

**BOARD OF FIRE
COMMISSIONERS**

FIRE DISTRICT NO. 3

TOWNSHIP OF MIDDLE, NEW JERSEY

AUDIT REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2010**

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

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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, 2010, 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, 2010 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 8, 2011 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

Swartz & Co., LLC

Swartz & Co., LLC
Certified Public Accountants

April 8, 2011

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 \$66,245 due to fund raised and reserved for the future purchase of fire equipment. Overall the District's expenses increased approximately \$30,000 due to an increase in the cost of utilities and equipment purchases as compared to 2009. Revenues increased approximately \$92,000 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 day to day 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 \$115,593 and the ending net assets are \$181,838 representing an increase of \$66,245.

The following is a summary of the District's Net Assets as of December 31, 2010 and 2009:

ASSETS	2010	2009
Cash and cash equivalents	\$ 235,753	174,397
Total Assets	<u>235,753</u>	<u>174,397</u>
LIABILITIES		
Accounts Payable	28,615	35,804
Due to LOSAP Trust	25,300	23,000
Total Liabilities	<u>53,915</u>	<u>58,804</u>
NET ASSETS		
Unrestricted	181,838	115,593
Total Net Assets	<u>\$ 181,838</u>	<u>115,593</u>

The following is the summary of the changes in Net Assets for the year ended December 31, 2010 and 2009:

	2010	2009	\$ Change	% Change
General Revenues:				
Tax Levy	\$ 407,585	317,364	90,221	28%
Interest	1,887	285	1,602	562%
Total Revenue	409,472	317,649	91,823	29%
Expenses:				
Fire Protection				
Maintenance and Repairs	13,443	26,167	(12,724)	-49%
Fire Contract	120,000	120,000	-	0%
Utilities	45,906	29,145	16,761	58%
Communications	8,610	7,166	1,444	20%
Nonbondable Assets	58,682	49,746	8,936	18%
Training	500	-	500	100%
Length of Service Awards Program	25,300	23,000	2,300	10%
General and Administrative				
Commissioner Fees	15,000	5,400	9,600	178%
Insurance	46,444	43,048	3,396	8%
Professional Services	7,295	7,726	(431)	-6%
Elections	900	632	268	42%
Office Expenses	1,147	836	311	37%
Total Expenses	343,227	312,866	30,361	10%
Increase/(Decrease) In Net Assets	\$ 66,245	4,783	61,462	1285%

Governmental Fund Financial Analysis

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

At the end of 2010 the District's governmental funds reported a combined fund balance of \$181,838, an increase of \$66,245 over 2009. This increase is due to an increase in the reserve for future capital outlay.

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, 2010

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 235,753
	<hr/>
Total Assets	<u><u>235,753</u></u>
 LIABILITIES	
Accounts payable	28,615
Due to LOSAP trust fund	25,300
	<hr/>
Total Liabilities	<u><u>53,915</u></u>
 NET ASSETS	
Unrestricted	181,838
	<hr/>
Total Net Assets	<u><u>\$ 181,838</u></u>

THE BOARD OF COMMISSIONERS OF FIRE DISTRICT NO. 3
TOWNSHIP OF MIDDLE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

	Expenses	Program Revenue Fees, Fines & Charges For Services	Net (Expenses)/Revenues and Changes in Net Assets Governmental Activities
Governmental Activities:			
Fire Protection:			
Administration	\$ 70,786		(70,786)
Cost of Providing Services	272,441		(272,441)
Total Fire Protection Expenses	<u>343,227</u>	-	<u>(343,227)</u>
Total Governmental Activities	<u>343,227</u>	-	<u>(343,227)</u>
General Revenues:			
Taxes			407,585
Interest			1,887
Total General Revenues			<u>409,472</u>
Change in Net Assets			66,245
Net Assets - Beginning			115,593
Net Assets - Ending			<u>\$ 181,838</u>

THE BOARD OF COMMISSIONERS OF FIRE DISTRICT NO. 3
TOWNSHIP OF MIDDLE
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010

	General Fund	Capital Projects Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 235,753		235,753
Due from other funds		75,000	75,000
Total Assets	235,753	75,000	310,753
LIABILITIES AND FUND BALANCES			
Accounts payable	28,615		28,615
Due to other funds	100,300		100,300
Total Liabilities	128,915	-	128,915
FUND BALANCE			
Reserved for Future Capital Outlays		75,000	75,000
Unreserved	106,838		106,838
	106,838	75,000	181,838
Total Liabilities and Fund Balances	\$ 235,753	75,000	310,753

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, 2010

Total fund balances for governmental funds \$ 181,838

Total net assets of governmental activities \$ 181,838

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, 2010

	General Fund	Capital Projects Fund	Total Governmental Funds
REVENUES			
Property taxes	\$ 407,585		407,585
Interest	1,887		1,887
Total Revenues	<u>409,472</u>		<u>409,472</u>
EXPENDITURES			
Administrative	70,786		70,786
Fire Protection	188,459		188,459
Non-Bondable Assets	58,682		58,682
Length of Service Awards Program	25,300		25,300
Total Expenditures	<u>343,227</u>		<u>343,227</u>
Excess of revenues over expenditures	<u>66,245</u>		<u>66,245</u>
Other Financing Sources/(Uses)			
Operating Transfers In/(Out)	<u>(75,000)</u>	75,000	-
Total Other Financing Sources/(Uses)	(75,000)	75,000	-
Net Change in Fund Balance	(8,755)	75,000	66,245
Fund balance beginning	115,593	-	115,593
Fund balance ending	<u>\$ 106,838</u>	<u>75,000</u>	<u>181,838</u>

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, 2010

Net change in fund balance - total governmental funds \$ 66,245

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

None

\$ 66,245

THE BOARD OF COMMISSIONERS OF FIRE DISTRICT NO. 3
 TOWNSHIP OF MIDDLE
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 DECEMBER 31, 2010
 (UNAUDITED)

	Expendable Trust Fund
	<u> </u>
ASSETS	
Investments	\$ 153,292
Due from other funds	25,300
	<u> </u>
Total Assets	<u>178,592</u>
NET ASSETS	
Held in Trust for LOSAP	<u>\$ 178,592</u>

**The Board of Commissioners of Middle Fire District #3
Township of Middle
Notes to Financial Statements
December 31, 2010**

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, 2010

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.
- b. Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

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

The Board of Commissioners of Middle Fire District #3
Township of Middle
Notes to Financial Statements
December 31, 2010

this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

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. No significant budget transfers were approved during the year.

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.

**The Board of Commissioners of Middle Fire District #3
Township of Middle
Notes to Financial Statements
December 31, 2010**

H. Recent Accounting Pronouncements

In February 2009, the Governmental Accounting Standards Board (GASB) adopted Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". This statement will become effective for fiscal periods beginning after June 15, 2010. The effective date for the District is the fiscal year beginning January 1, 2011. The objective of the statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications and clarifying the existing fund balance type definitions.

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, 2010, \$0 of the municipality's bank balance of \$258,183 was exposed to custodial credit risk.

**The Board of Commissioners of Middle Fire District #3
Township of Middle
Notes to Financial Statements
December 31, 2010**

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 2011 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, 2010, unrestricted net assets amounted to \$181,838. Of that amount \$75,000 has been reserved for future capital outlay.

**The Board of Commissioners of Middle Fire District #3
Township of Middle
Notes to Financial Statements
December 31, 2010**

NOTE 8: INTERFUND RECEIVABLES AND PAYABLES

As of December 31, 2010, an interfund remained from the General Fund to the Fiduciary Fund in the amount \$25,300 for LOSAP. The interfund is due to the 2010 LOSAP contribution due at year end. The interfund will be repaid in the subsequent year.

As of December 31, 2010, an interfund remained from the General Fund to the Capital Projects Fund in the amount \$75,000. The interfund is due to the fact that Capital Projects does not have a separate bank account.

NOTE 9: SUBSEQUENT EVENTS

The District has evaluated subsequent events through April 8, 2011, the date which the financial statements were available to be issued and no items were noted for disclosure.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

**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, 2010**

	Budget	Adjusted Final Budget	Actual	Variance - Over (Under)
Revenues:				
Interest Earned			1,887	1,887
District Taxes	\$ 407,585	407,585	407,585	-
Total Revenues	407,585	407,585	409,472	1,887
Expenditures:				
Operating and Maintenance:				
Administration:				
Commissioner Fees	6,500	6,500	15,000	(8,500)
Insurance	44,000	44,000	46,444	(2,444)
Professional Services	12,000	12,000	7,295	4,705
Election	650	650	900	(250)
Office Expenses	6,000	6,000	1,147	4,853
Administrative Expenses	500	500	-	500
Total Administration	69,650	69,650	70,786	(1,136)
Cost of Operations & Maintenance:				
Maintenance and Repairs	20,000	20,000	13,443	6,557
Fire Contract	120,000	120,000	120,000	-
Utilities	43,000	43,000	45,906	(2,906)
Communications	7,500	7,500	8,610	(1,110)
Training	3,000	3,000	500	2,500
Non-Bondable Assets	30,000	30,000	58,682	(28,682)
Total Cost of Operations and Maintenance	223,500	223,500	247,141	(23,641)
Capital Outlay	75,000	75,000	75,000	-
Total Expenditures	368,150	368,150	392,927	(24,777)
Excess (Deficiency) of Revenues Over Expenditures	39,435	39,435	16,545	(22,890)
Other Financing (Uses):				
Operating Transfers (Out):				
(LOSAP) - Contribution (PL 1997, C 388)	(40,250)	(40,250)	(25,300)	14,950
Total Other Financing (Uses)	(40,250)	(40,250)	(25,300)	14,950
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(815)	(815)	(8,755)	(7,940)
Fund Balances - Beginning of Year	115,593	115,593	115,593	-
Fund Balances - End of Year	\$ 114,778	114,778	106,838	(7,940)

See Accompanying Auditor's Report

SUPPLEMENTARY INFORMATION



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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, 2010, and have issued our report which was qualified for the Length of Service Awards Program that was not audited thereon dated April 8, 2011. 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: 10-1.

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 8, 2011.

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, CPA

Robert E Swartz, CPA
Registered Municipal Accountant
No. 319

Swartz & Co., LLC

Swartz & Co., LLC
Certified Public Accountants

April 8, 2011

**THE BOARD OF COMMISSIONERS OF MIDDLE TOWNSHIP FIRE DISTRICT #3
SCHEDULE OF FINDINGS AND MANAGEMENT RESPONSES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010**

Schedule of Financial Statement Findings

Finding 10-1

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, 2010**

STATUS OF PRIOR YEAR FINDINGS

Finding 09-1

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

Current Status

This finding was not cleared in 2010.

Management Response

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