....	21
Roster of Officials.....	22
Report on Financial Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	23-24

Independent Auditors' Report

To the Board of Fire Commissioners  
District No. 1  
Township of Wall  
Wall, New Jersey

We have audited the accompanying financial statements of the governmental activities and fund financial statements of the Board of Fire Commissioners, District No. 1 ("Fire District"), Township of Wall, State of New Jersey, as of and for the year ended December 31, 2011, which collectively comprise the Fire District's basic financial statements, as listed in the accompanying table of contents. These basic financial statements are the responsibility of the Board of Fire Commissioners, District No. 1, Township of Wall's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year's summarized information has been derived from the Fire District's 2010 financial statements and, in our report dated April 19, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Board of Fire Commissioners, District No. 1, Township of Wall, State of New Jersey as of December 31, 2011, and the changes in financial position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2012, on our consideration of the Board of Fire Commissioners, District No. 1, Township of Wall's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audits.

The management's discussion and analysis and budgetary comparison information on pages 3 through 7 and page 20, 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. We 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, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Board of Fire Commissioners, District No. 1, 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 auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

  
NEAL & COMPANY, PA  
Certified Public Accountants

Wall, New Jersey  
April 26, 2012

MANAGEMENT'S DISCUSSION & ANALYSIS OF THE  
BOARD OF FIRE COMMISSIONERS DISTRICT NO. 1, TOWNSHIP OF WALL

The discussion and analysis of the Board of Fire Commissioners District No. 1, Township of Wall's financial performance provides an overall review of the Fire District's financial activities for the fiscal year ended December 31, 2011. The intent of this discussion and analysis is to look at the Fire District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the Fire District's financial performance.

**OVERVIEW:**

The Board of Fire Commissioners District No. 1, hereafter referred to as the "Fire District," is a primary governmental entity located in the Township of Wall, State of New Jersey. The Fire District is run by a board of commissioners who are elected into office by the members of the Fire District, in the Township of Wall.

The Fire District is responsible for establishing a budget and maintaining fiscal control over public funds that are used to provide for the safety and welfare of the residents located within District No. 1 in the Township of Wall. Under existing statute, the Fire District is exempt from both Federal and State taxes.

The accounts of the Fire District are maintained in accordance with the principles of "fund accounting". One fund, the Unassigned Fund is used to account for all revenues and expenditures applicable to the general operations of the Fire District.

Funding is acquired through property taxes levies. In 2011 the total tax levy was \$383,689, which corresponds to a property tax rate of .083 per \$100 of assessed valuation.

**Financial Highlights**

Key financial highlights for 2011 are as follows:

- The assets of the Fire District exceeded its liabilities at the end of the current year by \$433,455.
- At the end of the current year, unassigned fund balance for the general fund was \$178,511 an increase of \$25,508.
- The Fire District's total debt decreased by \$92,255 as a result of a decrease for budgeted payments on the capital leases.

## **Reporting the Fire District as a Whole**

### Statement of Net Assets and the Statement of Activities

While this document contains only one fund used by the Fire District to provide programs and activities, the view of the Fire District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2011?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Fire District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the Fire District as a whole, the financial position of the Fire District has improved or diminished. The causes of this change may be the result of many factors, some financial and some not.

## **Reporting the Fire District's Most Significant Funds**

### Fund Financial Statements

Fund financial reports provide detailed information about the Fire District's funds. The Fire District uses one fund to account for all financial transactions. The Fire District's governmental fund is the General Fund.

### Governmental Funds

The Fire District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Fire District's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance fire fighting operations. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

## **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 12 to 19 of this report.

## The Fire District as a Whole

The Statement of Net Assets and Governmental Funds provides the perspective of the Fire District as a whole. Net assets may serve over time as a useful indicator of a government's financial position.

The Fire District's financial position is the product of several financial transactions including the net results of activities, the acquisition and disposal of capital assets, and the depreciation of capital assets.

## Governmental Activities

The property tax assessments made up 98% of revenues while investment earnings and other revenues made up the remaining 2% of revenues for fiscal year 2011. The Fire District's total revenues were \$392,237 for the year ended December 31, 2011.

The total cost of operations was \$316,674.

## Business-Type Activities

The Fire District does not have any business-type activities.

## The Fire District's Funds

The governmental fund (general fund presented in the fund-based statements) is accounted for using the modified accrual basis of accounting. Total revenues amounted to \$392,237 and expenditures were \$316,674.

As demonstrated by the various statements and schedules included in the financial section of this report, the Fire District continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the governmental funds for the fiscal year ended December 31, 2011 and 2010, and the amount and percentage of total revenues compared to prior year revenues.

Revenue	2011 Amount	Percentage of Total	2010 Amount	Percentage of Total
Property Taxes	\$ 383,689	98%	\$ 333,751	97%
Investment Earnings	2,418	-%	2,351	1%
Miscellaneous	6,130	2%	8,609	2%
Total	\$ 392,237	100%	\$ 344,711	100%

### The Fire District's Funds (continued)

The following schedule represents a summary of general fund expenditures for the fiscal year ended December 31, 2011 and 2010, and the percentage of total expenditures compared to prior year amounts.

Expenditures	2011 Amount	Percentage of Total	2010 Amount	Percentage of Total
Administration	\$ 43,140	14%	\$ 35,958	12%
Operations & Maintenance	160,325	51%	142,613	49%
Debt Service	113,209	35%	113,209	39%
Total	<u>\$ 316,674</u>	<u>100%</u>	<u>\$ 291,780</u>	<u>100%</u>

### General Fund Budgeting Highlights

The Fire District's budget is prepared according to New Jersey law, and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the Unassigned Fund.

### For the Future

The Township of Wall Fire District No. 1 is in good financial condition presently.

In conclusion, the Township of Wall Fire District No. 1 has committed itself to financial excellence for many years. The Fire District plans to continue its sound fiscal management to meet the challenges of the future.



**THE ORGANIZATION:**

The Fire District is governed by a five member Board of Commissioners who establishes the policies and plans to meet the current and future needs for the Fire District. The current members of the Fire District Board of Commissioners are set forth below:

<u>Name</u>	<u>Position Held</u>
William R. Davenport	President
Robert Hendrickson	Vice President
Norman R. Stelling	Secretary
Edward Miles	Treasurer
Jeffrey Kniffin	Commissioner

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Fire District's finances and to show the Fire District's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Board Clerk at P.O. Box 53, Belmar, NJ 07719-0053.

BOARD OF FIRE COMMISSIONERS  
DISTRICT NO. 1  
TOWNSHIP OF WALL  
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS  
DECEMBER 31, 2011  
with comparative totals for 2010

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 335,400	\$ 295,624
Account receivable	3,313	-
Prepaid expense	8,055	7,199
Capital assets, net of accumulated depreciation	<u>520,562</u>	<u>582,962</u>
 Total assets	 <u>\$ 867,330</u>	 <u>\$ 885,785</u>
 <b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 39,070	\$ 20,633
Capital lease obligation:		
Due within one year	96,182	92,255
Due after one year	<u>298,622</u>	<u>394,804</u>
 Total liabilities	 <u>433,874</u>	 <u>507,692</u>
 <b>FUND BALANCES AND NET ASSETS</b>		
Fund Balances		
Restricted for capital projects	129,186	129,186
Unassigned	<u>178,511</u>	<u>153,003</u>
 Total fund balances	 <u>307,697</u>	 <u>282,189</u>
 <b>Net Assets</b>		
Invested in capital assets, net of related debt	<u>125,759</u>	<u>95,904</u>
 Total net assets	 <u>125,759</u>	 <u>95,904</u>
 Total liabilities, fund balances, and net assets	 <u>\$ 867,330</u>	 <u>\$ 885,785</u>

The accompanying notes are an integral part of these financial statements.

BOARD OF FIRE COMMISSIONERS  
DISTRICT NO. 1  
TOWNSHIP OF WALL  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2011  
with comparative totals for 2010

	General Fund	Other Funds	Total	Adjustments	Totals (Memorandum Only)	
					2011	2010
<b>Revenues</b>						
Amount raised by taxation	\$ 383,689	\$ -	\$ 383,689	\$ -	\$ 383,689	\$ 333,751
Interest income	2,418		2,418		2,418	2,351
Other income	4,994		4,994		4,994	400
Gain on sale of equipment	1,136		1,136		1,136	8,209
<b>Total revenues</b>	<b>392,237</b>	<b>-</b>	<b>392,237</b>	<b>-</b>	<b>392,237</b>	<b>344,711</b>
<b>Expenditures</b>						
Administrative costs:						
Salary - Commissioners	4,750		4,750		4,750	4,750
Length of service award program	27,550		27,550		27,550	15,950
Elections	541		541		541	1,081
Professional services	7,166		7,166		7,166	8,140
Advertising	113		113		113	229
Aministration	3,020		3,020		3,020	5,807
Capital expenditures	50,056		50,056	(50,056)	-	-
Cost of Operations and Maintenance:						
Certification & Testing	6,087		6,087		6,087	7,030
Communication	2,102		2,102		2,102	2,300
Fire fighting equipment	41,037		41,037		41,037	25,634
Rental charges	24,000		24,000		24,000	24,000
Insurance premiums	40,118		40,118		40,118	47,686
Materials & supplies	2,149		2,149		2,149	573
Training and education	462		462		462	2,450
Truck fuel	6,482		6,482		6,482	5,206
Maintenance and repairs	27,539		27,539		27,539	17,742
Utilities	10,348		10,348		10,348	9,993
Depreciation	-		-	112,456	112,456	107,972
Debt Service:						
Principal	92,255		92,255	(92,255)	-	-
Interest	20,954		20,954		20,954	24,720
<b>Total expenditures</b>	<b>366,729</b>	<b>-</b>	<b>366,729</b>	<b>(29,855)</b>	<b>336,874</b>	<b>311,263</b>
Excess of revenues over expenditures	25,508	-	25,508	(25,508)	-	33,448
Change in net assets	-	-	-	55,363	55,363	-
<b>Fund balance/net assets</b>						
Beginning of year	153,003	129,186	282,189	-	378,093	344,645
End of year	\$ 178,511	\$ 129,186	\$ 307,697	\$ -	\$ 433,456	\$ 378,093

The accompanying notes are an integral part of these financial statements.

BOARD OF FIRE COMMISSIONERS  
DISTRICT NO. 1  
TOWNSHIP OF WALL  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
with comparative totals for 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Cash received from operations	\$ 383,689	\$ 333,751
Cash paid to suppliers	(185,884)	(220,207)
Interest paid	(20,954)	(24,720)
Interest income received	2,418	2,351
Other income	<u>1,681</u>	<u>400</u>
Net cash provided (used) by operating activities	<u>180,950</u>	<u>91,575</u>
Cash flows from investing activities:		
Capital expenditures	(50,056)	(57,348)
Proceeds from sale of fixed assets	<u>1,137</u>	<u>8,209</u>
Net cash provided (used) by investing activities	<u>(48,919)</u>	<u>(49,139)</u>
Cash flows from financing activities:		
Repayment of capital lease	<u>(92,255)</u>	<u>(88,489)</u>
Net cash provided (used) by financing activities	<u>(92,255)</u>	<u>(88,489)</u>
Net increase (decrease) in cash and cash equivalents	39,776	(46,053)
Cash and cash equivalents at the beginning of year	<u>295,624</u>	<u>341,677</u>
Cash and cash equivalents at the end of year	<u>\$ 335,400</u>	<u>\$ 295,624</u>

The accompanying notes are an integral part of these financial statements.

BOARD OF FIRE COMMISSIONERS  
DISTRICT NO. 1  
TOWNSHIP OF WALL  
STATEMENT OF CASH FLOWS  
(continued)  
FOR THE YEAR ENDED DECEMBER 31, 2011  
with comparative totals for 2010

	<u>2011</u>	<u>2010</u>
Reconciliation of change in net assets to net cash provided (used) by operating activities		
Change in net assets	\$ <u>55,362</u>	\$ <u>33,448</u>
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	112,456	107,972
Gain on sale of equipment	(1,136)	(8,209)
Change in net assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(3,313)	-
Prepaid expense	(857)	(5,844)
Increase (decrease) in:		
Accounts payable and accrued expenses	18,438	(32,064)
Deferred insurance claim	-	(3,728)
Total adjustments	<u>125,588</u>	<u>58,127</u>
Net cash provided (used) by operating activities	\$ <u><u>180,950</u></u>	\$ <u><u>91,575</u></u>

The accompanying notes are an integral part of these financial statements.

BOARD OF FIRE COMMISSIONERS  
DISTRICT NO. 1  
TOWNSHIP OF WALL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011

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

The accounting policies of the Board of Fire Commissioners, District No. 1 (the "Fire District") conform to the accounting principles applicable to special districts which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. For the years ended December 31, 2011 and 2010, the financial statements of the Fire District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles.

**Reporting Entity**

The Fire District is an instrumentality of the State of New Jersey, established to function as a special district. The Board of Fire Commissioners consists of elected officials and is responsible for the fiscal control of the District.

The primary criterion of including activities within the Fire District's reporting entity, as set forth in Section 2100 of the *GASB Codification of Governmental Accounting and Financial Reporting Standards*, is the degree of oversight responsibility maintained by the Fire District. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds and account groups of the Fire District over which the board exercises operating control. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the 2011 and 2010 years. Furthermore, the Fire District is not includable in any other reporting entity on the basis of such criteria.

**Basis of Presentation, Measurement Focus and Basis of Accounting**

Basis of Presentation

Fund Financial Statements: During the fiscal year, the Fire District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the Fire District's funds.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balance 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 Fire District adopted GASB No. 54 "Fund Balances Reporting and Governmental Fund Type Definitions" in the current year. The GASB established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the government fund. The adoption had no impact on the fund balances.

BOARD OF FIRE COMMISSIONERS  
DISTRICT NO. 1  
TOWNSHIP OF WALL  
NOTES TO FINANCIAL STATEMENTS

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Presentation, Measurement Focus and Basis of Accounting (Continued)**

Unassigned Fund Balance

Unassigned fund balance is the residual classification for the general fund. This classification represents the fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

Restricted for Capital Projects

Fund equity reserve was established for capital projects.

Measurement focus and basis of accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

The Fire District's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax assessments are recognized as revenues in the year in which they are levied.

Contributions and grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Net assets (total assets less total liabilities) are used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net assets. Depreciation is charged as expense against current operations and accumulated depreciation is reported on the statement of net assets.

**Budget/Budgetary Control**

An annual operating budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures in accordance with NJSA 40A:14-78.1 et al. The operating budget, adopted annually, is in the form prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

**Assets, Liabilities, Fund Balances and Net Assets**

Cash, cash equivalents and investments

Cash and cash equivalents include various checking and money market accounts and certificates of deposit with maturities of three months or less.

Additionally, the Fire District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

BOARD OF FIRE COMMISSIONERS  
DISTRICT NO. 1  
TOWNSHIP OF WALL  
NOTES TO FINANCIAL STATEMENTS

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Assets, Liabilities, Fund Balances and Net Assets (continued)**

N.J.S.A. 17:9-41 et. Seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include savings and loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged plus the collateral of all other public depositories is available to pay the full amount of their deposits to the Governmental Units.

Capital assets

The Fire District has established a formal system of accounting for its capital assets. Purchased assets are reported at cost. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The capitalization threshold used by the Fire District is \$5,000.

All reported capital assets are depreciated. Depreciation is computed using the straight-line method over their estimated useful lives. Useful lives vary from 5 to 10 years for equipment, and 15 years for leasehold improvements.

Accrued liabilities and long-term obligations

All payables and accrued liabilities and long-term obligations are reported on the Fire District's financial statements. In general, governmental fund payables and accrued liabilities that are incurred are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

Net assets invested in capital assets, net of related debt

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use, either through the enabling legislation adopted by the Fire District, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The Fire District applies unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.



BOARD OF FIRE COMMISSIONERS  
DISTRICT NO. 1  
TOWNSHIP OF WALL  
NOTES TO FINANCIAL STATEMENTS

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Accordingly, actual results could differ from those estimates.

Related party transactions

District No. 1 is comprised of one fire company, Wall Fire Company No. 1.

The Board of Fire Commissioners has entered into an agreement with the Wall Fire Company No. 1 to provide fire fighting services.

Comparative Data

Comparative totals for the prior year have been presented in the accompanying combined financial statements in order to provide an understanding of changes in the Fire District's financial position and operations. However, presentation of prior year totals by fund type has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

Total columns on the combined financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data. Certain comparative data has been reclassified to present such amounts in a manner consistent with the current year's presentation.

**NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS**

Custodial credit risk

Custodial credit risk is the risk that in the event of a bank failure, the Fire District's deposits may not be returned to it. The District does not have a policy for custodial credit risk, however the State of New Jersey imposes certain collateral requirements for governmental units. These requirements are disclosed in detail as part of Note 1.

BOARD OF FIRE COMMISSIONERS  
DISTRICT NO. 1  
TOWNSHIP OF WALL  
NOTES TO FINANCIAL STATEMENTS

**NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)**

Deposits

All of the deposits of the Fire District are insured through federal depository insurance coverage, or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

At December 31, 2011, the Fire District's deposits had a carrying amount of \$335,400 and a bank balance of \$335,400. The bank balances were exposed to custodial risk as follows:

		<u>Deposits</u>
Insured	\$	250,000
Uninsured and collateral held by pledging bank's trust department not in the District's name		85,400
	\$	335,400

**NOTE 3 - CAPITAL ASSET**

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

	<u>Beginning Balance 2011</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance 2011</u>
Vehicles and equipment	\$ 79,906	\$ 50,056	\$ -	\$ 129,962
Apparatus	1,399,033	-	-	1,399,033
Leasehold improvements	33,594	-	-	33,594
<b>Totals</b>	<b>\$ 1,512,533</b>	<b>\$ 50,056</b>	<b>\$ -</b>	<b>\$ 1,562,589</b>
Less accumulated depreciation for:				
Vehicles and equipment	\$ (42,429)	\$ (12,224)	\$ -	\$ (54,653)
Apparatus	(877,266)	(97,695)	-	(974,961)
Leasehold improvements	(9,876)	(2,537)	-	(12,413)
<b>Totals</b>	<b>\$ (929,571)</b>	<b>\$ (112,456)</b>	<b>\$ -</b>	<b>\$ (1,042,027)</b>
<b>Capital assets, net</b>	<b>\$ 582,962</b>			<b>\$ 520,562</b>

BOARD OF FIRE COMMISSIONERS  
DISTRICT NO. 1  
TOWNSHIP OF WALL  
NOTES TO FINANCIAL STATEMENTS

**NOTE 4 - DEBT SERVICE**

The following tabulation presents the principal and interest requirements for the next five years and thereafter of District debt issued and outstanding.

Capital lease purchases

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 96,182	\$ 17,027	\$ 113,209
2013	100,276	12,933	113,209
2014	104,546	8,663	113,209
2015	45,870	4,212	50,082
2016	47,930	2,152	50,082
	\$ 394,804	\$ 44,987	\$ 439,791

The Board entered into several leases with options to purchase agreements for a tower ladder fire truck and a pumper fire truck. The leases are dated November 8, 2004 and August 23, 2006 in the amounts of \$509,729 and \$396,480 and are payable in annual installments of \$63,127 and \$50,082 and bear interest at a rate of 4.09% and 4.49%, respectively.

If insufficient funds are available in the 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 payment 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 the agreement regarding rental payments for all remaining renewal terms shall be terminated.

**NOTE 5 - OPERATING LEASE**

The Board leases facilities from the Wall Fire Co. No. 1. Rent is paid monthly in the amount of \$2,000. As of April 1, 2009, the Fire District has a three year lease agreement with the Wall Fire Company No. 1 to store its vehicle and apparatus on the premises and for use of the meeting room.

Future minimum rental, under existing lease are as follows:

2012	\$ 4,000
------	----------

**NOTE 6 - FUNDING**

The activities of the Township of Wall Fire District No. 1 are primarily funded by the striking of a fire tax on the property owners of the Fire District, as provided for by state statute. For the years ended December 31, 2011 and 2010, the fire tax rate on Fire District No. 1 was \$.083 and \$.072 per \$100 of assessed valuation.

The tax revenue is supplemented by income earned on surplus funds invested in savings during the year.

BOARD OF FIRE COMMISSIONERS  
DISTRICT NO. 1  
TOWNSHIP OF WALL  
NOTES TO FINANCIAL STATEMENTS

**NOTE 7 - INTERFUND TRANSACTIONS AND BALANCES**

Transfers are used to move expenditures from one cost category to another. During the year, the Length of Service Award Program expenditure line was over expended in total by \$550 due to the prior year funding of the Program for \$2,900. The total expenditures for the year were within the budgeted amount.

**NOTE 8 - LENGTH OF SERVICE AWARDS PROGRAM (LOSAP)**

The Fire District offers its employees a Length of Service Awards Program in accordance with Internal Revenue Code Section 457 which has been approved by the Director of the Division of Local Government Services. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the Program and all income attributed to those amounts are the exclusive property of the Fire District, subject to the claims of its general creditors. Participants' rights under the Program are equal to those of a general creditor of the Fire District in an amount equal to the fair market value of the deferred account for each participant. It is unlikely that the Fire District would use Program assets to satisfy claims of the general creditors in the future.

The District has selected The Lincoln National Life Insurance Company to administer its LOSAP program. Contributions by the district to this program have been made each year since its inception. The budgeted amount of contribution for 2011 and 2010 was \$27,500 and \$27,000, respectively, and the contribution made in 2011 and 2010 was \$27,500 and \$15,950, respectively. The remaining budget is reserved for future distribution. Since this plan is administered by an outside insurance company, it was not made part of this audit. Detail of this program can be obtained from Township of Wall Fire District No. 1 upon request.

**NOTE 9 - EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND OPERATING STATEMENTS AND THE STATEMENT OF ACTIVITIES**

The "net change in fund balances" for governmental funds \$25,508 differs from the "change in net assets" for governmental activities, (\$55,363). The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial focus of the governmental funds.

1. When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds this amount was \$50,056. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas, net assets decrease by the amount of depreciation expense charged for the year. Depreciation expense for the year ended December 31, 2011 is \$112,456.
2. Repayments of debt principal are reported as expenditures in governmental funds and, thus, have the effect of reducing fund balance because current financial resources have been used. For the Fire District as a whole, however, the principal payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities. The amount of debt principal repayment for 2011 is \$92,255.

BOARD OF FIRE COMMISSIONERS  
DISTRICT NO. 1  
TOWNSHIP OF WALL  
NOTES TO FINANCIAL STATEMENTS

**NOTE 10 - RISK ASSESSMENT**

The District is exposed to various risks of loss related to limited torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past two years.

**NOTE 11 - SUBSEQUENT EVENTS**

The District has evaluated subsequent events through April 26, 2012, the date that the financial statements were available to be issued. No significant subsequent events have been identified that would require adjustment of or disclosure in the accompanying consolidated financial statements.

BOARD OF FIRE COMMISSIONERS  
DISTRICT NO. 1  
TOWNSHIP OF WALL  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Budgeted Amounts</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
<b>Revenues</b>				
Amount raised by taxation	\$ 383,689	\$ 383,689	\$ 383,689	\$ -
Interest income	2,000	2,000	2,418	(418)
Other income	-	-	4,994	(4,994)
Gain on sale of equipment	-	-	1,136	(1,136)
	<u>385,689</u>	<u>385,689</u>	<u>392,237</u>	<u>(6,548)</u>
<b>Total revenues</b>				
<b>Expenditures</b>				
Administrative costs:				
Salary - Commissioners	4,750	4,750	4,750	-
Election	600	600	541	59
Advertising	200	200	113	87
Administration	1,700	1,700	3,020	(1,320)
Professional fees	9,500	9,500	7,166	2,334
Cost of Operations:				
Rental charges	24,000	24,000	24,000	-
Utilities	13,000	13,000	10,348	2,652
Communication	2,938	2,938	2,102	836
Truck fuel	5,000	5,000	6,482	(1,482)
Repairs and maintenance	14,000	14,000	26,247	(12,247)
Material and supplies	1,000	1,000	2,149	(1,149)
Training and education	2,500	2,500	462	2,038
Certification & testing	10,000	10,000	6,087	3,913
Fire fighting equipment	40,192	40,192	41,037	(845)
Building repairs	4,000	4,000	1,292	2,708
Insurance	51,500	51,500	40,118	11,382
Other costs	600	600	-	600
Length of Service Award Program	27,000	27,000	27,550	(550)
Debt Service				
Principal	92,255	92,255	92,255	-
Interest	20,954	20,954	20,954	-
Equipment	60,000	60,000	50,056	9,944
	<u>385,689</u>	<u>385,689</u>	<u>366,729</u>	<u>18,960</u>
<b>Total expenditures</b>				
Excess of expenditures over revenue	-	-	25,508	(25,508)
Net change in fund balance	-	-	25,508	(25,508)
Fund Balance - Beginning	153,003	153,003	153,003	-
Fund Balance - Ending	<u>\$ 153,003</u>	<u>\$ 153,003</u>	<u>\$ 178,511</u>	<u>\$ (25,508)</u>

The accompanying notes are an integral part of these financial statements.

BOARD OF FIRE COMMISSIONERS  
DISTRICT NO. 1  
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 for the current and preceding four years.

<u>Calendar Year</u>	<u>Assessed Valuations (Unaudited)</u>	<u>Total Tax Levy</u>	<u>Property Tax Rates</u>
12/31/2011	\$ 466,170,300	\$ 383,689	0.083
12/31/2010	465,040,900	333,751	0.072
12/31/2009	469,549,500	311,730	0.067
12/31/2008	470,746,200	296,861	0.063
12/31/2007	493,665,158	247,000	0.050

**Unassigned Fund Balance**

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

<u>Calendar Year Ended</u>	<u>End of Calendar Year</u>	<u>Utilization in Current Budget</u>
12/31/2011	\$ 178,511	\$ -
12/31/2010	153,003	4,417
12/31/2009	157,420	-
12/31/2008	141,534	-
12/31/2007	118,353	33,093

BOARD OF FIRE COMMISSIONERS  
DISTRICT NO. 1  
TOWNSHIP OF WALL  
ROSTER OF OFFICIALS  
DECEMBER 31, 2011

Name

Board of Commissioners

Title

William R. Davenport

President

Robert Hendrickson

Vice President

Norman R. Stelling

Secretary

Edward Miles

Treasurer



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

Board of Fire Commissioners  
District No. 1  
Township of Wall

We have audited the financial statements of Board of Fire Commissioners, District No. 1, Township of Wall, as of and for the year ended December 31, 2011, and have issued our report thereon dated April 26, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Board of Fire Commissioners, District No. 1, Township of Wall's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Board of Fire Commissioners, District No. 1, Township of Wall's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board of Fire Commissioners, District No. 1, Township of Wall's internal control over financial reporting.

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

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

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board of Fire Commissioners, District No. 1, Township of Wall'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* and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

This report is intended for the information of the Board of Fire Commissioners, District No. 1, Township of Wall, and the Department of Community Affairs, State of New Jersey. However, this report is a matter of public record and its distribution is not limited.

  
NERAL & COMPANY, PA  
Certified Public Accountants

Wall, New Jersey  
April 26, 2012