

**BOARD OF FIRE
COMMISSIONERS**

FIRE DISTRICT NO. 3

TOWNSHIP OF MIDDLE, NEW JERSEY

AUDIT REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2009**

**BOARD OF COMMISSIONERS
MIDDLE TOWNSHIP FIRE DISTRICT NO. 3**

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page #</u>
Independent Auditor's Report		1-2
Required Supplemental Information - Part I		
Management Discussion and Analysis		3-5
Basic Financial Statements		
Statement of Net Assets	A	6
Statement of Activities	B	7
Balance Sheet - General Funds	C	8
Reconciliation of the Governmental Fund Balance Sheet	D	9
Statement of Revenue, Expenditures and Changes in Fund Balance	E	10
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances	F	11
Statement of Fiduciary Net Assets	G	12
Notes to Financial Statements		13-17
Required Supplemental Information - Part II		
Statement of Revenue, Expenditures and Changes in Fund Balance Budget to Actual	H	18
Other Supplementary Information		
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 Financial Statement Findings		21
Status of Prior Year Findings		22

**ALLIANCE OF
GOVERNMENTAL
AUDITORS, LLC**

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INDEPENDENT AUDITORS' REPORT

The Board of Commissioners
of Middle Township Fire District #3
Township of Middle, New Jersey

We have audited the accompanying financial statements of the governmental activities and each major fund of the Board of Commissioners of Middle Township Fire District #3, Township of Middle, New Jersey, as of and for the year ended December 31, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board of Commissioners of Middle Township Fire District #3, Township of Middle's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Length of Service Award Program information included in Fiduciary Funds Exhibit G has not been audited.

In our opinion except for the Length of Service Award Program identified in the third paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the governmental fund of the Board of Commissioners of Middle Township Fire District #3, Township of Middle, New Jersey as of December 31, 2009 and the respective changes in financial position thereof for the 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 30, 2010 on our consideration of the Board of Commissioners of Middle Township Fire District #3, Township of Middle, New Jersey's internal control structure over financial reporting and on 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 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 Discussion and Analysis and Budgetary Comparison Information as listed in the table of contents are not a required part of the basic financial statements but is 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.

Robert E Swartz, CPA

Robert E Swartz, CPA
Registered Municipal Accountant
No. 319

Alliance of Governmental Auditors, LLC

Alliance of Governmental Auditors, LLC
Certified Public Accountants

April 30, 2010

REQUIRED SUPPLEMENTARY INFORMATION - PART I

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Management Discussion and Analysis

This section of the Middle Township Fire District #3's (District) annual financial report presents management's analysis of the District's financial condition and activities for the year. This information should be read in conjunction with the financial statements.

Financial Highlights

The District's net assets have increased due to an excess of revenues over expenses. Overall the District's expenses increased approximately \$31,000 due to an increase in the cost of insurance and equipment purchases as compared to 2008. Revenues increased approximately \$13,000 due to an increase in the tax levy.

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. The District's operations are conducted solely through a general fund.

Reporting the District as a Whole

The Statement of Net Assets and the Statement of Activities report information about the District as a whole, these statements include all assets and liabilities using the full accrual basis of accounting. All of the current year's revenues and expenses are taken into account when the revenue is earned or the expense is incurred. 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 indicators of whether its financial position is improving or deteriorating. You will, however, need to consider other non-financial factors, such as changes in the District's tax base, to assess the overall health of the District.

The District's activities are reported as governmental activities. The District is primarily financed through the levying of property taxes.

The District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances remaining at year-end that are available for spending. The fund is reported using the modified accrual method 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 District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the differences between governmental activities and governmental funds in a reconciliation detailed on Exhibit F.

The District as a Whole

The District's beginning net assets were \$110,810 and the ending net assets are \$115,593 representing an increase of \$4,783.

The following is a summary of the District's Net Assets as of December 31, 2009 and 2008:

ASSETS	2009	2008
Cash and cash equivalents	\$ 174,397	149,329
Total Assets	<u>174,397</u>	<u>149,329</u>
LIABILITIES		
Accounts Payable	35,804	4,019
Due to LOSAP Trust	23,000	34,500
Total Liabilities	<u>58,804</u>	<u>38,519</u>
NET ASSETS		
Unrestricted	115,593	110,810
Total Net Assets	<u>\$ 115,593</u>	<u>110,810</u>

The following is the summary of the changes in Net Assets for the year ended December 31, 2009 and 2008:

	2009	2008	\$ Change	% Change
General Revenues:				
Tax Levy	\$ 317,364	303,924	13,440	4%
Interest	285	449	(164)	-37%
Total Revenue	317,649	304,373	13,276	4%
Expenses:				
Fire Protection				
Maintenance and Repairs	26,167	17,441	8,726	50%
Fire Contract	120,000	115,000	5,000	4%
Utilities	29,145	30,372	(1,227)	-4%
Communications	7,166	6,201	965	16%
Nonbondable Assets	49,746	38,365	11,381	30%
Length of Service Awards Program	23,000	34,500	(11,500)	-33%
General and Administrative				
Commissioner Fees	5,400	5,400	-	0%
Insurance	43,048	26,648	16,400	62%
Professional Services	7,726	6,266	1,460	23%
Elections	632	450	182	40%
Office Expenses	836	1,093	(257)	-24%
Total Expenses	312,866	281,736	31,130	11%
Increase/(Decrease) In Net Assets	\$ 4,783	22,637	(17,854)	-79%

Governmental Fund Financial Analysis

Governmental funds represent 100% of the District's funds; the District has no enterprise funds.

At the end of 2009 the District's governmental funds reported a combined fund balance of \$115,593, an increase of \$4,783 from 2008. This increase is due to less individuals meeting the requirements for the LOSAP program.

Contacting the District's Management

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions about this report or need additional financial information, contact the Chairman of the Board of Fire Commissioners, Middle Township Fire District #3, P.O. Box 195 in Green Creek, NJ.

BASIC FINANCIAL STATEMENTS

THE BOARD OF COMMISSIONERS OF FIRE DISTRICT NO. 3
TOWNSHIP OF MIDDLE
STATEMENT OF NET ASSETS
DECEMBER 31, 2009

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 174,397
	174,397
Total Assets	174,397
 LIABILITIES	
Accounts payable	35,804
Due to LOSAP trust fund	23,000
	58,804
Total Liabilities	58,804
 NET ASSETS	
Unrestricted	115,593
Total Net Assets	\$ 115,593

THE BOARD OF COMMISSIONERS OF FIRE DISTRICT NO. 3
TOWNSHIP OF MIDDLE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009

	Expenses	Program Revenue Fees, Fines & Charges For Services	Net (Expenses)/Revenues and Changes in Net Assets Governmental Activities
Governmental Activities:			
Fire Protection:			
Administration	\$ 57,642		(57,642)
Cost of Providing Services	255,224		(255,224)
Total Fire Protection Expenses	<u>312,866</u>	-	<u>(312,866)</u>
Total Governmental Activities	<u>312,866</u>	-	<u>(312,866)</u>
General Revenues:			
Taxes			317,364
Interest			285
Total General Revenues			<u>317,649</u>
Change in Net Assets			4,783
Net Assets - Beginning			110,810
Net Assets - Ending			<u>\$ 115,593</u>

THE BOARD OF COMMISSIONERS OF FIRE DISTRICT NO. 3
 TOWNSHIP OF MIDDLE
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 DECEMBER 31, 2009

	General Fund	Total Governmental Fund
ASSETS		
Cash and cash equivalents	\$ 174,397	174,397
Total Assets	<u>174,397</u>	<u>174,397</u>
LIABILITIES AND FUND BALANCES		
Accounts payable	35,804	35,804
Due to other funds	23,000	23,000
Total Liabilities	<u>58,804</u>	<u>58,804</u>
FUND BALANCE		
Unreserved	115,593	115,593
	<u>115,593</u>	<u>115,593</u>
Total Liabilities and Fund Balances	<u>\$ 174,397</u>	<u>174,397</u>

THE BOARD OF COMMISSIONERS OF FIRE DISTRICT NO. 3
TOWNSHIP OF MIDDLE
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2009

Total fund balances for governmental funds \$ 115,593

Total net assets of governmental activities \$ 115,593

THE BOARD OF COMMISSIONERS OF FIRE DISTRICT NO. 3
TOWNSHIP OF MIDDLE
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2009

	General Fund	Total Governmental Funds
REVENUES		
Property taxes	\$ 317,364	317,364
Interest	285	285
Total Revenues	317,649	317,649
EXPENDITURES		
Administrative	57,642	57,642
Fire Protection	182,478	182,478
Non-Bondable Assets	49,746	49,746
Length of Service Awards Program	23,000	23,000
Total Expenditures	312,866	312,866
Excess of revenues over expenditures	4,783	4,783
Net Change in Fund Balance	4,783	4,783
Fund balance beginning	110,810	110,810
Fund balance ending	\$ 115,593	115,593

See Accompanying Notes to Financial Statements

THE BOARD OF COMMISSIONERS OF FIRE DISTRICT NO. 3
TOWNSHIP OF MIDDLE
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2009

Net change in fund balance - total governmental funds \$ 4,783

The change in net assets for governmental activities in the statement of activities is different because:

None

\$ 4,783

Exhibit G

THE BOARD OF COMMISSIONERS OF FIRE DISTRICT NO. 3
TOWNSHIP OF MIDDLE
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2009
(UNAUDITED)

	Expendable Trust Fund
ASSETS	
Investments	\$ 126,826
Due from other funds	23,000
Total Assets	<u>149,826</u>
NET ASSETS	
Held in Trust for LOSAP	<u>\$ 149,826</u>

See Accompanying Notes to Financial Statements

**The Board of Commissioners of Middle Fire District #3
Township of Middle
Notes to Financial Statements
December 31, 2009**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Middle Fire District #3 operates with an elected Board of Commissioners. The District performs fire protection services in the Township of Middle, Cape May County, New Jersey.

The financial statements of the Board of Commissioners of Fire District #3, Township of Middle (the "District"), have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the District are discussed below.

A. Reporting Entity

The District is an instrumentality/subordinate entity of the State of New Jersey, established to function as a taxing entity to provide fire suppression in the Green Creek area of Middle Township. The Board consists of five (5) elected officials and is responsible for the fiscal control of the District. A secretary and treasurer are appointed by the Board and are responsible for the administrative control of the District.

Middle Township Fire District #3 is not a component unit of any other financial reporting entity nor does the Fire District have any component units to be presented in accordance with Governmental Accounting Standards Board Statement No. 34.

B. Basic Financial Statements -Government-Wide Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The District has no business type activities. In the government-wide Statement of Net Assets, the governmental column (a) is presented on a consolidated basis by column, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts—invested in capital assets, net of related debt, restricted and unrestricted net assets.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants. The net costs (by function) are normally covered by general revenue (property taxes, intergovernmental revenues, interest income, etc). The District does not allocate indirect costs.

**The Board of Commissioners of Middle Fire District #3
Township of Middle
Notes to Financial Statements
December 31, 2009**

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

C. Basic Financial Statements—Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the District:

Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the District:

a. General fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Fiduciary Funds:

a. Expendable trust funds are used to account for assets held by the District as a trustee for individuals, other governments or other entities. Expendable trust funds account for assets where both the principal and interest may be spent.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

The government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

**The Board of Commissioners of Middle Fire District #3
Township of Middle
Notes to Financial Statements
December 31, 2009**

E. Financial Statement Amounts

1. Cash and Cash Equivalents:

The District has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with fiscal agent.

2. Capital Assets:

Capital assets purchased or acquired are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

3. Revenues:

Substantially all governmental fund revenues are accrued. Property taxes are billed and collected within the same period in which the taxes are levied. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as non-operating revenue based on GASBS No. 33. In applying GASBS No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

4. Expenditures:

Expenditures are recognized when the related fund liability is incurred. Inventory costs are reported in the period when inventory items are purchased.

F. Budgets/Budgetary Control

Annual appropriated budgets are prepared each year for the general fund. The budgets are submitted to the Bureau of Authority Regulations Division of Local Government Services and are voted upon at the annual District's election. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. All budget transfers must be approved by resolution of the Fire Commissioners, as well as the State of New Jersey. The following significant budget transfers were approved:

	<u>To</u>	<u>From</u>
Legal/Professional		3,000
Insurance	3,000	
Maintenance & Repairs	4,000	
Equipment	9,000	
Utilities		13,000
	<u>16,000</u>	<u>16,000</u>

**The Board of Commissioners of Middle Fire District #3
Township of Middle
Notes to Financial Statements
December 31, 2009**

Formal budgetary integration into the accounting system is employed as a management control device during the year which complies with generally accepted accounting principles. Encumbrance accounting is also employed as an extension of formal budgetary integration in the government fund types. Unencumbered appropriations lapse at fiscal year end.

G. Use of 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.

NOTE 2: INVESTMENTS

Interest Rate Risk. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes 40A:5-15.1(a) limits the length of time for most investments to 397 days.

Credit Risk. New Jersey Statutes 40A:5-15.1(a) limits District investments to those specified in the Statutes. The type of allowable investments are Bonds of the United States of America or of the local unit or school districts of which the local unit is a part of; obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

Concentration of Credit Risk. The District places no limit on the amount the District may invest in any one issuer.

Unaudited Investments

As more fully described in Note #6, the District has created a Length of Service Award Program (LOSAP) for emergency service volunteers. The LOSAP investments are similar to those allowed in a deferred compensation program as specified in NJSA 43:15B-1 et. seq. except that all investments are retained in the name of the District. All investment are valued at contract value. In accordance with NJAC 5:30-14.37 the investments are maintained by Lincoln Financial Advisors, which is an authorized provider approved by the Division of Local Government Services. Information on the investments is not available at this time.

NOTE 3: CASH

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The municipality's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. As of December 31, 2009, \$0 of the municipality's bank balance of \$179,818 was exposed to custodial credit risk.

**The Board of Commissioners of Middle Fire District #3
Township of Middle
Notes to Financial Statements
December 31, 2009**

NOTE 4: INTER LOCAL SERVICE AGREEMENT

The Fire District has signed an agreement with Green Creek Volunteer Fire Company. This agreement states that Green Creek Volunteer Fire Company will provide Middle Township Fire District with necessary fire extinguishment services including manpower and equipment for a fee of \$120,000. The fee for the 2010 calendar year remains at \$120,000.

The Fire District also signed an agreement with Middle Township Fire District #1. This agreement states that Middle Township Fire District #1 will provide Fire Bureau Inspection Services and will collect all fees paid by the property owners related to the services. No fee will be paid by Middle Township Fire District #3.

NOTE 5: RISK MANAGEMENT

The Fire District is exposed to various risks of loss related to torts, theft, casualty, errors and omissions and other losses for which the District carries commercial insurance. Settled claims have not exceeded insurance coverage in any of the past two years.

NOTE 6: LENGTH OF SERVICE AWARDS PROGRAM (UNAUDITED)

During the year 2005 the voters of Middle Township Fire District No. 1 approved the establishment of a Length of Service Awards Program (LOSAP) Deferred Compensation Plan. This plan is made available to all bona fide eligible volunteers who are performing qualified services which are defined as fire fighting and prevention services, emergency medical services and ambulance services pursuant to Section 457 of the Internal Revenue Code of 1986, as amended, except for provisions added by reason of the LOSAP as enacted into federal law in 1997. The establishment of this LOSAP will also comply with New Jersey Public Law 1997, Chapter 388 and the LOSAP Document. The plan is administered by Lincoln Life Insurance Company and Lincoln Financial Group, its agent. The LOSAP Deferred Compensation Plan has not been audited.

NOTE 7: NET ASSETS

As of December 31, 2009, unrestricted net assets amounted to \$115,593.

NOTE 8: INTERFUND RECEIVABLES AND PAYABLES

As of December 31, 2009, an interfund remained from the General Fund to the Fiduciary Fund in the amount \$23,000 for LOSAP. The interfund is due to the fact that LOSAP does not have a separate bank account. The interfund will be repaid in the subsequent year.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

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**THE BOARD OF COMMISSIONERS OF FIRE DISTRICT NO. 3
TOWNSHIP OF MIDDLE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budget</u>	<u>Adjusted Final Budget</u>	<u>2009 Actual</u>	<u>Variance - Over (Under)</u>
Revenues:				
Interest Earned			285	285
District Taxes	\$ 317,674	317,674	317,364	(310)
Total Revenues	<u>317,674</u>	<u>317,674</u>	<u>317,649</u>	<u>(25)</u>
Expenditures:				
Operating and Maintenance:				
Administration:				
Commissioner Fees	5,420	5,420	5,400	20
Insurance	40,000	43,000	43,048	(48)
Professional Services	12,000	9,000	7,726	1,274
Election	500	500	632	(132)
Office Expenses	6,000	6,000	836	5,164
Administrative Expenses	500	500	-	500
Total Administration	<u>64,420</u>	<u>64,420</u>	<u>57,642</u>	<u>6,778</u>
Cost of Operations & Maintenance:				
Maintenance and Repairs	18,000	22,000	26,167	(4,167)
Fire Contract	120,000	120,000	120,000	-
Utilities	43,000	30,000	29,145	855
Communications	7,500	7,500	7,166	334
Non-Bondable Assets	30,000	39,000	49,746	(10,746)
Total Cost of Operations and Maintenance	<u>218,500</u>	<u>218,500</u>	<u>232,224</u>	<u>(13,724)</u>
Total Expenditures	<u>282,920</u>	<u>282,920</u>	<u>289,866</u>	<u>(6,946)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>34,754</u>	<u>34,754</u>	<u>27,783</u>	<u>(6,971)</u>
Other Financing (Uses):				
Operating Transfers (Out):				
(LOSAP) - Contribution (PL 1997, C 388)	(40,250)	(40,250)	(23,000)	17,250
Total Other Financing (Uses)	<u>(40,250)</u>	<u>(40,250)</u>	<u>(23,000)</u>	<u>17,250</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(5,496)	(5,496)	4,783	10,279
Fund Balances - Beginning of Year	<u>110,810</u>	<u>110,810</u>	<u>110,810</u>	<u>-</u>
Fund Balances - End of Year	<u>\$ 105,314</u>	<u>105,314</u>	<u>115,593</u>	<u>10,279</u>

See Accompanying Auditor's Report

SUPPLEMENTARY INFORMATION

**ALLIANCE OF
GOVERNMENTAL
AUDITORS, LLC**

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A JOINT VENTURE OF

SWARTZ & CO.,LLC &

TRACEY HEUN BRENNAN & CO. CPAs, PC

**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***

To the Board of Commissioners
Township of Middle Fire District #3
Township of Middle, NJ

We have audited the financial statements of the Board of Commissioners of Township of Middle Fire District #3, Township of Middle, New Jersey (the "District") as of and for the year ended December 31, 2009, and have issued our report which was qualified for the Length of Service Awards Program that was not audited thereon dated April 30, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division").

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and management responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a

deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and management responses, to be material weaknesses: 09-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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*.

We noted certain matters that we reported to management of the District in a separate letter dated April 30, 2010.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Commissioners and is not intended to be and should not be used by anyone other than these specified parties.

Robert E. Swartz

Robert E. Swartz, CPA
Registered Municipal Accountant
No. 319

Alliance of Governmental Auditors

Alliance of Governmental Auditors, LLC
Certified Public Accountants

April 30, 2010

**THE BOARD OF COMMISSIONERS OF MIDDLE TOWNSHIP FIRE DISTRICT #3
SCHEDULE OF FINDINGS AND MANAGEMENT RESPONSES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009**

Schedule of Financial Statement Findings

Finding 09-1

Criteria:

Entities are required to employ or contract with an individual or consultant with sufficient knowledge and experience to accurately prepare a complete set of financial statements, including related disclosures.

Condition:

The District was unable to provide a complete set of financial statements, including related disclosures.

Cause:

The District does not currently employ or contract with an individual or consultant with the knowledge and experience to prepare a complete set of financial statements, including related disclosures.

Effect:

District personnel are unable to provide the governing body with year end financial reports, including related disclosures; that are in compliance with generally accepted accounting principles.

Recommendation:

That District personnel receive additional training in financial statement preparation, including all related disclosures.

Management Response

Management has determined that it is not cost effective to have individuals trained to prepare financial statements and related disclosures.

**THE BOARD OF COMMISSIONERS OF MIDDLE TOWNSHIP FIRE DISTRICT #3
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009**

STATUS OF PRIOR YEAR FINDINGS

Finding 08-1

The District was unable to provide a complete set of financial statements, including related disclosures.

Current Status

This finding was not cleared in 2009.

Management Response

Management has determined that it is not cost effective to have individuals trained to prepare financial statements and related disclosures.