

**BOARD OF FIRE  
COMMISSIONERS**

**FIRE DISTRICT NO. 3**

**TOWNSHIP OF MIDDLE, NEW JERSEY**

**AUDIT REPORT**

**FOR THE YEAR ENDED  
DECEMBER 31, 2011**



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

**TABLE OF CONTENTS**

	<u>Exhibit</u>	<u>Page #</u>
<b>Independent Auditor's Report</b>		1-2
<b>Required Supplemental Information - Part I</b>		
Management Discussion and Analysis		3-5
<b>Basic Financial Statements</b>		
Statement of Net Assets	A	6
Statement of Activities	B	7
Balance Sheet - Governmental 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
<b>Notes to Financial Statements</b>		13-18
<b>Required Supplemental Information - Part II</b>		
Statement of Revenue, Expenditures and Changes in Fund Balance Budget to Actual	H	19
<b>Other Supplementary Information</b>		
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		20-21
Schedule of Financial Statement Findings		22
Status of Prior Year Findings		23



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## INDEPENDENT AUDITOR'S 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, 2011, 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, 2011 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 March 9, 2012 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.

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis and Budgetary Comparison Information identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Robert E Swartz, CPA*

Robert E Swartz, CPA  
Registered Municipal Accountant  
No. 319

*Ford Scott & Associates, LLC*

Ford Scott & Associates, LLC  
Certified Public Accountants

March 9, 2012

**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 \$106,733 due to funds raised and reserved for the future purchase of fire equipment. Overall the District's expenses decreased approximately \$31,000 due to a decrease in insurance costs and equipment purchases as compared to 2010. Revenues increased approximately \$8,800 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 \$181,838 and the ending net assets are \$288,571 representing an increase of \$106,733.

The following is a summary of the District's Net Assets as of December 31, 2011 and 2010:

ASSETS	2011	2010
Cash and cash equivalents	\$ 351,368	235,753
Total Assets	<u>351,368</u>	<u>235,753</u>
LIABILITIES		
Accounts Payable	34,047	28,615
Due to LOSAP Trust	28,750	25,300
Total Liabilities	<u>62,797</u>	<u>53,915</u>
NET ASSETS		
Unrestricted	288,571	181,838
Total Net Assets	<u>\$ 288,571</u>	<u>181,838</u>

The following is the summary of the changes in Net Assets for the year ended December 31, 2011 and 2010:

	2011	2010	\$ Change	% Change
<b>General Revenues:</b>				
Tax Levy	\$ 417,718	407,585	10,133	2%
Interest	523	1,887	(1,364)	-72%
Total Revenue	418,241	409,472	8,769	2%
<b>Expenses:</b>				
Fire Protection				
Maintenance and Repairs	25,057	13,443	11,614	86%
Fire Contract	120,000	120,000	-	0%
Utilities	38,423	45,906	(7,483)	-16%
Communications	4,840	8,610	(3,770)	-44%
Nonbondable Assets	42,574	58,682	(16,108)	-27%
Training	2,045	500	1,545	309%
Length of Service Awards Program	31,050	25,300	5,750	23%
General and Administrative				
Commissioner Fees	-	15,000	(15,000)	-100%
Insurance	36,011	46,444	(10,433)	-22%
Professional Services	8,228	7,295	933	13%
Elections	680	900	(220)	-24%
Office Expenses	2,600	1,147	1,453	127%
Total Expenses	311,508	343,227	(31,719)	-9%
Increase/(Decrease) In Net Assets	\$ 106,733	66,245	40,488	61%

### **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 2011 the District's governmental funds reported a combined fund balance of \$288,571, an increase of \$106,733 over 2010. 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.

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## **BASIC FINANCIAL STATEMENTS**

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THE BOARD OF COMMISSIONERS OF FIRE DISTRICT NO. 3  
 TOWNSHIP OF MIDDLE  
 STATEMENT OF NET ASSETS  
 DECEMBER 31, 2011

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 351,368
	<hr/>
Total Assets	<u><u>351,368</u></u>
 <b>LIABILITIES</b>	
Accounts payable	34,047
Due to LOSAP trust fund	28,750
	<hr/>
Total Liabilities	<u><u>62,797</u></u>
 <b>NET ASSETS</b>	
Unrestricted	288,571
	<hr/>
Total Net Assets	<u><u>\$ 288,571</u></u>

THE BOARD OF COMMISSIONERS OF FIRE DISTRICT NO. 3  
TOWNSHIP OF MIDDLE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2011

	Expenses	Program Revenue Fees, Fines & Charges For Services	Net (Expenses)/Revenues and Changes in Net Assets Governmental Activities
Governmental Activities:			
Fire Protection:			
Administration	\$ 47,519		(47,519)
Cost of Providing Services	263,989		(263,989)
Total Fire Protection Expenses	<u>311,508</u>	-	<u>(311,508)</u>
Total Governmental Activities	<u>311,508</u>	-	<u>(311,508)</u>
General Revenues:			
Taxes			417,718
Interest			523
Total General Revenues			<u>418,241</u>
Change in Net Assets			106,733
Net Assets - Beginning			181,838
Net Assets - Ending			<u>\$ 288,571</u>

THE BOARD OF COMMISSIONERS OF FIRE DISTRICT NO. 3  
TOWNSHIP OF MIDDLE  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2011

	General Fund	Capital Projects Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 351,368		351,368
Due from other funds		150,000	150,000
<b>Total Assets</b>	<b>351,368</b>	<b>150,000</b>	<b>501,368</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Accounts payable	34,047		34,047
Due to other funds	178,750		178,750
<b>Total Liabilities</b>	<b>212,797</b>	<b>-</b>	<b>212,797</b>
<b>FUND BALANCE</b>			
Committed Fund Balance:			
Reserved for Future Capital Outlays		150,000	150,000
Unassigned Fund Balance	138,571		138,571
	138,571	150,000	288,571
<b>Total Liabilities and Fund Balances</b>	<b>\$ 351,368</b>	<b>150,000</b>	<b>501,368</b>

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, 2011

Total fund balances for governmental funds \$ 288,571

Total net assets of governmental activities \$ 288,571

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, 2011

	General Fund	Capital Projects Fund	Total Governmental Funds
<b>REVENUES</b>			
Property taxes	\$ 417,718		417,718
Interest	523		523
Total Revenues	418,241		418,241
<b>EXPENDITURES</b>			
Administrative	47,519		47,519
Fire Protection	190,365		190,365
Non-Bondable Assets	42,574		42,574
Length of Service Awards Program	31,050		31,050
Total Expenditures	311,508		311,508
Excess of revenues over expenditures	106,733		106,733
<b>Other Financing Sources/(Uses)</b>			
Operating Transfers In/(Out)	(75,000)	75,000	-
Total Other Financing Sources/(Uses)	(75,000)	75,000	-
Net Change in Fund Balance	31,733	75,000	106,733
Fund balance beginning	106,838	75,000	181,838
Fund balance ending	\$ 138,571	150,000	288,571

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, 2011

Net change in fund balance - total governmental funds \$ 106,733

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

None

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\$ 106,733

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THE BOARD OF COMMISSIONERS OF FIRE DISTRICT NO. 3  
 TOWNSHIP OF MIDDLE  
 STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 DECEMBER 31, 2011  
 (UNAUDITED)

	Expendable Trust Fund
ASSETS	
Investments	\$ 179,332
Due from other funds	28,750
Total Assets	208,082
NET ASSETS	
Held in Trust for LOSAP	\$ 208,082

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**The Board of Commissioners of Middle Fire District #3  
Township of Middle  
Notes to Financial Statements  
December 31, 2011**

**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, 2011**

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, 2011**

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. Fund Balances – Governmental Funds**

Middle Township Fire District #3 elected to implement GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in fiscal year 2011. In the fund financial statements, governmental funds report the following classifications of fund balance:

- Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.
- Restricted – includes amounts restricted by external sources (creditors, laws of other governments, ect.) or by constitutional provision or enabling legislation.
- Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the Board of Commissioners, the District’s highest level of decision making authority. Commitments may be modified or rescinded only through resolutions approved by the Board of Commissioners.
- Assigned – includes amounts that the District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the District’s policy, amounts may be assigned by the Board of Commissioners.
- Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund. The District reports all amounts that meet the unrestricted General Fund Balance Policy described below as unassigned:

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed,

**The Board of Commissioners of Middle Fire District #3  
Township of Middle  
Notes to Financial Statements  
December 31, 2011**

assigned, or unassigned fund balance are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

**4. 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.

**5. 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 material 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.

**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

**The Board of Commissioners of Middle Fire District #3  
Township of Middle  
Notes to Financial Statements  
December 31, 2011**

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, 2011, \$0 of the municipality's bank balance of \$362,452 was exposed to custodial credit risk.

**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 2012 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.

**The Board of Commissioners of Middle Fire District #3  
Township of Middle  
Notes to Financial Statements  
December 31, 2011**

**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, 2011, unrestricted net assets amounted to \$288,571. Of that amount \$150,000 has been reserved for future capital outlay.

**NOTE 8: INTERFUND RECEIVABLES AND PAYABLES**

As of December 31, 2011, an interfund remained from the General Fund to the Fiduciary Fund in the amount \$28,750 for LOSAP. The interfund is due to the 2011 LOSAP contribution due at year end. The interfund will be repaid in the subsequent year.

As of December 31, 2011, an interfund remained from the General Fund to the Capital Projects Fund in the amount \$150,000. 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 March 9, 2012, the date which the financial statements were available to be issued and no items were noted for disclosure.

**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, 2011**

	Budget	Adjusted Final Budget	Actual	Variance - Over (Under)
Revenues:				
Interest Earned			523	523
District Taxes	\$ 417,718	417,718	417,718	-
<b>Total Revenues</b>	<b>417,718</b>	<b>417,718</b>	<b>418,241</b>	<b>523</b>
Expenditures:				
Operating and Maintenance:				
Administration:				
Commissioner Fees	7,500	7,500	-	7,500
Insurance	50,000	33,105	36,011	(2,906)
Professional Services	9,000	7,284	8,228	(944)
Election	650	650	680	(30)
Office Expenses	6,000	2,439	2,600	(161)
Administrative Expenses	500	500	-	500
<b>Total Administration</b>	<b>73,650</b>	<b>51,478</b>	<b>47,519</b>	<b>3,959</b>
Cost of Operations & Maintenance:				
Maintenance and Repairs	27,818	22,787	25,057	(2,270)
Fire Contract	120,000	120,000	120,000	-
Utilities	43,000	44,716	38,423	6,293
Communications	5,000	5,000	4,840	160
Training	3,000	2,045	2,045	-
Non-Bondable Assets	30,000	56,442	42,574	13,868
<b>Total Cost of Operations and Maintenance</b>	<b>228,818</b>	<b>250,990</b>	<b>232,939</b>	<b>18,051</b>
Capital Outlay	75,000	75,000	75,000	-
<b>Total Expenditures</b>	<b>377,468</b>	<b>377,468</b>	<b>355,458</b>	<b>22,010</b>
Excess (Deficiency) of Revenues Over Expenditures	40,250	40,250	62,783	22,533
Other Financing (Uses):				
Operating Transfers (Out):				
(LOSAP) - Contribution (PL 1997, C 388)	(40,250)	(40,250)	(31,050)	9,200
<b>Total Other Financing (Uses)</b>	<b>(40,250)</b>	<b>(40,250)</b>	<b>(31,050)</b>	<b>9,200</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	-	-	31,733	31,733
Fund Balances - Beginning of Year	106,838	106,838	106,838	-
<b>Fund Balances - End of Year</b>	<b>\$ 106,838</b>	<b>106,838</b>	<b>138,571</b>	<b>31,733</b>

See Accompanying Auditor's Report

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## **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, 2011, and have issued our report which was qualified for the Length of Service Awards Program that was not audited thereon dated March 9, 2012. 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: 11-1.

### 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 March 9, 2012.

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

*Ford Scott & Associates, LLC*

Ford Scott & Associates, LLC  
Certified Public Accountants

March 9, 2012

**THE BOARD OF COMMISSIONERS OF MIDDLE TOWNSHIP FIRE DISTRICT #3  
SCHEDULE OF FINDINGS AND MANAGEMENT RESPONSES  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011**

*Schedule of Financial Statement Findings*

**Finding 11-1**

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, 2011**

*STATUS OF PRIOR YEAR FINDINGS*

**Finding 10-1**

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

**Current Status**

This finding was not cleared in 2011.

**Management Response**

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